

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

**Directors' Report and Audited Financial Statements**  
**31 December 2017**

**734161-K**

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

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**AIRASIA X BERHAD**  
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**Directors' report**

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

**Principal activities**

The principal activity of the Company is that of providing long haul air transportation services. The principal activities of the subsidiaries are disclosed in Note 14 to the financial statements.

**Financial results**

|                               | <b>Group</b><br><b>RM'000</b> | <b>Company</b><br><b>RM'000</b> |
|-------------------------------|-------------------------------|---------------------------------|
| Profit for the financial year | <u>98,886</u>                 | <u>100,251</u>                  |

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

**Dividend**

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2017.

**Issue of shares and debentures**

The Company did not issue any new shares and debentures during the financial year.

**AIRASIA X BERHAD**  
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**Directors**

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

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

The names of the directors of the Company's subsidiaries in office since the beginning of the financial year to the date of this report (not including those directors listed above) are:

Jean Marc Kin Voon Likamtin  
Benyamin Bin Ismail  
Natacha Sabrina Kong Hung Cheong  
Tommy Lo Seen Chong  
Wong Mee Yen  
Cheok Huei Shian

(Appointed on 14 March 2018)  
(Resigned on 19 December 2017)

**Directors' benefits**

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 6 to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which he is a member, or with a company in which the Director has a substantial financial interest, except as disclosed in Note 31 to the financial statements.

**Indemnity and insurance for Directors and officers**

The Directors and officers of the Company and its subsidiaries are covered under a Directors' and Officers' Liability Insurance up to an aggregate limit of RM50 million against any legal liability, if incurred by the Directors and officers of the Company and its subsidiaries in the discharge of their duties while holding office for the Company and its subsidiaries. The insurance premium payable by the Company was RM180,000 per annum.



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**Directors' remuneration**

The Directors' remuneration are disclosed in Note 6 to the financial statements.

**Directors' interests**

According to the Register of Directors' Shareholdings, the interests of the Directors in office at the end of the financial year in shares in the Company or its related corporations during and at the end of the financial year are as follows:

|  | 1.1.2017      | Number of ordinary shares |              | 31.12.2017    |
|--|---------------|---------------------------|--------------|---------------|
|  |               | Acquired                  | Disposed     |               |
| <b>The Company</b>                           |               |                           |              |               |
| <b>Datuk Kamarudin Bin Meranun</b>           |               |                           |              |               |
| Direct interest                              | 337,702,739   | -                         | -            | 337,702,739   |
| Indirect interest *                          | 1,163,602,394 | -                         | (27,715,056) | 1,135,887,338 |
| <b>Tan Sri Dr. Anthony Francis Fernandes</b> |               |                           |              |               |
| Direct interest                              | 87,303,728    | -                         | -            | 87,303,728    |
| Indirect interest *                          | 1,163,602,394 | -                         | (27,715,056) | 1,135,887,338 |
| <b>Lim Kian Onn</b>                          |               |                           |              |               |
| Indirect interest **                         | 197,833,356   | -                         | (22,000,000) | 175,833,356   |
| <b>Tan Sri Rafidah Aziz</b>                  |               |                           |              |               |
| Direct interest                              | 175,000       | -                         | -            | 175,000       |
| Indirect interest ***                        | 100,000       | -                         | -            | 100,000       |
| <b>Tan Sri Asmat Bin Kamaludin</b>           |               |                           |              |               |
| Direct interest                              | 297,400       | -                         | -            | 297,400       |
| Indirect interest ****                       | 40,000        | -                         | -            | 40,000        |
| <b>Dato' Yusli Bin Mohamed Yusoff</b>        |               |                           |              |               |
| Direct interest                              | 200,000       | -                         | (200,000)    | -             |

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**Directors' interests (cont'd.)**

- \* Deemed interest by virtue of their shareholding interests in AirAsia Berhad and Tune Group Sdn Bhd pursuant to Section 8A of the Companies Act 2016.
- \*\* Pursuant to Section 59(11)(c) of the Companies Act 2016, the interests of spouse and children of Lim Kian Onn in the shares of the Company shall also be treated as the interest of Lim Kian Onn.
- \*\*\* Pursuant to Section 59(11)(c) of the Companies Act 2016, the interest of spouse (deceased) of Tan Sri Rafidah Aziz in the shares of the Company shall also be treated as the interest of Tan Sri Rafidah Aziz.
- \*\*\*\* Pursuant to Section 59(11)(c) of the Companies Act 2016, the interests of spouse and children of Tan Sri Asmat Bin Kamaludin in the shares of the Company shall also be treated as the interest of Tan Sri Asmat Bin Kamaludin.

None of the other Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

**Employees' share option scheme ("ESOS")**

The Company had implemented an Employees' Share Option Scheme ("ESOS") to eligible employees of the Group. The tenure of the ESOS shall be five (5) years with an option to extend for a further five (5) years, subject to a maximum duration of ten (10) years.

The salient features of the ESOS are disclosed in Note 28 of the financial statements.

The number of options granted under ESOS during the financial year and the number of options outstanding at the end of the financial year are as follows:

|                            | <b>1.1.2017</b> | <b>Exercised</b> | <b>Forfeited</b> | <b>31.12.2017</b> |
|----------------------------|-----------------|------------------|------------------|-------------------|
| First grant on 1 July 2013 |                 |                  |                  |                   |
| - Ordinary shares          | 3,770,663       | -                | (3,770,663)      | -                 |

None of the Directors were granted any options as they are not eligible to participate in the ESOS under the By-Law of the Scheme.

On 11 October 2017, the ESOS had expired and the Board of Directors had resolved that there shall be no further extension and/or renewal on the ESOS.

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**Other statutory information**

- (a) Before the statements of profit or loss, statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in these financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.



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**Other statutory information (cont'd.)**

(f) In the opinion of the Directors:

- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

**Auditors and auditors' remuneration**

The auditors, Ernst & Young, have expressed their willingness to continue in office.

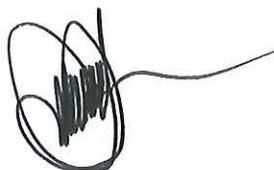
Auditors' remuneration are disclosed in Note 7 to the financial statements.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been paid to indemnify Ernst & Young during or since the financial year.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 27 March 2018.



Tan Sri Rafidah Aziz  
Director



Datuk Kamarudin Bin Meranun  
Director

Kuala Lumpur, Malaysia

**AIRASIA X BERHAD**  
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**Statements of profit or loss**  
**For the financial year ended 31 December 2017**

|   | Note | Group          |                | Company        |                |
|---|------|----------------|----------------|----------------|----------------|
|   |      | 2017           | 2016           | 2017           | 2016           |
|   |      | RM'000         | RM'000         | RM'000         | RM'000         |
|   |      |                | (Restated)     |                | (Restated)     |
| Revenue   | 4    | 4,562,005      | 3,900,782      | 4,559,889      | 3,899,273      |
| Operating expenses                              | 5    | (421,259)      | (369,594)      | (408,982)      | (363,580)      |
| - Staff costs                                   |      |                |                |                |                |
| - Depreciation of property, plant and equipment |      | (109,338)      | (113,531)      | (109,338)      | (113,531)      |
| - Aircraft fuel expenses                        |      | (1,466,681)    | (1,116,110)    | (1,466,681)    | (1,116,110)    |
| - Maintenance and overhaul                      |      | (652,922)      | (619,331)      | (652,922)      | (619,331)      |
| - User charges                                  |      | (508,507)      | (479,799)      | (508,507)      | (479,799)      |
| - Aircraft operating lease expenses             |      | (944,599)      | (846,004)      | (944,599)      | (846,004)      |
| - Other operating expenses                      | 7    | (383,396)      | (305,270)      | (392,266)      | (310,398)      |
| Other income                                    | 8    | 67,684         | 56,000         | 67,645         | 56,772         |
| <b>Operating profit</b>                         |      | <b>142,987</b> | <b>107,143</b> | <b>144,239</b> | <b>107,292</b> |
| Finance income                                  | 9    | 33,204         | 24,775         | 33,204         | 24,775         |
| Finance costs                                   | 9    | (61,224)       | (49,874)       | (61,224)       | (49,874)       |
| <b>Net operating profit</b>                     |      | <b>114,967</b> | <b>82,044</b>  | <b>116,219</b> | <b>82,193</b>  |
| Foreign exchange gains/(losses)                 | 9    | 76,102         | (35,489)       | 76,102         | (35,489)       |
| Share of results of an associate                | 15   | -              | -              | -              | -              |
| Share of results of a joint venture             | 16   | -              | -              | -              | -              |
| Other (losses)/gains                            | 10   | (4,265)        | 35,738         | (4,265)        | 35,738         |
| <b>Profit before taxation</b>                   |      | <b>186,804</b> | <b>82,293</b>  | <b>188,056</b> | <b>82,442</b>  |
| Taxation  |      |                |                |                |                |
| - Current taxation                              | 11   | (6,405)        | 188            | (6,125)        | 169            |
| - Deferred taxation                             | 11   | (81,513)       | (37,644)       | (81,680)       | (37,644)       |
|   |      | (87,918)       | (37,456)       | (87,805)       | (37,475)       |
| <b>Profit for the financial year</b>            |      | <b>98,886</b>  | <b>44,837</b>  | <b>100,251</b> | <b>44,967</b>  |
| <b>Earning per share (sen)</b>                  |      |                |                |                |                |
| - Basic   | 12   | 2.4            | 1.1            |                |                |
| - Diluted                                       | 12   | 2.4            | 1.1            |                |                |

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



**AIRASIA X BERHAD**  
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**Statements of comprehensive income**  
**For the financial year ended 31 December 2017**

|   | <b>Group</b>     |                   | <b>Company</b>   |                   |
|---|------------------|-------------------|------------------|-------------------|
|   | <b>2017</b>      | <b>2016</b>       | <b>2017</b>      | <b>2016</b>       |
|   | <b>RM'000</b>    | <b>RM'000</b>     | <b>RM'000</b>    | <b>RM'000</b>     |
|   |                  | <b>(Restated)</b> |                  | <b>(Restated)</b> |
| <b>Profit for the financial year</b>  | 98,886           | 44,837            | 100,251          | 44,967            |
| <b><u>Other comprehensive (loss)/income</u></b>                             |                  |                   |                  |                   |
| <b>Items that may be subsequently reclassified to profit or loss</b>        |                  |                   |                  |                   |
| Cash flow hedges  | (107,377)        | 214,212           | (107,377)        | 214,212           |
| Foreign currency translation differences                                    | (17)             | 68                | -                | -                 |
| <b>Other comprehensive (loss)/income for the financial year, net of tax</b> | <u>(107,394)</u> | <u>214,280</u>    | <u>(107,377)</u> | <u>214,212</u>    |
| <b>Total comprehensive (loss)/income for the financial year</b>             | <u>(8,508)</u>   | <u>259,117</u>    | <u>(7,126)</u>   | <u>259,179</u>    |

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

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

**Statements of financial position**  
**As at 31 December 2017**

|                                  | Note | 2017<br>RM'000     | 2016<br>RM'000<br>(Restated) | 1.1.2016<br>RM'000<br>(Restated) |
|----------------------------------|------|--------------------|------------------------------|----------------------------------|
| <b>Group</b>                     |      |                    |                              |                                  |
| <b>Assets</b>                    |      |                    |                              |                                  |
| <b>Non-current assets</b>        |      |                    |                              |                                  |
| Property, plant and equipment    | 13   | 1,595,903          | 1,683,771                    | 1,898,386                        |
| Investment in an associate       | 15   | -                  | -                            | -                                |
| Investment in a joint venture    | 16   | -                  | -                            | -                                |
| Deferred tax assets              | 17   | 423,664            | 505,177                      | 542,821                          |
| Other deposits and prepayments   | 20   | 1,513,349          | 1,160,829                    | 949,659                          |
| Amount due from an associate     | 21   | 81,305             | -                            | -                                |
| Amount due from a joint venture  | 21   | 44,010             | -                            | -                                |
|                                  |      | <u>3,658,231</u>   | <u>3,349,777</u>             | <u>3,390,866</u>                 |
| <b>Current assets</b>            |      |                    |                              |                                  |
| Inventories                      | 19   | 8,518              | 14,151                       | 3,985                            |
| Trade and other receivables      | 20   | 537,388            | 535,952                      | 382,710                          |
| Amount due from an associate     | 21   | 28,969             | 69,590                       | 26,150                           |
| Amounts due from related parties | 21   | 75,305             | 51,561                       | 30,103                           |
| Derivative financial instruments | 18   | 23,094             | 134,735                      | -                                |
| Tax recoverable                  |      | -                  | 1,613                        | 712                              |
| Deposits, cash and bank balances | 22   | 432,675            | 422,021                      | 310,789                          |
|                                  |      | <u>1,105,949</u>   | <u>1,229,623</u>             | <u>754,449</u>                   |
| Non-current asset held for sale  | 23   | -                  | 92,781                       | 105,116                          |
|                                  |      | <u>1,105,949</u>   | <u>1,322,404</u>             | <u>859,565</u>                   |
| <b>Total assets</b>              |      | <u>4,764,180</u>   | <u>4,672,181</u>             | <u>4,250,431</u>                 |
| <b>Equity and liabilities</b>    |      |                    |                              |                                  |
| <b>Current liabilities</b>       |      |                    |                              |                                  |
| Sales in advance                 |      | 714,586            | 725,766                      | 561,683                          |
| Derivative financial instruments | 18   | -                  | -                            | 115,215                          |
| Trade and other payables         | 24   | 1,164,130          | 1,000,548                    | 849,305                          |
| Provision for taxation           |      | 782                | -                            | -                                |
| Amount due to a joint venture    | 21   | 122,827            | 91,855                       | 61,745                           |
| Amounts due to related parties   | 21   | 28,963             | 25,256                       | 45,668                           |
| Borrowings                       | 25   | 188,528            | 208,238                      | 319,477                          |
|                                  |      | <u>2,219,816</u>   | <u>2,051,663</u>             | <u>1,953,093</u>                 |
| <b>Net current liabilities</b>   |      | <u>(1,113,867)</u> | <u>(729,259)</u>             | <u>(1,093,528)</u>               |

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**Statements of financial position**  
**As at 31 December 2017 (cont'd.)**

|   | Note | 2017<br>RM'000   | 2016<br>RM'000<br>(Restated) | 1.1.2016<br>RM'000<br>(Restated) |
|---|------|------------------|------------------------------|----------------------------------|
| <b>Group (cont'd.)</b>                                      |      |                  |                              |                                  |
| <b>Non-current liabilities</b>                              |      |                  |                              |                                  |
| Borrowings  | 25   | 673,442          | 952,088                      | 1,109,610                        |
| Provision for aircraft maintenance                          | 26   | 789,043          | 591,574                      | 409,098                          |
| Other payables and accruals                                 | 24   | 93,273           | 79,983                       | 41,358                           |
|   |      | <u>1,555,758</u> | <u>1,623,645</u>             | <u>1,560,066</u>                 |
| <b>Total liabilities</b>                                    |      | <u>3,775,574</u> | <u>3,675,308</u>             | <u>3,513,159</u>                 |
| <b>Net assets</b>   |      | <u>988,606</u>   | <u>996,873</u>               | <u>737,272</u>                   |
| <b>Equity attributable to equity holders of the Company</b> |      |                  |                              |                                  |
| Share capital   | 27   | 1,534,043        | 622,222                      | 622,222                          |
| Share premium   |      | -                | 911,821                      | 911,821                          |
| Warrant reserve   | 29   | 62,222           | 62,222                       | 62,222                           |
| Currency translation reserve                                |      | 178              | 195                          | 127                              |
| Other reserves  | 29   | (795)            | 109,140                      | (105,556)                        |
| Accumulated losses  |      | <u>(607,042)</u> | <u>(708,727)</u>             | <u>(753,564)</u>                 |
| <b>Total equity</b>   |      | <u>988,606</u>   | <u>996,873</u>               | <u>737,272</u>                   |

**AIRASIA X BERHAD**  
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**Statements of financial position**  
**As at 31 December 2017 (cont'd.)**

|                                  | Note | 2017<br>RM'000     | 2016<br>RM'000<br>(Restated) | 1.1.2016<br>RM'000<br>(Restated) |
|----------------------------------|------|--------------------|------------------------------|----------------------------------|
| <b>Company</b>                   |      |                    |                              |                                  |
| <b>Assets</b>                    |      |                    |                              |                                  |
| <b>Non-current assets</b>        |      |                    |                              |                                  |
| Property, plant and equipment    | 13   | 1,595,903          | 1,683,771                    | 1,898,386                        |
| Investments in subsidiaries      | 14   | *                  | *                            | *                                |
| Investment in an associate       | 15   | 20,018             | 20,018                       | 20,018                           |
| Investment in a joint venture    | 16   | -                  | -                            | -                                |
| Deferred tax assets              | 17   | 423,497            | 505,177                      | 542,821                          |
| Other deposits and prepayments   | 20   | 1,513,020          | 1,160,829                    | 949,659                          |
| Amount due from an associate     | 21   | 81,305             | -                            | -                                |
| Amount due from a joint venture  | 21   | 44,010             | -                            | -                                |
|                                  |      | <u>3,677,753</u>   | <u>3,369,795</u>             | <u>3,410,884</u>                 |
| <b>Current assets</b>            |      |                    |                              |                                  |
| Inventories                      | 19   | 8,518              | 14,151                       | 3,985                            |
| Trade and other receivables      | 20   | 537,288            | 536,206                      | 382,650                          |
| Amount due from a subsidiary     | 21   | 151,744            | 208,619                      | 26,150                           |
| Amounts due from related parties | 21   | 75,305             | 51,561                       | 29,330                           |
| Derivative financial instruments | 18   | 23,094             | 134,735                      | -                                |
| Tax recoverable                  |      | -                  | 1,459                        | 579                              |
| Deposits, cash and bank balances | 22   | 431,556            | 420,405                      | 310,274                          |
|                                  |      | <u>1,227,505</u>   | <u>1,367,136</u>             | <u>752,968</u>                   |
| Non-current asset held for sale  | 23   | -                  | 92,781                       | 105,116                          |
|                                  |      | <u>1,227,505</u>   | <u>1,459,917</u>             | <u>858,084</u>                   |
| <b>Total assets</b>              |      | <u>4,905,258</u>   | <u>4,829,712</u>             | <u>4,268,968</u>                 |
| <b>Equity and liabilities</b>    |      |                    |                              |                                  |
| <b>Current liabilities</b>       |      |                    |                              |                                  |
| Sales in advance                 |      | 714,586            | 725,766                      | 561,683                          |
| Derivative financial instruments | 18   | -                  | -                            | 115,215                          |
| Trade and other payables         | 24   | 1,160,773          | 999,807                      | 848,509                          |
| Provision for taxation           |      | 557                | -                            | -                                |
| Amount due to a subsidiary       | 21   | 1,747              | 1,488                        | 2,263                            |
| Amount due to an associate       | 21   | 122,775            | 139,029                      | -                                |
| Amount due to a joint venture    | 21   | 122,827            | 91,855                       | 61,745                           |
| Amounts due to related parties   | 21   | 30,587             | 25,879                       | 45,668                           |
| Borrowings                       | 25   | 188,528            | 208,238                      | 319,477                          |
|                                  |      | <u>2,342,380</u>   | <u>2,192,062</u>             | <u>1,954,560</u>                 |
| <b>Net current liabilities</b>   |      | <u>(1,114,875)</u> | <u>(732,145)</u>             | <u>(1,096,476)</u>               |



**AIRASIA X BERHAD**  
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**Statements of financial position**  
**As at 31 December 2017 (cont'd.)**

|   | Note | 2017<br>RM'000   | 2016<br>RM'000<br>(Restated) | 1.1.2016<br>RM'000<br>(Restated) |
|---|------|------------------|------------------------------|----------------------------------|
| <b>Company (cont'd.)</b>                                    |      |                  |                              |                                  |
| <b>Non-current liabilities</b>                              |      |                  |                              |                                  |
| Borrowings  | 25   | 673,442          | 952,088                      | 1,109,610                        |
| Provision for aircraft maintenance                          | 26   | 789,043          | 591,574                      | 409,098                          |
| Other payables and accruals                                 | 24   | 93,273           | 79,983                       | 41,358                           |
|   |      | <u>1,555,758</u> | <u>1,623,645</u>             | <u>1,560,066</u>                 |
| <b>Total liabilities</b>                                    |      | <u>3,898,138</u> | <u>3,815,707</u>             | <u>3,514,626</u>                 |
| <b>Net assets</b>   |      | <u>1,007,120</u> | <u>1,014,005</u>             | <u>754,342</u>                   |
| <b>Equity attributable to equity holders of the Company</b> |      |                  |                              |                                  |
| Share capital   | 27   | 1,534,043        | 622,222                      | 622,222                          |
| Share premium   |      | -                | 911,821                      | 911,821                          |
| Warrant reserve   | 29   | 62,222           | 62,222                       | 62,222                           |
| Other reserves  | 29   | (795)            | 109,140                      | (105,556)                        |
| Accumulated losses  |      | <u>(588,350)</u> | <u>(691,400)</u>             | <u>(736,367)</u>                 |
| <b>Total equity</b>   |      | <u>1,007,120</u> | <u>1,014,005</u>             | <u>754,342</u>                   |

\* Less than RM1,000

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



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

**Consolidated statement of changes in equity**  
**For the financial year ended 31 December 2017**

| Group   | Note | Number of shares '000 | Attributable to equity holders of the Company |                      |                        |                                |                             |                                     |                           | Total equity RM'000 |
|---|------|-----------------------|---|----------------------|------------------------|--------------------------------|-----------------------------|-------------------------------------|---------------------------|---------------------|
|   |      |                       | Share capital RM'000                          | Share premium RM'000 | Warrant reserve RM'000 | Cash flow hedge reserve RM'000 | Share option reserve RM'000 | Currency translation reserve RM'000 | Accumulated losses RM'000 |                     |
| At 1 January 2017 (as previously stated)                  | 36   | 4,148,148             | 622,222                                       | 911,821              | 62,222                 | 106,582                        | 2,558                       | 195                                 | (648,715)                 | 1,056,885           |
| Prior year adjustments                                    |      | -                     | -   | -                    | -                      | -                              | -                           | -                                   | (60,012)                  | (60,012)            |
| At 1 January 2017 (restated)                              |      | 4,148,148             | 622,222                                       | 911,821              | 62,222                 | 106,582                        | 2,558                       | 195                                 | (708,727)                 | 996,873             |
| Transfer to no-par value regime                           |      | -                     | 911,821                                       | (911,821)            | -                      | -                              | -                           | -                                   | -                         | -                   |
| Profit for the financial year                             |      | -                     | -   | -                    | -                      | -                              | -                           | -                                   | 98,886                    | 98,886              |
| Other comprehensive loss for the financial year           |      | -                     | -   | -                    | -                      | (107,377)                      | -                           | (17)                                | -                         | (107,394)           |
| Total comprehensive (loss)/ income for the financial year |      | -                     | -   | -                    | -                      | (107,377)                      | -                           | (17)                                | 98,886                    | (8,508)             |
| Employee Share Option Scheme ("ESOS")                     | 28   | -                     | -   | -                    | -                      | -                              | 241                         | -                                   | -                         | 241                 |
| Transferred to retained earnings upon expiry of ESOS      |      | -                     | -   | -                    | -                      | -                              | (2,799)                     | -                                   | 2,799                     | -                   |
| At 31 December 2017                                       |      | 4,148,148             | 1,534,043                                     | -                    | 62,222                 | (795)                          | -                           | 178                                 | (607,042)                 | 988,606             |

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

**Consolidated statement of changes in equity**  
**For the financial year ended 31 December 2017 (cont'd.)**

| Group   | Note | Number of shares '000 | Attributable to equity holders of the Company |                      |                        |                                |                             |                                     |                           | Total equity RM'000 |
|---|------|-----------------------|---|----------------------|------------------------|--------------------------------|-----------------------------|-------------------------------------|---------------------------|---------------------|
|   |      |                       | Share capital RM'000                          | Share premium RM'000 | Warrant reserve RM'000 | Cash flow hedge reserve RM'000 | Share option reserve RM'000 | Currency translation reserve RM'000 | Accumulated losses RM'000 |                     |
| At 1 January 2016 (as previously stated)          |      | 4,148,148             | 622,222                                       | 911,821              | 62,222                 | (107,630)                      | 2,074                       | 127                                 | (859,029)                 | 631,807             |
| Prior year adjustments                            | 36   | -                     | -   | -                    | -                      | -                              | -                           | -                                   | 105,465                   | 105,465             |
| At 1 January 2016 (restated)                      |      | 4,148,148             | 622,222                                       | 911,821              | 62,222                 | (107,630)                      | 2,074                       | 127                                 | (753,564)                 | 737,272             |
| Profit for the financial year                     |      | -                     | -   | -                    | -                      | -                              | -                           | -                                   | 44,837                    | 44,837              |
| Other comprehensive income for the financial year |      | -                     | -   | -                    | -                      | 214,212                        | -                           | 68                                  | -                         | 214,280             |
| Total comprehensive income for the financial year |      | -                     | -   | -                    | -                      | 214,212                        | -                           | 68                                  | 44,837                    | 259,117             |
| Employee Share Option Scheme ("ESOS")             | 28   | -                     | -   | -                    | -                      | -                              | 484                         | -                                   | -                         | 484                 |
| At 31 December 2016                               |      | 4,148,148             | 622,222                                       | 911,821              | 62,222                 | 106,582                        | 2,558                       | 195                                 | (708,727)                 | 996,873             |

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

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

**Statement of changes in equity**  
**For the financial year ended 31 December 2017**

| Company  | Note | Number<br>of shares<br>'000 | Share<br>capital<br>RM'000 | Share<br>premium<br>RM'000 | Warrant<br>reserve<br>RM'000 | Cash flow<br>hedge<br>reserve<br>RM'000 | Share<br>option<br>reserve<br>RM'000 | Accumulated<br>losses<br>RM'000 | Total<br>RM'000 |
|--|------|-----------------------------|----------------------------|----------------------------|------------------------------|---|--------------------------------------|---------------------------------|-----------------|
| <b>At 1 January 2017 (as previously stated)</b>          |      | 4,148,148                   | 622,222                    | 911,821                    | 62,222                       | 106,582                                 | 2,558                                | (631,388)                       | 1,074,017       |
| Prior year adjustments                                   | 36   | -                           | -                          | -                          | -                            | -                                       | -                                    | (60,012)                        | (60,012)        |
| <b>At 1 January 2017 (restated)</b>                      |      | 4,148,148                   | 622,222                    | 911,821                    | 62,222                       | 106,582                                 | 2,558                                | (691,400)                       | 1,014,005       |
| Transfer to no-par value regime                          |      | -                           | 911,821                    | (911,821)                  | -                            | -                                       | -                                    | -                               | -               |
| Profit for the financial year                            |      | -                           | -                          | -                          | -                            | -                                       | -                                    | 100,251                         | 100,251         |
| Other comprehensive loss for the financial year          |      | -                           | -                          | -                          | -                            | (107,377)                               | -                                    | -                               | (107,377)       |
| Total comprehensive (loss)/income for the financial year |      | -                           | -                          | -                          | -                            | (107,377)                               | -                                    | 100,251                         | (7,126)         |
| Employee Share Option Scheme ("ESOS")                    | 28   | -                           | -                          | -                          | -                            | -                                       | 241                                  | -                               | 241             |
| Transferred to retained earnings upon expiry of ESOS     |      | -                           | -                          | -                          | -                            | -                                       | (2,799)                              | 2,799                           | -               |
| <b>At 31 December 2017</b>                               |      | 4,148,148                   | 1,534,043                  | -                          | 62,222                       | (795)                                   | -                                    | (588,350)                       | 1,007,120       |

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

**Statement of changes in equity**  
**For the financial year ended 31 December 2017 (cont'd.)**

| Company   | Note | Number<br>of shares<br>'000 | Share<br>capital<br>RM'000 | Share<br>premium<br>RM'000 | Warrant<br>reserve<br>RM'000 | Cash flow<br>hedge<br>reserve<br>RM'000 | Share<br>option<br>reserve<br>RM'000 | Accumulated<br>losses<br>RM'000 | Total<br>RM'000 |
|---|------|-----------------------------|----------------------------|----------------------------|------------------------------|---|--------------------------------------|---------------------------------|-----------------|
| <b>At 1 January 2016 (as previously stated)</b>   |      | 4,148,148                   | 622,222                    | 911,821                    | 62,222                       | (107,630)                               | 2,074                                | (841,832)                       | 648,877         |
| Prior year adjustments                            | 36   | -                           | -                          | -                          | -                            | -                                       | -                                    | 105,465                         | 105,465         |
| <b>At 1 January 2016 (restated)</b>               |      | 4,148,148                   | 622,222                    | 911,821                    | 62,222                       | (107,630)                               | 2,074                                | (736,367)                       | 754,342         |
| Profit for the financial year                     |      | -                           | -                          | -                          | -                            | -                                       | -                                    | 44,967                          | 44,967          |
| Other comprehensive income for the financial year |      | -                           | -                          | -                          | -                            | 214,212                                 | -                                    | -                               | 214,212         |
| Total comprehensive income for the financial year |      | -                           | -                          | -                          | -                            | 214,212                                 | -                                    | 44,967                          | 259,179         |
| Employee Share Option Scheme ("ESOS")             | 28   | -                           | -                          | -                          | -                            | -                                       | 484                                  | -                               | 484             |
| <b>At 31 December 2016</b>                        |      | 4,148,148                   | 622,222                    | 911,821                    | 62,222                       | 106,582                                 | 2,558                                | (691,400)                       | 1,014,005       |

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



**AIRASIA X BERHAD**  
**(Incorporated in Malaysia)**
**Statements of cash flows**  
**For the financial year ended 31 December 2017**

|  |             | <b>Group</b>   |                   | <b>Company</b> |                   |
|--|-------------|----------------|-------------------|----------------|-------------------|
|  |             | <b>2017</b>    | <b>2016</b>       | <b>2017</b>    | <b>2016</b>       |
|  | <b>Note</b> | <b>RM'000</b>  | <b>RM'000</b>     | <b>RM'000</b>  | <b>RM'000</b>     |
|  |             |                | <b>(Restated)</b> |                | <b>(Restated)</b> |
| <b>Cash flows from operating activities</b>                |             |                |                   |                |                   |
| Profit before taxation                                     |             | 186,804        | 82,293            | 188,056        | 82,442            |
| Adjustments for:   |             |                |                   |                |                   |
| Property, plant and equipment                              |             |                |                   |                |                   |
| - Depreciation   | 13          | 109,338        | 113,531           | 109,338        | 113,531           |
| - Write off  |             | 431            | 15,189            | 431            | 15,189            |
| - Loss on disposal   |             | 93             | -                 | 93             | -                 |
| Non-current assets held for sale                           |             |                |                   |                |                   |
| - Write off  |             | -              | 12,335            | -              | 12,335            |
| Allowance for impairment of trade and other receivables    | 7           | 60,049         | 11,585            | 60,049         | 11,585            |
| Bad debts written off                                      |             | 19             | -                 | 19             | -                 |
| Finance costs  | 9           | 38,581         | 40,260            | 38,581         | 40,260            |
| Finance income   | 9           | (20,344)       | (5,193)           | (20,344)       | (5,193)           |
| Discounting/(accretion) of interest on deposits            | 9           | 9,783          | (9,968)           | 9,783          | (9,968)           |
| Fair value loss/(gain) on derivative financial instruments | 10          | 4,265          | (35,738)          | 4,265          | (35,738)          |
| Fair value gain on shareholders' benefits scheme           |             | -              | (2,944)           | -              | (2,944)           |
| Share option expense                                       |             | 241            | 484               | 241            | 484               |
| Net unrealised foreign exchange (gains)/losses             |             | (73,005)       | 16,435            | (72,992)       | 16,083            |
| <b>Operating profit before working capital changes</b>     |             | <b>316,255</b> | <b>238,269</b>    | <b>317,520</b> | <b>238,066</b>    |
| Changes in working capital:                                |             |                |                   |                |                   |
| Inventories  |             | 5,633          | (10,166)          | 5,633          | (10,166)          |
| Trade and other receivables                                |             | (492,524)      | (80,055)          | (492,170)      | (80,304)          |
| Related parties balances                                   |             | 47,205         | (129,333)         | 48,452         | (129,970)         |
| Trade and other payables                                   |             | 427,664        | 201,780           | 425,485        | 201,836           |
| Sales in advance   |             | (11,180)       | 164,083           | (11,180)       | 164,083           |
| <b>Cash flows generated from operations</b>                |             | <b>293,053</b> | <b>384,578</b>    | <b>293,740</b> | <b>383,545</b>    |



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

**Statements of cash flows**

**For the financial year ended 31 December 2017 (cont'd.)**

|   | Note | Group            |                  | Company          |                  |
|---|------|------------------|------------------|------------------|------------------|
|   |      | 2017             | 2016             | 2017             | 2016             |
|   |      | RM'000           | RM'000           | RM'000           | RM'000           |
|   |      |                  | (Restated)       |                  | (Restated)       |
| <b>Cash flows from operating activities (cont'd.)</b>                                     |      |                  |                  |                  |                  |
| Finance costs paid  |      | (2,106)          | (2,544)          | (2,106)          | (2,544)          |
| Interest received   |      | 4,527            | 5,193            | 4,527            | 5,193            |
| Tax paid  |      | (4,079)          | (712)            | (4,286)          | (712)            |
| <b>Net cash generated from operating activities</b>                                       |      | <u>291,395</u>   | <u>386,515</u>   | <u>291,875</u>   | <u>385,482</u>   |
| <b>Cash flows from investing activities</b>   |      |                  |                  |                  |                  |
| Property, plant and equipment - Additions   | 13   | (26,629)         | (30,420)         | (26,629)         | (30,420)         |
| Proceeds from disposal of aircraft and engine pursuant to sales and leaseback arrangement |      | -                | 10,408           | -                | 10,408           |
| Proceeds from disposal of property, plant and equipment                                   |      | 4,635            | 412              | 4,635            | 412              |
| <b>Net cash used in investing activities</b>  |      | <u>(21,994)</u>  | <u>(19,600)</u>  | <u>(21,994)</u>  | <u>(19,600)</u>  |
| <b>Cash flows from financing activities</b>   |      |                  |                  |                  |                  |
| Proceeds from borrowings  |      | 62               | -                | 62               | -                |
| Repayments of borrowings  |      | (199,876)        | (212,553)        | (199,876)        | (212,553)        |
| Interest paid   |      | (36,476)         | (45,271)         | (36,476)         | (45,271)         |
| Deposits pledged as securities  |      | (1,613)          | 18,827           | (1,613)          | 18,827           |
| <b>Net cash used in financing activities</b>  |      | <u>(237,903)</u> | <u>(238,997)</u> | <u>(237,903)</u> | <u>(238,997)</u> |
| <b>Net increase in cash and cash equivalents</b>  |      | 31,498           | 127,918          | 31,978           | 126,885          |
| Currency translation differences  |      | (22,457)         | 2,141            | (22,440)         | 2,073            |
| <b>Cash and cash equivalents at beginning of the financial year</b>                       |      | <u>382,406</u>   | <u>252,347</u>   | <u>380,790</u>   | <u>251,832</u>   |
| <b>Cash and cash equivalents at end of the financial year</b>                             | 22   | <u>391,447</u>   | <u>382,406</u>   | <u>390,328</u>   | <u>380,790</u>   |

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

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

**Notes to the financial statements - 31 December 2017**

**1. Corporate information**

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). The registered office of the Company is located at B-13-15, Level 13, Menara Prima Tower B, Jalan PJU1/39, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan. The principal place of business of the Company is located at RedQ, Jalan Pekeliling 5, Lapangan Terbang Antarabangsa Kuala Lumpur (KLIA2), 64000 KLIA, Selangor Darul Ehsan.

The principal activity of the Company is that of providing long haul air transportation services. The principal activities of the subsidiary companies are disclosed in Note 14.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 27 March 2018.

**2. Summary of significant accounting policies**

Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements:

**2.1 Basis of preparation**

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

The financial statements of the Group and of the Company have been prepared under the historical cost basis except as disclosed in this summary of significant accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM").



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

**2. Summary of significant accounting policies (cont'd.)**

**2.1 Basis of preparation (cont'd.)**

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgment in the process of applying the Group's and Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

As at 31 December 2017, the Group and the Company's current liabilities exceeded their current assets by RM1,113,867,000 (2016: RM729,259,000) and RM1,114,875,000 (2016: RM732,145,000) respectively.

The Directors are of the view that the Group and the Company will have sufficient cash flows for the next twelve months from the reporting date to meet their cash flow requirements. The Directors believe that the Group and the Company are able to realise their assets and discharge their liabilities in the normal course of business and that the financial position will be improved through future operating profits and cash flows. Thus, the Directors believe that it is appropriate to prepare the financial statements of the Group and the Company on a going concern basis.

**2.2 Changes in accounting policies**

On 1 January 2017, the Group and the Company adopted the following new and amended MFRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2017:

| <b>Description</b>  | <b>Effective for annual periods beginning on or after</b> |
|---|---|
| MFRS 107 Disclosures Initiatives (Amendments to MFRS 107)                           | 1 January 2017  |
| MFRS 112 Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 112) | 1 January 2017  |
| Annual Improvements to MFRSs 2014 - 2016 Cycle (Amendments to MFRS 12)              | 1 January 2017  |

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

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

**2. Summary of significant accounting policies (cont'd.)**

**2.3 Standards issued but not yet effective**

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

| <b>Description</b>  | <b>Effective for<br/>annual periods<br/>beginning on<br/>or after</b> |
|---|---|
| Annual Improvements to MFRSs 2014 - 2016 Cycle<br>(Amendments to MFRS 1 and MFRS 128)   | 1 January 2018  |
| MFRS 15: Revenue from Contracts with Customers  | 1 January 2018  |
| MFRS 15: Clarification to MFRS 15   | 1 January 2018  |
| MFRS 9: Financial Instruments   | 1 January 2018  |
| Amendments to MFRS 2: Classification and Measurement<br>of Share-based Payment Transactions                                     | 1 January 2018  |
| Amendments to MFRS 4: Applying MFRS 9: Financial<br>Instruments with MFRS 4: Insurance Contracts                                | 1 January 2018  |
| Amendments to MFRS 140: Transfers of Investment<br>Property   | 1 January 2018  |
| IC Interpretation 22: Foreign Currency Transactions<br>and Advance Consideration  | 1 January 2018  |
| Annual Improvements to MFRSs 2015 - 2017 Cycle<br>(Amendments to MFRS 3, MFRS 11, MFRS 112 and<br>MFRS 123)                     | 1 January 2019  |
| MFRS 16: Leases   | 1 January 2019  |
| IC Interpretation 23: Uncertainty over Income Tax<br>Treatments   | 1 January 2019  |
| Amendments to MFRS 9: Prepayment Features with Negative<br>Compensation   | 1 January 2019  |
| Amendments to MFRS 128: Long-term Interests in Associates<br>and Joint Ventures   | 1 January 2019  |
| MFRS 119 Plan Amendment, Curtailment or Settlement<br>(Amendments to MFRS 119)  | 1 January 2019  |
| MFRS 17: Insurance Contracts  | 1 January 2021  |
| Amendments to MFRS 10 and MFRS 128: Sale or Contribution<br>of Assets between an Investor and its Associate or<br>Joint Venture | Deferred  |



**AIRASIA X BERHAD**  
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**2. Summary of significant accounting policies (cont'd.)**

**2.3 Standards issued but not yet effective (cont'd.)**

The directors of the Company expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application, other than those described below:

**MFRS 15 Revenue from Contracts with Customers**

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted.

The Group has established a project team, with assistance from the various lines of business and finance management to evaluate the potential impact of adopting this standard. The implementation efforts included the scoping of material revenue streams, analysis of underlying contracts, business unit discussion to further assess specific contracts and products and the development of updated disclosures. The project team has completed the scoping of material revenue streams and based on the completed contracts reviews to date, the potential changes in revenue recognition for those contracts are not expected to result in a material impact to the Group upon adoption.

Approximately 90% of the Group's revenue comprising scheduled flights, charter flights, freight services, ancillary revenue and management fees which will be covered under MFRS 15. In assessing the revenue recognition and measurement under MFRS 15, the principles currently applied by the Group are largely consistent with the requirements of MFRS 15. Other than the enhanced disclosures required, the Group does not anticipate significant changes to the recognition and measurement of revenue upon the application of MFRS 15. The project team is developing additional quantitative and qualitative disclosures that will be required upon the adoption of the new revenue recognition standard.



**AIRASIA X BERHAD**  
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**2. Summary of significant accounting policies (cont'd.)**

**2.3 Standards issued but not yet effective (cont'd.)**

**MFRS 9 Financial Instruments**

MFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group has established a MFRS 9 project team to plan and manage the implementation of MFRS 9.

The Group has performed a detailed impact assessment of all three aspects of MFRS 9. The assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group adopts MFRS 9.

Based on the analysis of the Group's financial assets and liabilities as at 31 December 2017 on the basis of facts and circumstances that exist at that date, the directors of the Company have assessed the impact of MFRS 9 to the Group's financial statements as follows:

**(i) Classification and measurement**

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of MFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value.

Loans and receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under MFRS 9. Therefore, reclassification for these instruments is not required.

**AIRASIA X BERHAD**  
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**2. Summary of significant accounting policies (cont'd.)**

**2.3 Standards issued but not yet effective (cont'd.)**

**MFRS 9 Financial Instruments (cont'd.)**

**(ii) Impairment**

The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. The recognition and measurement of impairment under MFRS 9 will be more forward-looking and will result in earlier recognition of credit losses as compared to MFRS 139. Hence, the total expected credit losses allowances computed under MFRS 9 is expected to be higher than the total allowance for impairment on trade and other receivables under MFRS 139. Upon the initial adoption of MFRS 9, a negative adjustment will be made to opening retained profits, which will decrease the equity and net assets of the Group. As certain basis and assumptions are still being refined, the quantitative impact to the overall financial statements has not been finalised at this juncture.

**(iii) Hedge accounting**

The Group has decided to continue applying hedge accounting as set out in MFRS 139 to all hedges until the project on accounting for macro hedging is completed by International Accounting Standards Board (IASB).

**MFRS 16 Leases**

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.



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**2. Summary of significant accounting policies (cont'd.)**

**2.3 Standards issued but not yet effective (cont'd.)**

**MFRS 16 Leases (cont'd.)**

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group and of the Company is currently assessing the impact of MFRS 16 and plans to adopt the new standard on the required effective date.

**2.4 Basis of consolidation**

**(i) Subsidiaries**

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

**AIRASIA X BERHAD**  
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**2. Summary of significant accounting policies (cont'd.)**

**2.4 Basis of consolidation (cont'd.)**

**(i) Subsidiaries (cont'd.)**

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Where necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

**(ii) Associates**

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.



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**2. Summary of significant accounting policies (cont'd.)**

**2.4 Basis of consolidation (cont'd.)**

**(ii) Associates (cont'd.)**

The Group's share of post-acquisition profit or loss is recognised in the profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of profits equals the share of losses not recognised.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of results of associates' in the profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising from investments in associates are recognised in profit or loss.

**AIRASIA X BERHAD**  
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**2. Summary of significant accounting policies (cont'd.)**

**2.4 Basis of consolidation (cont'd.)**

**(iii) Joint arrangements**

A joint arrangement is an arrangement of which there is contractually agreed sharing of control by the Group with one or more parties, where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement.

The Group's interest in a joint venture is accounted for in the financial statements using the equity method of accounting. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of profits equals the share of losses not recognised. Where an entity loses joint control over a joint venture but retains significant influence, the Group does not re-measure its continued ownership interest at fair value.

Where an indication of impairment exists, the carrying value of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 2.8 on impairment of non-financial assets.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.



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**2. Summary of significant accounting policies (cont'd.)**

**2.5 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. Costs also include borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (refer to accounting policy Note 2.17 on borrowing costs).

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

Significant parts of an item of property, plant and property are depreciated separately over their estimated useful lives in accordance with the principle in MFRS 116 "Property, Plant and Equipment". Depreciation is calculated using the straight-line method to write-off the cost of the assets to their residual values over their estimated useful lives.

The useful lives for this purpose are as follows:

|  |   |
|--|---|
| Aircraft   |   |
| - engines and airframe excluding service potential | 25 years  |
| - service potential of engines and airframe        | 6 or 12 years   |
| Aircraft spares                                    | 10 years  |
| Aircraft fixtures and fittings                     | Useful life of aircraft or remaining lease term of aircraft, whichever is shorter |
| Motor vehicles                                     | 5 years   |
| Office equipment, furniture and fittings           | 5 years   |

Service potential of 6 years represents the period over which the expected cost of the first major aircraft engine overhaul is depreciated. Subsequent to the engine overhaul, the actual cost incurred is capitalised and depreciated over the subsequent 6 years.

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**2. Summary of significant accounting policies (cont'd.)**

**2.5 Property, plant and equipment (cont'd.)**

Certain elements of the cost of an airframe are attributed on acquisition to 6 years interval check or 12 years interval check, reflecting its maintenance conditions. This cost is amortised over the shorter of the period to the next scheduled heavy maintenance or the remaining life of the aircraft.

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

Residual values, where applicable, are reviewed annually against prevailing market values at the balance sheet date for equivalent aged assets, and depreciation rates are adjusted accordingly on a prospective basis. For the current financial year ended 31 December 2017, the estimated residual value for aircraft airframes and engines is 10% of their cost (2016: 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 checks or the remaining life of the aircraft.

The costs of upgrades to leased assets are capitalised and amortised over the shorter of the expected useful life of the upgrades or the remaining life of the aircraft.

Pre-delivery payments on aircraft purchase are included as part of the cost of the aircraft and are depreciated from the date that the aircraft is ready for its intended use.

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

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



**AIRASIA X BERHAD**  
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**2. Summary of significant accounting policies (cont'd.)**

**2.6 Non-current assets held-for-sale**

Non-current assets are classified as assets held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

**2.7 Investments in subsidiaries, associates and joint ventures**

In the Company's separate financial statements, investments in subsidiaries, associates and joint ventures are stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount (see Note 2.8).

On disposal of investments in subsidiaries, associates and joint ventures, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

**AIRASIA X BERHAD**  
**(Incorporated in Malaysia)****2. Summary of significant accounting policies (cont'd.)****2.8 Impairment of non-financial assets**

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

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

**2.9 Maintenance and overhaul****(i) Owned aircraft**

The accounting for the cost of major airframe and certain engine maintenance checks for own aircraft is described in the accounting policy for property, plant and equipment (see Note 2.5).

**(ii) Leased aircraft**

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

**AIRASIA X BERHAD**  
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**2. Summary of significant accounting policies (cont'd.)**

**2.10 Leases**

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

**(i) Finance leases**

Leases of property, plant and equipment where the Group and Company assume substantially all the benefits and risks of ownership are classified as finance leases.

Finance leases are capitalised at the commencement dates of the respective leases at the lower of the fair value of the leased property and the present value of the minimum lease payments at the date of inception. Each lease payment is allocated between the liability and finance charges so as to achieve a periodic constant rate of interest on the balance outstanding. The corresponding rental obligations, net of finance charges, are included in payables. The interest element of the finance charge is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease expense.

Property, plant and equipment acquired under finance lease contracts are depreciated over the estimated useful life of the asset, in accordance with the annual rates stated in Note 2.5 above. Where there is no reasonable certainty that the ownership will be transferred to the Group and Company, the asset is depreciated over the shorter of the lease term and its useful life.



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

**2. Summary of significant accounting policies (cont'd.)**

**2.10 Leases (cont'd.)**

**(ii) 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 profit or loss on a straight-line basis over the lease period.

Assets leased out by the Group and Company under operating leases are included in property, plant and equipment in the balance sheets. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight line basis over the lease term.

**(iii) Sale and leaseback transactions**

When a sale and leaseback results in a finance lease, any gain on the sale is deferred and recognised as income over the lease term. Any loss on the sale is immediately recognised as an impairment loss when the sale occurs.

If the leaseback is classified as an operating lease, then any gain is recognised immediately if the sale and leaseback terms are demonstrably at fair value. Otherwise, the sale and leaseback are accounted for as follows:

- If the sale price is below fair value then the gain or loss is recognised immediately other than to the extent that a loss is compensated for by future rentals at below-market price, then the loss is deferred and amortised over the period that the asset is expected to be used.
- If the sale price is above fair value, then any gain is deferred and amortised over the useful life of the asset.
- If the fair value of the asset is less than the carrying amount of the asset at the date of the transaction, then that difference is recognised immediately as a loss on the sale.



**AIRASIA X BERHAD**  
**(Incorporated in Malaysia)****2. Summary of significant accounting policies (cont'd.)****2.11 Inventories**

Inventories comprising consumables used internally for repairs and maintenance and in-flight merchandise, are stated at the lower of cost and net realisable value.

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

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

**2.12 Derivative financial instruments and hedging activities**

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

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as held for trading and accounted for in accordance with the accounting policy set out in Note 2.23. The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group and Company document at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group and Company also document their assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 18. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

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**2. Summary of significant accounting policies (cont'd.)**

**2.12 Derivative financial instruments and hedging activities (cont'd.)**

**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 profit or loss.

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

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

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

**2.13 Trade receivables**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. Otherwise, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.



**AIRASIA X BERHAD**  
**(Incorporated in Malaysia)****2. Summary of significant accounting policies (cont'd.)****2.14 Cash and cash equivalents**

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances, demand deposits, bank overdrafts and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents in the statement of cash flows. In the balance sheets, banks overdrafts are shown within borrowings in current liabilities.

Deposits held as pledged securities for term loans granted are not included as cash and cash equivalents.

**2.15 Provision**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

**2.16 Share capital****(i) Classification**

Ordinary shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

**(ii) Share issue costs**

Incremental external costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**(iii) Dividends to shareholders of the Company**

Dividends are recognised as a liability in the period in which they are declared. A dividend declared after the end of the reporting period, but before the financial statements are authorised for issue, is not recognised as a liability at the end of the reporting period.



**AIRASIA X BERHAD**  
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**2. Summary of significant accounting policies (cont'd.)**

**2.17 Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between initial recognised amount and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Interest, dividends, losses and gains relating to a financial instrument, or a component part, classified as a liability is reported within finance cost in the profit or loss.

Borrowings are classified as current liabilities unless the Group and Company have an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

**AIRASIA X BERHAD**  
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**2. Summary of significant accounting policies (cont'd.)**

**2.18 Income taxes**

**(i) Current tax**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**(ii) Deferred tax**

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

**2. Summary of significant accounting policies (cont'd.)**

**2.18 Income taxes (cont'd.)**

**(ii) Deferred tax (cont'd.)**

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.



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**(Incorporated in Malaysia)**

**2. Summary of significant accounting policies (cont'd.)**

**2.19 Employee benefits**

**(i) Short term employee benefits**

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

**(ii) Defined contribution plan**

The Group's and Company's contributions to the Employees' Provident Fund are charged to the profit or loss in the period to which they relate. Once the contributions have been paid, the Group and Company have no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**2.20 Revenue recognition**

Revenue from scheduled passenger flights is recognised upon the rendering of transportation services net of discounts. The revenue of seats sold for which services have not been rendered is included in current liabilities as sales in advance.

Revenue from charter flights is recognised upon the rendering of transportation services.

Fuel surcharge, insurance surcharge, administrative fees, seat fees, change fees, convenience fees, excess baggage and baggage handling fees are recognised upon the completion of services rendered net of discounts. Freight and other related revenue are recognised upon the completion of services rendered net of discounts.

Management fees, incentives and commission income are recognised on an accrual basis.

Revenue from aircraft operating lease is recorded on a straight line basis over the term of the lease.

Interest income is recognised using the effective interest method.

The Group participates in a loyalty programme where customers accumulate points for purchases made which entitle them to discounts on future purchases. Award points are recognised as a cost of sale at the time of issue while revenue from the award points is recognised when the points are redeemed. The amount of revenue is based on the number of points redeemed and the redemption value of each point. Award points expire 36 months after the initial sale.

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**2. Summary of significant accounting policies (cont'd.)**

**2.21 Foreign currencies**

**(i) Functional and presentation currency**

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

**(ii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses arising from operations are included in arriving at the operating profit. Foreign exchange gains and losses arising from borrowings (after effects of effective hedges) and amounts due from associates are separately disclosed after net operating profit.

**(iii) Group companies**

The results and financial position of all entities within the Group (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each profit or loss 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
- all resulting exchange differences are recognised as a separate component of equity.



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**(Incorporated in Malaysia)****2. Summary of significant accounting policies (cont'd.)****2.21 Foreign currencies (cont'd.)****(iii) Group companies (cont'd.)**

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 profit or loss as part of the gain or loss on disposal.

**2.22 Contingent liabilities**

The Group and Company do not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group and Company, or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably. However contingent liabilities do not include financial guarantee contracts.

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

Subsequent to the initial recognition, the Group and Company measure the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provisions of MFRS 137 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with MFRS 118 "Revenue".

**2.23 Financial assets****(i) Classification**

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.



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**2. Summary of significant accounting policies (cont'd.)**

**2.23 Financial assets (cont'd.)**

**(i) Classification (cont'd.)**

**Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives are also categorised as held for trading unless they are designated as hedges (see Note 2.12). Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's and Company's loans and receivables comprise 'trade and other receivables', 'amounts due from related parties, a subsidiary, an associate and joint venture' and 'deposits, cash and bank balances' in the balance sheet.

**(ii) Recognition and initial measurement**

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

**(iii) Subsequent measurement – gains and losses**

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividend income are recognised in the profit or loss in the period in which the changes arise.

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**2. Summary of significant accounting policies (cont'd.)**

**2.23 Financial assets (cont'd.)**

**(iv) Subsequent measurement – impairment of financial assets**

**Assets carried at amortised cost**

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- Disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (i) adverse changes in the payment status of borrowers in the portfolio; and
  - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.



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**2. Summary of significant accounting policies (cont'd.)**

**2.23 Financial assets (cont'd.)**

**(iv) Subsequent measurement – impairment of financial assets (cont'd.)**

**Assets carried at amortised cost (cont'd.)**

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 profit or loss. 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 profit or loss.

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.

**2.24 Offsetting financial instruments**

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



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**2. Summary of significant accounting policies (cont'd.)**

**2.25 Trade and other payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**2.26 Financial liabilities**

**(i) Classification and measurement**

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

The Group do not hold any financial liabilities carried at fair value through profit or loss (except for derivative financial instruments). See accounting policy Note 2.12 on derivative financial instruments and hedging activities.

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

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

**(ii) De-recognition**

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

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**2. Summary of significant accounting policies (cont'd.)**

**2.27 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Chief Executive Officer that makes strategic decisions.

**2.28 Warrant reserve**

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

**3. Critical accounting estimates and judgements**

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

The Group and Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have a material impact to the Group's and Company's results and financial position are tested for sensitivity to changes in the underlying parameters.



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**3. Critical accounting estimates and judgements**

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

**(i) Estimated useful lives and residual values of aircraft frames and engines**

The Group reviews annually the estimated useful lives and residual values of aircraft frames and engines based on factors such as business plan and strategies, expected level of usage, future technological developments and market prices.

Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction of 5% in the residual values of aircraft airframes and engines as disclosed in Note 2.5, would increase the recorded depreciation for the financial year ended 31 December 2017 by RM3,346,000 (2016: RM3,346,000) and decrease the carrying amount of property, plant and equipment as at 31 December 2017 by RM23,174,000 (2016: RM19,828,000).

**(ii) Deferred tax assets**

Deferred tax assets are mainly originating from unutilised tax incentives, unabsorbed capital allowances and tax losses carry forward which have no expiry dates. The deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Estimating the future taxable profits involves significant assumptions, especially in respect of regulatory approvals for prospective routes, aircraft delivery, fares, load factors, fuel price, maintenance cost and currency movements. These assumptions have been built based on past performance and adjusted for non-recurring circumstances and a reasonable growth rate. Based on these projections, management believes that the current non-time restricted temporary differences will be utilised and has recognised the deferred tax assets as at balance sheet date.

**(iii) Provision for aircraft maintenance**

The Group is contractually obligated to maintain the aircraft held under operating lease arrangements during the lease period and to redeliver the aircraft to the lessors at the end of the lease term, in certain pre-agreed conditions. Accordingly, the Group estimate the aircraft maintenance costs required to fulfil these obligations at the end of the lease period and recognise a provision for these costs at each reporting date. The estimates of the outcome and financial effects are determined by the judgement of the management on areas such as cost escalation rate and timing of cash outflows, supplemented by experience from similar transactions. Any revision in assumptions and estimations that causes a material effect to the provision would be adjusted prospectively in the financial statements.



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**4. Revenue**

|                                 | <b>Group</b>     |                   | <b>Company</b>   |                   |
|---------------------------------|------------------|-------------------|------------------|-------------------|
|                                 | <b>2017</b>      | <b>2016</b>       | <b>2017</b>      | <b>2016</b>       |
|                                 | <b>RM'000</b>    | <b>RM'000</b>     | <b>RM'000</b>    | <b>RM'000</b>     |
|                                 |                  | <b>(Restated)</b> |                  | <b>(Restated)</b> |
| Scheduled flights               | 2,940,354        | 2,430,034         | 2,940,354        | 2,430,034         |
| Charter flights                 | 165,306          | 254,720           | 165,306          | 254,720           |
| Freight services                | 171,008          | 134,913           | 171,008          | 134,913           |
| Ancillary revenue               | 830,494          | 639,472           | 830,494          | 639,472           |
| Aircraft operating lease income | 452,727          | 440,134           | 452,727          | 440,134           |
| Management fees                 | 2,116            | 1,509             | -                | -                 |
|                                 | <u>4,562,005</u> | <u>3,900,782</u>  | <u>4,559,889</u> | <u>3,899,273</u>  |

Ancillary revenue includes assigned seat, cancellation, documentation and other fees, and the on-board sale of meals and merchandise.

**5. Staff costs**

|   | <b>Group</b>   |                | <b>Company</b> |                |
|---|----------------|----------------|----------------|----------------|
|   | <b>2017</b>    | <b>2016</b>    | <b>2017</b>    | <b>2016</b>    |
|   | <b>RM'000</b>  | <b>RM'000</b>  | <b>RM'000</b>  | <b>RM'000</b>  |
| Wages, salaries, bonuses and allowances | 382,623        | 341,776        | 371,106        | 336,297        |
| Defined contribution retirement plan    | 38,395         | 27,334         | 37,635         | 26,799         |
| Share option expense (Note 28)          | 241            | 484            | 241            | 484            |
|   | <u>421,259</u> | <u>369,594</u> | <u>408,982</u> | <u>363,580</u> |

Included in staff costs of the Group and of the Company are Directors' remuneration amounting to RM3,454,000 (2016: RM3,409,000) as further disclosed in Note 6.

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**6. Directors' remuneration**

The details of remuneration payables to Directors of the Company during the financial years are as follows:

|                                  | <b>Group</b>  |               | <b>Company</b> |               |
|----------------------------------|---------------|---------------|----------------|---------------|
|                                  | <b>2017</b>   | <b>2016</b>   | <b>2017</b>    | <b>2016</b>   |
|                                  | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| Executive Directors:             |               |               |                |               |
| - Salaries, bonus and allowances | 2,400         | 2,400         | 2,400          | 2,400         |
| - Defined contribution plan      | 288           | 288           | 288            | 288           |
|                                  | <u>2,688</u>  | <u>2,688</u>  | <u>2,688</u>   | <u>2,688</u>  |
| Non-executive Directors:         |               |               |                |               |
| - Fees                           | 710           | 667           | 710            | 667           |
| - Other emoluments               | 56            | 54            | 56             | 54            |
|                                  | <u>766</u>    | <u>721</u>    | <u>766</u>     | <u>721</u>    |
| Total Directors' remuneration    | <u>3,454</u>  | <u>3,409</u>  | <u>3,454</u>   | <u>3,409</u>  |

The remuneration payables to the Directors of the Company is analysed as follows:

|                          | <b>Number of Directors</b> |             |
|--------------------------|----------------------------|-------------|
|                          | <b>2017</b>                | <b>2016</b> |
| Executive Directors:     |                            |             |
| - Less than RM100,000    | -                          | -           |
| - RM100,001 to RM150,000 | -                          | -           |
| - RM150,001 to RM200,000 | -                          | -           |
| - More than RM200,000    | 1                          | 1           |
| Non-executive Directors: |                            |             |
| - Less than RM100,000    | 1                          | 3           |
| - RM100,001 to RM150,000 | 4                          | 2           |
| - RM150,001 to RM200,000 | -                          | -           |
| - More than RM200,000    | <u>1</u>                   | <u>1</u>    |

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**7. Other operating expenses**

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

|   | <b>Group</b>  |                   | <b>Company</b> |                   |
|---|---------------|-------------------|----------------|-------------------|
|   | <b>2017</b>   | <b>2016</b>       | <b>2017</b>    | <b>2016</b>       |
|   | <b>RM'000</b> | <b>RM'000</b>     | <b>RM'000</b>  | <b>RM'000</b>     |
|   |               | <b>(Restated)</b> |                | <b>(Restated)</b> |
| Management fee  | -             | -                 | 8,799          | 6,484             |
| Rental of land and buildings                                      | 8,120         | 7,094             | 7,835          | 6,766             |
| Auditors' remuneration  |               |                   |                |                   |
| - Statutory audit   | 428           | 410               | 341            | 393               |
| - Non-audit fees  | 49            | 73                | 24             | 73                |
| Rental of equipment   | 320           | 287               | 320            | 287               |
| Net foreign exchange (gain)/loss on operations                    |               |                   |                |                   |
| - Realised  | (33,512)      | (20,751)          | (33,512)       | (20,751)          |
| - Unrealised  | 3,097         | (19,054)          | 3,110          | (19,406)          |
| Advertising expenses  | 74,400        | 62,327            | 74,324         | 62,284            |
| Credit card charges   | 44,465        | 39,827            | 44,465         | 39,827            |
| In-flight meal expenses   | 23,631        | 19,662            | 23,631         | 19,662            |
| Insurance expenses  | 28,988        | 28,065            | 28,986         | 28,062            |
| Allowance for impairment of trade and other receivables (Note 20) | 60,049        | 11,585            | 60,049         | 11,585            |
| Property, plant and equipment written off                         | 431           | 15,189            | 431            | 15,189            |
| Loss on disposal of property, plant and equipment                 | 93            | -                 | 93             | -                 |
| Non-current asset held for sale written off                       | -             | 12,335            | -              | 12,335            |
| Fair value gain on shareholders' benefits scheme                  | -             | (2,944)           | -              | (2,944)           |



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**8. Other income**

|                                  | <b>Group</b>  |               | <b>Company</b> |               |
|----------------------------------|---------------|---------------|----------------|---------------|
|                                  | <b>2017</b>   | <b>2016</b>   | <b>2017</b>    | <b>2016</b>   |
|                                  | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| Commission income from insurance | 3,801         | 6,665         | 3,801          | 6,665         |
| Others                           | 63,883        | 49,335        | 63,844         | 50,107        |
|                                  | <u>67,684</u> | <u>56,000</u> | <u>67,645</u>  | <u>56,772</u> |

Others includes gain on disposal of assets previously held for sale of RM43.8 million (2016: nil). Others in prior year mainly relates to concession received from suppliers of RM30.7 million.

**9. Finance income/(costs)**

|   | <b>Group and Company</b> |                 |
|---|--------------------------|-----------------|
|   | <b>2017</b>              | <b>2016</b>     |
|   | <b>RM'000</b>            | <b>RM'000</b>   |
| <b>Finance income:</b>                            |                          |                 |
| Interest income from deposits with licensed bank  | 5,523                    | 5,193           |
| Other interest income                             | 14,821                   | -               |
|   | <u>20,344</u>            | <u>5,193</u>    |
| Discounting and accretion of interest on deposits | 12,860                   | 19,582          |
|   | <u>33,204</u>            | <u>24,775</u>   |
| <b>Finance costs:</b>                             |                          |                 |
| Interest expense on bank borrowings               | (36,476)                 | (37,716)        |
| Bank facilities and other charges                 | (2,105)                  | (2,544)         |
|   | <u>(38,581)</u>          | <u>(40,260)</u> |
| Discounting and accretion of interest on deposits | (22,643)                 | (9,614)         |
|   | <u>(61,224)</u>          | <u>(49,874)</u> |
| <b>Foreign exchange gains/(losses):</b>           |                          |                 |
| Unrealised foreign exchange gains/(losses) on:    |                          |                 |
| - Borrowings                                      | 98,542                   | (37,562)        |
| - Deposits and bank balances                      | (22,440)                 | 2,073           |
|   | <u>76,102</u>            | <u>(35,489)</u> |

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**10. Other (losses)/gains**

|  | <b>Group and Company</b> |               |
|--|--------------------------|---------------|
|  | <b>2017</b>              | <b>2016</b>   |
|  | <b>RM'000</b>            | <b>RM'000</b> |
| Other (loss)/gain from fuel contracts held for trading | <u>(4,265)</u>           | <u>35,738</u> |

**11. Taxation**

The major components of income tax expense are as follows:

|   | <b>Group</b>  |                   | <b>Company</b> |                   |
|---|---------------|-------------------|----------------|-------------------|
|   | <b>2017</b>   | <b>2016</b>       | <b>2017</b>    | <b>2016</b>       |
|   | <b>RM'000</b> | <b>RM'000</b>     | <b>RM'000</b>  | <b>RM'000</b>     |
|   |               | <b>(Restated)</b> |                | <b>(Restated)</b> |
| Income tax:   |               |                   |                |                   |
| Malaysian income tax  | 4,889         | -                 | 5,042          | (169)             |
| Foreign tax   | 280           | (19)              | -              | -                 |
|   | <u>5,169</u>  | <u>(19)</u>       | <u>5,042</u>   | <u>(169)</u>      |
| Under/(Over) provision in respect of prior years              | 1,236         | (169)             | 1,083          | -                 |
|   | <u>6,405</u>  | <u>(188)</u>      | <u>6,125</u>   | <u>(169)</u>      |
| Deferred tax (Note 17):                                       |               |                   |                |                   |
| Relating to origination and reversal of temporary differences | 48,246        | 30,054            | 48,413         | 30,054            |
| Underprovision in respect of prior years                      | 33,267        | 7,590             | 33,267         | 7,590             |
|   | <u>81,513</u> | <u>37,644</u>     | <u>81,680</u>  | <u>37,644</u>     |
| Total income tax expense                                      | <u>87,918</u> | <u>37,456</u>     | <u>87,805</u>  | <u>37,475</u>     |

The Group is subject to income tax on an entity basis on the profit arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate.

Domestic current income tax is calculated at the statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the year.

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**11. Taxation (cont'd.)**

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

|  | <b>Group</b>  |                   | <b>Company</b> |                   |
|--|---------------|-------------------|----------------|-------------------|
|  | <b>2017</b>   | <b>2016</b>       | <b>2017</b>    | <b>2016</b>       |
|  | <b>RM'000</b> | <b>RM'000</b>     | <b>RM'000</b>  | <b>RM'000</b>     |
|  |               | <b>(Restated)</b> |                | <b>(Restated)</b> |
| Profit before taxation   | 186,804       | 82,293            | 188,056        | 82,442            |
| Tax at Malaysian statutory tax rate of 24% (2016: 24%)         | 44,833        | 19,750            | 45,133         | 19,786            |
| Expenses not deductible for tax purposes                       | 17,290        | 24,355            | 17,030         | 24,169            |
| Income not subject to tax                                      | (8,708)       | (14,070)          | (8,708)        | (14,070)          |
| Underprovision of deferred tax in respect of prior years       | 33,267        | 7,590             | 33,267         | 7,590             |
| Under/(Over) provision of income tax in respect of prior years | 1,236         | (169)             | 1,083          | -                 |
| Tax expense  | 87,918        | 37,456            | 87,805         | 37,475            |

**12. Earnings per share**

**(a) Basic earnings per share**

Basic earnings per share is calculated by dividing the profit for the financial year by the weighted average number of ordinary shares in issue during the financial year.

|  | <b>Group</b> |                   |
|--|--------------|-------------------|
|  | <b>2017</b>  | <b>2016</b>       |
|  |              | <b>(Restated)</b> |
| Profit for the financial year (RM'000)                     | 98,886       | 44,837            |
| Weighted average number of ordinary shares in issue ('000) | 4,148,148    | 4,148,148         |
| Earnings per share (sen)                                   | 2.4          | 1.1               |

**(b) Diluted earnings per share**

The diluted earnings per share of the Group is similar to the basic earnings per share as the Group has no dilutive potential ordinary shares as at the end of the reporting date. There has been no other transaction involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.



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**13. Property, plant and equipment**

| Group and Company          | Aircraft<br>engines,<br>airframes and<br>service potential<br>RM'000 | Aircraft<br>spares<br>RM'000 | Motor<br>vehicles<br>RM'000 | Office<br>equipment,<br>furniture<br>and fittings<br>RM'000 | Ramp<br>equipment<br>RM'000 | Assets not<br>yet in<br>operation<br>RM'000 | Pre-<br>delivery<br>payments<br>RM'000 | Total<br>RM'000  |
|----------------------------|--|------------------------------|-----------------------------|---|-----------------------------|---|--|------------------|
| <b>2017</b>                |  |                              |                             |   |                             |   |  |                  |
| <b>Net book value</b>      |  |                              |                             |   |                             |   |  |                  |
| <b>At 1 January 2017</b>   | 1,504,031  | 56,463                       | 944                         | 7,013   | 42                          | -   | 115,278                                | 1,683,771        |
| Additions                  | 3,437  | 21,028                       | 364                         | 1,586   | 4                           | 210   | -                                      | 26,629           |
| Disposals                  | -  | (4,315)                      | (347)                       | (32)  | (34)                        | -   | -                                      | (4,728)          |
| Depreciation charge        | (93,883)   | (12,959)                     | (381)                       | (2,108)   | (7)                         | -   | -                                      | (109,338)        |
| Write off                  | (209)  | (222)                        | -                           | -   | -                           | -   | -                                      | (431)            |
| <b>At 31 December 2017</b> | <b>1,413,376</b>   | <b>59,995</b>                | <b>580</b>                  | <b>6,459</b>  | <b>5</b>                    | <b>210</b>                                  | <b>115,278</b>                         | <b>1,595,903</b> |

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**AIRASIA X BERHAD**  
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**13. Property, plant and equipment (cont'd.)**

|   | Aircraft<br>engines,<br>airframes and<br>service potential<br>RM'000 | Aircraft<br>spares<br>RM'000 | Motor<br>vehicles<br>RM'000 | Office<br>equipment,<br>furniture<br>and fittings<br>RM'000 | Ramp<br>equipment<br>RM'000 | Assets not<br>yet in<br>operation<br>RM'000 | Pre-<br>delivery<br>payments<br>RM'000 | Total<br>RM'000 |
|---|--|------------------------------|-----------------------------|---|-----------------------------|---|--|-----------------|
| <b>Group and Company</b>                |  |                              |                             |   |                             |   |  |                 |
| <b>2016</b>                             |  |                              |                             |   |                             |   |  |                 |
| <b>At 1 January 2016</b>                | 1,582,309  | 66,207                       | 986                         | 5,236   | -                           | 22,875                                      | -                                      | 1,677,613       |
| Reclassifications (Note 37)             | -  | -                            | -                           | -   | -                           | -   | 220,773                                | 220,773         |
| <b>At 1 January 2016<br/>(restated)</b> | 1,582,309  | 66,207                       | 986                         | 5,236   | -                           | 22,875                                      | 220,773                                | 1,898,386       |
| Additions                               | 20,403   | 3,525                        | 326                         | 3,400   | 44                          | 2,722                                       | -                                      | 30,420          |
| Reclassification                        | 10,408   | -                            | -                           | -   | -                           | (10,408)                                    | -                                      | -               |
| Disposals                               | (10,408)   | (412)                        | -                           | -   | -                           | -   | -                                      | (10,820)        |
| Transfer to loans                       | -  | -                            | -                           | -   | -                           | -   | (105,495)                              | (105,495)       |
| Depreciation charge                     | (98,681)   | (12,857)                     | (368)                       | (1,623)   | (2)                         | -   | -                                      | (113,531)       |
| Write off                               | -  | -                            | -                           | -   | -                           | (15,189)                                    | -                                      | (15,189)        |
| <b>At 31 December 2016</b>              | 1,504,031  | 56,463                       | 944                         | 7,013   | 42                          | -   | 115,278                                | 1,683,771       |

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**13. Property, plant and equipment (cont'd.)**

The reconciliation of the gross carrying amount and the accumulated depreciation and impairment losses at the beginning and end of the financial year is as follows:

| Group and Company             | Aircraft engines, airframes and service potential RM'000 | Aircraft spares RM'000 | Motor vehicles RM'000 | Office equipment, furniture and fittings RM'000 | Ramp equipment RM'000 | Assets not yet in operation RM'000 | Pre-delivery payments RM'000 | Total RM'000     |
|-------------------------------|--|------------------------|-----------------------|---|-----------------------|------------------------------------|------------------------------|------------------|
| <b>2017</b>                   |  |                        |                       |   |                       |                                    |                              |                  |
| Cost                          | 2,208,170  | 153,067                | 3,589                 | 16,500  | 5                     | 210                                | 115,278                      | 2,496,819        |
| Accumulated depreciation      | (765,747)  | (82,444)               | (3,009)               | (9,631)   | -                     | -                                  | -                            | (860,831)        |
| Accumulated impairment losses | (29,047)   | (10,628)               | -                     | (410)   | -                     | -                                  | -                            | (40,085)         |
|                               | <u>1,413,376</u>   | <u>59,995</u>          | <u>580</u>            | <u>6,459</u>                                    | <u>5</u>              | <u>210</u>                         | <u>115,278</u>               | <u>1,595,903</u> |
| <b>2016</b>                   |  |                        |                       |   |                       |                                    |                              |                  |
| Cost                          | 2,205,663  | 142,311                | 4,734                 | 14,992  | 44                    | -                                  | 115,278                      | 2,483,022        |
| Accumulated depreciation      | (672,585)  | (75,220)               | (3,790)               | (7,569)   | (2)                   | -                                  | -                            | (759,166)        |
| Accumulated impairment losses | (29,047)   | (10,628)               | -                     | (410)   | -                     | -                                  | -                            | (40,085)         |
|                               | <u>1,504,031</u>   | <u>56,463</u>          | <u>944</u>            | <u>7,013</u>                                    | <u>42</u>             | <u>-</u>                           | <u>115,278</u>               | <u>1,683,771</u> |



**AIRASIA X BERHAD**  
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**13. Property, plant and equipment (cont'd.)**

The additions and net book value of assets under hire purchase are as follows:

|   | <b>Group and Company</b> |               |
|---|--------------------------|---------------|
|   | <b>2017</b>              | <b>2016</b>   |
|   | <b>RM'000</b>            | <b>RM'000</b> |
| <b>Assets under hire purchase:</b>          |                          |               |
| Addition                                    | 62                       | -             |
| Net book value at the end of financial year | <u>78</u>                | <u>40</u>     |

Included in property, plant and equipment of the Group and Company are aircraft pledged as security for borrowings (Note 25) with a net book value of RM1,393 million (2016: RM1,494 million).

The beneficial ownership and operational control of certain aircraft pledged as security for borrowings rests with the Company when the aircraft is delivered to the Company. Where the legal title to the aircraft is held by the financiers during delivery, the legal title will be transferred to the Company only upon settlement of the respective facilities.

Pre-delivery payments 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.

Pre-delivery payments as at 31 December 2017 are in respect of aircraft purchases which will be delivered from financial year 2018 to 2027.

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**14. Investments in subsidiaries**

|                               | <b>Company</b> |               |
|-------------------------------|----------------|---------------|
|                               | <b>2017</b>    | <b>2016</b>   |
|                               | <b>RM'000</b>  | <b>RM'000</b> |
| Unquoted investments, at cost | *              | *             |

\* Denotes RM21 (2016: RM21).

The details of the subsidiaries are as follows:

| <b>Name</b>                 | <b>Country of incorporation</b> | <b>Group's effective equity interest</b> |             | <b>Principal activities</b>                               |
|-----------------------------|---------------------------------|--|-------------|---|
|                             |                                 | <b>2017</b>                              | <b>2016</b> |   |
|                             |                                 | <b>%</b>                                 | <b>%</b>    |   |
| AirAsia X Services Pty Ltd* | Australia                       | 100                                      | 100         | Provision of management logistical and marketing services |
| AAX Capital Limited*+       | Malaysia                        | 100                                      | 100         | Dormant   |
| AAX Leasing I Limited*#     | Malaysia                        | 100                                      | 100         | Provision of engine leasing facilities                    |
| AAX Mauritius One Limited*  | Mauritius                       | 100                                      | 100         | Provision of aircraft leasing facilities                  |
| AAX Capital II Limited^     | Malaysia                        | -  | 100         | Dormant   |
| Fly X Limited*              | Malaysia                        | 100                                      | 100         | Dormant   |

\* Not audited by Ernst & Young.

+ Struck off on 21 February 2018.

# In the process of striking-off.

^ Struck off on 20 June 2017.

**AIRASIA X BERHAD**  
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**15. Investment in an associate**

|   | <b>Group</b>  |               | <b>Company</b> |               |
|---|---------------|---------------|----------------|---------------|
|   | <b>2017</b>   | <b>2016</b>   | <b>2017</b>    | <b>2016</b>   |
|   | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| Unquoted investments, at cost               | 20,018        | 20,018        | 20,018         | 20,018        |
| Group's share of<br>post-acquisition losses | (20,018)      | (20,018)      | -              | -             |
|   | <u>-</u>      | <u>-</u>      | <u>20,018</u>  | <u>20,018</u> |

The details of the associate are as follows:

| <b>Name</b>                             | <b>Country of<br/>incorporation</b> | <b>Group's effective<br/>equity interest</b> |             | <b>Principal activities</b>          |
|---|-------------------------------------|--|-------------|--------------------------------------|
|   |                                     | <b>2017</b>                                  | <b>2016</b> |                                      |
|   |                                     | <b>%</b>                                     | <b>%</b>    |                                      |
| Thai AirAsia X<br>Co., Ltd<br>("TAAX")* | Thailand                            | 49   | 49          | Commercial air<br>transport services |

\* Not audited by Ernst & Young.

TAAX is a private company for which there is no quoted market price available for its shares.

There are no contingent liabilities relating to the Group's investment in TAAX.

TAAX is operator of commercial air transport services which is based in Thailand. This associate company is a strategic investment of the Company and forms an essential part of the Company's growth strategy. It provides access to a wider geographical market and network coverage in the provision of air transport services across the ASEAN region.

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



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**15. Investment in an associate (cont'd.)**

Summarised statement of financial position

|                           | <b>TAAX</b>   |               |
|---------------------------|---------------|---------------|
|                           | <b>2017</b>   | <b>2016</b>   |
|                           | <b>RM'000</b> | <b>RM'000</b> |
| <u>Current:</u>           |               |               |
| Cash and cash equivalents | 184,904       | 84,675        |
| Other current assets      | 262,521       | 221,418       |
| Total current assets      | 447,425       | 306,093       |
| <u>Non-current:</u>       |               |               |
| Assets                    | 114,441       | 118,957       |
| <u>Current:</u>           |               |               |
| Financial liabilities     | (69,604)      | (38,856)      |
| Other liabilities         | (538,591)     | (471,708)     |
| Total current liabilities | (608,195)     | (510,564)     |
| <u>Non-current:</u>       |               |               |
| Other liabilities         | (9,076)       | (7,243)       |
| Net liabilities           | (55,405)      | (92,757)      |

Summarised statement of comprehensive income

|                                  | <b>TAAX</b>   |               |
|----------------------------------|---------------|---------------|
|                                  | <b>2017</b>   | <b>2016</b>   |
|                                  | <b>RM'000</b> | <b>RM'000</b> |
| Revenue                          | 1,154,285     | 898,832       |
| Cost of sales                    | (1,041,079)   | (853,436)     |
| Other operating expenses         | (96,708)      | (67,817)      |
| Interest income                  | 614           | 349           |
| Interest expense                 | (2,538)       | (1,244)       |
| Other income                     | 22,373        | 27,658        |
| Profit before tax                | 36,947        | 4,342         |
| Taxation                         | 379           | 339           |
| Profit after tax                 | 37,326        | 4,681         |
| Other comprehensive loss         | (41)          | (1,049)       |
| Total comprehensive income       | 37,285        | 3,632         |
| Dividend received from associate | -             | -             |

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**15. Investment in an associate (cont'd.)**

Reconciliation of summarised financial information

|   | TAAX            |                 |
|---|-----------------|-----------------|
|   | 2017<br>RM'000  | 2016<br>RM'000  |
| Opening net liabilities at 1 January              | (92,757)        | (94,852)        |
| Total comprehensive income for the financial year | 37,285          | 3,632           |
| Effect of foreign exchange translation            | 67              | (1,537)         |
| Closing net liabilities at 31 December            | <u>(55,405)</u> | <u>(92,757)</u> |
| Interest in associate (49%)                       | -               | -               |
| Unrecognised share of loss (49%)                  |                 |                 |
| - for the financial year                          | -               | -               |
| - cumulative as at 31 December                    | <u>22,724</u>   | <u>40,994</u>   |
| Carrying value at 31 December                     | <u>-</u>        | <u>-</u>        |

**16. Investment in a joint venture**

|   | Group          |                | Company         |                 |
|---|----------------|----------------|-----------------|-----------------|
|   | 2017<br>RM'000 | 2016<br>RM'000 | 2017<br>RM'000  | 2016<br>RM'000  |
| Unquoted investments, at cost               | 53,888         | 53,888         | 53,888          | 53,888          |
| Group's share of<br>post-acquisition losses | (53,888)       | (53,888)       | -               | -               |
| Accumulated impairment losses               | <u>-</u>       | <u>-</u>       | <u>(53,888)</u> | <u>(53,888)</u> |
|   | <u>-</u>       | <u>-</u>       | <u>-</u>        | <u>-</u>        |

The details of the joint venture are as follows:

| Name                                      | Country of<br>incorporation | Group's effective<br>equity interest |           | Principal activities                 |
|---|-----------------------------|--------------------------------------|-----------|--------------------------------------|
|   |                             | 2017<br>%                            | 2016<br>% |                                      |
| PT Indonesia<br>AirAsia Extra<br>("IAAX") | Indonesia                   | 49                                   | 49        | Commercial air<br>transport services |

IAAX is a private company for which there is no quoted market price available for its shares.

There are no contingent liabilities relating to the Group's investment in IAAX.

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**16. Investment in a joint venture (cont'd.)**

IAAX is operator of commercial air transport services which is based in Indonesia. This joint venture company is a strategic investment of the Company and forms an essential part of the Company's growth strategy. It provides access to a wider geographical market and network coverage in the provision of air transport services across the ASEAN region.

During the previous financial year, impairment losses were recognised due to the losses incurred by the joint venture.

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

Summarised statement of financial position

|                           | <b>IAAX</b>   |               |
|---------------------------|---------------|---------------|
|                           | <b>2017</b>   | <b>2016</b>   |
|                           | <b>RM'000</b> | <b>RM'000</b> |
| <u>Current:</u>           |               |               |
| Cash and cash equivalents | 9,657         | 26,311        |
| Other current assets      | 407,676       | 53,231        |
| Total current assets      | 417,333       | 79,542        |
| <u>Non-current:</u>       |               |               |
| Assets                    | 91,520        | 102,473       |
| <u>Current:</u>           |               |               |
| Financial liabilities     | (621,309)     | (253,772)     |
| Other liabilities         | (3,892)       | (2,369)       |
| Total current liabilities | (625,201)     | (256,141)     |
| <u>Non-current:</u>       |               |               |
| Liabilities               | (2,912)       | (3,217)       |
| Net liabilities           | (119,260)     | (77,343)      |



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**16. Investment in a joint venture (cont'd.)**

Summarised statement of comprehensive income

|                                      | <b>IAAX</b>   |               |
|--------------------------------------|---------------|---------------|
|                                      | <b>2017</b>   | <b>2016</b>   |
|                                      | <b>RM'000</b> | <b>RM'000</b> |
| Revenue                              | 734,653       | 646,650       |
| Cost of sales                        | (792,049)     | (695,263)     |
| Other operating expenses             | (468)         | (12,082)      |
| Interest income                      | 147           | 280           |
| Interest expense                     | (738)         | (1,248)       |
| Other income                         | -             | -             |
| Loss before tax                      | (58,455)      | (61,663)      |
| Taxation                             | -             | (16,011)      |
| Loss after tax                       | (58,455)      | (77,674)      |
| Other comprehensive income           | -             | 2,747         |
| Total comprehensive loss             | (58,455)      | (74,927)      |
| Dividend received from joint venture | -             | -             |

Reconciliation of summarised financial information

|   | <b>IAAX</b>   |               |
|---|---------------|---------------|
|   | <b>2017</b>   | <b>2016</b>   |
|   | <b>RM'000</b> | <b>RM'000</b> |
| Opening net liabilities at 1 January            | (77,343)      | (29,274)      |
| Total comprehensive loss for the financial year | (58,455)      | (74,927)      |
| Effect of foreign exchange translation          | 16,538        | 26,858        |
| Closing net liabilities at 31 December          | (119,260)     | (77,343)      |
| Interest in joint venture (49%)                 | -             | -             |
| Unrecognised share of loss (49%)                |               |               |
| - for the financial year                        | 28,643        | 36,714        |
| - cumulative as at 31 December                  | 56,192        | 27,549        |
| Carrying value at 31 December                   | -             | -             |

**AIRASIA X BERHAD**  
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**17. Deferred taxation**

|  | <b>Group</b>   |                   | <b>Company</b> |                   |
|--|----------------|-------------------|----------------|-------------------|
|  | <b>2017</b>    | <b>2016</b>       | <b>2017</b>    | <b>2016</b>       |
|  | <b>RM'000</b>  | <b>RM'000</b>     | <b>RM'000</b>  | <b>RM'000</b>     |
|  |                | <b>(Restated)</b> |                | <b>(Restated)</b> |
| At 1 January                                       | 505,177        | 542,821           | 505,177        | 542,821           |
| Recognised in profit or loss<br>(Note 11)          | (81,513)       | (37,644)          | (81,680)       | (37,644)          |
| At 31 December                                     | <u>423,664</u> | <u>505,177</u>    | <u>423,497</u> | <u>505,177</u>    |
| Presented after appropriate offsetting as follows: |                |                   |                |                   |
| Deferred tax assets                                | 772,486        | 878,864           | 772,319        | 878,864           |
| Deferred tax liabilities                           | (348,822)      | (373,687)         | (348,822)      | (373,687)         |
|  | <u>423,664</u> | <u>505,177</u>    | <u>423,497</u> | <u>505,177</u>    |

**AIRASIA X BERHAD**  
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**17. Deferred taxation (cont'd.)**

The components and movements of deferred tax assets and liabilities during the financial years prior to offsetting are as follows:

**Deferred tax assets of the Group:**

|                              | Unabsorbed<br>capital<br>allowances<br>RM'000 | Unutilised<br>investment<br>allowances<br>RM'000 | Unused<br>tax losses<br>RM'000 | Sales in<br>advance<br>RM'000 | Others<br>RM'000 | Total<br>RM'000 |
|------------------------------|---|--|--------------------------------|-------------------------------|------------------|-----------------|
| <b>At 1 January 2017</b>     |   |  |                                |                               |                  |                 |
| Recognised in profit or loss | 300,088                                       | 251,456  | 129,663                        | 179,626                       | 18,031           | 878,864         |
| <b>At 31 December 2017</b>   | (109,485)                                     | -  | 12,323                         | (8,125)                       | (1,091)          | (106,378)       |
|                              | <u>190,603</u>                                | <u>251,456</u>                                   | <u>141,986</u>                 | <u>171,501</u>                | <u>16,940</u>    | <u>772,486</u>  |
| <b>At 1 January 2016</b>     |   |  |                                |                               |                  |                 |
| Recognised in profit or loss | 517,517                                       | 251,456  | 141,261                        | -                             | 3,145            | 913,379         |
| <b>At 31 December 2016</b>   | (217,429)                                     | -  | (11,598)                       | 179,626                       | 14,886           | (34,515)        |
|                              | <u>300,088</u>                                | <u>251,456</u>                                   | <u>129,663</u>                 | <u>179,626</u>                | <u>18,031</u>    | <u>878,864</u>  |



**AIRASIA X BERHAD**  
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**17. Deferred taxation (cont'd.)**

The components and movements of deferred tax assets and liabilities during the financial years prior to offsetting are as follows: (cont'd.)

**Deferred tax liabilities of the Group:**

|                              | Property,<br>plant and<br>equipment<br>RM'000 | Derivatives<br>RM'000 | Total<br>RM'000 |
|------------------------------|---|-----------------------|-----------------|
| <b>At 1 January 2017</b>     | 365,110                                       | 8,577                 | 373,687         |
| Recognised in profit or loss | (21,831)                                      | (3,034)               | (24,865)        |
| <b>At 31 December 2017</b>   | <u>343,279</u>                                | <u>5,543</u>          | <u>348,822</u>  |
| <b>At 1 January 2016</b>     | 372,378                                       | (1,820)               | 370,558         |
| Recognised in profit or loss | (7,268)                                       | 10,397                | 3,129           |
| <b>At 31 December 2016</b>   | <u>365,110</u>                                | <u>8,577</u>          | <u>373,687</u>  |

**AIRASIA X BERHAD**  
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**17. Deferred taxation (cont'd.)**

The components and movements of deferred tax assets and liabilities during the financial years prior to offsetting are as follows: (cont'd.)

**Deferred tax assets of the Company:**

|                              | Unabsorbed<br>capital<br>allowances<br>RM'000 | Unutilised<br>investment<br>allowances<br>RM'000 | Unused<br>tax losses<br>RM'000 | Sales in<br>advance<br>RM'000 | Others<br>RM'000 | Total<br>RM'000 |
|------------------------------|---|--|--------------------------------|-------------------------------|------------------|-----------------|
| <b>At 1 January 2017</b>     |   |  |                                |                               |                  |                 |
| Recognised in profit or loss | 300,088                                       | 251,456  | 129,663                        | 179,626                       | 18,031           | 878,864         |
| At 31 December 2017          | (109,485)                                     | -  | 12,323                         | (8,125)                       | (1,258)          | (106,545)       |
|                              | 190,603                                       | 251,456  | 141,986                        | 171,501                       | 16,773           | 772,319         |
| <b>At 1 January 2016</b>     |   |  |                                |                               |                  |                 |
| Recognised in profit or loss | 517,517                                       | 251,456  | 141,261                        | -                             | 3,145            | 913,379         |
| At 31 December 2016          | (217,429)                                     | -  | (11,598)                       | 179,626                       | 14,886           | (34,515)        |
|                              | 300,088                                       | 251,456  | 129,663                        | 179,626                       | 18,031           | 878,864         |

**AIRASIA X BERHAD**  
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**17. Deferred taxation (cont'd.)**

The components and movements of deferred tax assets and liabilities during the financial years prior to offsetting are as follows: (cont'd.)

**Deferred tax liabilities of the Company:**

|                              | Property,<br>plant and<br>equipment<br>RM'000 | Derivatives<br>RM'000 | Total<br>RM'000 |
|------------------------------|---|-----------------------|-----------------|
| <b>At 1 January 2017</b>     | 365,110                                       | 8,577                 | 373,687         |
| Recognised in profit or loss | (21,831)                                      | (3,034)               | (24,865)        |
| <b>At 31 December 2017</b>   | <u>343,279</u>                                | <u>5,543</u>          | <u>348,822</u>  |
| <b>At 1 January 2016</b>     | 372,378                                       | (1,820)               | 370,558         |
| Recognised in profit or loss | (7,268)                                       | 10,397                | 3,129           |
| <b>At 31 December 2016</b>   | <u>365,110</u>                                | <u>8,577</u>          | <u>373,687</u>  |

Deferred tax assets are mainly originating from unutilised tax incentives, unabsorbed capital allowances and tax losses carry forward which have no expiry dates. As disclosed in Note 3(ii) to the financial statements, the deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Estimating the future taxable profits involves significant assumptions, especially in respect of regulatory approvals for prospective routes, aircraft delivery, fares, load factors, fuel price, maintenance cost and currency movements. These assumptions have been built based on past performance and adjusted for non-recurring circumstances and a reasonable growth rate. Based on these projections, management believes that the current non-time restricted temporary differences will be utilised and has recognised the deferred tax assets as at reporting date.



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**18. Derivative financial instruments**

|                       | Group and Company |                       |                  |                       |
|-----------------------|-------------------|-----------------------|------------------|-----------------------|
|                       | 2017              |                       | 2016             |                       |
|                       | Assets<br>RM'000  | Liabilities<br>RM'000 | Assets<br>RM'000 | Liabilities<br>RM'000 |
| <b>Current</b>        |                   |                       |                  |                       |
| Commodity derivatives |                   |                       |                  |                       |
| - held for trading    | 23,094            | -                     | 28,153           | -                     |
| - cash flow hedges    | -                 | -                     | 106,582          | -                     |
|                       | <u>23,094</u>     | <u>-</u>              | <u>134,735</u>   | <u>-</u>              |

The full fair value of a hedging derivative is classified as a non-current asset if the remaining maturity of the hedge item is more than 12 months and, as a current asset, if the maturity of the hedged item is less than 12 months. Derivatives held for trading are those which do not qualify for hedge accounting.

**Fuel contracts**

The outstanding number of barrels of Brent and fuel derivative contracts as at 31 December 2017 was 364,862 barrels (2016: 4,012,809 barrels).

As at 31 December 2017, the Group has entered into Brent fixed swap contracts which represent an additional 13% (2016: 77%) of the Group's total expected fuel volume for the financial year 2018. This is to hedge against the fuel price risk that the Group is exposed to. Gains and losses recognised in the hedging reserve in equity on Brent and fuel derivative contracts as of 31 December 2017 are recognised in the profit or loss in the period or periods during which the hedged forecast transactions affects the profit or loss.

**19. Inventories**

|  | Group and Company |               |
|--|-------------------|---------------|
|  | 2017              | 2016          |
|  | RM'000            | RM'000        |
| Beverages, consumables and in-flight merchandise | <u>8,518</u>      | <u>14,151</u> |

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**20. Trade and other receivables**

|   |             | <b>Group</b>       |                    | <b>Company</b>     |                    |
|---|-------------|--------------------|--------------------|--------------------|--------------------|
|   | <b>Note</b> | <b>2017</b>        | <b>2016</b>        | <b>2017</b>        | <b>2016</b>        |
|   |             | <b>RM'000</b>      | <b>RM'000</b>      | <b>RM'000</b>      | <b>RM'000</b>      |
|   |             |                    | <b>(Restated)</b>  |                    | <b>(Restated)</b>  |
| <b>Non-current</b>                              |             |                    |                    |                    |                    |
| Deposits  | (c)         | 555,674            | 167,770            | 555,674            | 167,770            |
| Prepayments                                     | (d)         | 925,644            | 961,543            | 925,315            | 961,543            |
| Deferred lease expenses                         | (e)         | 32,031             | 31,516             | 32,031             | 31,516             |
|   |             | <u>1,513,349</u>   | <u>1,160,829</u>   | <u>1,513,020</u>   | <u>1,160,829</u>   |
| <b>Current</b>                                  |             |                    |                    |                    |                    |
| Trade receivables                               |             | 159,130            | 165,364            | 159,130            | 165,765            |
| Less: Allowance for impairment of receivables   |             | (57,089)           | (746)              | (57,089)           | (746)              |
| Trade receivables, net                          | (a)         | <u>102,041</u>     | <u>164,618</u>     | <u>102,041</u>     | <u>165,019</u>     |
| Other receivables                               |             | 331,338            | 278,462            | 331,338            | 278,454            |
| Less: Allowance for impairment of receivables   |             | (17,495)           | (13,789)           | (17,495)           | (13,789)           |
|   | (b)         | <u>313,843</u>     | <u>264,673</u>     | <u>313,843</u>     | <u>264,665</u>     |
| Deposits  | (c)         | 26,804             | 28,008             | 26,724             | 27,884             |
| Prepayments                                     | (d)         | 89,613             | 73,034             | 89,593             | 73,019             |
| Deferred lease expenses                         | (e)         | 5,087              | 5,619              | 5,087              | 5,619              |
| Other receivables, net                          |             | <u>435,347</u>     | <u>371,334</u>     | <u>435,247</u>     | <u>371,187</u>     |
|   |             | <u>537,388</u>     | <u>535,952</u>     | <u>537,288</u>     | <u>536,206</u>     |
| Total trade and other receivables               |             | 2,050,737          | 1,696,781          | 2,050,308          | 1,697,035          |
| Add: Deposits, cash and bank balances (Note 22) |             | 432,675            | 422,021            | 431,556            | 420,405            |
| Add: Amount due from a subsidiary (Note 21)     |             | -                  | -                  | 151,744            | 208,619            |
| Add: Amount due from an associate (Note 21)     |             | 110,274            | 69,590             | 81,305             | -                  |
| Add: Amount due from a joint venture (Note 21)  |             | 44,010             | -                  | 44,010             | -                  |
| Add: Amounts due from related parties (Note 21) |             | 75,305             | 51,561             | 75,305             | 51,561             |
| Less: Prepayments                               |             | <u>(1,015,257)</u> | <u>(1,034,577)</u> | <u>(1,014,908)</u> | <u>(1,034,562)</u> |
| Total loans and receivables                     |             | <u>1,697,744</u>   | <u>1,205,376</u>   | <u>1,819,320</u>   | <u>1,343,058</u>   |

The normal credit terms of the Group and Company range from 15 to 30 days (2016: 15 to 30 days).

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**20. Trade and other receivables (cont'd.)**

**(a) Trade receivables**

**(i) Financial assets that are neither past due nor impaired**

Trade receivables that are neither past due nor impaired for the Group and Company of RM54,079,000 (2016: Group RM54,562,000 and Company: RM54,963,000) are substantially from companies with good collection track records.

**(ii) Financial assets that are past due but not impaired**

As of 31 December 2017, trade receivables for the Group and Company of RM47,962,000 (2016: RM110,056,000) 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 are as follows:

|                          | <b>Group and Company</b> |                |
|--------------------------|--------------------------|----------------|
|                          | <b>2017</b>              | <b>2016</b>    |
|                          | <b>RM'000</b>            | <b>RM'000</b>  |
| Less than 30 days        | 20,561                   | 23,978         |
| Between 31 and 60 days   | 25,381                   | 12,738         |
| Between 61 and 90 days   | 223                      | 4,537          |
| Between 91 and 120 days  | 7                        | 9,315          |
| Between 121 and 180 days | 1,121                    | 15,945         |
| More than 180 days       | 669                      | 43,543         |
|                          | <u>47,962</u>            | <u>110,056</u> |

**(iii) Financial assets that are past due and impaired**

The carrying amounts of trade receivables individually determined to be impaired are as follows:

|   | <b>Group and Company</b> |               |
|---|--------------------------|---------------|
|   | <b>2017</b>              | <b>2016</b>   |
|   | <b>RM'000</b>            | <b>RM'000</b> |
| More than 180 days                            | 57,089                   | 746           |
| Less: Allowance for impairment of receivables | <u>(57,089)</u>          | <u>(746)</u>  |
|   | <u>-</u>                 | <u>-</u>      |

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



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**20. Trade and other receivables (cont'd.)**

**(a) Trade receivables (cont'd.)**

**(iii) Financial assets that are past due and impaired (cont'd.)**

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

|                                    | <b>Group and Company</b> |               |
|------------------------------------|--------------------------|---------------|
|                                    | <b>2017</b>              | <b>2016</b>   |
|                                    | <b>RM'000</b>            | <b>RM'000</b> |
| At 1 January                       | 746                      | 196           |
| Charged to profit or loss (Note 7) | 56,343                   | 550           |
| At 31 December                     | <u>57,089</u>            | <u>746</u>    |

**(b) Other receivables**

Other receivables include lease receivables, GST recoverable and refunds of value-added tax receivable from the authorities in various countries in which the Group operates.

**(i) Financial assets that are neither past due nor impaired**

Other receivables that are neither past due nor impaired for the Group and Company of RM61,772,000 (2016: RM47,493,000 and RM47,485,000) respectively are substantially with companies with good collection track records.

**(ii) Financial assets that are past due but not impaired**

As at 31 December 2017, other receivables for the Group and Company of RM252,071,000 (2016: RM217,180,000) 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 are as follows:

|                          | <b>Group and Company</b> |                |
|--------------------------|--------------------------|----------------|
|                          | <b>2017</b>              | <b>2016</b>    |
|                          | <b>RM'000</b>            | <b>RM'000</b>  |
| Less than 30 days        | 8,970                    | 19,462         |
| Between 31 and 60 days   | 9,232                    | 9,609          |
| Between 61 and 90 days   | 8,942                    | 10,428         |
| Between 91 and 120 days  | 23,380                   | 15,093         |
| Between 121 and 180 days | 24,298                   | 146,815        |
| More than 180 days       | 177,249                  | 15,773         |
|                          | <u>252,071</u>           | <u>217,180</u> |

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**20. Trade and other receivables (cont'd.)**

**(b) Other receivables (cont'd.)**

**(iii) Financial assets that are past due and impaired**

The carrying amounts of other receivables individually determined to be impaired are as follows:

|   | <b>Group and Company</b> |               |
|---|--------------------------|---------------|
|   | <b>2017</b>              | <b>2016</b>   |
|   | <b>RM'000</b>            | <b>RM'000</b> |
| More than 180 days                            | 17,495                   | 13,789        |
| Less: Allowance for impairment of receivables | (17,495)                 | (13,789)      |
|   | <u>-</u>                 | <u>-</u>      |

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

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

|                                    | <b>Group and Company</b> |               |
|------------------------------------|--------------------------|---------------|
|                                    | <b>2017</b>              | <b>2016</b>   |
|                                    | <b>RM'000</b>            | <b>RM'000</b> |
| At 1 January                       | 13,789                   | 2,754         |
| Charged to profit or loss (Note 7) | 3,706                    | 11,035        |
| At 31 December                     | <u>17,495</u>            | <u>13,789</u> |

**(c) Deposits**

Deposits of the Group and Company at the reporting date are with a number of external parties for which there is no expectation of default.

Included in deposits are deposits paid to lessors for leased aircraft and funds placed with lessor in respect of maintenance of the leased aircraft. These deposits are denominated in US Dollar.

**(d) Prepayments**

Included in prepayments are prepayments for maintenance of aircraft, advances made for purchases of fuel, lease of aircraft and maintenance of engines.

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**20. Trade and other receivables (cont'd.)**

**(e) Deferred lease expenses**

Deferred lease expenses represent the differences between fair value of non-current rental deposits recognised at initial recognition and the absolute deposit amount, which are amortised on a straight-line basis over the lease terms ranging from 9 to 12 years (2016: 9 to 12 years).

The movement of deferred lease expense (current and non-current) is as follows:

|                                     | <b>Group and Company</b>     |   |
|-------------------------------------|------------------------------|---|
|                                     | <b>2017</b><br><b>RM'000</b> | <b>2016</b><br><b>RM'000</b><br><b>(Restated)</b> |
| At 1 January                        | 37,135                       | 28,977  |
| (Refunds)/additions during the year | (17)                         | -   |
| Recognised in profit or loss        | -                            | 8,158   |
| At 31 December                      | <u>37,118</u>                | <u>37,135</u>                                     |
| <b>Representing:</b>                |                              |   |
| Current                             | 5,087                        | 5,619   |
| Non-current                         | <u>32,031</u>                | <u>31,516</u>                                     |
|                                     | <u>37,118</u>                | <u>37,135</u>                                     |

The other classes within receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group and Company do not hold any collateral as security.

The currency profile of trade and other receivables (excluding prepayments) are as follows:

|                   | <b>Group</b>                 |   | <b>Company</b>               |   |
|-------------------|------------------------------|---|------------------------------|---|
|                   | <b>2017</b><br><b>RM'000</b> | <b>2016</b><br><b>RM'000</b><br><b>(Restated)</b> | <b>2017</b><br><b>RM'000</b> | <b>2016</b><br><b>RM'000</b><br><b>(Restated)</b> |
| Ringgit Malaysia  | 36,731                       | 164,083   | 36,731                       | 164,083   |
| US Dollar         | 911,390                      | 431,319   | 911,390                      | 431,319   |
| Australian Dollar | 18,562                       | 27,042  | 18,482                       | 27,311  |
| Euro              | 473                          | 1,230   | 473                          | 1,230   |
| Indian Rupee      | 2,893                        | 3,522   | 2,893                        | 3,522   |
| Chinese Renminbi  | 5,394                        | 1,909   | 5,394                        | 1,909   |
| Japanese Yen      | 8,282                        | 16,182  | 8,282                        | 16,182  |
| Others            | 51,755                       | 16,917  | 51,755                       | 16,917  |
|                   | <u>1,035,480</u>             | <u>662,204</u>                                    | <u>1,035,400</u>             | <u>662,473</u>                                    |



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**21. Amounts due from a subsidiary, an associate, a joint venture and related parties**

|                                  | <b>Group</b>     |                  | <b>Company</b>   |                  |
|----------------------------------|------------------|------------------|------------------|------------------|
|                                  | <b>2017</b>      | <b>2016</b>      | <b>2017</b>      | <b>2016</b>      |
|                                  | <b>RM'000</b>    | <b>RM'000</b>    | <b>RM'000</b>    | <b>RM'000</b>    |
| <b>Amount due from</b>           |                  |                  |                  |                  |
| <b>Non-current</b>               |                  |                  |                  |                  |
| Amount due from an associate     | 81,305           | -                | 81,305           | -                |
| Amount due from a joint venture  | 44,010           | -                | 44,010           | -                |
|                                  | <u>125,315</u>   | <u>-</u>         | <u>125,315</u>   | <u>-</u>         |
| <b>Current</b>                   |                  |                  |                  |                  |
| Amount due from a subsidiary     | -                | -                | 151,744          | 208,619          |
| Amount due from an associate     | 28,969           | 69,590           | -                | -                |
| Amounts due from related parties | 75,305           | 51,561           | 75,305           | 51,561           |
|                                  | <u>104,274</u>   | <u>121,151</u>   | <u>227,049</u>   | <u>260,180</u>   |
|                                  | <u>229,589</u>   | <u>121,151</u>   | <u>352,364</u>   | <u>260,180</u>   |
| <b>Amount due to</b>             |                  |                  |                  |                  |
| <b>Current</b>                   |                  |                  |                  |                  |
| Amount due to a subsidiary       | -                | -                | (1,747)          | (1,488)          |
| Amount due to an associate       | -                | -                | (122,775)        | (139,029)        |
| Amount due to a joint venture    | (122,827)        | (91,855)         | (122,827)        | (91,855)         |
| Amounts due to related parties   | (28,963)         | (25,256)         | (30,587)         | (25,879)         |
|                                  | <u>(151,790)</u> | <u>(117,111)</u> | <u>(277,936)</u> | <u>(258,251)</u> |

The amounts due from a subsidiary, an associate and related parties are unsecured, interest free and repayable on demand.

Included in amounts due from an associate and a joint venture of RM81,305,000 (2016: nil) and RM44,010,000 (2016: nil) respectively are unsecured, bearing effective weighted average interest rate at 10.6% and 10.5% per annum respectively and repayable over 6 to 7 years.

The amounts due to a subsidiary, an associate, a joint venture and related parties are unsecured, interest free and repayable on demand.

The amounts due from/(to) related parties are in respect of trading transactions. The normal credit terms of the Group and Company range from 30 to 60 days (2016: 30 to 60 days).

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**21. Amounts due from a subsidiary, an associate, a joint venture and related parties (cont'd.)**

The currency profile of amounts due from a subsidiary, an associate, a joint venture and related parties are as follows:

|                  | <b>Group</b>   |                | <b>Company</b> |                |
|------------------|----------------|----------------|----------------|----------------|
|                  | <b>2017</b>    | <b>2016</b>    | <b>2017</b>    | <b>2016</b>    |
|                  | <b>RM'000</b>  | <b>RM'000</b>  | <b>RM'000</b>  | <b>RM'000</b>  |
| Ringgit Malaysia | 42,533         | 34,725         | 42,533         | 34,725         |
| US Dollar        | 165,227        | 85,555         | 288,002        | 224,584        |
| Others           | 21,829         | 871            | 21,829         | 871            |
|                  | <u>229,589</u> | <u>121,151</u> | <u>352,364</u> | <u>260,180</u> |

Amounts due from a subsidiary, an associate, a joint venture and related parties that are neither past due nor impaired for the Group and Company amounted to RM215,032,000 and RM193,139,000 (2016: RM14,449,000 and RM25,676,000) respectively.

The ageing analysis of amounts due from a subsidiary, an associate, a joint venture and related parties that are past due but not impaired is as follows:

|                    | <b>Group</b>  |                | <b>Company</b> |                |
|--------------------|---------------|----------------|----------------|----------------|
|                    | <b>2017</b>   | <b>2016</b>    | <b>2017</b>    | <b>2016</b>    |
|                    | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b>  | <b>RM'000</b>  |
| Less than 6 months | 2,019         | 72,847         | 68,674         | 106,110        |
| More than 6 months | 12,538        | 33,855         | 90,551         | 128,394        |
|                    | <u>14,557</u> | <u>106,702</u> | <u>159,225</u> | <u>234,504</u> |

The maximum exposure to credit risk as at the reporting date is the carrying value of the amounts due from a subsidiary, an associate, a joint venture, and related parties mentioned above.

The Group and Company have not made any impairment on these balances as management is of the view that these amounts are recoverable as there is no history of default.

The currency profile of amounts due to a subsidiary, an associate, a joint venture and related parties are as follows:

|                   | <b>Group</b>   |                | <b>Company</b> |                |
|-------------------|----------------|----------------|----------------|----------------|
|                   | <b>2017</b>    | <b>2016</b>    | <b>2017</b>    | <b>2016</b>    |
|                   | <b>RM'000</b>  | <b>RM'000</b>  | <b>RM'000</b>  | <b>RM'000</b>  |
| Ringgit Malaysia  | 14,158         | 10,660         | 14,159         | 10,660         |
| US Dollar         | 135,916        | 106,451        | 260,438        | 246,103        |
| Australian Dollar | 1,716          | -              | 3,339          | 1,488          |
|                   | <u>151,790</u> | <u>117,111</u> | <u>277,936</u> | <u>258,251</u> |

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**22. Deposits, cash and bank balances**

For the purposes of the statements of cash flows, cash and cash equivalents include the following:

|  | <b>Group</b>  |               | <b>Company</b> |               |
|--|---------------|---------------|----------------|---------------|
|  | <b>2017</b>   | <b>2016</b>   | <b>2017</b>    | <b>2016</b>   |
|  | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| Cash and bank balances                 | 287,875       | 190,999       | 286,756        | 189,384       |
| Deposits with licensed banks           | 144,800       | 231,022       | 144,800        | 231,021       |
| Total deposits, cash and bank balances | 432,675       | 422,021       | 431,556        | 420,405       |
| Less:                                  |               |               |                |               |
| Bank balances pledged as securities    | (26,887)      | (23,305)      | (26,887)       | (23,305)      |
| Deposits pledged as securities         | (14,341)      | (16,310)      | (14,341)       | (16,310)      |
| Cash and cash equivalents              | 391,447       | 382,406       | 390,328        | 380,790       |

The currency profile of deposits, cash and bank balances are as follows:

|                   | <b>Group</b>  |               | <b>Company</b> |               |
|-------------------|---------------|---------------|----------------|---------------|
|                   | <b>2017</b>   | <b>2016</b>   | <b>2017</b>    | <b>2016</b>   |
|                   | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| Ringgit Malaysia  | 213,270       | 263,547       | 213,270        | 263,308       |
| US Dollar         | 38,058        | 53,261        | 38,058         | 53,261        |
| Australian Dollar | 46,706        | 16,125        | 45,587         | 14,517        |
| Euro              | 803           | 888           | 803            | 888           |
| Indian Rupee      | 8,026         | 8,834         | 8,026          | 8,834         |
| Chinese Renminbi  | 27,188        | 13,497        | 27,188         | 13,497        |
| Japanese Yen      | 43,219        | 8,210         | 43,219         | 8,210         |
| Others            | 55,405        | 57,659        | 55,405         | 57,890        |
|                   | 432,675       | 422,021       | 431,556        | 420,405       |

The Group and Company's weighted average effective interest rate of deposits at the reporting date is 3.36% (2016: 2.98%) per annum.

The bank balances and deposits with licensed banks of the Group and Company amounting to RM26,887,000 and RM14,341,000 (2016: RM23,305,000 and RM16,310,000) respectively are pledged as securities for banking facilities granted to the Group and Company (Note 25).



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**23. Non-current assets held for sale**

|                               | <b>Group and Company</b> |               |
|-------------------------------|--------------------------|---------------|
|                               | <b>2017</b>              | <b>2016</b>   |
|                               | <b>RM'000</b>            | <b>RM'000</b> |
| Property, plant and equipment | -                        | 92,781        |

The non-current assets held for sale are for certain aircraft equipments for which potential buyers have been identified. The sale has been completed during the financial year.

**24. Trade and other payables**

|   | <b>Note</b> | <b>Group</b>     |                   | <b>Company</b>   |                   |
|---|-------------|------------------|-------------------|------------------|-------------------|
|   |             | <b>2017</b>      | <b>2016</b>       | <b>2017</b>      | <b>2016</b>       |
|   |             | <b>RM'000</b>    | <b>RM'000</b>     | <b>RM'000</b>    | <b>RM'000</b>     |
|   |             |                  | <b>(Restated)</b> |                  | <b>(Restated)</b> |
| <b>Non-current</b>                                    |             |                  |                   |                  |                   |
| Other deposits  |             | 76,864           | 62,796            | 76,864           | 62,796            |
| Deferred lease income                                 | (c)         | 16,409           | 17,187            | 16,409           | 17,187            |
|   |             | <u>93,273</u>    | <u>79,983</u>     | <u>93,273</u>    | <u>79,983</u>     |
| <b>Current</b>  |             |                  |                   |                  |                   |
| Trade payables  | (a)         | 222,506          | 251,253           | 222,506          | 251,253           |
| Other payables and accruals                           | (b)         | 937,815          | 746,247           | 934,458          | 745,506           |
| Deferred lease income                                 | (c)         | 3,809            | 3,048             | 3,809            | 3,048             |
|   |             | <u>1,164,130</u> | <u>1,000,548</u>  | <u>1,160,773</u> | <u>999,807</u>    |
| Total trade and other payables                        |             | 1,257,403        | 1,080,531         | 1,254,046        | 1,079,790         |
| Add: Borrowings (Note 25)                             |             | 861,970          | 1,160,326         | 861,970          | 1,160,326         |
| Add: Amount due to a subsidiary (Note 21)             |             | -                | -                 | 1,747            | 1,488             |
| Add: Amount due to an associate (Note 21)             |             | -                | -                 | 122,775          | 139,029           |
| Add: Amount due to a joint venture (Note 21)          |             | 122,827          | 91,855            | 122,827          | 91,855            |
| Add: Amounts due to related parties (Note 21)         |             | 28,963           | 25,256            | 30,587           | 25,879            |
| Total financial liabilities carried at amortised cost |             | <u>2,271,163</u> | <u>2,357,968</u>  | <u>2,393,952</u> | <u>2,498,367</u>  |

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**24. Trade and other payables (cont'd.)**

**(a) Trade payables**

The credit term of trade payables granted to the Group and Company is 7 to 90 days (2016: 7 to 90 days).

**(b) Other payables and accruals**

Included in other payables and accruals are operational expenses and passenger service charges payable to airport authorities.

**(c) Deferred lease income**

Deferred lease income represent the differences between fair value of non-current rental deposits recognised at initial recognition and the absolute deposit amount, which are amortised on a straight-line basis over the lease terms ranging from 9 to 12 years (2016: 9 to 12 years).

The movement of deferred lease income (current and non-current) are as follows:

|                                     | <b>Group and Company</b> |                   |
|-------------------------------------|--------------------------|-------------------|
|                                     | <b>2017</b>              | <b>2016</b>       |
|                                     | <b>RM'000</b>            | <b>RM'000</b>     |
|                                     |                          | <b>(Restated)</b> |
| At 1 January                        | 20,235                   | 12,077            |
| (Refunds)/additions during the year | (17)                     | -                 |
| Recognised in profit or loss        | -                        | 8,158             |
| At 31 December                      | <u>20,218</u>            | <u>20,235</u>     |
| <b>Representing:</b>                |                          |                   |
| Current                             | 3,809                    | 3,048             |
| Non-current                         | 16,409                   | 17,187            |
|                                     | <u>20,218</u>            | <u>20,235</u>     |

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**24. Trade and other payables (cont'd.)**

The currency profile of trade and other payables are as follows:

|                   | <b>Group</b>     |                   | <b>Company</b>   |                   |
|-------------------|------------------|-------------------|------------------|-------------------|
|                   | <b>2017</b>      | <b>2016</b>       | <b>2017</b>      | <b>2016</b>       |
|                   | <b>RM'000</b>    | <b>RM'000</b>     | <b>RM'000</b>    | <b>RM'000</b>     |
|                   |                  | <b>(Restated)</b> |                  | <b>(Restated)</b> |
| Ringgit Malaysia  | 228,631          | 259,512           | 228,631          | 259,490           |
| US Dollar         | 433,694          | 500,981           | 433,694          | 500,981           |
| Australian Dollar | 176,661          | 107,870           | 173,304          | 107,151           |
| Euro              | 8,260            | 7,600             | 8,260            | 7,600             |
| Indian Rupee      | 682              | 1,759             | 682              | 1,759             |
| Chinese Renminbi  | 49,387           | 46,229            | 49,387           | 46,229            |
| Japanese Yen      | 176,018          | 58,687            | 176,018          | 58,687            |
| Others            | 184,070          | 97,893            | 184,070          | 97,893            |
|                   | <u>1,257,403</u> | <u>1,080,531</u>  | <u>1,254,046</u> | <u>1,079,790</u>  |

**25. Borrowings**

|                    | <b>Weighted average<br/>rate of finance</b> |             | <b>Group and Company</b> |                  |
|--------------------|---|-------------|--------------------------|------------------|
|                    | <b>2017</b>                                 | <b>2016</b> | <b>2017</b>              | <b>2016</b>      |
|                    | <b>%</b>                                    | <b>%</b>    | <b>RM'000</b>            | <b>RM'000</b>    |
| <b>Current</b>     |   |             |                          |                  |
| Secured:           |   |             |                          |                  |
| - Term loans       | 3.39  | 3.17        | 188,501                  | 208,222          |
| - Hire purchase    | 3.80  | 2.80        | 27                       | 16               |
|                    |   |             | <u>188,528</u>           | <u>208,238</u>   |
| <b>Non-current</b> |   |             |                          |                  |
| Secured:           |   |             |                          |                  |
| - Term loans       | 3.39  | 3.17        | 673,392                  | 952,072          |
| - Hire purchase    | 3.80  | 2.80        | 50                       | 16               |
|                    |   |             | <u>673,442</u>           | <u>952,088</u>   |
| Total borrowings   |   |             | <u>861,970</u>           | <u>1,160,326</u> |

Total borrowings consist of the following banking facilities:

|                          | <b>Group and Company</b> |                  |
|--------------------------|--------------------------|------------------|
|                          | <b>2017</b>              | <b>2016</b>      |
|                          | <b>RM'000</b>            | <b>RM'000</b>    |
| Fixed rate borrowings    | 449,853                  | 643,362          |
| Floating rate borrowings | 412,117                  | 516,964          |
|                          | <u>861,970</u>           | <u>1,160,326</u> |



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**25. Borrowings (cont'd.)**

The Group's and Company's borrowings are repayable as follows:

|  | <b>Group and Company</b> |                  |
|--|--------------------------|------------------|
|  | <b>2017</b>              | <b>2016</b>      |
|  | <b>RM'000</b>            | <b>RM'000</b>    |
| Not later than 1 year                        | 188,528                  | 208,238          |
| Later than 1 year and not later than 5 years | 526,744                  | 832,912          |
| Later than 5 years                           | 146,698                  | 119,176          |
|  | <u>861,970</u>           | <u>1,160,326</u> |

The currency profile of borrowings are as follows:

|                  | <b>Group and Company</b> |                  |
|------------------|--------------------------|------------------|
|                  | <b>2017</b>              | <b>2016</b>      |
|                  | <b>RM'000</b>            | <b>RM'000</b>    |
| Ringgit Malaysia | 77                       | 32               |
| US Dollar        | 861,893                  | 1,160,294        |
|                  | <u>861,970</u>           | <u>1,160,326</u> |

The carrying amounts and fair values of the fixed rate borrowings are as follows:

|               | <b>Group and Company</b> |                   |                        |                   |
|---------------|--------------------------|-------------------|------------------------|-------------------|
|               | <b>2017</b>              |                   | <b>2016</b>            |                   |
|               | <b>Carrying amount</b>   | <b>Fair value</b> | <b>Carrying amount</b> | <b>Fair value</b> |
|               | <b>RM'000</b>            | <b>RM'000</b>     | <b>RM'000</b>          | <b>RM'000</b>     |
| Term loans    | 449,853                  | 451,327           | 643,362                | 652,237           |
| Hire purchase | 77                       | 74                | 32                     | 20                |
|               | <u>449,930</u>           | <u>451,401</u>    | <u>643,394</u>         | <u>652,257</u>    |

The fair values of floating rate borrowings approximates their carrying amounts, as the impact of discounting is not significant.

The fair values of the fixed rate borrowings are based on cash flows discounted using borrowing rates that are reflective of the Group and Company's credit risk at the reporting date, at 2.34% (2016: 1.76%) per annum. The fair values of fixed rate borrowings are within level 2 of the fair value hierarchy (refer Note 32(e)).

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**25. Borrowings (cont'd.)**

Term loans

The term loans are for the purchase of new Airbus A330-300 aircraft. The repayment of the term loans is on a quarterly basis over 10 to 12 years, with equal principal instalments, at a combination of floating rate of LIBOR + 0.8% and fixed interest rates of between 2.82% to 5.45% (2016: 2.82% to 5.45%) per annum. The term loans are secured by the following:

- (a) Assignment of rights under contract with Airbus over each aircraft;
- (b) Assignment of insurance of each aircraft; and
- (c) Assignment of airframe and engine warranties of each aircraft.

**Reconciliation of movement of liabilities to cash flows arising from financing activities**

**Group and Company**

|  | <b>Term loan<br/>RM'000</b> | <b>Hire<br/>purchase<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|--|-----------------------------|-------------------------------------|-------------------------|
| <b>Balance as at 1 January 2017</b>            | 1,160,294                   | 32                                  | 1,160,326               |
| <b>Changes from financing cash flows</b>       |                             |                                     |                         |
| Proceeds from borrowings                       | -                           | 62                                  | 62                      |
| Repayment of borrowings                        | (199,859)                   | (17)                                | (199,876)               |
| Interest paid                                  | (36,476)                    | -                                   | (36,476)                |
| <b>Total changes from financing cash flows</b> | <b>923,959</b>              | <b>77</b>                           | <b>924,036</b>          |
| <b>Other changes</b>                           |                             |                                     |                         |
| <b>Liability-related</b>                       |                             |                                     |                         |
| Finance costs                                  | 36,476                      | -                                   | 36,476                  |
| Unrealised foreign exchange gains              | (98,542)                    | -                                   | (98,542)                |
| <b>Balance as at 31 December 2017</b>          | <b>861,893</b>              | <b>77</b>                           | <b>861,970</b>          |

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**26. Provision for aircraft maintenance**

|                                | <b>Group and Company</b> |                |
|--------------------------------|--------------------------|----------------|
|                                | <b>2017</b>              | <b>2016</b>    |
|                                | <b>RM'000</b>            | <b>RM'000</b>  |
| Aircraft maintenance provision | <u>789,043</u>           | <u>591,574</u> |

The movement in aircraft maintenance provision is as follows:

|                           | <b>Group and Company</b> |                |
|---------------------------|--------------------------|----------------|
|                           | <b>2017</b>              | <b>2016</b>    |
|                           | <b>RM'000</b>            | <b>RM'000</b>  |
| At 1 January              | 591,574                  | 409,098        |
| Additions during the year | 201,633                  | 182,476        |
| Reversal during the year  | (4,164)                  | -              |
| At 31 December            | <u>789,043</u>           | <u>591,574</u> |

**27. Share capital**

|  | <b>Group and Company</b> |                  |
|--|--------------------------|------------------|
|  | <b>2017</b>              | <b>2016</b>      |
|  | <b>RM'000</b>            | <b>RM'000</b>    |
| <b>Authorised:</b>                     |                          |                  |
| Ordinary shares:                       |                          |                  |
| At beginning/ at end of financial year | -                        | 1,000,000        |
| Total authorised                       | <u>-</u>                 | <u>1,000,000</u> |
| <b>Issued and fully paid up:</b>       |                          |                  |
| Ordinary shares:                       |                          |                  |
| At beginning of financial year         | 622,222                  | 622,222          |
| Transfer to no par value regime        | 911,821                  | -                |
| At end of financial year               | <u>1,534,043</u>         | <u>622,222</u>   |
| Total issued and fully paid up         | <u>1,534,043</u>         | <u>622,222</u>   |

The new Companies Act, 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts outstanding in the share premium account become part of the Company share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount outstanding in the share premium account of RM911,821,000 for purposes as set out in Sections 618(3) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.



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**28. Employee share option scheme ("ESOS")**

The Company had implemented an ESOS which entails the issuance of up to ten percent (10%) of the issued and paid-up share capital of the Company at any one time pursuant to the exercise of options to be granted under the ESOS, to full-time eligible employees of the Group ("ESOS Options"). The tenure of the ESOS shall be five (5) years with an option to extend for a further five (5) years, subject to a maximum duration of ten (10) years. The ESOS is governed by the By-Laws which were approved by the shareholders on 12 October 2012.

The main features of the ESOS are as follows:

- (a) The maximum number of ordinary shares, which may be allotted pursuant to the exercise of options under the scheme, shall not exceed ten per cent (10%) of the issued and paid-up share capital of the Company at any point in time during the duration of the scheme.
- (b) The ESOS Committee duly authorised by the Board (and governed by the By-Laws) may, at its absolute discretion, offer such number of ESOS Options to the eligible employees during the subsistence of the ESOS, provided that such number of new shares issued under the ESOS Options granted shall not exceed the maximum number permitted under the listing requirements of Bursa Malaysia, the By-Laws and any laws, regulations and guidelines issued by other relevant authorities.
- (c) An eligible employee who accepts an offer of ESOS Option must return, on or before the expiry date, the duly completed prescribed acceptance form accompanied by the payment of the sum of RM1.00 as a consideration for acceptance of that offer. If that offer is not accepted in such manner, the offer shall, upon the expiry date, automatically lapse and be null and void.
- (d) The options granted are exercisable in tranches of 25% at each anniversary of date of grant.

The shares to be allotted and issued upon any valid exercise of options will, upon such allotment and issuance, rank *pari passu* in all respects with the existing and issued shares except that such shares so issued will not be entitled to any dividends, rights, allotments and/or any other distributions which may be declared, made or paid to shareholders prior to the date of allotment of such shares. The options shall not carry any right to vote at a general meeting of the Company.

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**28. Employee share option scheme ("ESOS") (cont'd.)**

Set out below are details of options over the ordinary shares of the Company granted under the ESOS:

| Grant date  | Expiry date     | Exercise price<br>RM/share | At<br>1.1.2017<br>'000 | Adjustment<br>'000 | Exercised<br>'000 | Forfeited<br>'000 | At<br>31.12.2017<br>'000 |
|-------------|-----------------|----------------------------|------------------------|--------------------|-------------------|-------------------|--------------------------|
| 1 July 2013 | 11 October 2017 | 0.99*                      | 3,771                  | -                  | -                 | (3,771)           | -                        |

| Grant date  | Expiry date     | Exercise price<br>RM/share | At<br>1.1.2016<br>'000 | Adjustment<br>'000 | Exercised<br>'000 | Forfeited<br>'000 | At<br>31.12.2016<br>'000 |
|-------------|-----------------|----------------------------|------------------------|--------------------|-------------------|-------------------|--------------------------|
| 1 July 2013 | 11 October 2017 | 0.99*                      | 3,976                  | -                  | -                 | (205)             | 3,771                    |

\* The exercise price of the options and number of options granted were adjusted as a result of the rights issue exercise on 11 June 2015.

The fair value as at the grant date of share options was determined using the Black Scholes valuation model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used were as follows:

|  | 2017  | 2016  |
|--|-------|-------|
| Expected volatility (%)                    | 33.97 | 33.97 |
| Risk-free interest rate (%)                | 3.84  | 3.84  |
| Expected life of option (years)            | 4.00  | 4.00  |
| Share price at date of grant (RM)          | 1.25  | 1.25  |
| Exercise price of option (RM)              | 1.25  | 1.25  |
| Fair value of option at date of grant (RM) | 0.41  | 0.41  |

Volatility is measured over a 4-year period to increase the credibility of assumption.

The amount recognised in the financial statements (Note 5) for all employees arising from the ESOS to the Group and Company are RM241,000 (2016: RM484,000).

On 11 October 2017, the ESOS had expired and the Board of Directors had resolved that there shall be no further extension and/or renewal on the ESOS.

The share option reserve has been transferred to retained earnings as the ESOS has lapsed as at year end.

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**29. Other reserves**

|   | <b>Cash flow<br/>hedge<br/>reserve<br/>RM'000</b> | <b>Share<br/>option<br/>reserve<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|---|---|--|-------------------------|
| <b>Group and Company</b>                                |   |  |                         |
| <b>2017</b>   |   |  |                         |
| At 1 January 2017                                       | 106,582   | 2,558  | 109,140                 |
| Net change in fair value                                | (795)   | 241  | (554)                   |
| Transferred to profit or loss                           | (106,582)   | -  | (106,582)               |
| Transferred to retained earnings upon<br>expiry of ESOS | -   | (2,799)  | (2,799)                 |
| At 31 December 2017                                     | <u>(795)</u>                                      | <u>-</u>                                       | <u>(795)</u>            |
| <b>2016</b>   |   |  |                         |
| At 1 January 2016                                       | (107,630)   | 2,074  | (105,556)               |
| Net change in fair value                                | 106,582   | 484  | 107,066                 |
| Transferred to profit or loss                           | 107,630   | -  | 107,630                 |
| At 31 December 2016                                     | <u>106,582</u>                                    | <u>2,558</u>                                   | <u>109,140</u>          |

The share option reserve has been transferred to retained earnings during the year following the lapsing of the ESOS as disclosed in Note 28.

On 11 June 2015, the Company completed a renounceable rights issue of new ordinary shares of RM0.15 each in the Company together with free detachable warrants for working capital purpose. As a result, 1,777,777,790 ordinary shares of RM0.15 each were issued during the financial year ended 31 December 2015. These new ordinary shares rank pari passu with the existing ordinary shares. Following the completion of the exercise, the issued and fully paid ordinary shares of the Company consists of 4,148,148,177 ordinary shares of RM0.15 each with a share premium of RM911,820,644 and warrant reserve of RM62,222,223. Each warrant is entitled at any time during the exercise period, to subscribe for one new ordinary share at the exercise price of RM0.46.



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**30. Commitments**

(a) Capital commitments not provided for in the financial statements are as follows:

|  | <b>Group and Company</b> |                    |
|--|--------------------------|--------------------|
|  | <b>2017</b>              | <b>2016</b>        |
|  | <b>RM'000</b>            | <b>RM'000</b>      |
| Property, plant and equipment - approved and contracted for: |                          |                    |
| - Not later than 1 year                                      | -                        | -                  |
| - Later than 1 year and not later than 5 years               | 41,382,655               | 30,289,045         |
| - Later than 5 years   | 66,491,199               | 88,803,156         |
|  | <u>107,873,854</u>       | <u>119,092,201</u> |

Included in capital commitments as at 31 December 2017 is the purchase of Airbus A330 and A350 aircraft over the next 10 years.

(b) Non-cancellable operating leases

The future minimum lease payments and sublease receipts under non-cancellable operating leases are as follows:

|  | <b>Group and Company</b>             |   |                                      |   |
|--|--------------------------------------|---|--------------------------------------|---|
|  | <b>2017</b>                          |   | <b>2016</b>                          |   |
|  | <b>Future minimum lease payments</b> | <b>Future minimum sublease receipts</b> | <b>Future minimum lease payments</b> | <b>Future minimum sublease receipts</b> |
|  | <b>RM'000</b>                        | <b>RM'000</b>                           | <b>RM'000</b>                        | <b>RM'000</b>                           |
| Not later than 1 year                        | 949,216                              | 285,525                                 | 1,024,614                            | 315,396                                 |
| Later than 1 year and not later than 5 years | 3,889,129                            | 1,142,098                               | 4,094,546                            | 1,261,582                               |
| Later than 5 years                           | 2,753,187                            | 578,813                                 | 3,893,976                            | 954,762                                 |
|  | <u>7,591,532</u>                     | <u>2,006,436</u>                        | <u>9,013,136</u>                     | <u>2,531,740</u>                        |

The Group leases various aircraft and engines under non-cancellable operating lease agreements. The lease terms are between 10 to 12 years.

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**31. Significant related party transactions**

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

The related parties of the Company and their relationships at 31 December 2017 are as follows:

| <b>Name of Companies</b>    | <b>Relationship</b>   |
|-----------------------------|---|
| AirAsia X Services Pty Ltd  | Subsidiary  |
| AirAsia X Mauritius One Ltd | Subsidiary  |
| Thai AirAsia X Co., Ltd     | Associate   |
| PT Indonesia AirAsia Extra  | Joint Venture   |
| AirAsia Berhad              | Shareholder of the Company for which there is no control, significant influence or joint control; common Directors and shareholders |

**Subsidiaries of AirAsia Berhad**

|  |                                   |
|--|-----------------------------------|
| - AirAsia Global Shared Services Sdn Bhd | Common Directors and shareholders |
| - Rokki Sdn Bhd                          | Common Directors and shareholders |
| - Think Big Digital Sdn Bhd              | Common Directors and shareholders |
| - Big Pay Malaysia Sdn Bhd               | Common Directors and shareholders |
| - Ground Team Red Sdn Bhd                | Common Directors and shareholders |

**Associates of AirAsia Berhad**

|                           |                                   |
|---------------------------|-----------------------------------|
| - Thai AirAsia Co., Ltd   | Common Directors and shareholders |
| - PT Indonesia AirAsia    | Common Directors and shareholders |
| - AirAsia Japan Co. Ltd   | Common Directors and shareholders |
| - Philippines AirAsia     | Common Directors and shareholders |
| - Philippines AirAsia Inc | Common Directors and shareholders |
| - AirAsia (India) Pvt Ltd | Common Directors and shareholders |
| - AAE Travel Pte Ltd      | Common Directors and shareholders |

**Other related entities**

|                                  |                                   |
|----------------------------------|-----------------------------------|
| - CaterhamJet Global Ltd         | Common Directors and shareholders |
| - Yummy Kitchen Sdn Bhd          | Common Directors and shareholders |
| - Tune Protect Re Ltd            | Common Directors and shareholders |
| - Tune Insurance Malaysia Berhad | Common Directors and shareholders |

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

Key management personnel are categorised as head or senior management officers of key operating divisions within the Group and Company. The key management compensation is disclosed in Note 31(g) below.

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**31. Significant related party transactions (cont'd.)**

|   | <b>Group</b>  |               | <b>Company</b> |               |
|---|---------------|---------------|----------------|---------------|
|   | <b>2017</b>   | <b>2016</b>   | <b>2017</b>    | <b>2016</b>   |
|   | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| (a) Income:   |               |               |                |               |
| Aircraft operating lease income for leased aircraft                                     |               |               |                |               |
| - AAX Mauritius One Limited   | -             | -             | 338,853        | 329,402       |
| - PT Indonesia AirAsia Extra  | 113,874       | 110,732       | 113,874        | 110,732       |
| - Thai AirAsia X Co., Ltd   | 338,853       | 329,402       | -              | -             |
| Sale of ramp equipment to Ground Team Red Sdn Bhd                                       | 4,630         | -             | 4,630          | -             |
| Commission on travel insurance for passengers charged to Tune Insurance Malaysia Berhad | 2,266         | 3,920         | 2,266          | 3,920         |
| Provision of lounge services to AirAsia Berhad  | 2,001         | -             | 2,001          | -             |
| Provision of carried passenger services to AirAsia Berhad                               | 9,021         | 42,867        | 9,021          | 42,867        |
| Management fees charged to PT Indonesia AirAsia   | 2,117         | 1,509         | -              | -             |
| Sale of ticket and other ancillary revenue to Think Big Digital Sdn. Bhd.               | 973           | 728           | 973            | 728           |
| (b) Recharges:  |               |               |                |               |
| Recharges of expenses to  |               |               |                |               |
| - Philippines AirAsia Inc   | 1,249         | 3,784         | 1,249          | 3,784         |
| - Thai AirAsia Co., Ltd   | 519           | 979           | 519            | 979           |
| - AirAsia Japan Co., Ltd.   | 176           | 100           | 176            | 100           |
| - PT Indonesia AirAsia  | 19            | 1,271         | 19             | 1,271         |
| - Thai AirAsia X Co., Ltd   | 28,270        | 10,370        | 28,270         | 10,370        |
| - PT Indonesia AirAsia Extra  | 8,620         | 3,260         | 8,620          | 3,260         |



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**31. Significant related party transactions (cont'd.)**

|   | <b>Group</b>  |               | <b>Company</b> |               |
|---|---------------|---------------|----------------|---------------|
|   | <b>2017</b>   | <b>2016</b>   | <b>2017</b>    | <b>2016</b>   |
|   | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| (b) Recharges: (cont'd.)  |               |               |                |               |
| Recharges of expenses by  |               |               |                |               |
| - AirAsia Berhad  | (41,627)      | (65,640)      | (41,627)       | (65,640)      |
| - AirAsia Japan Co., Ltd.   | (121)         | (704)         | (121)          | (704)         |
| - AirAsia (India) Pvt Ltd   | (1,276)       | (841)         | (1,276)        | (841)         |
| (c) Other charges:  |               |               |                |               |
| Management fees charged by AirAsia X Services Pty Ltd                           | -             | -             | (9,680)        | (6,836)       |
| Brand license fee charged by AirAsia Berhad                                     | (8,530)       | (8,530)       | (8,530)        | (8,530)       |
| Training services charged by Asian Aviation Centre of Excellence Sdn Bhd        | (12,851)      | (11,032)      | (12,851)       | (11,032)      |
| In-flight entertainment system and software expense charged by Rokki Sdn Bhd    | (3,906)       | (3,827)       | (3,906)        | (3,827)       |
| Charter air travel services charged by CaterhamJet Global Ltd                   | (2,780)       | (6,606)       | (2,780)        | (6,606)       |
| Shared service management fee charged by AirAsia Global Shared Services Sdn Bhd | (3,345)       | (5,126)       | (3,345)        | (5,126)       |
| Provision of food catering services charged by Yummy Kitchen Sdn Bhd            | (1,047)       | -             | (1,047)        | -             |
| Ground handling services charged by Ground Team Red Sdn Bhd                     | (5,917)       | -             | (5,917)        | -             |
| Purchase of loyalty point from Think Big Digital Sdn Bhd                        | (4,193)       | (2,600)       | (4,193)        | (2,600)       |

**AIRASIA X BERHAD**  
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**31. Significant related party transactions (cont'd.)**

|   | <b>Group</b>   |                | <b>Company</b> |                |
|---|----------------|----------------|----------------|----------------|
|   | <b>2017</b>    | <b>2016</b>    | <b>2017</b>    | <b>2016</b>    |
|   | <b>RM'000</b>  | <b>RM'000</b>  | <b>RM'000</b>  | <b>RM'000</b>  |
| (d) Premium collected on travel insurance for passengers paid to Tune Insurance Malaysia Berhad | (9,064)        | (15,681)       | (9,064)        | (15,681)       |
| (e) Receivables:  |                |                |                |                |
| - AAX Mauritius One Limited   | -              | -              | 151,744        | 208,619        |
| - Philippines AirAsia (including Philippines AirAsia Inc)                                       | 10,943         | 8,862          | 10,943         | 8,862          |
| - Thai AirAsia X Co., Ltd   | 110,274        | 69,590         | 81,305         | -              |
| - PT Indonesia AirAsia Extra  | 44,010         | -              | 44,010         | -              |
| - AirAsia Berhad  | 57,183         | 34,719         | 57,183         | 34,719         |
| - AirAsia (India) Pvt Ltd   | -              | 6,751          | -              | 6,751          |
| - Others  | 7,179          | 1,229          | 7,179          | 1,229          |
|   | <u>229,589</u> | <u>121,151</u> | <u>352,364</u> | <u>260,180</u> |
| (f) Payables:   |                |                |                |                |
| - Thai AirAsia X Co., Ltd   | -              | -              | 122,775        | 139,029        |
| - PT Indonesia AirAsia Extra  | 122,827        | 91,855         | 122,827        | 91,855         |
| - Rokki Sdn Bhd   | 1,373          | 1,307          | 1,373          | 1,307          |
| - Tune Insurance Malaysia Berhad  | 5,130          | 6,454          | 5,130          | 6,454          |
| - PT Indonesia AirAsia  | 6,960          | 881            | 8,584          | 1,504          |
| - Thai AirAsia Co., Ltd   | 2,338          | 5,806          | 2,338          | 5,806          |
| - AirAsia X Services Pty Ltd  | -              | -              | 1,747          | 1,488          |
| - CaterhamJet Global Ltd  | 708            | 2,552          | 708            | 2,552          |
| - Others  | 12,454         | 8,256          | 12,454         | 8,256          |
|   | <u>151,790</u> | <u>117,111</u> | <u>277,936</u> | <u>258,251</u> |
| (g) Key management personnel compensation:  |                |                |                |                |
| - Basic salaries, bonus and allowances  | 13,052         | 9,643          | 13,052         | 9,643          |
| - Defined contribution plan   | 1,411          | 1,007          | 1,411          | 1,007          |
| - Fees  | -              | 636            | -              | 636            |
|   | <u>14,463</u>  | <u>11,286</u>  | <u>14,463</u>  | <u>11,286</u>  |

Included in the key management compensation is Executive Director's remuneration as disclosed in Note 6.

**AIRASIA X BERHAD**  
**(Incorporated in Malaysia)****32. Financial risk management policies**

The Group's and Company's financial risk management policies seek to ensure that adequate financial resources are available for the development of the Group's and Company's businesses whilst managing their market risk (including fuel price risk, interest rate risk and foreign currency exchange risk), credit risk and liquidity and cash flow risk. The Group and Company operate within defined guidelines that are approved and reviewed periodically by the Board of Directors to minimise the effects of such volatility on their financial performance.

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

The Group and Company also seek to ensure that the financial resources that are available for the development of the Group's and Company's businesses are constantly monitored and managed vis-a-vis its ongoing exposure to fuel price, interest rate, foreign currency exchange, credit, liquidity and cash flow risks.

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

**(a) Market risk**

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

**(i) Fuel price risk**

The Group and Company are exposed to jet fuel price risk arising from the fluctuations in the prices of jet fuel. The Group and Company rely on a related party for certain treasury activities, including hedging of fuel price, which is contracted and managed by the related party. Any gain or loss arising from fuel hedging is recognised when the risk transfers to the Group and Company upon consumption of the fuel, within "Aircraft fuel expenses" in Operating Expenses.

During the financial year ended 31 December 2017, the Group and Company entered into Brent fixed swap contracts. There were 364,862 barrels (2016: 4,012,809 barrels) of Brent and fuel contracts outstanding as at 31 December 2017.



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**32. Financial risk management policies (cont'd.)**

**(a) Market risk (cont'd.)**

**(i) Fuel price risk (cont'd.)**

As at 31 December 2017, if USD denominated barrel had been USD5 higher/lower with all other variables held constant, the impact on the post-tax profit and equity for the year end equity are tabulated below:

|                                      | 2017            |                 | 2016            |                 |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                      | +USD5<br>RM'000 | -USD5<br>RM'000 | +USD5<br>RM'000 | -USD5<br>RM'000 |
| Impact on post tax profits           | 7,163           | (7,163)         | 23,724          | (27,736)        |
| Impact on other comprehensive income | -               | -               | 116,945         | (116,945)       |

**(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 the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

In view of the substantial borrowings taken to finance the acquisition of aircraft, the Group's and Company's income and operating cash flows are also influenced by changes in market interest rates. Interest rate exposure arises from the Group's and Company's floating rate borrowings and deposits. Surplus funds are placed with reputable financial institutions at the most favourable interest rate.

At 31 December 2017, if interest rate on USD denominated borrowings had been 60 basis points higher/lower with all other variables held constant, the impact on the post-tax profit for the financial year are tabulated below:

|                            | 2017             |                  | 2016             |                  |
|----------------------------|------------------|------------------|------------------|------------------|
|                            | +60bps<br>RM'000 | -60bps<br>RM'000 | +60bps<br>RM'000 | -60bps<br>RM'000 |
| Impact on post tax profits | (2,972)          | 2,972            | (3,538)          | 3,538            |

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**32. Financial risk management policies (cont'd.)**

**(a) Market risk (cont'd.)**

**(iii) Foreign currency risk**

Apart from Ringgit Malaysia ("RM"), the Group and Company transact business in various foreign currencies including United States Dollar ("USD"), Australian Dollar ("AUD"), EURO, Indian Rupee ("INR"), Chinese Renminbi ("RMB") and Japanese Yen ("JPY"). In addition, the Group and Company have significant borrowings in USD (Note 25), mainly to finance the purchase of aircraft and pre-delivery payments in respect of the Group's and Company's firm order of Airbus A330-300 aircraft. Therefore, the Group and Company are exposed to currency exchange risk. These exposures are managed, to the extent possible, by natural hedges that arise when payments for foreign currency payables are matched against receivables denominated in the same foreign currency, or whenever possible by intragroup arrangements and settlements.

As at 31 December 2017, if RM had weakened/strengthened by 5% against the USD with all other variables held constant, the impact on the post-tax profit for the financial year are tabulated below:

|                            | <b>2017</b>     |               | <b>2016</b>     |               |
|----------------------------|-----------------|---------------|-----------------|---------------|
|                            | <b>+5%</b>      | <b>-5%</b>    | <b>+5%</b>      | <b>-5%</b>    |
|                            | <b>RM'000</b>   | <b>RM'000</b> | <b>RM'000</b>   | <b>RM'000</b> |
| Impact on post tax profits | <u>(14,687)</u> | <u>14,687</u> | <u>(53,143)</u> | <u>53,143</u> |

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

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**32. Financial risk management policies (cont'd.)**

**(a) Market risk (cont'd.)**

**(iii) Foreign currency risk (cont'd.)**

The Group's currency exposure is as follows:

| <b>At 31 December 2017</b>  | <b>Note</b> | <b>USD<br/>RM'000</b> | <b>AUD<br/>RM'000</b> | <b>EURO<br/>RM'000</b> | <b>INR<br/>RM'000</b> | <b>RMB<br/>RM'000</b> | <b>JPY<br/>RM'000</b> | <b>Others<br/>RM'000</b> |
|---|-------------|-----------------------|-----------------------|------------------------|-----------------------|-----------------------|-----------------------|--------------------------|
| <u>Financial assets</u>   |             |                       |                       |                        |                       |                       |                       |                          |
| Trade and other receivables   | 20          | 911,390               | 18,562                | 473                    | 2,893                 | 5,394                 | 8,282                 | 51,755                   |
| Amounts due from an associate,<br>a joint venture and related parties | 21          | 165,227               | -                     | -                      | -                     | -                     | -                     | 21,829                   |
| Deposits, cash and bank balances                                      | 22          | 38,058                | 46,706                | 803                    | 8,026                 | 27,188                | 43,219                | 55,405                   |
| Derivative financial instruments                                      | 18          | 23,094                | -                     | -                      | -                     | -                     | -                     | -                        |
|   |             | <u>1,137,769</u>      | <u>65,268</u>         | <u>1,276</u>           | <u>10,919</u>         | <u>32,582</u>         | <u>51,501</u>         | <u>128,989</u>           |
| <u>Financial liabilities</u>  |             |                       |                       |                        |                       |                       |                       |                          |
| Trade and other payables  | 24          | 433,694               | 176,661               | 8,260                  | 682                   | 49,387                | 176,018               | 184,070                  |
| Amounts due to a joint venture<br>and related parties                 | 21          | 135,916               | 1,716                 | -                      | -                     | -                     | -                     | -                        |
| Borrowings  | 25          | 861,893               | -                     | -                      | -                     | -                     | -                     | -                        |
|   |             | <u>1,431,503</u>      | <u>178,377</u>        | <u>8,260</u>           | <u>682</u>            | <u>49,387</u>         | <u>176,018</u>        | <u>184,070</u>           |
| Net exposure  |             | <u>(293,734)</u>      | <u>(113,109)</u>      | <u>(6,984)</u>         | <u>10,237</u>         | <u>(16,805)</u>       | <u>(124,517)</u>      | <u>(55,081)</u>          |



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**32. Financial risk management policies (cont'd.)**

**(a) Market risk (cont'd.)**

**(iii) Foreign currency risk (cont'd.)**

The Group's currency exposure is as follows:

| <b>At 31 December 2016</b>                            | <b>Note</b> | <b>USD<br/>RM'000</b> | <b>AUD<br/>RM'000</b> | <b>EURO<br/>RM'000</b> | <b>INR<br/>RM'000</b> | <b>RMB<br/>RM'000</b> | <b>JPY<br/>RM'000</b> | <b>Others<br/>RM'000</b> |
|---|-------------|-----------------------|-----------------------|------------------------|-----------------------|-----------------------|-----------------------|--------------------------|
| <u>Financial assets</u>                               |             |                       |                       |                        |                       |                       |                       |                          |
| Trade and other receivables                           | 20          | 431,319               | 27,042                | 1,230                  | 3,522                 | 1,909                 | 16,182                | 16,917                   |
| Amounts due from an associate<br>and related parties  | 21          | 85,555                | -                     | -                      | -                     | -                     | -                     | 871                      |
| Deposits, cash and bank balances                      | 22          | 53,261                | 16,125                | 888                    | 8,834                 | 13,497                | 8,210                 | 57,659                   |
| Derivative financial instruments                      | 18          | 134,735               | -                     | -                      | -                     | -                     | -                     | -                        |
|   |             | <u>704,870</u>        | <u>43,167</u>         | <u>2,118</u>           | <u>12,356</u>         | <u>15,406</u>         | <u>24,392</u>         | <u>75,447</u>            |
| <u>Financial liabilities</u>                          |             |                       |                       |                        |                       |                       |                       |                          |
| Trade and other payables                              | 24          | 500,981               | 107,870               | 7,600                  | 1,759                 | 46,229                | 58,687                | 97,893                   |
| Amounts due to a joint venture<br>and related parties | 21          | 106,451               | -                     | -                      | -                     | -                     | -                     | -                        |
| Borrowings  | 25          | 1,160,294             | -                     | -                      | -                     | -                     | -                     | -                        |
|   |             | <u>1,767,726</u>      | <u>107,870</u>        | <u>7,600</u>           | <u>1,759</u>          | <u>46,229</u>         | <u>58,687</u>         | <u>97,893</u>            |
| Net exposure  |             | <u>(1,062,856)</u>    | <u>(64,703)</u>       | <u>(5,482)</u>         | <u>10,597</u>         | <u>(30,823)</u>       | <u>(34,295)</u>       | <u>(22,446)</u>          |

**AIRASIA X BERHAD**  
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**32. Financial risk management policies (cont'd.)**

**(a) Market risk (cont'd.)**

**(iii) Foreign currency risk (cont'd.)**

The Company's currency exposure is as follows:

| <b>At 31 December 2017</b>   | <b>Note</b> | <b>USD<br/>RM'000</b> | <b>AUD<br/>RM'000</b> | <b>EURO<br/>RM'000</b> | <b>INR<br/>RM'000</b> | <b>RMB<br/>RM'000</b> | <b>JPY<br/>RM'000</b> | <b>Others<br/>RM'000</b> |
|--|-------------|-----------------------|-----------------------|------------------------|-----------------------|-----------------------|-----------------------|--------------------------|
| <b>Financial assets</b>  |             |                       |                       |                        |                       |                       |                       |                          |
| Trade and other receivables  | 20          | 911,390               | 18,482                | 473                    | 2,893                 | 5,394                 | 8,282                 | 51,755                   |
| Amounts due from a subsidiary,<br>an associate, a joint venture<br>and related parties | 21          | 288,002               | -                     | -                      | -                     | -                     | -                     | 21,829                   |
| Deposits, cash and bank balances   | 22          | 38,058                | 45,587                | 803                    | 8,026                 | 27,188                | 43,219                | 55,405                   |
| Derivative financial instruments   | 18          | 23,094                | -                     | -                      | -                     | -                     | -                     | -                        |
|  |             | <u>1,260,544</u>      | <u>64,069</u>         | <u>1,276</u>           | <u>10,919</u>         | <u>32,582</u>         | <u>51,501</u>         | <u>128,989</u>           |
| <b>Financial liabilities</b>   |             |                       |                       |                        |                       |                       |                       |                          |
| Trade and other payables   | 24          | 433,694               | 173,304               | 8,260                  | 682                   | 49,387                | 176,018               | 184,070                  |
| Amounts due to a subsidiary,<br>an associate, a joint venture<br>and related parties   | 21          | 260,438               | 3,339                 | -                      | -                     | -                     | -                     | -                        |
| Borrowings   | 25          | 861,893               | -                     | -                      | -                     | -                     | -                     | -                        |
|  |             | <u>1,556,025</u>      | <u>176,643</u>        | <u>8,260</u>           | <u>682</u>            | <u>49,387</u>         | <u>176,018</u>        | <u>184,070</u>           |
| <b>Net exposure</b>  |             | <u>(295,481)</u>      | <u>(112,574)</u>      | <u>(6,984)</u>         | <u>10,237</u>         | <u>(16,805)</u>       | <u>(124,517)</u>      | <u>(55,081)</u>          |

**AIRASIA X BERHAD**  
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**32. Financial risk management policies (cont'd.)**

**(a) Market risk (cont'd.)**

**(iii) Foreign currency risk (cont'd.)**

The Company's currency exposure is as follows:

| <b>At 31 December 2016</b>   | <b>Note</b> | <b>USD<br/>RM'000</b> | <b>AUD<br/>RM'000</b> | <b>EURO<br/>RM'000</b> | <b>INR<br/>RM'000</b> | <b>RMB<br/>RM'000</b> | <b>JPY<br/>RM'000</b> | <b>Others<br/>RM'000</b> |
|--|-------------|-----------------------|-----------------------|------------------------|-----------------------|-----------------------|-----------------------|--------------------------|
| <b>Financial assets</b>  |             |                       |                       |                        |                       |                       |                       |                          |
| Trade and other receivables  | 20          | 431,319               | 27,311                | 1,230                  | 3,522                 | 1,909                 | 16,182                | 16,917                   |
| Amounts due from a subsidiary and related parties                              | 21          | 224,584               | -                     | -                      | -                     | -                     | -                     | 871                      |
| Deposits, cash and bank balances   | 22          | 53,261                | 14,517                | 888                    | 8,834                 | 13,497                | 8,210                 | 57,890                   |
| Derivative financial instruments   | 18          | 134,735               | -                     | -                      | -                     | -                     | -                     | -                        |
|  |             | <u>843,899</u>        | <u>41,828</u>         | <u>2,118</u>           | <u>12,356</u>         | <u>15,406</u>         | <u>24,392</u>         | <u>75,678</u>            |
| <b>Financial liabilities</b>   |             |                       |                       |                        |                       |                       |                       |                          |
| Trade and other payables   | 24          | 500,981               | 107,151               | 7,600                  | 1,759                 | 46,229                | 58,687                | 97,893                   |
| Amounts due to a subsidiary, an associate, a joint venture and related parties | 21          | 246,103               | 1,488                 | -                      | -                     | -                     | -                     | -                        |
| Borrowings   | 25          | 1,160,294             | -                     | -                      | -                     | -                     | -                     | -                        |
|  |             | <u>1,907,378</u>      | <u>108,639</u>        | <u>7,600</u>           | <u>1,759</u>          | <u>46,229</u>         | <u>58,687</u>         | <u>97,893</u>            |
| Net exposure   |             | <u>(1,063,479)</u>    | <u>(66,811)</u>       | <u>(5,482)</u>         | <u>10,597</u>         | <u>(30,823)</u>       | <u>(34,295)</u>       | <u>(22,215)</u>          |



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**32. Financial risk management policies (cont'd.)**

**(b) Credit risk**

Credit risk is the risk of financial loss to the Group and Company if a customer or a counter party to a financial instrument fails to meet its contractual obligations and arises principally from the Group's and Company's receivables from customers, cash and cash equivalents and financial assets (derivative instruments).

The Group's and Company's exposure to credit risk or the risk of counterparties defaulting arises mainly from various deposits and bank balances, and receivables. As the Group and Company do not hold collateral, the maximum exposure to credit risk is represented by the total carrying amounts of these financial assets in the balance sheet. Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures.

Credit risk relating to receivables is minimised by regular monitoring and, in addition, credit risk is controlled as the majority of the Group's and Company's deposits and bank balances are placed with major financial institutions and reputable parties. The Directors are of the view that the possibility of non-performance by the majority of these financial institutions is remote on the basis of their financial strength and support of their respective governments.

The Group and Company generally have no concentration of credit risk arising from trade receivables.

**(c) Liquidity and cash flow risk**

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

Whilst the Group's and Company's current liabilities exceeded their current assets by RM1,113,867,000 and RM1,114,875,000 (2016: RM729,259,000 and RM732,145,000) respectively, the Directors are of the view that the Group and the Company will have sufficient cash flows for the next twelve months from the reporting date to meet their cash flow requirements. The Directors believe that the Group and the Company are able to realise their assets and discharge their liabilities in the normal course of business and that the financial position will be improved through future operating profits and cash flows.

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**32. Financial risk management policies (cont'd.)**

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

The Directors are committed to ensure that the Group and Company will have sufficient funds to enable the Group and Company to meet their liabilities as they fall due and to carry on their business without significant curtailment of operations. This includes raising funds from the market.

The table below analyses the Group's and Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

| <b>Group</b>                              | <b>Note</b> | <b>Under<br/>1 year<br/>RM'000</b> | <b>1 - 2 years<br/>RM'000</b> | <b>2 - 5 years<br/>RM'000</b> | <b>Over 5 years<br/>RM'000</b> |
|---|-------------|------------------------------------|-------------------------------|-------------------------------|--------------------------------|
| <b>At 31 December 2017</b>                |             |                                    |                               |                               |                                |
| Term loans                                | 25          | 215,667                            | 208,747                       | 376,645                       | 136,809                        |
| Hire purchase                             | 25          | 32                                 | 13                            | 36                            | -                              |
| Trade and other payables                  | 24          | 1,164,130                          | -                             | -                             | 93,273                         |
| Amount due to a joint venture             | 21          | 122,827                            | -                             | -                             | -                              |
| Amounts due to related parties            | 21          | 28,963                             | -                             | -                             | -                              |
|   |             | <u>1,531,619</u>                   | <u>208,760</u>                | <u>376,681</u>                | <u>230,082</u>                 |
| <b>At 31 December 2016<br/>(restated)</b> |             |                                    |                               |                               |                                |
| Term loans                                | 25          | 240,080                            | 233,033                       | 568,960                       | 212,296                        |
| Hire purchase                             | 25          | 19                                 | 19                            | -                             | -                              |
| Trade and other payables                  | 24          | 1,000,548                          | -                             | -                             | 79,983                         |
| Amount due to a joint venture             | 21          | 91,855                             | -                             | -                             | -                              |
| Amounts due to related parties            | 21          | 25,256                             | -                             | -                             | -                              |
|   |             | <u>1,357,758</u>                   | <u>233,052</u>                | <u>568,960</u>                | <u>292,279</u>                 |

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**32. Financial risk management policies (cont'd.)**

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

| <b>Company</b>                            | <b>Note</b> | <b>Under<br/>1 year<br/>RM'000</b> | <b>1 - 2 years<br/>RM'000</b> | <b>2 - 5 years<br/>RM'000</b> | <b>Over 5 years<br/>RM'000</b> |
|---|-------------|------------------------------------|-------------------------------|-------------------------------|--------------------------------|
| <b>At 31 December 2017</b>                |             |                                    |                               |                               |                                |
| Term loans                                | 25          | 215,667                            | 208,747                       | 376,645                       | 136,809                        |
| Hire purchase                             | 25          | 32                                 | 13                            | 36                            | -                              |
| Trade and other payables                  | 24          | 1,160,773                          | -                             | -                             | 93,273                         |
| Amount due to a subsidiary                | 21          | 1,747                              | -                             | -                             | -                              |
| Amount due to an associate                | 21          | 122,775                            | -                             | -                             | -                              |
| Amount due to a joint venture             | 21          | 122,827                            | -                             | -                             | -                              |
| Amounts due to related parties            | 21          | 30,587                             | -                             | -                             | -                              |
|   |             | <u>1,654,408</u>                   | <u>208,760</u>                | <u>376,681</u>                | <u>230,082</u>                 |
| <b>At 31 December 2016<br/>(restated)</b> |             |                                    |                               |                               |                                |
| Term loans                                | 25          | 240,080                            | 233,033                       | 568,960                       | 212,296                        |
| Hire purchase                             | 25          | 19                                 | 19                            | -                             | -                              |
| Trade and other payables                  | 24          | 999,807                            | -                             | -                             | 79,983                         |
| Amount due to a subsidiary                | 21          | 1,488                              | -                             | -                             | -                              |
| Amount due to an associate                | 21          | 139,029                            | -                             | -                             | -                              |
| Amount due to a joint venture             | 21          | 91,855                             | -                             | -                             | -                              |
| Amounts due to related parties            | 21          | 25,879                             | -                             | -                             | -                              |
|   |             | <u>1,498,157</u>                   | <u>233,052</u>                | <u>568,960</u>                | <u>292,279</u>                 |



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**32. Financial risk management policies (cont'd.)**

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

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the Group and Company's balance sheets) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the Group and Company's balance sheets plus net debt.

The Group's and Company's overall strategy remained unchanged from 2016. The gearing ratio as at 31 December 2017 and 2016 were as follows:

|  | <b>Group</b>  |                   | <b>Company</b> |                   |
|--|---------------|-------------------|----------------|-------------------|
|  | <b>2017</b>   | <b>2016</b>       | <b>2017</b>    | <b>2016</b>       |
|  | <b>RM'000</b> | <b>RM'000</b>     | <b>RM'000</b>  | <b>RM'000</b>     |
|  |               | <b>(Restated)</b> |                | <b>(Restated)</b> |
| Total borrowings (Note 25)   | 861,970       | 1,160,326         | 861,970        | 1,160,326         |
| Less: Cash and cash equivalents (Note 22)                            | (391,447)     | (382,406)         | (390,328)      | (380,790)         |
| Net debt   | 470,523       | 777,920           | 471,642        | 779,536           |
| Total equity attributable to equity holders of the Group and Company | 988,606       | 996,873           | 1,007,120      | 1,014,005         |
| Total capital  | 1,459,129     | 1,774,793         | 1,478,762      | 1,793,541         |
| Gearing ratio  | 0.32          | 0.44              | 0.32           | 0.43              |

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2017 and 2016.

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**32. Financial risk management policies (cont'd.)**

**(e) Fair value measurement**

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

Determination of fair value and fair value hierarchy

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group and Company's assets and liabilities that are measured at fair value.

| <b>Group and Company</b>                              | <b>Level 1<br/>RM'000</b> | <b>Level 2<br/>RM'000</b> | <b>Level 3<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|---|---------------------------|---------------------------|---------------------------|-------------------------|
| <b>31 December 2017</b>                               |                           |                           |                           |                         |
| <b>Assets</b>   |                           |                           |                           |                         |
| Financial assets at fair value through profit or loss | -                         | 23,094                    | -                         | 23,094                  |
| - Trading derivatives                                 | -                         | -                         | -                         | -                       |
| Derivatives used for hedging                          | -                         | -                         | -                         | -                       |
|   | -                         | 23,094                    | -                         | 23,094                  |
| <b>31 December 2016</b>                               |                           |                           |                           |                         |
| <b>Assets</b>   |                           |                           |                           |                         |
| Financial assets at fair value through profit or loss | -                         | 28,153                    | -                         | 28,153                  |
| - Trading derivatives                                 | -                         | 106,582                   | -                         | 106,582                 |
| Derivatives used for hedging                          | -                         | 134,735                   | -                         | 134,735                 |

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**32. Financial risk management policies (cont'd.)**

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

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group then determines fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The Group's Level 2 financial instruments comprise fuel swap contracts. The fair value of fuel swap contracts is determined using forward fuel price at the balance sheet date, with the resulting value discounted back to present value.

**33. Financial instruments**

**(a) Financial instruments by category**

| <b>Group</b>   | <b>Assets<br/>at fair value<br/>through<br/>profit<br/>or loss<br/>RM'000</b> | <b>Derivatives<br/>used for<br/>hedging<br/>RM'000</b> | <b>Loan and<br/>receivables<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|--|---|--|--|-------------------------|
| <b>31 December 2017</b>                              |   |  |  |                         |
| <b>Assets as per statement of financial position</b> |   |  |  |                         |
| Trade and other receivables<br>excluding prepayments | -   | -  | 1,035,480                                  | 1,035,480               |
| Amount due from an<br>associate                      | -   | -  | 110,274                                    | 110,274                 |
| Amount due from a joint<br>venture                   | -   | -  | 44,010                                     | 44,010                  |
| Amounts due from related<br>parties                  | -   | -  | 75,305                                     | 75,305                  |
| Derivative financial<br>instruments                  | 23,094  | -  | -  | 23,094                  |
| Deposits, cash and bank<br>balances                  | -   | -  | 432,675                                    | 432,675                 |
| <b>Total</b>   | <b>23,094</b>   | <b>-</b>   | <b>1,697,744</b>                           | <b>1,720,838</b>        |



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**33. Financial instruments (cont'd.)**

**(a) Financial instruments by category (cont'd.)**

| <b>Group</b>  | <b>Other<br/>financial<br/>liabilities at<br/>amortised<br/>cost<br/>RM'000</b> |
|---|---|
| <b>31 December 2017</b>                                   |   |
| <b>Liabilities as per statement of financial position</b> |   |
| Borrowings  | 861,970   |
| Trade and other payables                                  | 1,257,403   |
| Amount due to a joint venture                             | 122,827   |
| Amounts due to related parties                            | 28,963  |
| <b>Total</b>  | <b><u>2,271,163</u></b>   |

| <b>Group</b>   | <b>Assets<br/>at fair value<br/>through<br/>profit<br/>or loss<br/>RM'000</b> | <b>Derivatives<br/>used for<br/>hedging<br/>RM'000</b> | <b>Loan and<br/>receivables<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|--|---|--|--|-------------------------|
| <b>31 December 2016 (restated)</b>                   |   |  |  |                         |
| <b>Assets as per statement of financial position</b> |   |  |  |                         |
| Trade and other receivables<br>excluding prepayments | -   | -  | 662,204                                    | 662,204                 |
| Amount due from an<br>associate                      | -   | -  | 69,590                                     | 69,590                  |
| Amounts due from related<br>parties                  | -   | -  | 51,561                                     | 51,561                  |
| Derivative financial<br>instruments                  | 106,582   | 28,153   | -  | 134,735                 |
| Deposits, cash and bank<br>balances                  | -   | -  | 422,021                                    | 422,021                 |
| <b>Total</b>   | <b><u>106,582</u></b>   | <b><u>28,153</u></b>                                   | <b><u>1,205,376</u></b>                    | <b><u>1,340,111</u></b> |

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**33. Financial instruments (cont'd.)**

**(a) Financial instruments by category (cont'd.)**

| Group  | Other financial liabilities at amortised cost<br>RM'000    |  |                                |                  |
|--|--|--|--------------------------------|------------------|
| 31 December 2016 (restated)                        |  |  |                                |                  |
| Liabilities as per statement of financial position |  |  |                                |                  |
| Borrowings   | 1,160,326  |  |                                |                  |
| Trade and other payables                           | 1,080,531  |  |                                |                  |
| Amount due to a joint venture                      | 91,855   |  |                                |                  |
| Amounts due to related parties                     | 25,256   |  |                                |                  |
| Total  | <u>2,357,968</u>   |  |                                |                  |
|  |  |  |                                |                  |
| Company  | Assets at fair value through the profit and loss<br>RM'000 | Derivatives used for hedging<br>RM'000 | Loan and receivables<br>RM'000 | Total<br>RM'000  |
| 31 December 2017                                   |  |  |                                |                  |
| Assets as per statement of financial position      |  |  |                                |                  |
| Trade and other receivables excluding prepayments  | -  | -                                      | 1,035,400                      | 1,035,400        |
| Amount due from a subsidiary                       | -  | -                                      | 151,744                        | 151,744          |
| Amount due from an associate                       |  |  | 81,305                         | 81,305           |
| Amount due from a joint venture                    | -  | -                                      | 44,010                         | 44,010           |
| Amounts due from related parties                   | -  | -                                      | 75,305                         | 75,305           |
| Derivative financial instruments                   | 23,094   | -                                      | -                              | 23,094           |
| Deposits, cash and bank balances                   | -  | -                                      | 431,556                        | 431,556          |
| Total  | <u>23,094</u>  | <u>-</u>                               | <u>1,819,320</u>               | <u>1,842,414</u> |

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**33. Financial instruments (cont'd.)**

**(a) Financial instruments by category (cont'd.)**

| <b>Company</b>  | <b>Other<br/>financial<br/>liabilities at<br/>amortised<br/>cost<br/>RM'000</b> |
|---|---|
| <b>31 December 2017</b>                                   |   |
| <b>Liabilities as per statement of financial position</b> |   |
| Borrowings  | 861,970   |
| Trade and other payables                                  | 1,254,046   |
| Amount due to a subsidiary                                | 1,747   |
| Amount due to an associate                                | 122,775   |
| Amount due to a joint venture                             | 122,827   |
| Amounts due to related parties                            | 30,587  |
| <b>Total</b>  | <b>2,393,952</b>  |

| <b>Company</b>                                       | <b>Assets<br/>at fair value<br/>through<br/>the profit<br/>and loss<br/>RM'000</b> | <b>Derivatives<br/>used for<br/>hedging<br/>RM'000</b> | <b>Loan and<br/>receivables<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|--|--|--|--|-------------------------|
| <b>31 December 2016 (restated)</b>                   |  |  |  |                         |
| <b>Assets as per statement of financial position</b> |  |  |  |                         |
| Trade and other receivables<br>excluding prepayments | -  | -  | 662,473                                    | 662,473                 |
| Amount due from a<br>subsidiary                      | -  | -  | 208,619                                    | 208,619                 |
| Amounts due from related<br>parties                  | -  | -  | 51,561                                     | 51,561                  |
| Derivative financial<br>instruments                  | 106,582  | 28,153   | -  | 134,735                 |
| Deposits, cash and bank<br>balances                  | -  | -  | 420,405                                    | 420,405                 |
| <b>Total</b>   | <b>106,582</b>   | <b>28,153</b>  | <b>1,343,058</b>                           | <b>1,477,793</b>        |



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**33. Financial instruments (cont'd.)**

**(a) Financial instruments by category (cont'd.)**

| <b>Company</b>  | <b>Other<br/>financial<br/>liabilities at<br/>amortised<br/>cost<br/>RM'000</b> |
|---|---|
| <b>31 December 2016 (restated)</b>                        |   |
| <b>Liabilities as per statement of financial position</b> |   |
| Borrowings  | 1,160,326   |
| Trade and other payables                                  | 1,079,790   |
| Amount due to a subsidiary                                | 1,488   |
| Amount due to an associate                                | 139,029   |
| Amount due to a joint venture                             | 91,855  |
| Amounts due to related parties                            | 25,879  |
| <b>Total</b>  | <b><u>2,498,367</u></b>   |

**(b) Credit quality of financial assets**

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

|  | <b>Group</b>  |               | <b>Company</b> |               |
|--|---------------|---------------|----------------|---------------|
|  | <b>2017</b>   | <b>2016</b>   | <b>2017</b>    | <b>2016</b>   |
|  | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| <b>Counterparties without<br/>external credit rating</b>             |               |               |                |               |
| Group 1  | 283           | 131           | 283            | 131           |
| Group 2  | <u>53,796</u> | <u>54,431</u> | <u>53,796</u>  | <u>54,832</u> |
| Total trade receivables<br>that are neither past<br>due nor impaired | <u>54,079</u> | <u>54,562</u> | <u>54,079</u>  | <u>54,963</u> |

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**33. Financial instruments (cont'd.)**

**(b) Credit quality of financial assets (cont'd.)**

|   | Note | Group          |                | Company        |                |
|---|------|----------------|----------------|----------------|----------------|
|   |      | 2017           | 2016           | 2017           | 2016           |
|   |      | RM'000         | RM'000         | RM'000         | RM'000         |
| <b>Deposits, cash and bank balances</b>   |      |                |                |                |                |
| AAA to A-   |      | 418,289        | 411,802        | 417,170        | 410,186        |
| BBB to BBB-   |      | 14,015         | 9,755          | 14,015         | 9,755          |
|   |      | <u>432,304</u> | <u>421,557</u> | <u>431,185</u> | <u>419,941</u> |
| Cash in hand  |      | 371            | 464            | 371            | 464            |
| Total   | 22   | <u>432,675</u> | <u>422,021</u> | <u>431,556</u> | <u>420,405</u> |
| <b>Amounts due from a subsidiary, an associate, a joint venture and related parties</b> |      |                |                |                |                |
| Group 1   |      | 4,920          | -              | 4,920          | -              |
| Group 2   |      | 210,112        | 14,449         | 188,219        | 25,676         |
| Total   | 21   | <u>215,032</u> | <u>14,449</u>  | <u>193,139</u> | <u>25,676</u>  |
| <b>Derivative financial instruments</b>   |      |                |                |                |                |
| AA+ to A+   |      | 3,249          | -              | 3,249          | -              |
| A to BBB-   |      | 9,209          | 65,803         | 9,209          | 65,803         |
| No rating   |      | 10,636         | 68,932         | 10,636         | 68,932         |
| Total   | 18   | <u>23,094</u>  | <u>134,735</u> | <u>23,094</u>  | <u>134,735</u> |

Group 1 – New customers/related parties (Less than 6 months)

Group 2 – Existing customers/related parties (more than 6 months) with no defaults in the past

All other receivables and deposits are substantially with existing counterparties with no history of default.

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**34. 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 operating segments have been identified by each Air Operator Certificate ("AOC") held under the AirAsia brand, and are categorised as Malaysia, Thailand and Indonesia.

The Group's CEO assesses the performance of the operating segments based on revenue and net operating profit.

The Group's operations by geographical segments are as follows:

|   | Malaysia<br>RM'000 | Thailand<br>RM'000 | Indonesia<br>RM'000 | Elimination<br>adjustments<br>RM'000 | Total<br>RM'000 |
|---|--------------------|--------------------|---------------------|--------------------------------------|-----------------|
| <b>2017</b>                                     |                    |                    |                     |                                      |                 |
| <b>Segment results</b>                          |                    |                    |                     |                                      |                 |
| Revenue   | 4,562,005          | 1,154,285          | 734,653             | (452,727)                            | 5,998,216       |
| Operating expenses                              |                    |                    |                     |                                      |                 |
| - Staff costs                                   | (421,259)          | (123,155)          | (29,061)            | -                                    | (573,475)       |
| - Depreciation of property, plant and equipment | (109,338)          | (4,741)            | (2,122)             | -                                    | (116,201)       |
| - Aircraft fuel expenses                        | (1,466,681)        | (318,813)          | (245,737)           | -                                    | (2,031,231)     |
| - Maintenance and overhaul                      | (652,922)          | (168,299)          | (99,013)            | 148,219                              | (772,015)       |
| - User charges                                  | (508,507)          | (156,374)          | (62,379)            | -                                    | (727,260)       |
| - Aircraft operating lease expenses             | (944,599)          | (257,864)          | (331,125)           | 329,185                              | (1,204,403)     |
| - Other operating expenses                      | (383,396)          | (97,202)           | (33,582)            | (24,677)                             | (538,857)       |
| Other income                                    | 67,684             | 22,373             | -                   | -                                    | 90,057          |
| Operating profit/(loss)                         | 142,987            | 50,210             | (68,366)            | -                                    | 124,831         |
| Finance income                                  | 33,204             | 614                | 147                 | -                                    | 33,965          |
| Finance costs                                   | (61,224)           | (2,538)            | (738)               | -                                    | (64,500)        |
| Net operating profit/(loss)                     | 114,967            | 48,286             | (68,957)            | -                                    | 94,296          |
| Foreign exchange gains/(losses)                 | 76,102             | (11,339)           | 10,502              | -                                    | 75,265          |
| Other losses                                    | (4,265)            | -                  | -                   | -                                    | (4,265)         |
| Profit/(loss) before taxation                   | 186,804            | 36,947             | (58,455)            | -                                    | 165,296         |



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**34. Segmental information (cont'd.)**

|   | Malaysia<br>RM'000 | Thailand<br>RM'000 | Indonesia<br>RM'000 | Elimination<br>adjustments<br>RM'000 | Total<br>RM'000 |
|---|--------------------|--------------------|---------------------|--------------------------------------|-----------------|
| <b>2016</b>   |                    |                    |                     |                                      |                 |
| <b>Segment results</b>                                |                    |                    |                     |                                      |                 |
| Revenue   | 3,900,782          | 898,832            | 646,650             | (440,134)                            | 5,006,130       |
| Operating expenses                                    |                    |                    |                     |                                      |                 |
| - Staff costs   | (369,594)          | (103,677)          | (32,415)            | -                                    | (505,686)       |
| - Depreciation of<br>property, plant<br>and equipment | (113,531)          | (3,263)            | (1,910)             | -                                    | (118,704)       |
| - Aircraft fuel<br>expenses                           | (1,116,110)        | (251,963)          | (192,647)           | -                                    | (1,560,720)     |
| - Maintenance and<br>overhaul                         | (619,331)          | (141,039)          | (87,599)            | 160,324                              | (687,645)       |
| - User charges  | (479,799)          | (128,360)          | (56,165)            | -                                    | (664,324)       |
| - Aircraft operating<br>lease expenses                | (846,004)          | (218,672)          | (290,542)           | 284,822                              | (1,070,396)     |
| - Other operating<br>expenses                         | (305,270)          | (72,086)           | (38,174)            | (5,012)                              | (420,542)       |
| Other income  | 56,000             | 27,658             | -                   | -                                    | 83,658          |
| Operating profit/<br>(loss)                           | 107,143            | 7,430              | (52,802)            | -                                    | 61,771          |
| Finance income  | 24,775             | 349                | 280                 | -                                    | 25,404          |
| Finance costs   | (49,874)           | (1,244)            | (1,248)             | -                                    | (52,366)        |
| Net operating<br>profit/(loss)                        | 82,044             | 6,535              | (53,770)            | -                                    | 34,809          |
| Foreign exchange<br>losses                            | (35,489)           | (2,193)            | (7,893)             | -                                    | (45,575)        |
| Other gains   | 35,738             | -                  | -                   | -                                    | 35,738          |
| Profit/(loss) before<br>taxation                      | 82,293             | 4,342              | (61,663)            | -                                    | 24,972          |

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**34. Segmental information (cont'd.)**

|  | Malaysia<br>RM'000 | Thailand<br>RM'000 | Indonesia<br>RM'000 | Elimination<br>adjustments<br>RM'000 | Total<br>RM'000  |
|--|--------------------|--------------------|---------------------|--------------------------------------|------------------|
| <b>2017</b>  |                    |                    |                     |                                      |                  |
| <b>Segment Assets</b>                                |                    |                    |                     |                                      |                  |
| Non-current assets <sup>^</sup>                      | 3,658,231          | 114,441            | 91,520              | -                                    | 3,864,192        |
| Investment in an<br>associate and<br>a joint venture | -                  | -                  | -                   | -                                    | -                |
| Current assets                                       | 1,105,949          | 447,425            | 417,333             | -                                    | 1,970,707        |
|  | <u>4,764,180</u>   | <u>561,866</u>     | <u>508,853</u>      | <u>-</u>                             | <u>5,834,899</u> |
| <b>Segment Liabilities</b>                           |                    |                    |                     |                                      |                  |
| Non-current liabilities                              | 1,555,758          | (9,076)            | (2,912)             | -                                    | 1,543,770        |
| Current liabilities                                  | 2,219,816          | (608,195)          | (625,201)           | -                                    | 986,420          |
|  | <u>3,775,574</u>   | <u>(617,271)</u>   | <u>(628,113)</u>    | <u>-</u>                             | <u>2,530,190</u> |
| <b>2016</b>  |                    |                    |                     |                                      |                  |
| <b>Segment Assets</b>                                |                    |                    |                     |                                      |                  |
| Non-current assets <sup>^</sup>                      | 3,349,777          | 118,957            | 102,473             | -                                    | 3,571,207        |
| Investment in an<br>associate and<br>a joint venture | -                  | -                  | -                   | -                                    | -                |
| Current assets                                       | 1,322,404          | 306,093            | 79,542              | -                                    | 1,708,039        |
|  | <u>4,672,181</u>   | <u>425,050</u>     | <u>182,015</u>      | <u>-</u>                             | <u>5,279,246</u> |
| <b>Segment Liabilities</b>                           |                    |                    |                     |                                      |                  |
| Non-current liabilities                              | 1,623,645          | (7,243)            | (3,217)             | -                                    | 1,613,185        |
| Current liabilities                                  | 2,051,663          | (510,564)          | (256,141)           | -                                    | 1,284,958        |
|  | <u>3,675,308</u>   | <u>(517,807)</u>   | <u>(259,358)</u>    | <u>-</u>                             | <u>2,898,143</u> |

<sup>^</sup> Excluding investment in an associate and a joint venture.

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**34. Segmental information (cont'd.)**

|   | <b>2017</b>        | <b>2016</b>        |
|---|--------------------|--------------------|
|   | <b>RM'000</b>      | <b>RM'000</b>      |
| <b>(a) Reconciliation of segment revenue to reported revenue:</b>                             |                    |                    |
| Segment revenue   | 5,998,216          | 5,006,130          |
| Less: Revenue from an associate and a joint venture<br>which were not consolidated            | <u>(1,436,211)</u> | <u>(1,105,348)</u> |
|   | <u>4,562,005</u>   | <u>3,900,782</u>   |
| <b>(b) Reconciliation of segment profit before taxation to reported loss before taxation:</b> |                    |                    |
| Segment profit before taxation  | 165,296            | 24,972             |
| Add: Expenses from affiliates which were not<br>consolidated                                  | <u>21,508</u>      | <u>57,321</u>      |
|   | <u>186,804</u>     | <u>82,293</u>      |
| <b>(c) Reconciliation of segment assets to reported total assets:</b>                         |                    |                    |
| Segment assets  | 5,834,899          | 5,279,246          |
| Less: Assets of affiliates which were not consolidated  | <u>(1,070,719)</u> | <u>(607,065)</u>   |
|   | <u>4,764,180</u>   | <u>4,672,181</u>   |
| <b>(d) Reconciliation of segment liabilities to reported total liabilities:</b>               |                    |                    |
| Segment liabilities   | 2,530,190          | 2,898,143          |
| Less: Assets of affiliates which were not consolidated  | <u>1,245,384</u>   | <u>777,165</u>     |
|   | <u>3,775,574</u>   | <u>3,675,308</u>   |



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**35. Unconsolidated structured entities**

The Company has set up Merah X entities, special purpose companies ("SPC") pursuant to aircraft related borrowings obtained from various financial institutions. Under the arrangement, the Company enters into an Aircraft Instalment Sale Agreement with the SPC, permitting the company to possess and operate each of the Airbus A330-300 aircraft financed under the facility.

The SPC are orphan trust companies in which the Company has no equity interest.

The details of the Merah X entities are as follows:

| <b>Name</b>          | <b>Country of incorporation</b> | <b>Purpose</b>                         |
|----------------------|---------------------------------|--|
| Merah X Dua Limited  | Malaysia                        | Purchase of 3 Airbus A330-300 aircraft |
| Merah X Tiga Limited | Malaysia                        | Purchase of 2 Airbus A330-343 aircraft |
| Merah X Enam Limited | Malaysia                        | Purchase of 2 Airbus A330-300 aircraft |

The SPC do not incur any losses or earn any income during the financial year ended 31 December 2017. The aircraft and the corresponding term loans and finance costs associated with the SPC have been recognised by the Group and Company upon the purchase of the aircraft.

The Group and the Company do not provide any financial support to the SPC or have any contractual obligation to make good the losses, if any.

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**36. Prior year adjustments**

During the financial year, the Group instituted additional controls resulting in identification of accounting errors, for which prior year adjustments were made to the 2016 financial results, and accumulated losses as at 1 January 2016. The areas where adjustments have been made are:

- (a) derecognition of charter business and lease rental receivables;
- (b) elimination of inter-company revenue and cancellation fees receivables and adjustment made to the related foreign exchange differences;
- (c) recognition of passenger service charges in China; and
- (d) the related deferred tax assets recognition as a result of the above adjustments.

**Statements of profit or loss**

| Group                      | As previously<br>stated<br>RM'000 | Increase/(decrease) |          |          |          | Restated<br>RM'000 |
|----------------------------|-----------------------------------|---------------------|----------|----------|----------|--------------------|
|                            |                                   | RM'000              | RM'000   | RM'000   | RM'000   |                    |
|                            |                                   | Note (a)            | Note (b) | Note (c) | Note (d) |                    |
| <b>31 December 2016</b>    |                                   |                     |          |          |          |                    |
| Revenue                    | 4,006,534                         | (15,356)            | (90,396) | -        | -        | 3,900,782          |
| Operating expenses         |                                   |                     |          |          |          |                    |
| - User charges             | 461,685                           | -                   | -        | 18,114   | -        | 479,799            |
| - Other operating expenses | 251,336                           | -                   | 53,934   | -        | -        | 305,270            |
| Deferred taxation          | 49,967                            | -                   | -        | -        | (12,323) | 37,644             |

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**36. Prior year adjustments (cont'd.)**

**Statements of profit or loss (cont'd.)**

| Company                    | As previously<br>stated<br>RM'000 | Increase/(decrease) |          |          |          | Restated<br>RM'000 |
|----------------------------|-----------------------------------|---------------------|----------|----------|----------|--------------------|
|                            |                                   | RM'000              | RM'000   | RM'000   | RM'000   |                    |
|                            |                                   | Note (a)            | Note (b) | Note (c) | Note (d) |                    |
| <b>31 December 2016</b>    |                                   |                     |          |          |          |                    |
| Revenue                    | 4,005,025                         | (15,356)            | (90,396) | -        | -        | 3,899,273          |
| Operating expenses         |                                   |                     |          |          |          |                    |
| - User charges             | 461,685                           | -                   | -        | 18,114   | -        | 479,799            |
| - Other operating expenses | 256,464                           | -                   | 53,934   | -        | -        | 310,398            |
| Deferred taxation          | 49,967                            | -                   | -        | -        | (12,323) | 37,644             |



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**36. Prior year adjustments (cont'd.)**

**Statements of financial position**

| Group   | As previously<br>stated<br>RM'000 | Increase/(decrease) |                    |                    |                    | Restated<br>RM'000 |
|---|-----------------------------------|---------------------|--------------------|--------------------|--------------------|--------------------|
|   |                                   | RM'000<br>Note (a)  | RM'000<br>Note (b) | RM'000<br>Note (c) | RM'000<br>Note (d) |                    |
| <b>31 December 2016</b>                         |                                   |                     |                    |                    |                    |                    |
| Deferred tax assets                             | 492,854                           | -                   | -                  | -                  | 12,323             | 505,177            |
| Other deposits and prepayments<br>(non-current) | 1,107,800                         | -                   | 53,029             | -                  | -                  | 1,160,829          |
| Trade and other receivables                     | 386,224                           | (36,618)            | 186,346            | -                  | -                  | 535,952            |
| Sales in advance                                | 715,207                           | -                   | 10,559             | -                  | -                  | 725,766            |
| Other payables and accruals (Non-current)       | 62,796                            | 17,187              | -                  | -                  | -                  | 79,983             |
| Trade and other payables (Current)              | 878,246                           | 3,048               | 101,140            | 18,114             | -                  | 1,000,548          |
| Accumulated losses                              | 648,715                           | 36,618              | 17,603             | 18,114             | (12,323)           | 708,727            |
| <b>As at 1 January 2016</b>                     |                                   |                     |                    |                    |                    |                    |
| Other deposits and prepayments<br>(non-current) | 903,374                           | -                   | 46,285             | -                  | -                  | 949,659            |
| Trade and other receivables                     | 281,138                           | (21,262)            | 122,834            | -                  | -                  | 382,710            |
| Sales in advance                                | 671,510                           | -                   | (109,827)          | -                  | -                  | 561,683            |
| Other payables and accruals (Non-current)       | 30,837                            | 10,521              | -                  | -                  | -                  | 41,358             |
| Trade and other payables (Current)              | 849,075                           | 1,555               | (1,325)            | -                  | -                  | 849,305            |
| Accumulated losses                              | 859,029                           | (16,900)            | (88,565)           | -                  | -                  | 753,564            |

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**AIRASIA X BERHAD**  
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**36. Prior year adjustments (cont'd.)**

**Statements of financial position (cont'd.)**

| Company   | As previously<br>stated<br>RM'000 | Increase/(decrease) |           |          |          | Restated<br>RM'000 |
|---|-----------------------------------|---------------------|-----------|----------|----------|--------------------|
|   |                                   | RM'000              | RM'000    | RM'000   | RM'000   |                    |
|   |                                   | Note (a)            | Note (b)  | Note (c) | Note (d) |                    |
| <b>31 December 2016</b>                         |                                   |                     |           |          |          |                    |
| Deferred tax assets                             | 492,854                           | -                   | -         | -        | 12,323   | 505,177            |
| Other deposits and prepayments<br>(non-current) | 1,107,800                         | -                   | 53,029    | -        | -        | 1,160,829          |
| Trade and other receivables (current)           | 386,478                           | (36,618)            | 186,346   | -        | -        | 536,206            |
| Sales in advance                                | 715,207                           | -                   | 10,559    | -        | -        | 725,766            |
| Other payables and accruals (Non-current)       | 62,796                            | 17,187              | -         | -        | -        | 79,983             |
| Trade and other payables (current)              | 877,505                           | 3,048               | 101,140   | 18,114   | -        | 999,807            |
| Accumulated losses                              | 631,388                           | 36,618              | 17,603    | 18,114   | (12,323) | 691,400            |
| <b>As at 1 January 2016</b>                     |                                   |                     |           |          |          |                    |
| Other deposits and prepayments<br>(non-current) | 903,374                           | -                   | 46,285    | -        | -        | 949,659            |
| Trade and other receivables (current)           | 281,078                           | (21,262)            | 122,834   | -        | -        | 382,650            |
| Sales in advance                                | 671,510                           | -                   | (109,827) | -        | -        | 561,683            |
| Other payables and accruals (Non-current)       | 30,837                            | 10,521              | -         | -        | -        | 41,358             |
| Trade and other payables (current)              | 848,279                           | 1,555               | (1,325)   | -        | -        | 848,509            |
| Accumulated losses                              | 841,832                           | (16,900)            | (88,565)  | -        | -        | 736,367            |

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**37. Comparatives**

Certain comparatives were being reclassified to conform with current financial year's presentation.

| <b>Group and Company</b>                  | <b>As previously<br/>stated<br/>RM'000</b> | <b>Reclassification<br/>RM'000</b> | <b>Restated<br/>RM'000</b> |
|---|--|------------------------------------|----------------------------|
| <b>As at 31 December 2016</b>             |  |                                    |                            |
| Property, plant and equipment             | 1,568,493                                  | 115,278                            | 1,683,771                  |
| Deposits on aircraft purchases            | 136,791                                    | (136,791)                          | -                          |
| Trade and other receivables (Non-current) | -  | 21,513                             | 21,513                     |
| Provision for aircraft maintenance        | -  | 591,574                            | 591,574                    |
| Trade and other payables (Non-current)    |  |                                    |                            |
| - Aircraft maintenance provision          | 591,574                                    | (591,574)                          | -                          |
| <b>As at 1 January 2016</b>               |  |                                    |                            |
| Property, plant and equipment             | 1,677,613                                  | 220,773                            | 1,898,386                  |
| Deposits on aircraft purchases            | 243,601                                    | (243,601)                          | -                          |
| Trade and other receivables (Non-current) | -  | 22,828                             | 22,828                     |
| Provision for aircraft maintenance        | -  | 409,098                            | 409,098                    |
| Trade and other payables (Non-current)    |  |                                    |                            |
| - Aircraft maintenance provision          | 409,098                                    | (409,098)                          | -                          |



**AIRASIA X BERHAD**  
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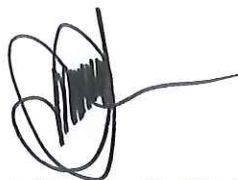
**Statement by Directors**  
**Pursuant to Section 251(2) of the Companies Act 2016**

We, Tan Sri Rafidah Aziz and Datuk Kamarudin Bin Meranun, being two of the Directors of AirAsia X Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 7 to 121 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia, so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 27 March 2018.



Tan Sri Rafidah Aziz  
Director



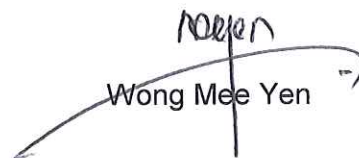
Datuk Kamarudin Bin Meranun  
Director

Kuala Lumpur, Malaysia

**Statutory declaration**  
**Pursuant to Section 251(1)(b) of the Companies Act 2016**

I, Wong Mee Yen, the officer primarily responsible for the financial management of AirAsia X Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 7 to 121 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

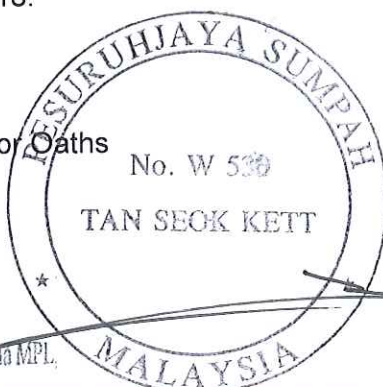
Subscribed and solemnly declared by the  
abovenamed Wong Mee Yen  
at Kuala Lumpur in the Federal Territory  
on 27 March 2018.



Wong Mee Yen

Before me,

Commissioner for Oaths  
Kuala Lumpur



Lot 333, 3rd Floor, Wisma MPL,  
Jalan Raja Chulan,  
50200 Kuala Lumpur,

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**Independent auditors' report to the members of  
AirAsia X Berhad  
(Incorporated in Malaysia)**

**Report on the audit of the financial statements**

*Opinion*

We have audited the financial statements of AirAsia X Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 7 to 121.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

*Basis for opinion*

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

*Independence and other ethical responsibilities*

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.



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**Independent auditors' report to the members of  
AirAsia X Berhad (cont'd.)  
(Incorporated in Malaysia)**

*Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

**Key risk**

**Our response**

**Revenue recognition from scheduled flights  
and sales in advance**

Refer to Note 4 to the financial statements for revenue and statement of financial position for sales in advance.

Revenue from scheduled flights represent 64% of the total revenue of the Group and of the Company for the financial year ended 31 December 2017.

The Group and the Company rely on an integrated information technology system (including the flight reservation system) in accounting for its scheduled flights revenue. Such information system processes large volumes of data comprising individually low value transactions.

The flight reservation system is managed by a third party vendor.

Our audit sought to place a high level of reliance on the Group's and the Company's information technology systems and key controls which the management relies on in recording revenue from scheduled flights. As the flight reservation system is managed by a third party vendor, we obtained and evaluated the external auditors' report on the operating effectiveness of the key controls over the flight reservation system.

We involved our information technology specialists to test the operating effectiveness of the automated controls of the other key modules of the information technology system. We also tested the non-automated controls in place to ensure completeness and accuracy of revenue recognised, including timely updating of approved changes to base fares and ancillary fares.



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**Independent auditors' report to the members of  
AirAsia X Berhad (cont'd.)  
(Incorporated in Malaysia)**

*Key Audit Matters (cont'd.)*

**Key risk**

**Revenue recognition from scheduled flights  
and sales in advance (cont'd.)**

The above factors gave rise to higher risk of material misstatement in the timing and amount of revenue from scheduled flights recognised. Accordingly, we identified revenue recognition to be an area of focus.

**Our response**

In addition, we also performed, amongst others, the following procedures:

- a) Performed data analytics to reconcile the revenue recognised in respect of scheduled flights and the amount of sales in advance to the payments received from passengers;
- b) Performed procedures to corroborate the occurrence of revenue by tracing samples of revenue recognised to settlement reports from financial institutions;
- c) Tested the reconciliation of data between the flight reservation system and the general ledger to corroborate the completeness of revenue.
- d) Tested the foreign currency translation for samples of flight bookings made in foreign currencies.
- e) Performed cut-off procedures to determine if revenue from scheduled flights is recorded in the correct accounting period.

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**Independent auditors' report to the members of  
AirAsia X Berhad (cont'd.)  
(Incorporated in Malaysia)**

*Key Audit Matters (cont'd.)*

**Key risk**

**Our response**

**Aircraft maintenance provision**

Refer to Note 3(iii) and Note 26 to the financial statements for provision. As at 31 December 2017, the aircraft maintenance provision of the Group and of the Company amounted to RM789 million.

The Group and the Company operate aircraft which are either owned or held under operating lease arrangements. In respect of the aircraft held under operating lease arrangements, the Group and the Company are contractually obligated to maintain the aircraft during the lease period and to redeliver the aircraft to the lessors at the end of the lease term, in certain pre-agreed conditions. Accordingly, the Group and the Company estimate the aircraft maintenance costs required to fulfil these obligations at the end of the lease period and recognise a provision for these costs at each reporting date.

A provision by its nature is uncertain as the estimates of the outcome and financial effects are determined by the judgement of the management, supplemented by experience from similar transactions. Due to the magnitude of the provision and the judgment involved in estimating the cost escalation rate and timing of cash outflows, we consider this to be an area of audit focus.

In addressing this area of audit focus, our audit procedures included, amongst others:

- a) reviewed the lease agreements to determine the Group's and the Company's contractual obligations in respect of aircraft maintenance;
- b) evaluated the key assumptions (such as cost escalation rate and timing of cash outflows) applied by the Group and the Company in estimating the aircraft maintenance provision costs by comparing these assumptions to past industry experience, supplemented by expectations of the future economic conditions.
- c) tested the accuracy of the computation of the aircraft maintenance provision as at reporting date.

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**Independent auditors' report to the members of  
AirAsia X Berhad (cont'd.)  
(Incorporated in Malaysia)**

*Key Audit Matters (cont'd.)*

**Key risk**

**Our response**

**Recognition of deferred tax assets**

Refer to Note 3(ii) and Note 17 to the financial statements for deferred tax.

As at 31 December 2017, the Group and the Company recognised deferred tax assets amounting to RM424 million, in relation to unutilised investment allowance, unused tax losses, sales in advance and other deductible temporary differences ("unused tax losses/allowances and deductible temporary differences") to the extent that it is probable that future taxable profits will be available against which these unused tax losses/allowances and deductible temporary differences can be utilised.

The assessment of future taxable profits is a complex process and requires significant management's judgments, in particular the judgments applied in respect of the expected future economic conditions of the industry which impact the revenue growth rates and operating costs of the entities being assessed.

In view of the significance of the amount and the significant judgements involved, we consider this to be a key audit matter.

Our audit procedures included, amongst others, we evaluated the key assumptions applied in respect of revenue growth rates and operating costs by comparing them to past actual outcome, supplemented by expectations of the future economic conditions.

We also assessed the adequacy of the Group's and the Company's disclosures on the deferred tax assets in Note 3(ii) and Note 17 to the financial statements.



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**Independent auditors' report to the members of  
AirAsia X Berhad (cont'd.)  
(Incorporated in Malaysia)**

*Information other than the financial statements and auditors' report thereon*

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the draft annual report 2017, which is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the draft annual report 2017, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate action.

*Responsibilities of the Directors for the financial statements*

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with MFRS, IFRS and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

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**Independent auditors' report to the members of  
AirAsia X Berhad (cont'd.)  
(Incorporated in Malaysia)**

*Auditors' responsibilities for the audit of the financial statements*

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.



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**Independent auditors' report to the members of  
AirAsia X Berhad (cont'd.)  
(Incorporated in Malaysia)**

*Auditors' Responsibilities for the Audit of the Financial Statements (cont'd.)*

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also: (cont'd.)

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on other legal and regulatory requirements**

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 14 to the financial statements.



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**Independent auditors' report to the members of  
AirAsia X Berhad (cont'd.)  
(Incorporated in Malaysia)**

**Other matters**

The financial statements of the Group and of the Company for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those statements on 27 March 2017.

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 and for no other purpose. We do not assume responsibility to any other person for the content of this report.



Ernst & Young  
AF: 0039  
Chartered Accountants



Ong Chee Wai  
No. 2857/07/18(J)  
Chartered Accountant

Kuala Lumpur, Malaysia  
27 March 2018