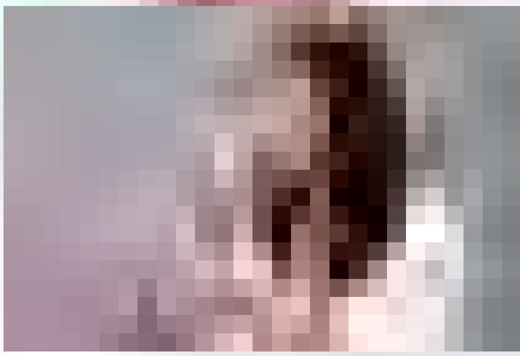
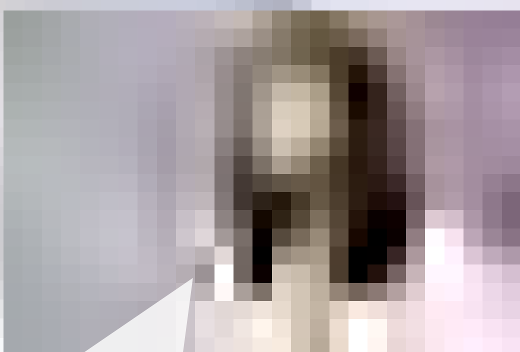
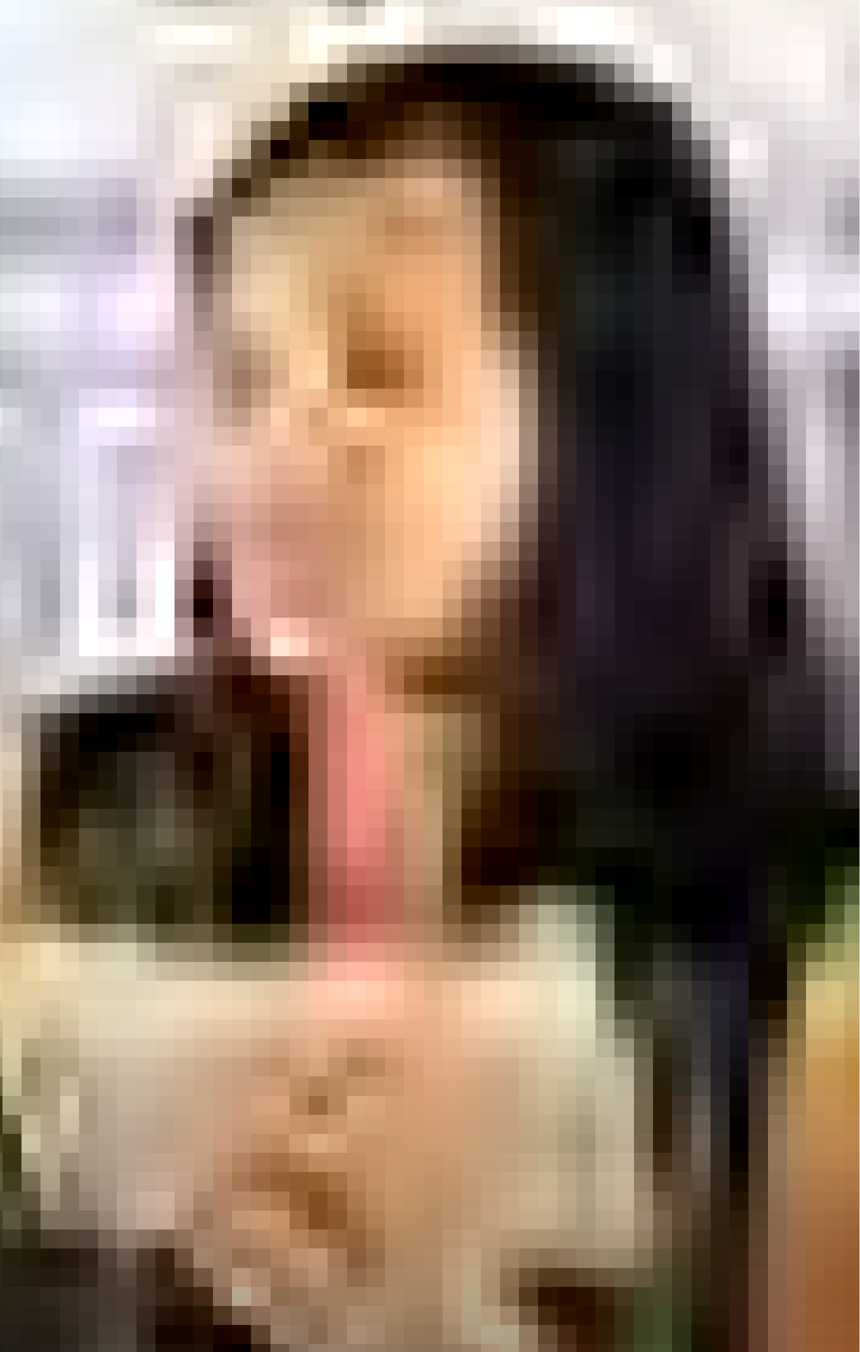


"Never do anything by halves if you want to get away with it. Be outrageous. Go the whole hog."
- Roald Dahl

This quote is from one of my favourite books as a child that I've always remembered. Dahl's greatest legacy is his message to children everywhere that they don't have to conform to what society expects of them and to recognise no limits to their talent.

A non-conformist
CHANGE MAKER

Hiking into mountainous terrain to reach a hill tribe village is all part of the day's work for Mun Ching. As Executive Director of AirAsia Foundation, she has travelled to some of the most remote locations in Asean to meet marginalised communities. Since it was established in 2012, the Foundation has been supporting the growth of social enterprises in the region through its grant and mentorship programme. Mun Ching's role is to visit the beneficiaries of the funding, as well as to assess the operations of the social enterprises concerned, before making recommendations to the Foundation's Council of Trustees. To date, the Foundation has supported nine social enterprises in six Asean countries.

CHAIRMAN'S STATEMENT

DATUK KAMARUDIN BIN MERANUN

NON-INDEPENDENT EXECUTIVE CHAIRMAN

chairman's statement

WE STARTED OFF BECAUSE WE HAD A DREAM TO DEMOCRATISE THE INDUSTRY. TODAY, WE ARE MAKING HUNDREDS OF MILLIONS OF OTHER DREAMS COME TRUE.

DEAR FRIENDS

Thirteen years – how time flies! I still remember that day in 2001 when Tony, Pahamin, Aziz, Connor and I became the official new owners of AirAsia and saw our first flight take off from Kuala Lumpur to Langkawi. The images are so vivid, and the feeling of elation still so palpable, it certainly does not seem like 13 years ago. This could be because not a day has passed that has not been spent growing our two-aircraft low-cost outfit into what we are today – a truly Asean airline with bases not only in Malaysia, Thailand, Indonesia and the Philippines but also in India and, soon again, Japan, flying an average of 125,000 passengers a day into, across and out of the region we call home.

We literally have gone where none went before – with 35% of our routes establishing air links that had not existed until AirAsia came onto the scene. But what is truly amazing is the speed with which we have done this. With each passing day of this memorable 13-year journey, Tony and I have seen how we are touching the lives of even more people, enabling them to stay connected with friends and loved ones, to personally experience beautiful places they would otherwise only see on television, or pursue their education, grow their business...

We started off because we had a dream to democratise the industry. Today, we are making hundreds of millions of other dreams come true.

And yet, in our 13th year we also experienced what Tony aptly described as "our worst nightmare", one we would not wish anyone else to experience. The minute Tony and I got news that flight QZ8501 had disappeared 40 minutes after taking off from Surabaya en route to Singapore, we rushed to Indonesia and Singapore to be with our team and, most importantly, the family members of those on the flight. When it became clear the aircraft had crashed into the Java Sea off Borneo, the pain we felt along with the loved ones of the victims was indescribable. Sitting down with family members who showed us pictures of those who were on board was heart-breaking. Each photo carried a lifetime of stories which had suddenly been cut short. Family members of our seven crew would ask: "Did you know her/him?" Even if we didn't know them personally, they were part of our family. The victims' families too have become our own family. All of them have direct contact with Tony and I and we often exchange messages up to today.

The support that we got from the rest of our family across the Group was unbelievable. Allstars came from all over in the region, some spending as long as 90 days to be with their Indonesian colleagues. This feeling of togetherness is something I've not experienced anywhere else. It's made me realise how truly special this Company is. We have good and passionate people, a positive working environment, in other words all the necessary ingredients that make us what we are today.

Investigations into the crash are ongoing, and once the full report is ready, we will share this with all our stakeholders. We have been as transparent as we could, providing the families and the public with constant updates on the status of the investigation from day one, and will continue to do so. In the meanwhile, we have continued to tighten our safety and security processes while also setting up a new programme, called GRACE (Government Regulatory and Certification Envoys), through which there will be better information-sharing between safety and technical departments across the Group, as well as between us and regulatory authorities.

Other than QZ8501, which darkened the date 28 December 2014, the year was marked by two other Malaysian airline tragedies and various geopolitical events that together created a lull in the regional travel sector. Yet, by the fourth quarter of the year, practically all our airlines across AirAsia Group recorded strong passenger loads, and increases in revenue as well as operating profits, pointing to the sheer resilience and support of the people of Asean as well as of our operating companies. I feel incredibly proud to belong to a region that has so much determination and drive; and to be part of a Group that is equally tenacious and passionate about keeping our costs down to stay true to the promise we made when we first started out, namely to enable everyone to fly.

chairman's statement

GIVEN OUR PERFORMANCE, THE BOARD OF DIRECTORS IS PLEASED TO RECOMMEND A DIVIDEND OF 3 SEN PER ORDINARY SHARE OF RM0.10 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014.

FINANCIAL RESULTS

Dampened tourism coupled with irrational competition in the first half of the year combined to present an extremely challenging operating environment. In the second half of the year, fortunately, much of the excess capacity that had been accumulating was mopped up as various airlines began to appreciate the folly of pushing down fares beyond feasible limits. In the fourth quarter, AirAsia validated yet again our robust and resilient business model by posting a 16% increase in revenue year-on-year as a result of double-digit growth in average fare and ancillary income per passenger. This allowed the Company to record a 12% year-on-year increase in operating profit in the same quarter.

Despite the tough operating environment, for the whole year of 2014 AirAsia Berhad, the Malaysian operation, recorded a 6% increase in revenue from RM5.11 billion in 2013 to RM5.42 billion. This could not have been achieved without the hard work of our people who stood tall and strong behind the Company throughout. In recognition of their efforts, the Management decided to pay out bonuses to our Allstars. This, along with other costs – in particular a year-on-year increase in depreciation due to more aircraft and a decrease in contribution from our Thai associate due to the political situation in Thailand – contributed to a slight erosion of our operating profit from RM918.2 million in 2013 to RM853.6 million.

Given our performance, the Board of Directors is pleased to recommend a dividend of 3 sen per ordinary share of RM0.10 for the financial year ended 31 December 2014. This satisfies our policy, effective from the financial year ending 31 December 2013, to maintain an annual payout of up to 20% of our net operating profit earnings per share (per the audited financial statements of the Company), provided this will not be detrimental to the Company's cash flow requirements.

OUR ASEAN STORY

When we first started AirAsia our idea was simple: to run an airline that would literally enable the man on the street, our taxi drivers and stall operators, for example, to experience the many pleasures of flying. Once it became evident that our model worked, and that there was incredible demand for the low-cost services we offered throughout Asean, we naturally grew, first with new hubs in Malaysia, then in the region. After starting Thai AirAsia in 2004, we set up Indonesia AirAsia and subsequently Philippines' AirAsia. We are Asean not only because we have set up operations in these countries, but mostly because we serve all 10 Asean countries, providing the people of Asean affordable connectivity, changing and improving their standards of living. We are an airline for Asean people served by Asean people.

As our presence in Asean grew, we felt an immense sense of pride as we saw how we were truly changing lives, and livelihoods. Our sky bridges do not just link people but enhance tourism within and into Asean while also helping businesses and SMEs expand regionally. As events post-Typhoon Haiyan in the Philippines demonstrate, further, we also help rebuild lives. Relief efforts continued into 2014 and have helped to truly integrate Philippines' AirAsia into the hearts and minds of the people of this nation.

In 2014, the second chapter of our Asean story unfolded – with the setting up of the first regional bases of our long-haul sister airline, AirAsia X. On 22 April 2014, Thai AirAsia X was officially born and, two months later, on 17 June, it launched its first flight from Bangkok to Seoul. By year end it had added two more routes to its network, from Bangkok to Tokyo (Narita) and Osaka. These flights are doing extremely well, attaining load factors averaging 85% and an on-time performance of 89%. Indonesia AirAsia X, meanwhile, was established in January 2014. On 5 September 2014, it received its Air Operator's Certification (AOC) from the Directorate General of Civil Aviation (DGCA) of Indonesia; and on 18 January 2015, it took off with its inaugural flight from Bali to Taipei. Flights to Melbourne, meanwhile, are on the cards.

All the while we have also been planning our third chapter. This is to see the ASEAN Open Skies, also known as the ASEAN Single Aviation Market (ASAM), materialise. In essence, ASAM will facilitate operations of all airlines – low-cost carriers as well as legacy airlines – across the region, bringing down a number of barriers including the right to set up wholly owned operations in any country that's not their own. ASAM is integral to the ASEAN Economic Community (AEC), and was meant to have been implemented in phases beginning in 2008. However, there has been a general delay in meeting key milestones of this agenda.

We believe that ASAM is critical not only to the success of AEC, but also to the development of a safer and more secure aviation industry in the region more generally. With greater regional control, there can be more effective management of social issues such as human trafficking, and enhanced coordination in ongoing efforts to counter terrorism. For our part, we have been engaging with the relevant national aviation authorities in each of the countries where we have a base to provide input and support on realising the vision of ASAM.

ALTHOUGH I HAVE FOCUSED AT GREAT LENGTH ON OUR ASEAN STORY, SOME KEY HIGHLIGHTS OF THE YEAR FOR THE AIRASIA GROUP WERE BEYOND THE BOUNDARIES OF ASEAN, IN THE GREATER ASIAN REGION.

Today, as Malaysia has assumed chairmanship of ASEAN, our leaders are in a privileged position to accelerate the momentum of change needed to establish this programme which will ultimately strengthen regional aviation for the betterment of all concerned. We sincerely hope the opportunity for our nation to make our mark in a better and brighter Asean caucus will not be missed. The country is indeed moving in the right direction with the Malaysian Aviation Commission bill that was recently approved by Parliament, which will see an independent aviation commission being formed towards the end of 2015.

BEYOND ASEAN

Although I have focused at great length on our Asean story, some key highlights of the year for the AirAsia Group were beyond the boundaries of Asean, in the greater Asian region.

Our operations in India took off with its inaugural flight from Bengaluru to Goa on 12 June. This was followed by the setting up of more routes connecting primarily Tier 2 and Tier 3 cities in the vast subcontinent which, despite the proliferation of low-cost carriers in the country, are still generally underserved. The dynamic team in India, headed by one of the industry's youngest CEOs, Mittu Chandilya, is doing very well operationally, achieving an on-time performance of 83% and an average passenger load factor of 80%.

Meanwhile, we never gave up on our dream to operate in Japan and, towards the middle of 2014, entered into a Shareholders Agreement with Octave Japan Infrastructure Fund I GK (Octave), Rakuten Inc (Rakuten), Noevir Holdings Co Ltd (Noevir), and Alpen Co Ltd (Alpen) to re-establish operations via an associate airline in this country. We believe that this time around, we have found like-minded partners with whom we will be able to realise our vision to revolutionise the low-cost carrier segment in the country hence meet the needs of Japan's more than 126 million population.

GOING FORWARD AS ONE

It has been, by any measure, a very tough year for AirAsia, one however that we met head-on with an optimism, spirit of innovation and tenacity that have become our hallmarks. At the same time, more intense and targeted efforts have been made to leverage on potential synergies that can be created by what we have to further increase efficiencies and drive down costs.

Inspired by the incredible solidarity of our Allstars across our associate companies, I have willingly accepted the post of Group CEO of AirAsia X, overseeing our long-haul operations. My main objective is to bring together the positive energy that exists between the AirAsia and AirAsia X Groups to drive both organisations forward. Although each has a distinct and different focus – AirAsia looking at flights of up to four hours in length and AirAsia X at flights above four hours long – we operate in the same region geographically and our networks are natural feeders for increased passenger traffic. The possession of an extensive short-haul network and a growing long-haul network is something that truly stands AirAsia apart, and is a strength we will be capitalising on in a more strategic manner. With the new AirAsia X team in place, I believe we can weave some magic to create even greater wonder and excitement for our valued guests.

In the end, it is our people that makes AirAsia what we are, and allows us to achieve the many successes that we have. While I could go on about our wonderful team, it is more credible when the proverbial trumpet is blown by third parties. In 2014, a number of our senior management distinguished themselves for their passion and exceptional leadership skills, which were recognised by the industry. Maan Hontiveros, Chair of Philippines' AirAsia, was named one of the 100 Most Influential Filipina Women in the World (Global FWN100)™ by the Filipina Women's Network. Aireen Omar, CEO of AirAsia Berhad, won two prominent awards: Outstanding Achievement as a CEO at the inaugural Malaysian Women of Excellence 2014; and the Masterclass Woman CEO of the Year. Our Group CEO, my partner and brother Tony, was recently listed on the 2015 TIME 100, TIME magazine's annual list of the 100 most influential people in the world. This was just one of a litany of other accolades which are listed in our Awards section.

While we are extremely proud of our exceptional leaders, I would also like to acknowledge the thousands of unsung heroes at AirAsia – our Allstars who go about their daily functions with great dedication and passion, from our ground staff to our flight attendants and pilots, to those working in AirAsia offices across the region. It is because of you that we have been named the World's Best Low-Cost Airline six years running. On behalf of the Board, "thank you" for your hard work, your sense of fun, your creativity, and the warmth of your service. Every day, you prove to us that you are our real stars, our Allstars, and we feel truly privileged to have you with us.

I would also like to thank the millions of guests who have continued to fly with us, especially during this difficult period in the aviation industry. I cannot express enough how much we value the trust you have placed in us to serve you. This trust has kept us going in the past and, God willing, will continue to spur us to provide you even more safe journeys, to realise more dreams, in the many years to come.

CEO'S REPORT

Aireen Omar

CHIEF EXECUTIVE OFFICER
& EXECUTIVE DIRECTOR

CEO's report

MANY LESSONS WERE LEARNT DURING THE COURSE OF THE YEAR, OF WHICH TWO STAND OUT IN MY MIND. THEY ARE THAT MARKET FORCES WILL EVENTUALLY PREVAIL; AND THAT, NO MATTER WHAT THE CIRCUMSTANCES, OUR UNIQUE BUSINESS MODEL HAS AN INBUILT ROBUSTNESS THAT WILL ALLOW US TO NOT JUST SURVIVE BUT THRIVE IN THE TOUGHEST OF TIMES.

There can be no doubt that the past year was truly difficult for the aviation industry in Malaysia and the region. I will not dwell on the tragedies that unfolded, details of which are well known, except to say that all of us share the sorrow and grief of the families who lost their loved ones. Our hearts go out to you, and you have my pledge that we at AirAsia are committed to doing our utmost to prevent any repeat of such tragic outcomes.

Tinged by trauma as the year was, AirAsia managed to overcome with our customary resolve hurdles posed by other aspects of the regional and global environment: high fuel prices (before the dramatic decline towards the end of the year), weakening regional currencies, political upheavals in Thailand, devastating floods in Malaysia, and the escalation of irrational market competition.

We did so by focusing on our core strengths: keeping costs down (maintaining our status as the lowest-cost airline operator in the world), increasing our revenue, and delivering high-quality service. We introduced more innovations to keep our guests delighted, becoming the first in Malaysia to offer WiFi on board, an achievement significant enough for entry into the *Malaysia Book of Records*. We created new strategic routes and increased the frequencies of those that are in high demand. At the same time, keeping a keen eye on operational efficiencies, we maintained industry leading on-time performance (OTP) and daily usage levels, which contributed to our winning the A320 Family Best Operational Excellence Award from Airbus in March.

Many lessons were learnt during the course of the year, of which two stand out in my mind. They are that market forces will eventually prevail; and that, no matter what the circumstances, our unique business model has an inbuilt robustness that will allow us to not just survive but thrive in the toughest of times.

By the third quarter of the year, the irrational competition we had experienced since 2013 began to abate, leading to a much enhanced fourth quarter performance overall. Our average fare increased 13% year-on-year; ancillary income per passenger saw double digit growth of 31%; revenue increased 16% to RM1.48 billion for the quarter, while our operating profit improved 12% year-on-year to RM226.3 million, allowing us to continue to post a strong EBIT margin of 15%.

Although market rationalisation played a role, behind these figures also lie AirAsia's strongest asset: our cast of 13,600 Allstars across Asia who proved yet again that with passion, determination and sheer tenacity we have what it takes to beat the odds. The energy with which they go about their daily tasks and their willingness to take on additional responsibilities; their team spirit and the fierce sense of loyalty they have for the Company… are truly amazing.

When we relocated from the Low-Cost Carrier Terminal (LCCT) to our new home at klia2 on 9 May 2014, these qualities really shone through. For weeks beforehand, everyone from our office to ground staff and baggage handlers worked tirelessly round the clock to make sure everything was ready for this massive undertaking. There was a tremendous amount of physical transfer, all of which was carried out smoothly and safely, within a much shorter timeframe than a move of this magnitude would normally take.

Before *the* day, we organised a trial run – or simulation exercise – in which 1,500 Allstars and their family and friends volunteered to be "guests" checking in for flights. On the launch day itself and for weeks after, 300 Allstars – wearing red T-shirts with the words "Can I help you?" - volunteered full-time to help guests navigate the new airport, which at 257,000 square metres is about five times bigger than LCCT. Hundreds more came part-time before or after their normal working hours to help ensure minimal glitches.

Answering questions, ushering guests in the right direction; distributing information booklets and leaflets; helping with lost items and frazzled nerves… Many worked more than 24 hours non-stop. All of this placed a huge demand on our Allstars, yet they overcame every challenge with unbridled passion and dedication. To each and every individual who contributed to our successful transition, thank you from the bottom of my heart.

With Allstars like you, it's no wonder that we've been voted the World's Best Low-Cost Carrier not once, not twice… but now six years running!

FINANCIAL PERFORMANCE

A combination of several events, a "perfect storm" as it were of tragedy, geopolitics and natural disasters, saw demand for air travel dip to lows at certain periods in 2014. This impacted our guest numbers which for the whole year increased by a nominal 1% from 21.9 million in 2013 to 22.1 million in Malaysia. However, boosted by a robust 15% increase in ancillary income per guest from RM40 in 2013 to RM46, we saw our unit passenger revenue improve to RM211 as compared to RM204 in 2013; and our total revenue grow 6% from RM5.11 billion to RM5.42 billion. This helped to cushion the impact of a 5% increase in our cost per available seat kilometre (CASK) to US4.02 cents.

REVENUE

6%

INCREASE COMPARED TO 2013

Several factors, many beyond our control, increased our costs. These included the increase in depreciation cost as we took in more aircraft in 2014; our move to klia2, which required intensive operational restructuring; Malaysia Airports' 9% hike in its landing charges; higher dollar-denominated international route charges; and higher staff costs due to an increased headcount as well as the bonus paid out at year end to reward our Allstars for their outstanding performance. These were further compounded by a much lower profit contribution from our associate company, Thai AirAsia, due to the political situation in Thailand which impacted travel demand for most of the year.

In addition, the Ringgit depreciated 7% against the US Dollar year-on-year, leading to substantial forex losses on USD denominated borrowings that are translated at the closing rate of each reporting date. This, however, is just an accounting entry and does not represent the robustness of the Company's fundamentals.

The outcome of all the above factors was a profit before tax of RM22.7 million and profit after tax of RM82.8 million. More positively, our operating profit, which excludes the effect on the Company's USD denominated borrowings, was a much healthier RM853.6 million. Considering the very difficult year for the aviation industry, this was only 7% lower than the operating profit recorded in 2013 of RM918.2 million, proving yet again the resilience of the AirAsia business model.

CELEBRATING ASEAN, CONNECTING OUR COMMUNITY

If there were one theme that marked the year 2014, not just for AirAsia Berhad but the entire Group inclusive of our associate airlines, it is a stronger sense of our collectively being an "Asean airline". Today, as a Group, we serve a total of 199 routes connecting Asean nations with each other and beyond, effectively bringing the 630 million people of Asean closer together, reinforcing a sense of unity and presenting the region as a cohesive force within the global space.

During the year, while the industry itself slowed down, we continued to create new bridges across Asean skies, focusing not on major air travel hubs but going deeper into the hearts of our neighbouring countries to enable more of the underserved to fly. In total, as a Group we added 33 new routes of which 16 came from AirAsia Berhad. Of these, six routes are within Malaysia itself while 10 connect our Malaysian hubs to regional destinations.

We are very excited by Malaysia taking over the Chairmanship of ASEAN in 2015 and celebrated the milestone by unveiling a specially designed livery on 18 March 2015 with icons such as the Hornbill of Sarawak, Pha Tat Luang of Laos and Cambodia's Angkor Wat representing all 10 ASEAN member states. The logo on the aircraft – "Our People, Our Community, Our Vision, Malaysia 2015" – sums up how we feel about Asean, that its people are our people living in a community of shared values, hopes, dreams and destiny.

We are especially excited by the prospects of the ASEAN Single Aviation Market (ASAM) being implemented this year as part of the wider-ranging ASEAN Economic Community. Yes, this will enhance competition, but we remain firm in our belief that our brand, our unparalleled reach and our Allstars place us in the perfect position to maximise the potential of ASEAN "Open Skies." As our Chairman Datuk Kamarudin Meranun mentions in his Statement, we sincerely hope that our government leaders, under Malaysia's Chairmanship of ASEAN in 2015, can ensure that the 10 member states deliver fully on the Open Skies blueprint. An integrated, liberalised, fair and competitive aviation sector is vital to realise the aspiration of a progressive and prosperous Asean for the 630 million of us who call this region our home.

We are truly an Asean airline not only because of the links we have created within the region, but also because of the cultural mindset that pervades the organisation. In every AirAsia office, not just in Malaysia but also our associate airlines, there is a good representation of the various Asean nationalities so much so that individual citizenships are blurred, overshadowed by a common sense of belonging to the region. We believe that if such an "Asean identity" could be encouraged, it would go a long way towards the eventual success of the ASEAN Economic Community. To promote this unity, we have developed our own AirAsia ASEAN Pass, a credit-based currency-agnostic system that allows travellers to use pre-purchased credits for flights to over 137 routes throughout the region.

SAFETY IN THE REGION

A significant part of promoting greater travel within and into Asean is to enhance safety and security along the entire value chain. This is an area we take extremely seriously, as it is crucial to the sustainability of our business. As stated in our Safety Commitment, safety excellence is integral to our day-to-day aviation activities and forms the very core of all our operations. As an example of the highest priority we place on safety, before moving into klia2, we lobbied for the International Civil Aviation Organization (ICAO) to further evaluate its safety parameters.

Leveraging on the opportunity to implement best practices as we settled into our new home, we became the first airline in the world to pilot INTERPOL's I-Checkit System, screening the passports of all prospective passengers against the world police body's Stolen and Lost Travel Documents (SLTD) base. Within five months, we had screened nearly six million passports as guests checked in for their flights, and obtained 55 positive matches. After further examination by immigration authorities at the airports, 18 of those passengers were not allowed to board their flights. This system has since been deployed at all our international operations, covering 100 airports across Asia and 600 flights a day to more than 20 countries.

We also set up our own regional safety committee called GRACE, which stands for Government Regulatory and Certification Envoys, made up of technical and safety personnel across all airlines in the Group for enhanced knowledge-sharing within our affiliates, as well as between AirAsia and regulatory authorities.

EXPONENTIAL GROWTH

It is an indisputable fact that AirAsia's exponential growth was the crucial factor in the decision to construct klia2. Initially designed to cater for 10 million passengers a year, within three years of operations – in 2009 – there was already a need for the country's first low-cost carrier terminal to be expanded to cater to 15 million passengers. But even that was not sufficient. In 2013, we flew a total of 21.9 million guests, a number far exceeding LCCT's capacity. To say that the airport was congested would be a huge understatement, considering that other low-cost carriers were also operating out of this base. That we outgrew LCCT in just eight years goes to show how fast AirAsia has expanded.

ADDING TO OUR ANCILLARY

In 2014 the Group focused on building our Fly-Thru connections. We opened up new city pairings, connecting flights from Australia, China, Japan, Nepal, Saudi Arabia, South Korea, Sri Lanka and Taiwan to various destinations in Malaysia, Indonesia, Cambodia, Thailand, Vietnam, India, Brunei and Macau. This led the Group to record a 90% increase year-on-year in the number of Fly-Thru guests at 1.5 million, of whom 90% made their connections in Kuala Lumpur.

We also continued to build on our existing ancillary products while introducing new services, a number of which were "home-grown". The earlier mentioned WiFi service, called roKKi Chats, garnered not only much attention but also a high uptake level. Within two weeks of it being launched, 400 tokens – costing RM8 each and enabling 3MB of data usage on WeChat, WhatsApp and LINE – were sold. To be able to offer this service at an affordable rate to our guests, we worked on this pioneering product with a member of the Tune Group, Tune Box Avionics. roKKi Chats is just the beginning, there are more innovations in store for our WiFi platform. Among others, our guests will be able to send and receive emails on board as well as download content and stream videos for an even better AirAsia experience.

We also have plans to further drive our Duty Free business via WiFi, giving our guests the avenue to shop online while flying. Adding to online in-flight shopping, we will be launching our Duty Free website soon, through which guests can order online even before they fly with us. These are just some of the building blocks being put in place as we work towards becoming what Group CEO Tony describes as "*the* mall in the sky."

To support the e-payment requirements of our online Duty Free mall, and to further enhance the card for our loyalty programme, BIG, we have developed our own prepaid card in collaboration with another Tune Group company, Tune Money Sdn Bhd. The BIG Prepaid Visa/MasterCard lets BIG Members earn BIG Points just by spending with it. Following our acquisition of a 40% stake in Tune Money on 27 January 2015, we been developing the current BIG Prepaid card and driving two new products – AirAsia EZPay Virtual, a virtual hybrid prepaid card, as well as AirAsia EZPay Passport, a multi-currency FX hybrid prepaid card in physical form.

Another self-developed product was Redbox, a courier service that leverages on our extensive network. Catering specifically to SMEs and online businesses, Redbox offers the whole range of courier-related services at half the price of traditional service providers. We currently offer this value-add service in Malaysia, Singapore, Indonesia, Thailand, the Philippines, Vietnam, Taiwan and Nepal, and hope to extend it to 13 other markets including Bangladesh, Hong Kong, China, India, Australia and Japan in the near future.

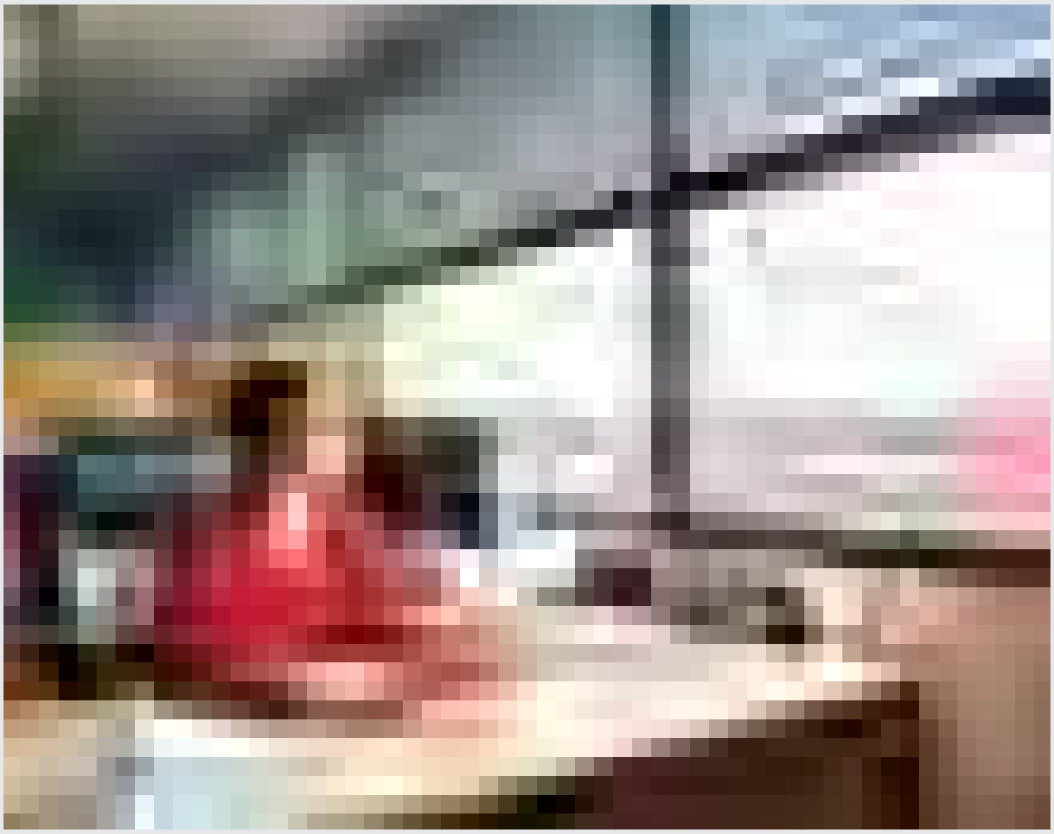
Targeting business travellers, meanwhile, we launched Premium Flex, which enables our corporate flyers to change their flight up to two times at no cost among other perks including 20kg baggage allowance, Xpress boarding and Xpress baggage.

Among our existing ancillary products, we continued to build on the range of in-flight dishes offered and added some interesting Asean-inspired value combo meals as well as children's meals.

FURTHER MONETISATION OF OUR VENTURES

Over our 13-year journey, AirAsia has been building what we call our adjacency businesses, namely joint ventures with third parties that allow us and our partners to leverage on each other's unique strengths and resources to create mutually beneficial synergies. Today, we have begun the process of divesting some of these businesses to capitalise on the returns we stand to earn. In particular, on 16 February 2015 we scaled down our equity in AAE Travel Pte Ltd from 50% to 25%. The fact that the joint venture became highly profitable within a relatively short timespan of four years speaks volumes of the synergies catalysed by combining the world's largest online travel agency (Expedia) with the world's best low-cost carrier.

The same kind of multiplier effect has been seen in our other adjacency businesses, namely Think BIG Digital, which runs our BIG loyalty programme, co-owned with the Tune Group; and the Asian Aviation Centre of Excellence (AACE), a world-class aviation training centre developed jointly with leading Canada-based aviation simulation training provider, CAE Inc.



As a result of merging our database with that of the BIG programme, its membership more than tripled to 12.9 million in 2014. With a number of strategic manoeuvres being planned, including the new prepaid cards under Tune Money, this number will continue to increase.

AACE, meanwhile, continues to attract more trainee pilots from the region while also serving the training needs of flight attendants and ground staff of airlines within the Group and third parties. As demand for pilots and other personnel picks up along with a generally more positive industry outlook, the growth potential of this adjacency business is also looking bright.

A milestone for us in 2014 was the incorporation on 26 September of Asia Aviation Capital (AAC), an aircraft leasing house 100% owned by AirAsia Berhad. This new Labuan-based leasing entity will focus on managing all the aircraft that are being leased out to associate airlines by AirAsia Berhad. Separating the leasing business into a different entity run by a dedicated team with expertise in this niche sector provides us with a number of benefits including more efficient tax management, improved fleet management with reduced residual value risk and business risk. Moreover, leasing companies enjoy higher valuation multiples which would reflect on the true value of our assets. The plan is also to bring in external equity investors allowing us to lighten our balance sheet to make other investments.

OUTLOOK

After a gruelling year that tested the staying power of all regional airlines, we are ready for what promises to be a generally more conducive environment in 2015. We will be one of the main beneficiaries of lower fuel prices as fuel alone accounts for about 50% of our total costs. Taking advantage of this, the Group has hedged on average 50% of our jet fuel requirement for the year 2015 which is more than we have done in the past.

We are also anticipating a more favourable market in Malaysia in 2015 as one of our main competitors goes through a major restructuring. Meanwhile other players, AirAsia included, are managing our capacity better and more strategically. Other than to ensure that we operate and maintain a young and efficient fleet, part of our capacity management strategy is also to defer the delivery of a number of new A320 CEO aircraft from Airbus. This will not only provide us a window to consolidate our routes and operations but will also enable us to enhance the fuel-efficiency of our fleet by welcoming in 2016 the new Airbus NEO aircraft that are 16% more fuel efficient than the CEO aircraft that we were originally meant to receive in 2015.

Our focus is also to develop secondary hubs here in Malaysia. We have been, and will continue to engage with the relevant authorities to help us build international connectivity into these hubs by providing lower airport charges which would further boost traffic into the country. This would not only increase the number of tourists into the secondary hubs but also create jobs and spur the local economy.

As always, in 2015 we will continue to further grow our ancillary business. Although 2014 was remarkable for the number of new products and services launched, our team has been working diligently and creatively to crank up our portfolio with even more innovative additions that guests will find hard to resist. To supplement the attractive offerings, we have implemented a new system, Dotrez, which promises to increase the speed of transactions on our website up to four times hence improve our booking flow and stimulate a greater stream of sales through higher conversion. Our target is to reach an ancillary spend per guest of RM50. Having achieved RM46 per guest in 2014, this goal is now well within our reach.

Overall, in line with the Group's general strategy, our focus in 2015 is to provide more innovative offerings and keep our operations lean as we continue to connect more dots across Asean and beyond. With the dawn of the ASEAN Economic Community, we are hopeful of some positive changes in relation to ASAM which would not only promote our quest to enable more Asians to fly, but will also enhance aviation safety hence the ability to fly with a greater sense of security.

We accomplished a great deal that we can be proud of in 2014 amid a very challenging industry landscape. Yet, never one to let up on the momentum of growth, we have set ourselves even more to do in 2015. Although we have reason to believe external forces will be kinder, our confidence going forward is fuelled much more by internal reasons. We have what has proven time and again to be a very robust business model. And we have a stellar team of Allstars who continue to stand AirAsia apart. To this wonderful team, I would like to express my heartfelt gratitude – thank you for keeping the AirAsia flag flying high. This Report would not be complete if I did not also acknowledge my gurus – Tan Sri Dr. Tony Fernandes and Datuk Kamarudin. Thank you for always being there for us, for mentoring us and for creating this dream airline – not just for us, but for the people of Asean.

9 MAY 2014

THE BIG

MOVE

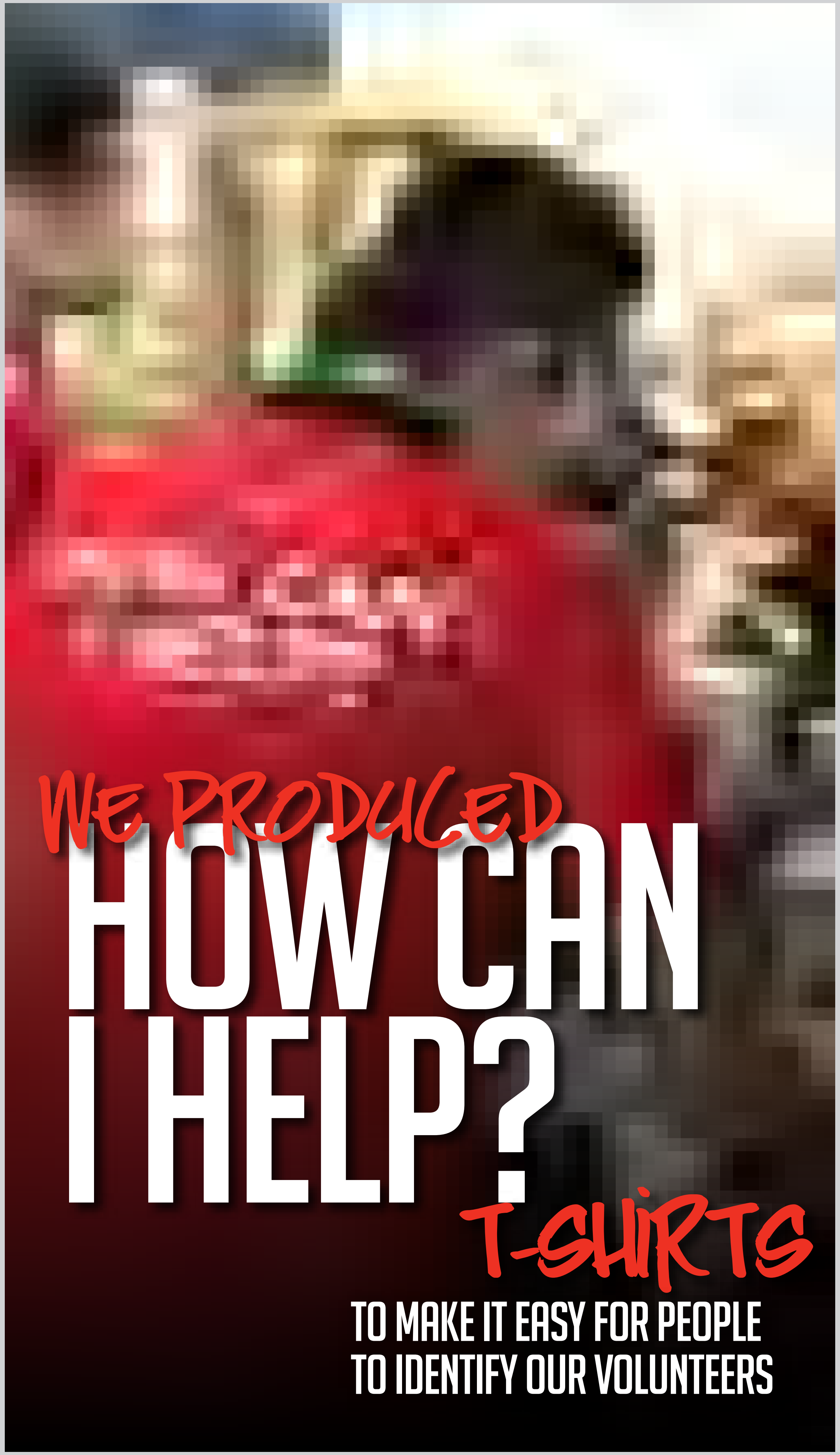
THANKING ALLSTARS

FOR LENDING A HELPING HAND


MOVE DATE
9 MAY 2014
FROM LCCT TO KLIA2


MORE THAN
1,500
ALLSTARS, FAMILY AND FRIENDS
VOLUNTEERS

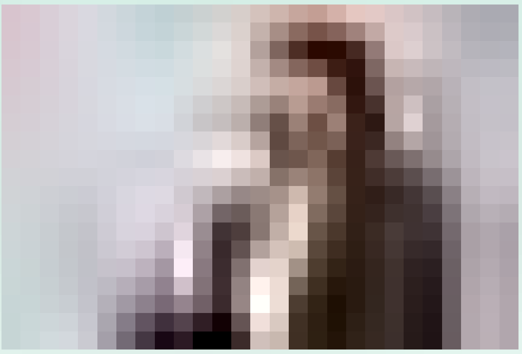

MORE THAN
300
ALLSTARS
FULL-TIME VOLUNTEERS

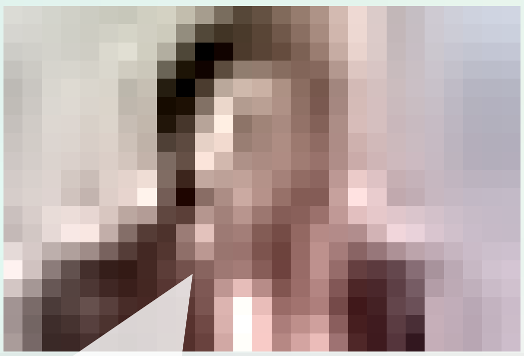

WE PRODUCED
HOW CAN
I HELP?
T-SHIRTS
TO MAKE IT EASY FOR PEOPLE
TO IDENTIFY OUR VOLUNTEERS


4 MAIN DUTIES
• USHERING
• CROWD CONTROL
• QUEUE MANAGEMENT
• INFORMATION
DISTRIBUTION
ON LAUNCH DAY

Safina Alfian
IAA - People Development Executive,
Ground Operations Department

Bringing Together our Asean Allstars



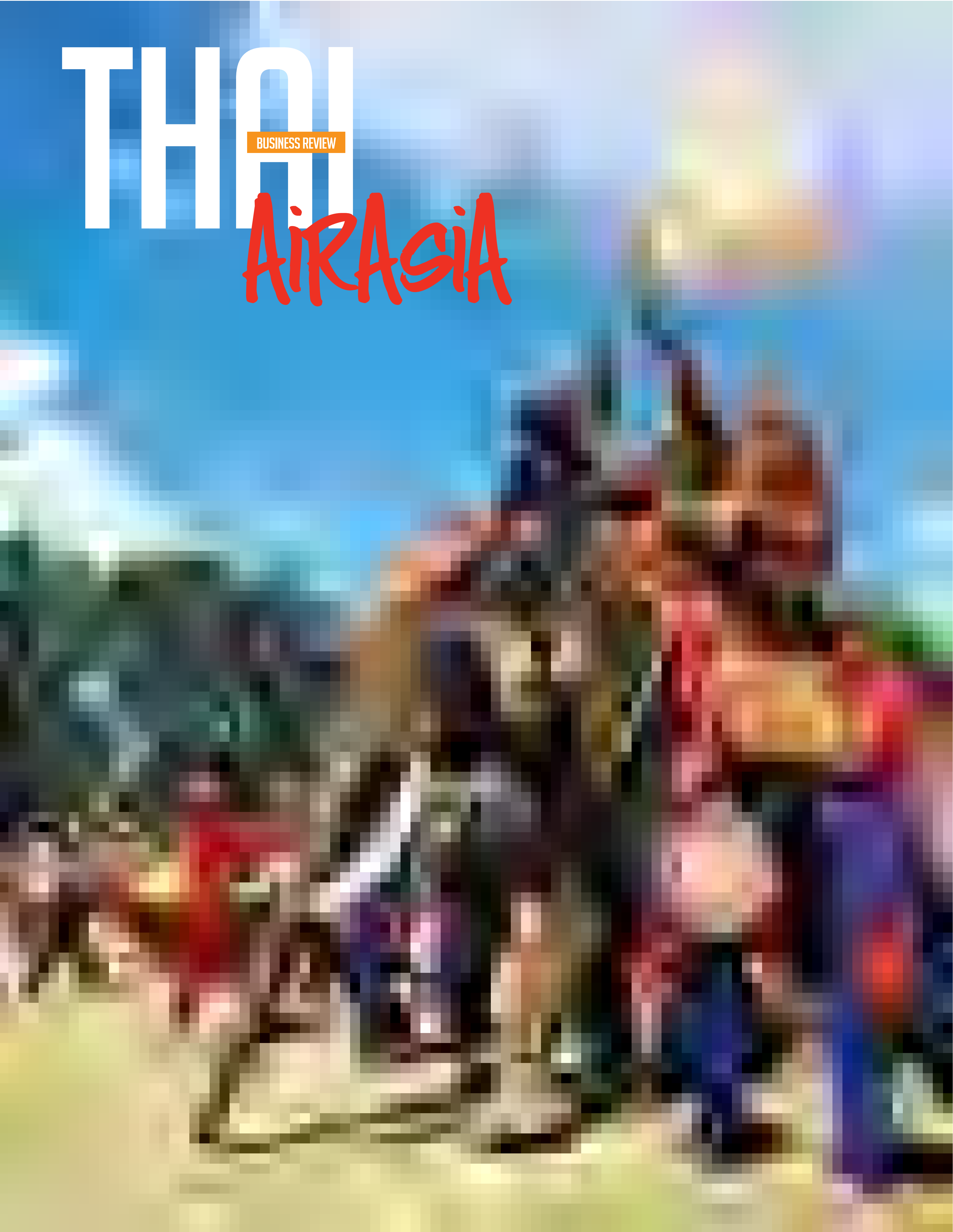


"If you never try you will never know. And you don't want to reach 50 years old and say, I should have done that ..."
- Anonymous

Sometimes our mind is weakened by our "excess baggage" that makes us afraid of doing something, but it's better to try and fail rather than not to try at all. If it doesn't get me fired or doesn't get me into trouble with authorities and my family, why not give it a try?

The Culture CONNECTOR

Safina is a natural "people connector". Wherever you find a group of disparate individuals from different backgrounds speaking different languages, you can rely on her to find commonalities to bring everyone together. This uncommon talent has been put to good use since Safina joined AirAsia in April 2008. Starting off as an instructor for Allstars across the Group based in Malaysia, since 2013 she has been stationed in Jakarta as a People Development Executive in the Ground Operations Department . Her role involves instilling the AirAsia culture in Allstars, sharing each other's cultural backgrounds and enhancing a sense of unity. Among her achievements has been to develop a "Together We Achieve the Impossible" teambuilding session for the company.

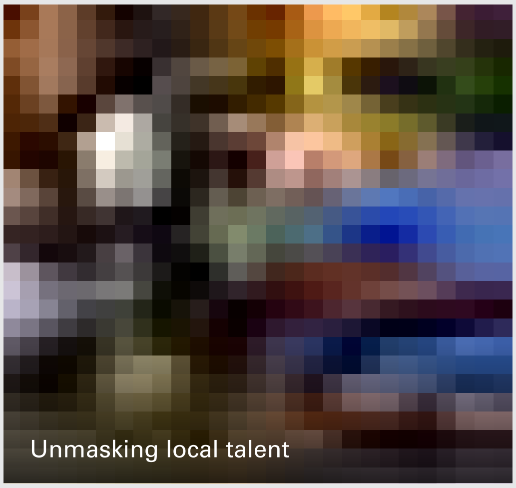

THAI
BUSINESS REVIEW
AirAsia

GROWING FROM STRENGTH TO STRENGTH

The way Thailand bounced back from a rocky political start to the year, ending 2014 with phenomenal growth in tourism, was amazing. Equally amazing was the performance of our associate in this country, which made the most of its strong branding to increase its capacity, expand its route network and, with some clever marketing, fly even more guests to and within the Land of Smiles.

Sticking to plans, our affiliate took on five new aircraft to end the year with a fleet of 40 Airbus A320. With a 21% increase in capacity, it added seven new routes to its network which now comprises 51 sky bridges from its four hubs to as far north as Xi'an in China, Bali in the south, and Chennai to the west. Most importantly, it made the travel dreams of even more Thais and their visitors come true. On top of posting a strong load factor of 80% in 2014, Thai AirAsia flew more than 12.2 million guests, up a significant 16% from its landmark 10.5 million guests in 2013. This allowed them to sustain their position as the number one low-cost carrier in the country.

Several factors come into play in Thai AirAsia's continuing saga of success, but key among these is the team's focus on strategic route expansion. Over the last few years, our affiliate has been expanding its network of hubs in order to be able to cover a broader range of travel destinations – both within Thailand and in the region. In 2013, it reopened its Chiang Mai hub in a move that was extremely timely, catering to the influx of tourists from China who were keen to trace the filming spots of the blockbuster film, *Lost in Thailand*, most of which took place in this northern hill resort. Soon after, in 2014, a fourth hub was opened – in Krabi – enabling sun, sand and sea worshippers from Asean and beyond to fly directly to this stunning beach paradise.



Unmasking local talent

Cheow Lan Lake, Ratchaprapha Dam, Khao Sok National Park, Surat Thani

Once again catering to tourists from China – who make up the largest national contingent of inbound tourists to Thailand – new routes were created linking Krabi with Guangzhou in southern China; Bangkok with Changsa, the capital of Hunan Province; and Chiang Mai with Hangzhou, capital of Zhejiang province in eastern China. This focus on China proved fruitful, contributing to a 19% increase in tourists from the country, which is all the more impressive given that China's economy grew at its slowest pace in 24 years in 2014.

The fact is, outbound tourism from China has been growing at an astounding rate since the turn of the millennium. In 2014, 107 million from mainland China travelled overseas, marking a 19.5% increase over 2013 and crossing the 100 million milestone for the first time. By 2019, according to Bank of America Merrill Lynch, 174 million Chinese will venture abroad, spending about USD264 billion. And their favourite destinations? Hong Kong, Macau and countries in Asean, of which Thailand is among the top picks.

Making the most of this tourism goldmine, all of Thai AirAsia's hubs are exploring the best routes to launch in order to create better links to serve China.

Of course, local travel and travel to other regional markets were not ignored. New routes were also launched to link Bangkok with Sakon Nakhon, a cultural centre in the north-east of the country; Phuket with Kuala Lumpur; and Chiang Mai with Hong Kong as well as Surat Thani, on the western shores of the Gulf of Thailand.

While offering an ever-increasing web of routes to satisfy the needs and desires of domestic as well as international travellers, Thai AirAsia has also been maintaining a high level of operational efficiency, resulting in very impressive performance. During the year, our affiliate marketed itself under a new brand proposition of "Truly Low Fares, Trusted Quality", supporting this with the lowest priced tickets while maintaining a high on-time performance (OTP) of 91% and further enhancing its guest and quality service.

Continuing with efforts to increase its accessibility, in March 2014, Thai AirAsia launched into a partnership with 7-Eleven to allow for ticket payment at their stores nationwide, making it the first airline in the country to offer international flights at convenience stores.

It also extended its Fly-Thru service at Don Mueang Airport to connect more flights, including those on Thai AirAsia X, AirAsia X's first regional affiliate and the first low-cost long-haul airline to be established in the country. Launched on 22 April 2014, Thai AirAsia X currently offers flights from Don Mueang Airport to Seoul, Korea as well as Narita, Tokyo and Kansai International Airport in Osaka. In the pipeline are more routes between Bangkok and Asia-Pacific, which will provide greater connectivity for Thais travelling overseas as well as international visitors flying into Thailand, served by both the long-haul and short-haul operations.

In addition to launching routes, the airline also introduced Sky Ticket services, enabling passengers to purchase bus, train and attraction tickets on board. For the first time in its 10-year history, too, Thai AirAsia introduced a flight and transfer service from Don Mueang to the island of Koh Tao; and city transfer service for passengers landing in Nakhon Phanom Airport to board a shuttle van and drive for just a little over an hour to arrive at the Indochinese market of Mukdahan.

While providing value-add service to guests keen on visiting these popular tourist spots, these packages also boosted the airline's passenger numbers, which increased by 16% during the year amid a tough operating environment due to political upheavals faced in the country. This, in turn, contributed to an 8% increase in total revenue from Baht 23.49 billion in 2013 to Baht 25.36 billion in 2014.

The flight-shuttle service is integral to Thai AirAsia's commitment to growing regional as well as global tourism to the country. Beginning in 2014, our associate has been collaborating with the Tourism Authority of Thailand (TAT) on various integrated marketing efforts and campaigns. This working relationship stands to deliver more results in 2015 along with a natural recovery in tourist numbers as the political environment stabilises, further complemented by TAT's *Discover Thainess* campaign.

Koh Kradan, Trang

Grand Palace, Bangkok

In support of the campaign, Thai AirAsia is offering special *Discover Thainess* fares from as low as Baht 590 for domestic destinations and Baht 1,190 for international flights. It is also going to paint its newest Airbus A320 aircraft in the image of the royal barge Supannahong, which has been chosen as the logo of *Discover Thainess*, while decorating the interior of the plane with images of "12 Hidden Gems", namely the provinces of Lampang, Phetchabun, Nan, Buriram, Loei, Samut Songkhram, Ratchaburi, Trat, Chanthaburi, Trang, Chumphon and Nakhon Si Thammarat, which are being promoted.

The year 2015 promises to be very exciting for our associate as the tourism industry picks up again and more visitors come to The Land of Smiles to *Discover Thainess*. With five new aircraft waiting to be delivered during the year, Thai AirAsia will be able to cater to the expected increase in demand by offering new routes and increased frequencies to popular destinations. As our associate also intensifies its investments into innovation and technology, both local and international guests can expect to be completely charmed not only by Thailand's warmth and hospitality but also by Thai AirAsia's commitment to ensuring they have the best possible experience as they journey through this amazing country.


INDONESIA
BUSINESS REVIEW
AirAsia

TOGETHER, WE WILL FLY

It was a year of mixed blessings for Indonesia AirAsia. Throughout the 12 months, hit by a weakening Rupiah, the team worked conscientiously to build the airline's fundamentals, consolidating its network and increasing general efficiencies, leading to some very positive results. Its fourth quarter performance, especially, was very promising, with an operating profit of IDR23.39 billion marking an impressive turnaround from the operating loss of IDR369.09 billion in the same period in 2013. Then, on 28 December, flight QZ8501 crashed into the Java Sea en route from Surabaya to Singapore.

Words cannot describe the emotional trauma among our colleagues. Yet they did everything humanly possible to comfort the family and friends of guests on the flight as they themselves dealt with the pain of having lost fellow Allstars who were much more than work mates or even friends, but members of a close-knit AirAsia family. What was truly heartening was the way the rest of the AirAsia family responded to our Indonesian associate in its moment of need. Not only did our Chairman and Group CEO rush to Surabaya to be with our team, but Allstars from across the region rallied together in a show of solidarity that brought our Group even closer than ever before.

Solidarity has been driving AirAsia and our associate airlines forward all these years, overcoming all manner of adversity. It is with strong teamwork that the still relatively small Indonesia AirAsia, with only 29 aircraft, has conquered the lion's share of the international market, contributing significantly to the country's booming tourism sector which, according to the National Statistics Department, was worth USD10.69 billion making up 4.01% of the Gross National Product (GDP).

It is also with teamwork that Indonesia continues to overcome all challenges that face the airline industry to provide its guests world-class service, winning our associate numerous awards. Just in 2014, it was named Indonesia's Leading Low Cost Carrier by The Indonesia Travel and Tourism Award (ITTA) Foundation; and Domestic Airline of The Year 2013 by Roy Morgan Research. It also won the Best Service On Board and Best Ground Handling Services by Carre Center for Customer Satisfaction and Loyalty (Carre CCSL); and Best Airline Mobile Application by *FORSEL* magazine's Air Force Apps Awards.

Melasti Festival, Seminyak, Bali

All this in a tough operating environment that saw three other airlines cease operations between 2013 and 2014 speaks volumes for Indonesia AirAsia, and particularly its team.

Indonesia, along with the rest of the region, has been facing irrational competition. Exacerbated by a weak Rupiah, and hence increased fuel and maintenance costs, pressure on local airlines has been intense. While others have exited the market, however, Indonesia AirAsia has been able to brave this rough patch to emerge leaner and stronger. Its advantage is simple: its team of Allstars and AirAsia's proven business model.

Building on our low-cost model of high usage and turnaround time, among others, the airline has steadily connected different parts of the vast Indonesian archipelago with each other while also linking the country with its Asean neighbours as well as Australia. For both the domestic as well as international travel sectors, it has served existing demand while creating new demand.

Domestically, air travel in Indonesia has a distinct advantage over other means of transport given the country's vast expanse – its 7,000 islands stretch over 5,000km eastward from Sabang in northern Sumatra to Merauke in Irian Jaya – making land connections impossible. In the past, air travel was just as inconceivable. But with the affordable flights that Indonesia AirAsia introduced beginning in 2004, all of this changed. Flying has become a real option for many. And as the earning capacity of Indonesians increase along with the country's steadily growing economy – which expanded by 5.02% in 2014 – even more Indonesians will be choosing this mode of travel over others for its speed, convenience and the sheer thrill of flying.

International tourism into Indonesia, meanwhile, has always been high. With its rich culture and history as well as natural beauty, Indonesia is a veritable tourist magnet. Despite political volatilities in the country in 2014, the National Statistics


Mount Bromo, East Java

Department reported a 7.29% year-on-year increase in international tourist arrivals from January to November, from 7.94 million in 2013 to 8.52 million. Of particular note, a large number of the tourists entering Indonesia are choosing to do so on low-cost carriers. And highest on their list is Indonesia AirAsia, which has cornered no less than 26% of the international market. Its unique competitive edge lies in the feeder traffic coming from AirAsia Group's extensive network. Unlike other local airlines, it is able to connect guests from all over Asia flying on other AirAsia flights onto its own routes entering the country.

ROUTE RATIONALISATION

In a strategic response to widespread over-capacity, in 2014 Indonesia AirAsia expended much energy on rationalising its route network. It terminated its loss-making sectors while increasing flight frequencies to popular destinations and initiating new routes with strong growth potential.

That the strategy has been effective can be seen in the numbers. Indonesia AirAsia's load factor has increased from 76% in 2013 to 78%, while its average fare has improved by 10% from IDR 591,497 to IDR 651,189. At the same time, our associate has continued to push its ancillary services, and particularly the Fly-Thru facility which was introduced for the first time in the country at Soekarno-Hatta International Airport in Jakarta in September, and Ngurah Rai International Airport in Bali in November 2014. Aided by a 7% growth in its ancillary income per guest from IDR 147,274 to IDR 157,729, Indonesia AirAsia's total revenue per guest rose 9% from IDR 738,771 to IDR 808,918.

Focus on operational efficiencies, meanwhile, led to an eight percentage point improvement in on-time performance year-on-year to 79%.

Over and above these operational initiatives, the airline continued to build its brand by getting closer to the people. Every significant corporate development was highlighted via integrated public relations campaigns. So when the airline took on board its first female pilot, the event was celebrated with the public, as was the appointment of Sunu Widyatmoko as the company's new CEO in July. Our associate also got its guests to share their personal stories via a blog competition: "How AirAsia has changed your lives" which generated over 700 entries. For more customised communication with guests on board, it launched its own edition of our in-flight magazine, *travel 3Sixty*, with more localised content in Bahasa Indonesia.

All the while, it did not forget our most basic credo, namely to enable more people to fly. With its *Make It Real* campaign, it got Indonesians to think about their holiday dreams and, for its part, helped to turn these into reality. Then, there were the free ticket offers. Following on the huge success of the AirAsia Carnival that was held for the first time, twice, in 2013, the mega event was repeated again in April and October 2014, putting up for grabs thousands of free seats. Prior to these, in February, the annual *Free Seats Campaign* was held.

At the same time, the team continued to cater to guests' convenience while enhancing their experience in other ways too. In January 2014 it introduced a new payment channel at Indomaret convenience stores, the largest chain of its kind in the country. Facilitating transport, it launched a transfer service from Soekarno-Hatta International Airport to the city. It also moved its Surabaya operations from Terminal 1 at the Juanda International Airport to the more spacious brand-new Terminal 2. As with the Jakarta airport, guests here get to enjoy convenient transport into the city, via the DAMRI shuttle.

Loyalty programme members were also tended to. Partnering CIMB Niaga, Indonesia AirAsia launched a co-branded credit card which allows BIG Members to earn points at various retail merchants for eventual conversion into free tickets.

As a result of its route rationalisation exercise, guest engagement and marketing efforts, Indonesia AirAsia increased its full-year revenue by 9% to IDR 6.34 trillion. Although it still netted a loss, of IDR 856.33 billion for the full year, it was on the right track of turning around as the second half of the year saw a much better performance year-on-year.

It has been another tough year for Indonesia AirAsia, but the team's capacity management and route rationalisation are moves in the right direction. Operating in one of the most populated countries in the world, demand for travel into and within Indonesia will continue to increase. With a right-sized fleet, rationalised market and support from the Group, Indonesia AirAsia stands in a good position to grow both its network and hence the business in a more measured and profitable manner.

The launch of our long-haul associate Indonesia AirAsia Extra at year end is timely as it will enable Indonesia AirAsia's guests to connect onto its routes and vice versa to reach a wider network of destinations. This will serve to boost guest numbers on Indonesia AirAsia flights while also feeding guests into its long-haul sister's routes.

As this annual report is being written, it has been three-and-a-half months since the devastating QZ8501 tragedy. In this time, our associate saw an initial slight drop in demand which has since reversed. We feel blessed by this remarkable recovery which speaks volumes of the resilience of our Allstars in Indonesia, and of the trust it has built over the years among its guests and travellers more generally. Trust of this magnitude is priceless, and every effort is being made at the Group and associate level to validate it.

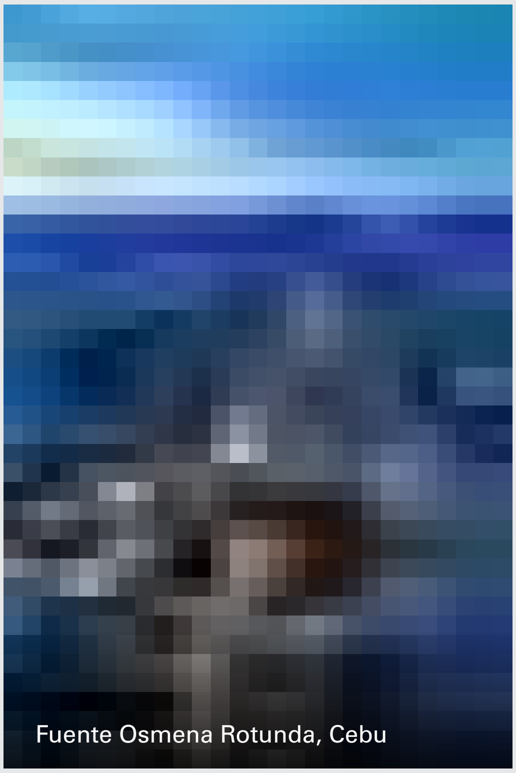
Working together as a team, we will continue to do all that we can to enable everyone to fly, safely.

PHILIPPINES' AirAsia

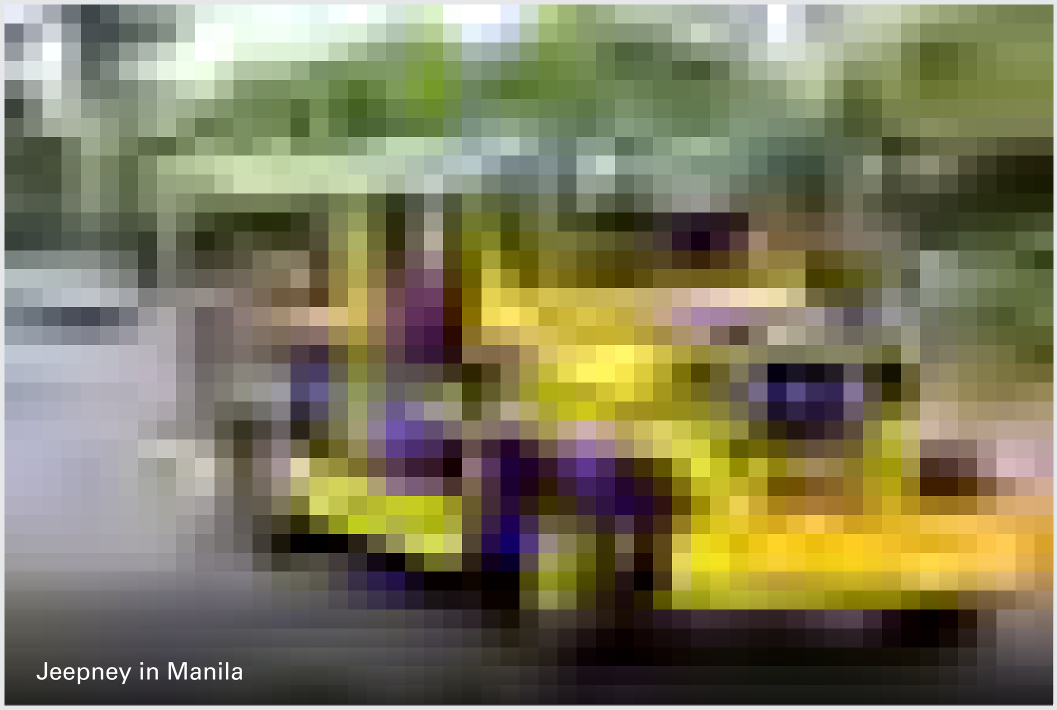
BUSINESS REVIEW

THE HEROES' AIRLINE

When Manny "Pacman" Pacquiao defeated Chris Algieri in November to retain his welterweight world title, the whole of the Philippines rejoiced in the stunning victory. Philippines' AirAsia was equally thrilled. Just a couple of weeks earlier it had literally raised the national sporting icon to the skies with the launch of a Pacman aircraft livery, in conjunction with becoming the official airline of team Pacquiao.



Fuente Osmena Rotunda, Cebu



Jeepney in Manila

This public support of a local hero in some ways reflects Philippines' AirAsia's own, though much quieter, contributions to the nation. Right from the start, the airline has served the underserved, helping to develop areas outside of the capital Manila thus contributing to local economies. When Typhoon Haiyan broke on the scene, it was one of the first airlines to rush in with relief aid, followed by support of rehabilitation efforts.

Indeed, since setting up in 2012, our associate has transformed from a fledgling newbie into a home-town hero. From only two Airbus A320 aircraft serving two domestic routes, it now has 15 aircraft plying 16 domestic and international routes – presenting itself as a real force to be reckoned with in the local aviation sector as it delivers even more wins for the Filipino people. A turning point was the acquisition in March 2013 of 49% equity in Zest Airways Inc (Zest Air) which greatly expanded our associate's network and fleet. The acquisition came to real fruition in 2014, when Philippines' AirAsia received approval from the Philippine Congress and Senate to fully consolidate Zest Air into its operations. It made other home runs too in 2014. Its Chairman Maan Hontiveros was named by the Filipina Women's Network (FWN) as one of the 100 Most Influential Filipina Women in the World (Global FWN100)™. And the market went crazy during the Super Hero sale, snapping up almost every ticket that was on offer. In between, our affiliate expanded its network by setting up a new hub in Cebu, in central Philippines.

Supporting these wins were many behind-the-scenes actions and strategic activities that served to improve operational efficiencies in the airline, leading to a seven percentage point increase in passenger load from 63% to 70%, a 20% reduction in cost per available seat kilometre (CASK), and a significantly improved on-time performance (OTP) to average 79.2% for the year, with OTP in the month of October reaching a record high of 90.6%.

Having spent the year 2013 consolidating its routes post-acquisition of Zest Air, in 2014 our affiliate was able to concentrate its energies on putting in place the required systems and processes to bring its level of service up to speed with other AirAsia airlines. This saw the introduction of self check-in kiosks in the airports serving Philippines' AirAsia and also the mobile apps for guests to book and manage their flights.

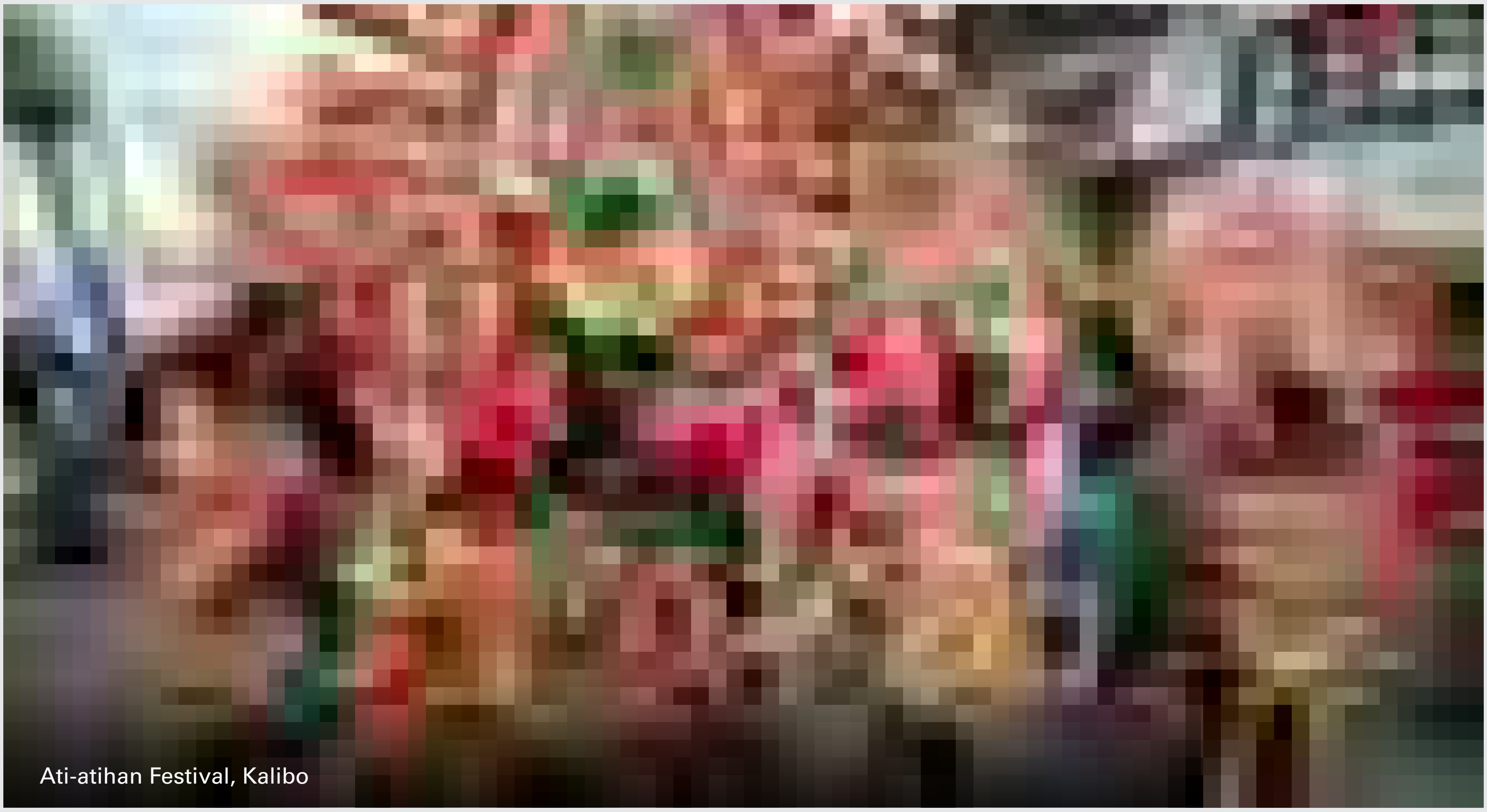
Going the extra mile for guests, Philippines' AirAsia also introduced affordable and convenient island ferry services to the beautiful islands of Boracay and Palawan. Beginning in February, our affiliate began to offer exclusive land and ferry transfers for guests arriving at Kalibo International Airport directly to their hotels. This makes the entire journey from the airport extremely pleasant and hassle-free, a real boon for those emerging from hours of flying. Kalibo, one of Philippines' AirAsia's hubs, is a major stronghold for our affiliate which offers by far the most international flights to and from Kalibo International Airport.

In December, a similar arrangement was initiated for guests arriving in Puerto Princesa for onward journeys to the Palawan isles of El Nido and Sabang.

Larsian barbeque, Cebu

These new services are just some of the positive outcomes of putting together a Passenger Service Satisfaction Performance Team, which meets every week to discuss and dissect guest feedback from the various interaction channels and provide immediate and effective solutions to issues raised.

Other than the new services offered, Philippines' AirAsia is ensuring that it caters to the lifestyle and needs of all segments of the population. Accordingly, in April it signed a partnership with Robinsons Department Store, one of the largest mall chains in the country, to enable guests to make cash payments for their flights and other AirAsia purchases at the department stores' counters. The easy accessibility and convenience of being able to pay at any one of 40 Robinsons branches nationwide has been much appreciated. And, as not all Filipinos have credit cards, the ability to pay at these counters with cash is another huge plus point.


Ati-atihan Festival, Kalibo

Efforts such as this go a long way towards enhancing Philippines' AirAsia's market reputation. As a measure of its growing popularity, on 9 December our associate AirAsia celebrated one million likes from its Facebook fans around the world.

Of course, to attract more guests, the airline has to cater to more popular routes. Towards this end, in mid-October, Philippines' AirAsia opened its fourth hub in Cebu, enabling greater access to the oldest city in the Philippines which is also one of the country's top tourist destinations. Being centrally located, this hub makes it easier for Filipinos from central and southern Philippines to access AirAsia Group's extensive network of destinations without having to travel to Manila in the north. It further underlines AirAsia's commitment to spurring more inclusive development in Asean, building economies outside of the region's capitals.

With its new hub, Philippines' AirAsia kicked off twice daily flights from Cebu to Davao, another popular tourism destination, as well as to Cagayan de Oro City. It also added flights between Manila and Cebu. Creating greater links with Asean, the Philippines' trading ground from the early days which supplied in addition to goods a sizeable number of Malay settlers – it announced the return of the Cebu-Kota Kinabalu route. In addition, it developed marketing strategies and forged new partnerships to increase demand for the existing Cebu-Kuala Lumpur and Cebu-Incheon (Seoul) routes.

The setting up of Cebu as a hub has come at an opportune time as the Mactan Cebu International Airport is undergoing major rehabilitation and expansion, following which it will be able to comfortably accommodate the surge in numbers from AirAsia flights.

Meanwhile, at its Manila hub – NAIA – Philippines' AirAsia is creating a more even distribution of operations between Terminal 3 and Terminal 4 for greater guest comfort and convenience.

While building its network, the airline is also strengthening its strategic collaborations as well as its image as a sociable and innovative brand. In 2014, a significant move in this direction was to tie up with Solaire Casino and Resort to jointly promote tourism. In July, Solaire became the first consumer brand in the country to fully wrap a commercial airline by being featured on the livery of one of Philippines' AirAsia's aircraft. In effect, this marks the beginning of a new source of ancillary income, from livery advertising.

Going forward, the young and energised team is intent on further capitalising on network optimisation and aircraft utilisation to create greater efficiencies while also offering more service innovations to add to guests' convenience. In terms of growth, within the domestic sphere it will focus on expanding its route network from the new Cebu hub while increasing flight frequencies to the ever popular holiday destination of Kalibo. Among its international destinations, the airline will look to develop the Korea market, which supplies no less than a million tourists to the Philippines a year, making up the largest national tourist arrivals.

There is much potential to further develop the international segment in tandem with the country's economic resurgence. In 2014, the Philippines was the second fastest growing market in Asia, after China, recording a gross domestic product (GDP) growth of 6.1%. Promoting the tourism sector to fuel further expansion, the Government has embarked on a *Visit Philippines 2015* campaign, with the slogan: "It's more fun in the Philippines".

Given AirAsia's personality, what better airline to ride on to live this promise?

AirAsia INDIA

BUSINESS REVIEW

AN INCREDIBLE START

On the morning of 22 March 2014, a bright red brand-new Airbus A320 landed at Madras International Airport from Airbus' final assembly line headquartered in Toulouse, France. As its wheels touched down, a water cannon salute was released. It was indeed a historic moment, not just for AirAsia India which had just received its first aircraft, but also for the country. The moment marked the beginning of even closer Indo-Asean ties.

India has enjoyed close links with Asean from time immemorial, since even before Christianity, as evidenced by architectural relics left till today in the form of Angkor Wat in Cambodia and Borobudur in Indonesia, among others. These were strengthened in the 18th and 19th centuries, when large numbers of Indians served the British in its colonies, or left on their own accord in pursuit of greener pastures.

However it was only with the setting up of ASEAN that India adopted a formal Look East policy to strengthen its ties with the region. In 1992, it became a sectoral dialogue partner of the grouping, and in 1996, a full dialogue partner. Today, under its new government, India has evolved this Look East policy into an Act East policy through which it intends to further strengthen economic, industrial and trade relations between India and Asean in particular and East Asia more generally. The launch of AirAsia India has just lent that ambition greater fillip.

As part of the AirAsia Group, our associate in India now has a ready-made network of flights it can access across Asean as well as Asia. These connections are welcome not only among the large business community but the even larger general population that has multiple ties across Asean as a result of the Indian diaspora.

In February 2013, AirAsia signed a partnership with Tata Sons and Telestra Tradeplace to set up a low-cost airline in India, with the former holding 30% and the latter 21% equity in the tripartite venture, leaving AirAsia with the giant share of 49%. In September that year, the venture obtained a No Objection Certificate (NOC) from the Foreign Investment Promotion Board (FIPB) of India. From then on, it's been all systems go to get the venture off the ground. The final approval – of an Air Operating Permit (AOP) by the Directorate General of Civil Aviation, Government of India – came on 8 May 2014. With this, our associate was officially granted permission to operate in the country.

Hawa Mahal, Jaipur

Although the low-cost carrier market has been growing rapidly in India from the year 2003 to corner more than 60% of domestic travel today, AirAsia India is set to distinguish itself by replicating the unique AirAsia business model – of high aircraft utilisation, fast turnaround time, strong focus on innovation and unbeatable service – while setting up routes that are currently underserved or that are not served at all.

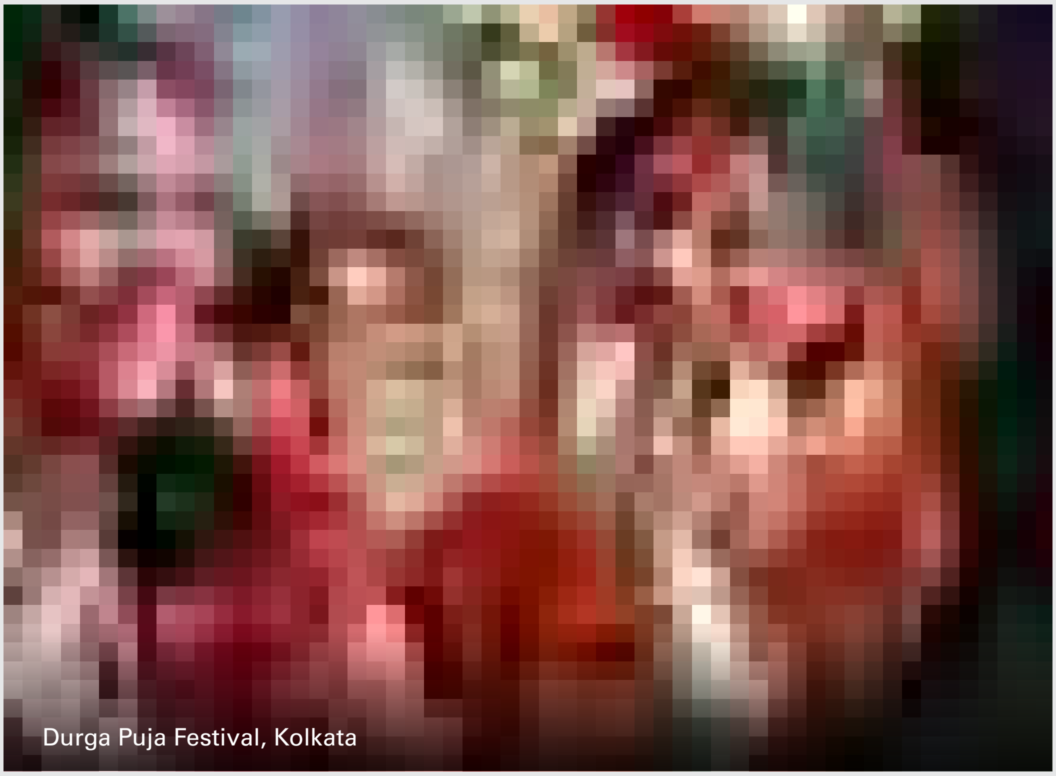
The fact is, despite rapid growth of the aviation sector in general, there is still huge demand for air travel in the second most populous nation in the world. Already, about 150 million domestic and international travellers pass through Indian airports, contributing to close to 1.7 million high-productivity jobs and 0.5% of national gross domestic product (GDP). Yet, with 1.3 billion people spread across a land mass spanning 3,214 kilometres from north to south and 2,933 kilometres from east to west at its broadest point, there is still much potential for growth. According to Euromonitor International, from 2013 to 2018 domestic travel in India will increase by a compound annual growth rate (CAGR) of 13%.

Not only are people travelling for leisure, but as one of the world's largest economies keeps growing, new business hubs are sprouting across the length and breadth of the nation, increasing demand for business air travel as well. Without the luxury of time, the business traveller would rather spend 90 minutes on a plane than 18 hours on crowded trains or more than a day on the roads.

AirAsia India has an eye on serving just these kinds of routes. Setting up base in Bengaluru, as opposed to the more obvious Tier 1 choices of Mumbai or Delhi, the first route it launched was from this Garden City to the beach mecca of Goa. A promotion for 25,000 seats on inaugural flights at only Rs 5 (about RM0.30) each way, not including airport tax and other applicable fees, was such a hit that all the seats were sold within 48 hours of opening for booking. The very first flight, on 12 June, was completely sold out within 10 minutes.

Within a week, AirAsia India expanded its network to include flights to Chennai; a month later, flights to Kochi, capital of Kerala – famous for its backwaters and Ayurvedic treatments – were introduced. The airline then created tracks to the northern reaches of the country with sky bridges served by daily flights from Bengaluru to Jaipur, the capital and popular gateway to Rajasthan, land of maharajas and mythical palaces; and to Chandigarh, capital of the states of Haryana and Punjab, a city so meticulously designed by French architect Le Corbusier it is also known as the Beautiful City. Both routes were launched on 5 September 2014. Effective from the same date, AirAsia India also doubled its flight frequency from Bengaluru to Goa and vice versa to twice a day.

Before the year ended, AirAsia India further increased its route network to include daily flights from Bengaluru to Pune, a thriving academic and business centre on the Deccan plateau; and created a first by linking Pune and Jaipur by air. Both routes began from 17 December. The launch of flights to and from Pune was celebrated at a party organised in conjunction with the Pune Fashion Week, a major event in this city which attracts thousands of visitors from India and overseas.


Durga Puja Festival, Kolkata

AirAsia India's strategy of serving the underserved is reinforcing the Group's promise of "Now Everyone Can Fly". That there is sufficient demand in its targeted virgin territories is evidenced by the numbers. All routes launched to date have been extremely well received, allowing our affiliate to notch an average passenger load factor for the half-year during which it was operational of 80%. This has been matched by an equally impressive on-time performance of 83%, reflecting a high level of operational efficiency of the new team comprising 540 Allstars.

While the focus on underserved routes has no doubt played a significant role in attracting the over 300,000 guests who flew with AirAsia India in 2014, this has been supplemented by effective marketing and promotional activities, a consistently high quality of service as well as comfort. Boasting three Airbus A320 aircraft with an average age of less than a year as at 31 March 2014, AirAsia India presents to the nation a very young, modern and technologically-advanced fleet with all the latest safety features. One, moreover, that comes with plush leather seats, added space in overhead storage bins and in-flight cuisine that even presents some of the favourite dishes of Indian aviation pioneer, and former Chairman of Tata Sons, JRD Tata.

In further deference to Tata, AirAsia India recently unveiled its fourth aircraft, named The Pioneer, with a special livery celebrating his contributions to the Indian aviation industry.

AirAsia India's active social network, too, has been contributing to our affiliate's success, creating strong bonds between the airline and its market. CEO Mittu Chandilya is an avid tweeter, keeping followers up to date with the latest, while the airline's fans are active on its Facebook, providing feedback on their travel experiences and offering suggestions on preferred new routes.

Given AirAsia's strong guest-centric culture, these preferences will certainly be taken on board for further route expansion in 2015 and beyond. In 2015 itself, additional capacity will be deployed on new routes that will be strategically selected, offering our guests more options and enabling more people to fly.

A market of 1.3 billion is more than double the entire Asean population. This just goes to show the potential of our new associate, and the incredible potential of AirAsia to link our new market with the rest of Asean. Just as India will be Acting East to firm up trade and financial links, AirAsia will now be Acting West to make the dreams of the people of India and Asean come true.

BUSINESS REVIEW

AIRASIA X

RE-SET TO FLY X-TRA LONG

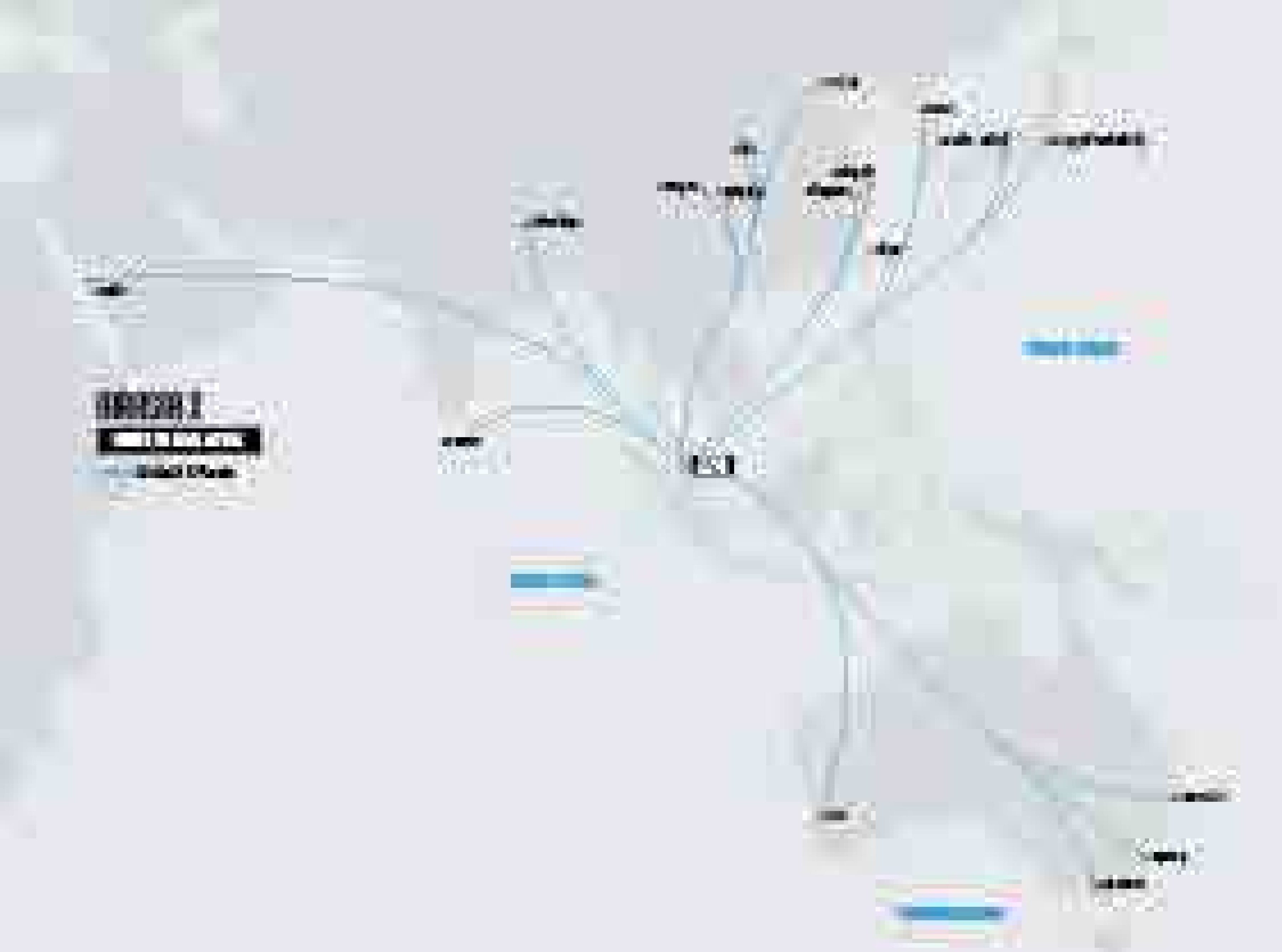
A new dawn has broken at AirAsia X. For a start, it's no longer just a one-airline show but a Group with two regional associates, Thai AirAsia X (TAAX) and Indonesia AirAsia Extra (IAAX). And the Group is helmed by a new leadership, which has put in place new plans to take our sister airline group to new heights.

The year 2014 was particularly challenging for AirAsia X, as the industry slowdown resulting from the three airline incidents as well as military coup in Thailand and reduced consumer spending in China came at an extremely inopportune time. Heavy investments over the preceding years by both legacy as well as low-cost carriers had created excess capacity in the region. This was exacerbated by AirAsia X's own aggressive expansionary plans, instituted about two years ago, which saw its capacity increase substantially, the idea being to capture market leadership and scale advantage.

In 2014 itself, a total of seven new aircraft were delivered, causing its capacity growth in the first quarter of the year to surge to a record high of 60% year-on-year (YoY) before gradually tapering down again to 47% YoY in the second quarter, 24% YoY in the third quarter and, finally, to end the year at 8% YoY.

The expansionary strategy was partially successful. AirAsia X did manage to corner a lead in most of the routes that it serves. However, this leadership came at a price. In order to fill its quickly growing number of seats, huge efforts of marketing as well as reduced promotional fares had to be offered – all of which carried a cost. Although our sister airline kept its passenger load at a healthy average of 82% throughout the year 2014, its average passenger fare dropped, as did yields.

By the second quarter of the year, when the market slowdown became evident, the team executed a strategic turnaround. Adopting a tactical capacity management approach, it stopped trying to create demand with attractive promotions but rather let market forces determine how much capacity was required on each route and reduced its



own capacity to match this. Typically, a new long-haul route takes 12 months to mature; in less than ideal times it could take longer. Excess capacity was then redeployed for charters and wet lease, wherever there was demand. As the peak summer tourism months in Europe and pilgrimage months in the Middle East coincide with AirAsia X's off-peak second and third quarters, contracts have been signed for aircraft to be channelled to these markets to meet their seasonal needs.

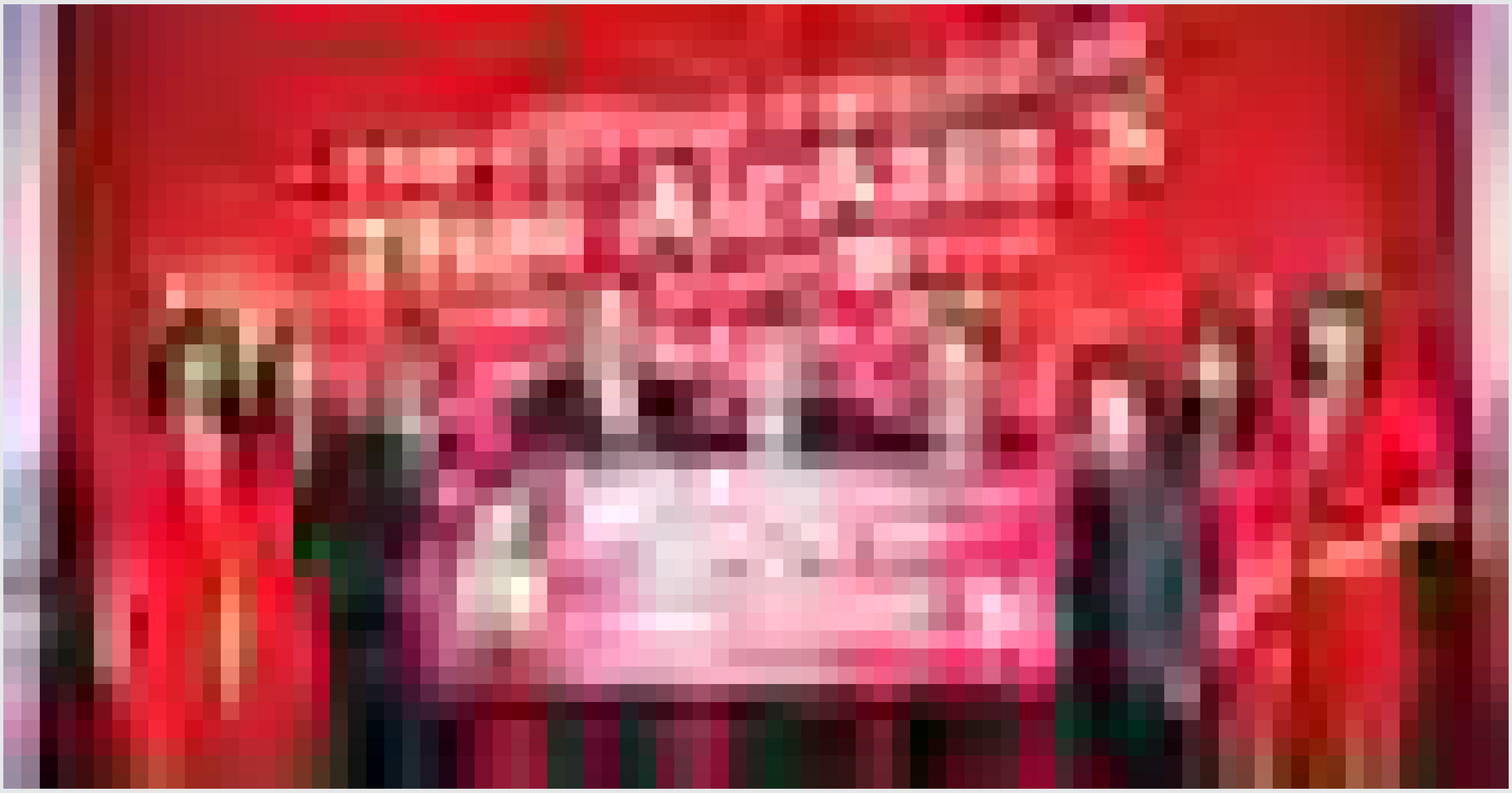
At the same time, non-performing flights have been suspended. In 2014 itself, flights from Kuala Lumpur to Male, capital of the Maldives, were terminated. In the early months of 2015, the newly-introduced flights to Nagoya, Japan as well as those to Adelaide, Australia were similarly taken off the network.

These positive actions led to a 27% increase in revenue year-on-year from RM2.31 billion in 2013 to RM2.94 billion. However, the airline continued to record a loss, which deepened to RM519 million, post tax. Contributing to this loss was a 38% increase in fuel costs. Although the price of oil plummeted in late 2014, AirAsia X was unable to derive optimum benefits from this as it had hedged 52% of its costs at USD118 per barrel for the fourth quarter, before the price started to drop. In addition, the Ringgit's devaluation as a corollary of the drop in oil price meant the airline suffered higher forex losses, amounting to RM157 million in the same fourth quarter.

The airline's fortunes are set to change for the better, however, as beginning in 2015 our Executive Chairman Datuk Kamarudin bin Meranun has been appointed as the Group CEO of AirAsia X, while Benyamin Ismail, previously our Group Head of Investor Relations, Corporate Development and Implementation, has been installed as Acting CEO. Along with other key leadership figures with extensive experience in growing a low-cost airline, the new management has conducted a complete review of AirAsia X's operations, its business model and strategies and produced a blueprint to turn the airline's fortune around.

The new strategy going forward focuses on three main areas: high yield revenue generation; cost savings; and greater efficiencies through a closer working relationship with the AirAsia Group.

Towards increasing revenue, a number of exciting and innovative ancillary products



have been lined up and will soon be introduced. These include WiFi on board, developed within the AirAsia Group for exclusive use on our aircraft; a Duty Free mall in the sky offering the latest fashion labels and trending IT gadgets; a refreshed menu with a broader selection of items including specially put-together Asean meals, children's meals (with the option of toys to go), and barista-brewed and served fresh coffee, among others.

To facilitate payment on board, our guests will be able to avail of a specially designed pre-paid credit card, called AirAsia EZPay Passport, which will be able to accommodate up to seven different currencies – the Ringgit, US Dollar, Euro, British Pound, Australian Dollar, Singapore Dollar and Yen.

A further increase in ancillary income is expected to be derived from the Fly-Thru facility which in 2014 was introduced on 46 new connections from China, Australia, Saudi Arabia, South Korea, Sri Lanka and Taiwan to various destinations in Malaysia, Indonesia, Cambodia, Thailand, Vietnam, India, Brunei and Macau.

In terms of savings, the team will be looking at more strategic fuel cost hedging. Already, it has hedged 54% of its jet fuel at an average of USD88 per barrel for 2015

Finally, with Datuk Kamarudin at the helm of the Group, there can be no doubt that AirAsia X's operations will be more closely integrated with those of the AirAsia Group, with numerous benefits for both parties. Along with shared resources and greater bargaining power in procurement and other partnerships, there is also the immense potential to create more connections for guests throughout the Asia-Pacific region.

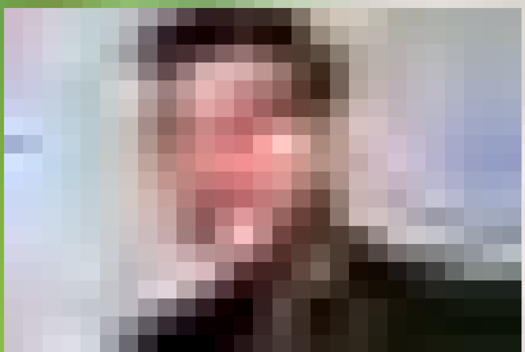
To facilitate the company's financial transition into the black, in early 2015 AirAsia X announced a rights issue of up to RM395 million, which will serve both to reduce its debts and stabilise the company's cash position. This will be further boosted by the fact that, after a series of acquisitions, the year 2015 will be free of any major investment or equity requirements.

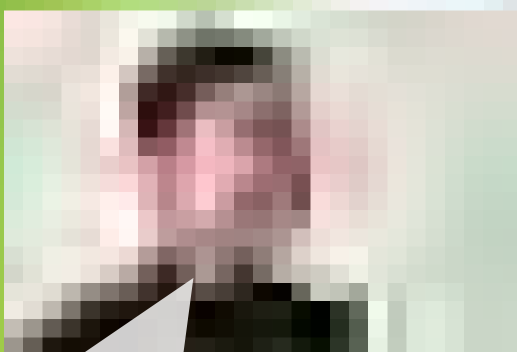
The establishment of the two new associates, meanwhile, add to the positive outlook for AirAsia X. In the nine months that it was operational, TAAX has launched three routes – from Bangkok's Don Mueang International Airport to Seoul, Tokyo (Narita) and Osaka – all of which have been performing well, leading to an 89% on-time performance and passenger load averaging 85% in 2014. This performance is all the more impressive given that the associate was set up at a time of political crises which saw a drop in tourism to the country, pointing to a real demand in Thailand for long-haul low-cost travel which is served by no other domestic carrier in the country.

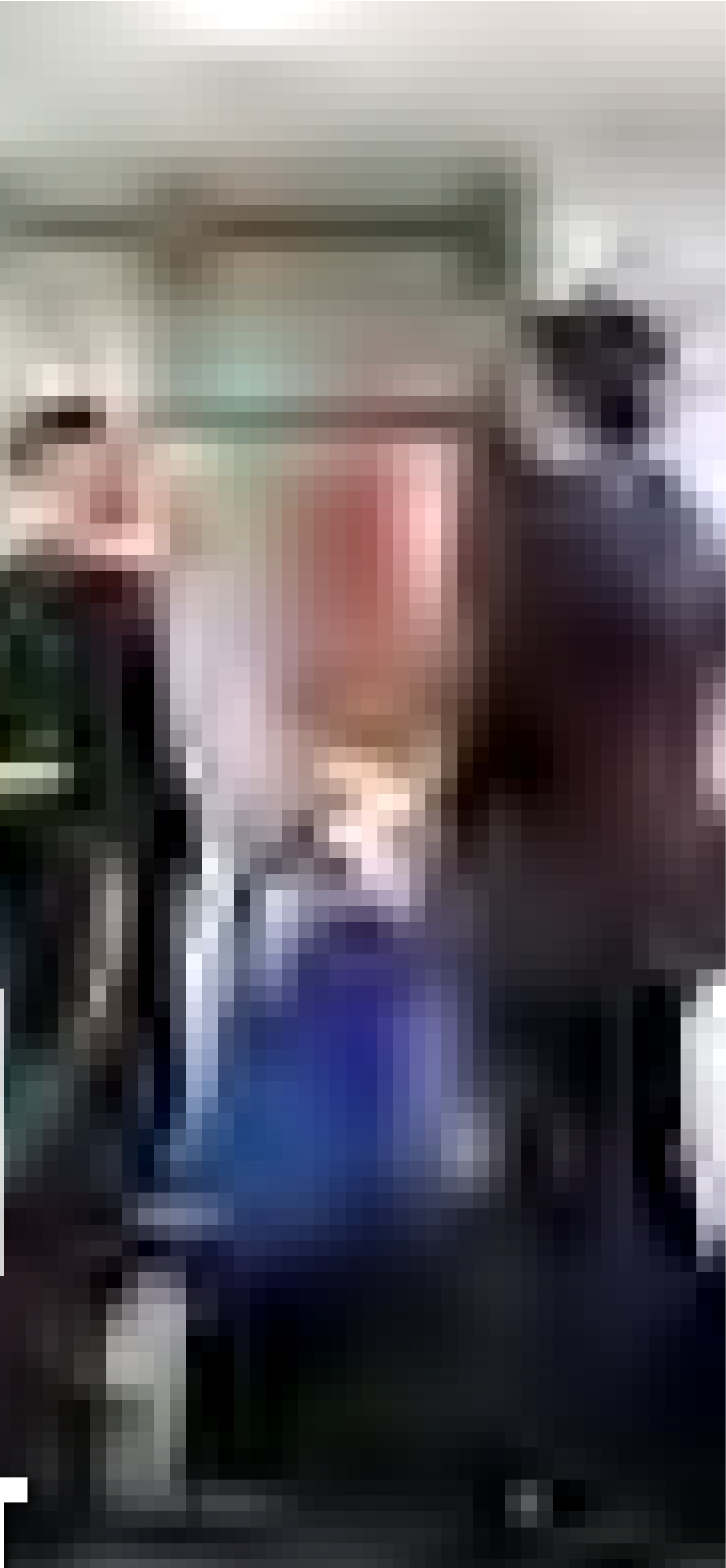
IAAX, meanwhile, was established in January 2014 and took off with its first flight from Bali to Taipei, Taiwan on 19 January 2015 and Bali to Melbourne, Australia on 18 March 2015. Although still in its very early stages, we are confident of the potential of this associate which, like its Malaysian and Thai counterparts, is its country's first long-haul low-cost carrier.

As of 30 April 2015, TAAX is operating with three Airbus A330-300 while IAAX has two, and both associates intend to further increase their capacity this year. AirAsia X in Malaysia will be able to release more of its excess capacity onto its associates, thus help in its capacity rationalisation. More than this, the two associates create greater connectivity for AirAsia X passengers who now have far greater choice of places they can visit transiting from one route to another, either within the long-haul network or from the long-haul to the short-haul and vice versa. Within the AirAsia X Group network, guests have a choice of connecting to 25 routes across 11 countries from North Asia to Australia. Adding the short-haul feeder network of AirAsia, the number balloons to over 190 routes throughout the Asia-Pacific region.

In other words, the dots are being connected. Links are being made. Relationships are being strengthened. Managed by a new and energised team, with a new and energised strategy, we truly believe the button for AirAsia X has just been re-set, towards a longer and higher destiny.







"The best and most beautiful things in the world cannot be seen or even touched - they must be felt with the heart."
– Helen Keller

This always reminds me that the most wonderful things in life are free and come from within, or are felt by the heart. We are perfect the way we are and nobody can tell us otherwise. It helps me to move forward whenever I feel down.

Service from THE HEART

This 20-year-old Malaysian from Port Dickson, a self-professed former beach boy, now shares the sunny disposition of his hometown and his own personality with guests on board our flights. A flight attendant with AirAsia since 2014, Kah Ming speaks and sings in six languages – Chinese, Tamil, Malay, English, Bahasa Indonesia and Japanese. Fortunately for our guests, he has a beautiful voice and is not bashful about it. This means he often breaks out in song – in the language of our lucky guests – to make them feel at home with us. Kah Ming feels privileged to be able to fly around Asean and has taken it upon himself to learn as much as he can about the different cultures and to promote this to the wider world.

BIG LOYALTY PROGRAMME

WHAT COULD POSSIBLY BE MORE ATTRACTIVE TO AVID TRAVELLERS THAN TO BE REWARDED WITH FREE FLIGHTS? QUITE SIMPLY: NOTHING. LEVERAGING ON THIS REALITY, AIRASIA HAS OUR LOYALTY PROGRAMME, BIG, TO GIVE OUR GUESTS PRECISELY WHAT THEY WANT – THE ABILITY TO TRAVEL EVEN MORE.

Given that BIG is a loyalty programme of AirAsia together with the Tune Group, BIG Members are rewarded not only by flying with us, but also by spending with any one of the Tune Group's companies such as Tune Hotels, AirAsia Expedia, Tune Talk, Tune Insurance and more. In addition, BIG Members earn BIG Points from spending with more than 150 regional partners or by using their co-branded cards. In other words, they earn points simply by going about their normal daily activities; there are no hidden costs and no need for special purchases.

Similarly for rewards, BIG Members get to redeem their points not only for tickets but also for stays at Tune Hotels and for special redemptions.

What's more, becoming a BIG Member – is completely free.

Now in its third year, the BIG loyalty programme has gotten incredibly bigger. As reported in last year's annual report, a major integration was undertaken in April 2014 to consolidate AirAsia Group's member base with that of BIG. From just 870,000 members as at end 2013, BIG amassed 12.6 million members at end 2014, 11.5 million of whom were a result of the integration. Today, BIG has over 13 million members.

And as the AirAsia Group continues to grow, so does BIG's membership base, at a rate of about 150,000 new members every month, which isn't bad at all for a young loyalty programme.

Along with the membership increase, BIG saw a 97% growth in the issuance of BIG Points. Contributing to this was the addition of new strategic partnerships with PETRONAS, the WCT Group which includes Paradigm Mall, Gateway@klia2 and Premiere Hotel, as well as the global chain of Hilton hotels. These add to BIG's existing line-up of great partners like Hertz, Avis, Concorde and Hard Rock hotels, to name just a few.

Think BIG Digital Sdn Bhd, which owns and manages the BIG Loyalty Programme, is a joint venture between AirAsia Berhad, Tune Group and Aimia Inc – a Canada-based global leader in loyalty management. With Aimia's guidance, BIG has continued to improve and grow its brand, innovating and driving change in the Asian loyalty market.

During the year, BIG signed a co-brand partnership with CIMB Niaga in 2014 to launch a new co-branded credit card, the second after the AirAsia-Citi MasterCard. It also partnered with the Bank of Philippine Islands allowing members in the Philippines to convert their Real Thrills Rewards Points to BIG Points. In Malaysia, meanwhile, AirAsia BIG in partnership with Tune Money has introduced the BIG Prepaid MasterCard awarding BIG Points from its usage at any merchant that accepts MasterCard.

While the opportunities to earn BIG Points keep increasing, members are also being rewarded with a growing choice of products they can redeem. The launch of Thai AirAsia X and Indonesia AirAsia Extra, for example, means BIG Members have the option to earn and redeem for long-haul flights in Thailand and Indonesia. The range of redemption items has also been expanded to include ancillary products such as in-flight meals, check-in luggage, seat selection and travel insurance. With so much to choose from, redemption in 2014 more than doubled.

Making redemption easier, BIG Members who do not have sufficient points to redeem can make a redemption with just a minimum of 500 BIG Points and top up the rest with cash. BIG Points are redeemable all year round, even during special promotions and deals. Even better, special redemption deals are made available for our loyalty members every month with offers from as low as 100 BIG Points; and members are privy to promotions a whole day before others.

For added convenience of BIG Members, in October 2014 BIG also launched the BIG Fixed Points, a fix-tiered grid with BIG Points determined by flight hours. This enables our travellers to see where their points can fly them to, at any time.

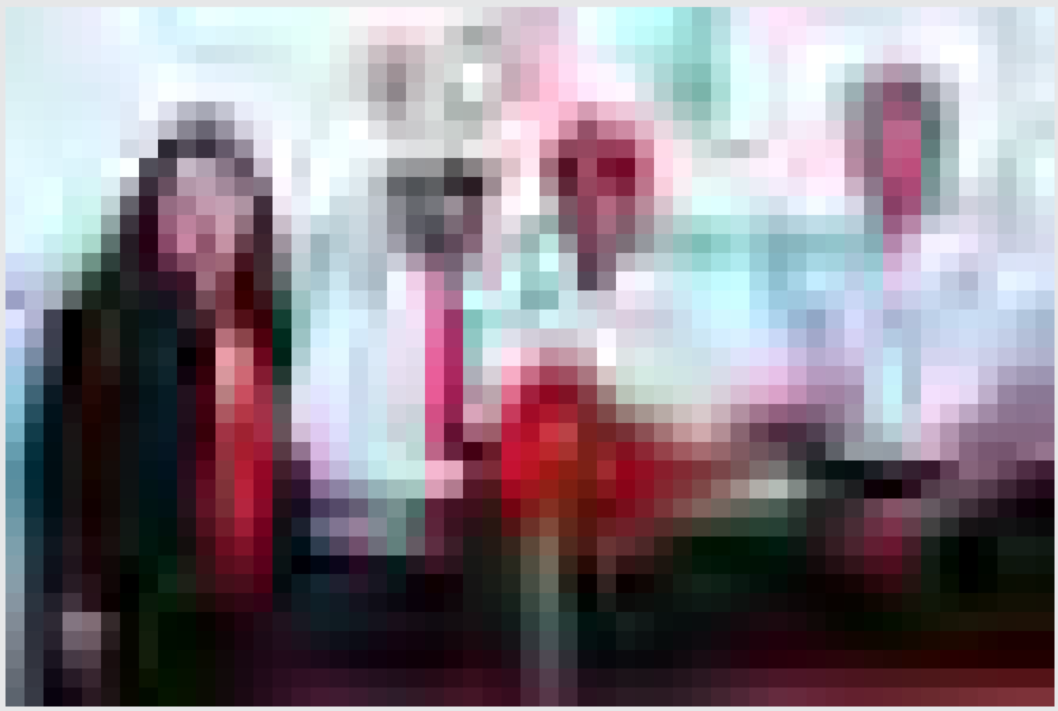
One of the key highlights of the year for BIG was the unveiling of the first BIG-branded AirAsia aircraft on 27 May 2014. BIG also launched a three-month *BIG Travel Wish* campaign from May to July 2014 that earned AirAsia even greater loyalty from fans and friends. By sending in a travel wish for themselves and their friends or family, BIG Members stood a chance to be rewarded with either 10,000 BIG Points or free flights.

Some of the submissions were truly poignant. One participant wanted her mother, who was diagnosed with cancer, to experience being in a plane for the first time. Another wished to visit his hometown which he hadn't stepped foot in for more for than 30 years. Then there was Hilmi, who sent in a wish for his sister to win a flight to Japan. His sister had won a scholarship to Japan but the family could not afford her ticket. Needless to say, these three submissions were among the top entries that won the organisers' hearts, and got the participants their free flights.

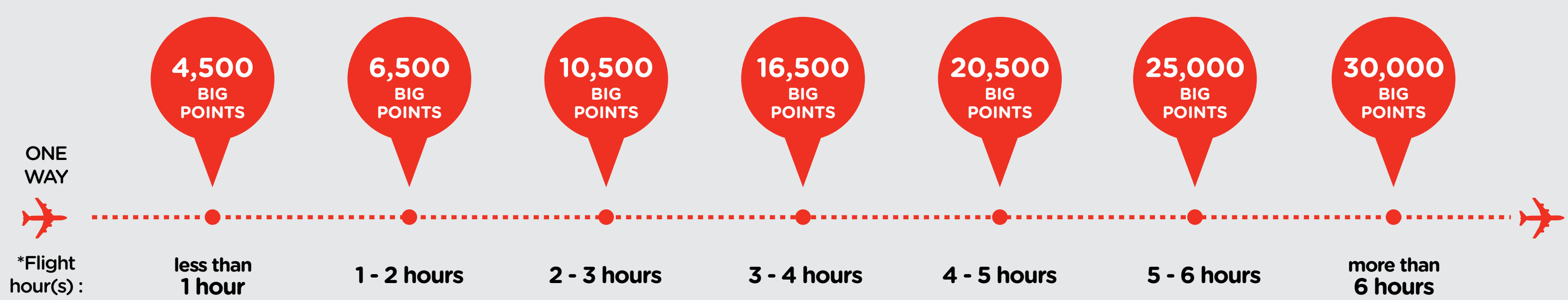
Creating even bigger waves, BIG ran a series of educational videos on the benefits of the loyalty programme and how easy it is to register as a member. These videos, posted on YouTube, have attracted over one million views. On the ground, various campaigns were also organised in collaboration with partners, such as the PETRONAS *Fill-Up-and-Fly* campaign. These made BIG even bigger, leading to a doubling in revenue derived from points sold to its network of partners.

BIG also won several awards during the year - Gold for Loyalty Programme of the Year and Bronze for Best Regional Loyalty Marketing Campaign at the Marketing Loyalty & Engagement Awards Singapore; Gold for Best Multi-Channel Campaign by Marketing Events Awards Singapore; Bronze for Best Consistency in Branding; and Gold for Excellence in Loyalty Marketing by Marketing Excellence Awards Singapore.

To further grow our loyalty programme, BIG will be adopting a multi-pronged approach focusing on increasing the number of active members via effective analytics and marketing, enhancing its internal and external partnerships, and expanding its range of rewards. The team's overall target for 2015 is to double the volume of BIG Points issued and grow BIG's membership base to more than 14 million. With its expanding range of partners and rewards, driven by an enthusiastic and passionate team, we can expect BIG to grow in leaps and bounds.



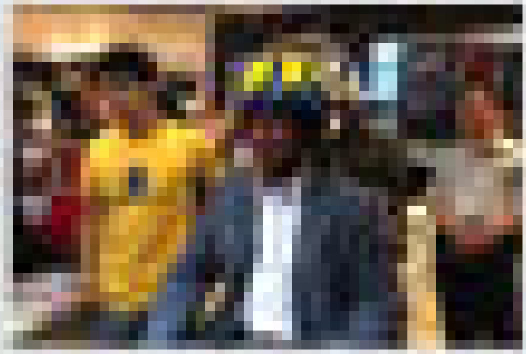
Discover where your BIG Points can take you.



AIRASIA EXPEDIA

EXPERIENCE THE DIFFERENCE

FOR THREE DAYS IN FEBRUARY LAST YEAR, VISITORS TO THE AIRASIA TRAVEL FAIR IN PARADIGM MALL COULD BE SEEN DONNING A SPACE ODYSSEY-TYPE HELMET FOR AN OUT-OF-THE-WORLD EXPERIENCE: MIND-READING HELP ON WHERE TO GO FOR A HOLIDAY.



market's lifestyle and idiosyncrasies. In Thailand, leveraging on a national fascination for Japan, the Expedia site promoted different Japanese destinations in its advertisements throughout the year.

In order to better understand its Asian consumers, AirAsia Expedia invests in surveys on the holiday spending habits of the different national populations, their preferred holiday activities and even on how vacation-deprived these different nationalities feel.

These efforts are supported by AirAsia Expedia's comprehensive service offerings which enable it to promote itself as a 'One Stop Shop' for all travel needs, another key differentiator from its mono-line international competitors. Its inventory size – of more than 435,000 hotels and 400 airlines – further places Expedia in a league of its own. Already acknowledged as the biggest OTA with the largest inventory, AirAsia Expedia increased its hotel contracting team in 2014 to continually broaden its hotel supply, catering to demand for a wider range of accommodation type, rating stars and location in smaller cities.

This breadth of choice was fully capitalised. In India, for example, a campaign themed "So What's Your Hotel Type?" highlighted the range of accommodation offerings Expedia has on board – from the "star type" to the "bazaar type". The upbeat, zany ad ends prompting: "Whatever your hotel type, get up to 60% off on the world's largest travel website."

STRENGTH IN TECHNOLOGY

Known for its strength in technology, AirAsia Expedia has bolstered its business with an award-winning mobile and tablet app. In September 2014, this app was further enhanced with special features including a single Search Box, allowing users to explore and search without specific travel dates and other details; a Federated Search, making it the first global OTA to offer hotel and flight results from a single search; and Collections, comprising inspiring content to explore travel destinations.

The enhanced app won a Gold and a Bronze at the Hong Kong Marketing Magazine Mobile Excellence 2015 Awards – Hong Kong's premier event celebrating mobile excellence – and was featured as a Best New App by Apple and Editor's Choice by Google Play. Campaigns for the apps, meanwhile, won awards in Singapore. The popular tablet app has been launched in all AirAsia Expedia markets; and saw a doubling of installations in 2014 from 2013.

At the same time, AirAsiaGo, which offers exclusive AirAsia package rates on the AirAsia Expedia platform for 365,000 hotels across Asia, launched its own localised mobile app in six countries including China. This app, too, has been well-received, winning Hong Kong's Mobile Excellence 2015 Award for Best Mobile App for a Consumer Brand, while also being featured as a Best New App by the Apple App Store. Five months following its launch in October 2014, it has gained over 150,000 installations.

Adding to the success of its mobile app, the AirAsiaGo website has been revamped incorporating interactive maps to enable users to easily search the best hotels for every budget and location. Both the app and website contributed to an almost 50% growth of AirAsiaGo year-on-year, surpassing its bottom-line target.

Further adding to its value proposition, during the year AirAsia Expedia partnered with a number of airline loyalty programmes such as Asia Miles to provide miles for booking hotels on Expedia.

PASSION FOR EXPANSION

Effective marketing innovations and strategies, coupled with the use of global technology tools and platforms for greater operational efficiencies, contributed to growth well above the underlying market. For the year 2014, AirAsia Expedia experienced a 48% increase in transactions serving more than 1.5 million customers.

Revenue grew by double digits while profit relative to 2013 surged by triple digits, exceeding the team's targets.

Our ancillary business' performance was all the more impressive given that the year was extremely challenging for the travel industry. The airline incidents in March, July and December; military coup in Thailand in May; political protests in Hong Kong in September; and floods in Malaysia in December had put a damper on regional travel. Adding to this, the devaluation of the Japanese Yen, which softened long-haul travel to the US and Europe, meant an erosion of a traditional source of revenue. That AirAsia Expedia escaped relatively unscathed by these headwinds speaks volumes of the team's strategic investments and well-placed tactical activities.

COMPETITIVE ADVANTAGE FOR SCALE

Going forward, the team intends to build on the momentum it has developed and to continue to outgrow the market. While leveraging on its value proposition of being the one-stop travel portal for customers, it will drive home its unparalleled repertoire of flights and its ability to offer substantial savings on hotel+flight bundles.

Towards further growth, the ancillary business will focus on expanding its airline partnerships as well as grow the number of hotel properties offered. It will also make available destination services – such as visits to local attractions and ground transfers – at all its points of sale. These will be accessible on its portal as well as its mobile app which is constantly updated.

The target for 2015 is to continue the double-digit revenue growth achieved in 2014. Given its past successes, a strong team and clear direction, we believe in AirAsia Expedia's bright future.

ASIAN AVIATION CENTRE OF EXCELLENCE

SPREADING OUR WINGS

JUST AS AIRASIA HAS EXPANDED OUR OPERATIONS FROM MALAYSIA TO ASEAN AND IS NOW MOVING BEYOND, SO TOO IS OUR TRAINING ARM. THE ASIAN AVIATION CENTRE OF EXCELLENCE (AACE), LAUNCHED IN 2011 AND BASED IN KUALA LUMPUR, ENDED THE YEAR WITH A FRESH ASEAN BEGINNING.

Its pilot training programmes are well recognised in the industry and in 2014 attracted trainees from 28 third-party airlines. It also signed exclusive long-term training agreements with Jetstar Asia, a low-cost carrier based in Singapore, and Jetstar Pacific, a member of the Jetstar Group based in Vietnam, to deliver Initial Type Rating and Recurrent Training for their pilots. These training programmes will be conducted at AACE's centre in Singapore.

Pilot training continues to be the main contributor to AACE's revenue, accounting for 80% of the total of RM85.4 million. Of this sum, RM37.8 million was derived from AirAsia Group pilots and the remaining RM30.5 million came from third-party airlines. Non-pilot programmes contributed RM16.9 million, or 20%, of the total while Flavours cafeteria, which is now being run in-house, contributed RM0.3 million.

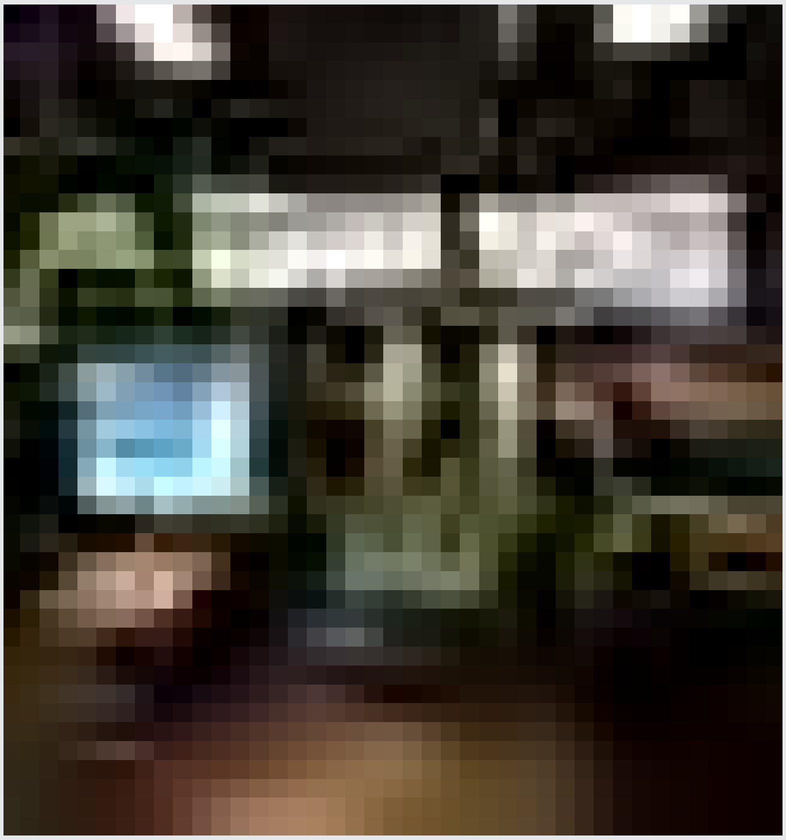
While AACE's revenue in itself was healthy, we were particularly pleased by the centre's profit, which exceeded expectations by hitting RM28.7 million.

In 2014, partly due to capacity rationalisation across the region which saw fewer new aircraft deliveries and hence a reduced need for new pilots, demand for pilot training was slightly impacted. Seeing as the market has since corrected itself and the flow of new aircraft is likely to resume, though at a measured rate, the demand for more pilots can reasonably be expected to increase. And AACE is well positioned to accommodate this growth given its current capacity. In 2014, although it sold a total of 40,836 training hours on its FFS, an increase from 40,104 hours in 2013, this translated into an FFS utilisation rate of only 68%, leaving much room for expansion.

While AACE will invest in brand building efforts in 2015 to create greater awareness of its facilities and programme portfolio, these initiatives will also highlight its non-pilot training courses to reduce an overdependence on pilot training.

During the year, it signed an agreement with Aviation Australia to co-deliver a programme for EASA 147 CAT B Training for basic engineering licenses. The inaugural class started in late 2014 and the trainees are now in Australia for the second phase of the programme. While increasing its non-pilot revenue, the new progamme is also in line with a broader-based strategy to grow its third-party customer base.

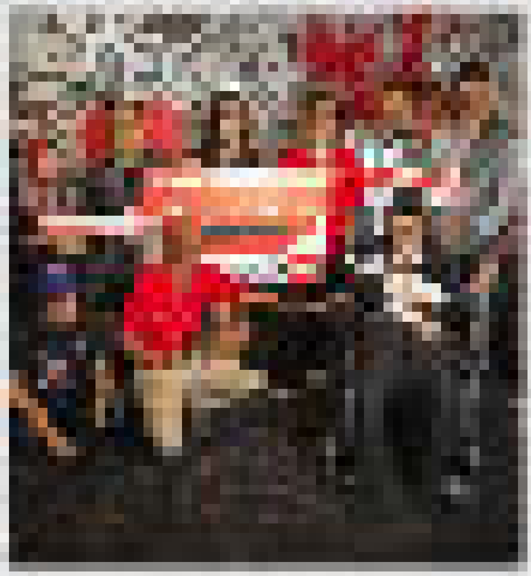
Towards this end, AACE is also developing non-aviation related training programmes that it can run for corporate clients. Having been approved as a training provider by the Ministry of Human Resource Malaysia under the Human Resources Development Fund (HRDF) programme, there is much potential to market non-technical training programmes that will be partly or wholly subsidised by the Government. A number of such programmes have already been outlined and AACE hopes to be able to introduce these towards the later part of 2015.

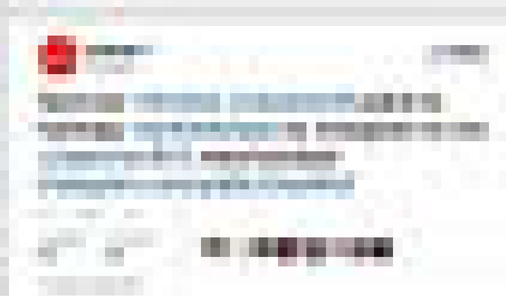


At the same time, as a cost-saving and efficiency enhancement measure, it will be consolidating its three operations in Malaysia. And, having taken its first step into the regional market, AACE is now emboldened to venture forth into more countries within Asean – taking its expertise to these nations and their people while contributing to safer and friendlier Asean skies.

SOCIAL MEDIA
CONNECTING FROM THE HEART

IN MAY, ABU BAKAR BIN ROHLAN, WHO HAS BEEN WHEELCHAIR-BOUND FOR LIFE AND RARELY EVER LEAVES HOME, RECEIVED THE GIFT OF A LIFETIME – FREE RETURN TICKETS TO ANY ONE OF AIRASIA AND AIRASIA X GROUPS' MORE THAN 100 DESTINATIONS.





Then, we signed on Philippine world-champion boxer Manny Pacquiao as our new ambassador, and broadcast the news on our social media along with a contest offering free tickets to watch one of Pacquiao's matches. This drew close to 6 million organic reaches within one day!

Needless to say, winners of the Taylor Swift and Pacquiao contests will be huge fans of AirAsia for the rest of their lives.

As mentioned above, we also use social media to promote new routes and new services. Over 90% of all our marketing promotions are revealed on social media ahead of other communication channels. Ever since we first embraced social media, our yearly *Free Seats* and *Big Sale* campaigns have been posted on our Facebook and Weibo while prolific tweeters among us, such as Group CEO Tan Sri Dr. Tony Fernandes, will also tweet about the event. In 2014, to drive greater tourism traffic from Thailand to China in support of our Thai affiliate's focus on the vast China market, the team went over and above its call of duty to create a unique and fun personality app to promote AirAsia's destinations in China. This was so well received, it was installed by more than 70,000 users.

That social media has become integrated into our daily life at AirAsia is almost a given. The entire leadership are such avid social media users, it has become part of our DNA. Other than Tan Sri Tony, whose social media savvy led to him being awarded the Social Media Celebrity of the Year 2014 by Malaysia Social Media Week, the CEOs of each affiliate regularly send tweets on updates and any events that would be of interest to fans. Even Mittu Chandilya, CEO of the recently established AirAsia India, has become a familiar face and "voice" in the realm – a photo of him with an elderly guest on an AirAsia India flight, with the message: "Best part of my job:mtg people like these two siblings taking their lovely 85 yr grandmother on her 1st ever flight!" drew many responses, including one from Rohit Guptra that said: "Wow, that is worth emulating. Without i5 (the airline's code), may never have happened. Thank you for making it happen."

Some of the interactions that take place are completely off cue, yet draw us still closer to our fans. For example, when a photo of our Group Head, Ground and Inflight Operations Steven Dickson showing INTERPOL Secretary General Ronald Noble and our CEOs around klia2 was tweeted, his candy-pink trousers drew almost as much attention as our new safety regulations, and ended with the fashion retailer of the by now famous trousers joining the conversation!

As one of the most socially engaged organisations around, AirAsia is constantly updating our social media platforms and adopting new channels as they emerge. In 2014, we added LINE to our portfolio. What distinguishes this latest social messaging app that now has more than 600 million users worldwide is its extensive range of stickers that have become social media icons. Initially adopted by our Thai affiliate, Malaysia and Singapore soon followed suit and, within seven months of its launch, we had attracted a total of 13,591,417 fans across the three regions. We even customised our own exclusive AirAsia LINE stickers, which have been downloaded by the hundreds of thousands.

LINE contributed to a massive 220% growth in our social media fan base, although our other platforms – and particularly Facebook, Twitter, YouTube as well as Google+ - also grew at impressive rates of between 46%-822%.

As the social media industry is perhaps one of the hottest and fastest changing globally, we do not adopt each and every innovation that enters the market, but assess its applicability and suitability before joining the bandwagon. This is key to maintaining a highly engaging presence, and is a task that is taken seriously by our growing social media team. Another task they are taking to heart is to build greater social advocacy among our Allstars, who are already our brand ambassadors and would be able to take our social media engagement to an even higher level.

At the same time, the team is kept constantly on its toes, communicating with our fans and guests, listening to their feedback, and responding to them. As a measure of our dedication to connect from the heart, we have team members in 13 countries, who understand local sentiments and are able to engage with fans in their own language.

Looking ahead, the team is working to create an even more seamless experience with AirAsia through the implementation of a social media management tool across various relevant departments Group-wide. With it, no matter where our fans are or where they engage us from, we will be able to connect with them within the same environment.

And the more we connect with the hearts of our fans, the more enamoured they will be of the AirAsia brand, and the more they will think of us over and above any other airline. Already, we have one such loyal fan. We received this tweet from Sharoneology: "Thank you AirAsia for the good service. Even when my seven-year old brother was five years old, he wouldn't draw any other airplane but AirAsia's."

Meanwhile Ramola Philips, from the UAE, provides just the kind of feedback we like to hear. In a Facebook post to CEO Aireen Omar, she has this to say: "Everytime I come across a new (Facebook) post, its far more interesting and I am unable just to ignore... You grab our attention with the way you communicate. Most budget airlines... do not realise that communication with consumers regularly is not really a cost. I don't think anyone can succeed as you."

ANCILLARY WOW FACTORS IN AIRASIA

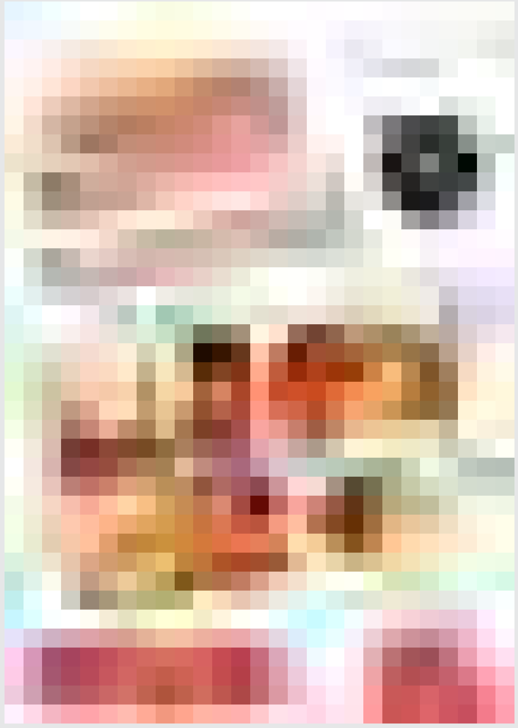
WHO WOULD'VE THOUGHT YOU'D BE ABLE TO SEND WHATSAPPS OR LINE MESSAGES ON BOARD A FLIGHT, LET ALONE A LOW-COST ONE? OR THAT YOU'D BE ABLE TO SAVOUR A CUP OF FRESHLY BREWED LATTE, SERVED BY A BARISTA ON BOARD? CERTAINLY NOT MANY IN MALAYSIA, FOR THESE SERVICES WERE UNHEARD OF HERE... UNTIL AIRASIA INTRODUCED THEM THAT IS.

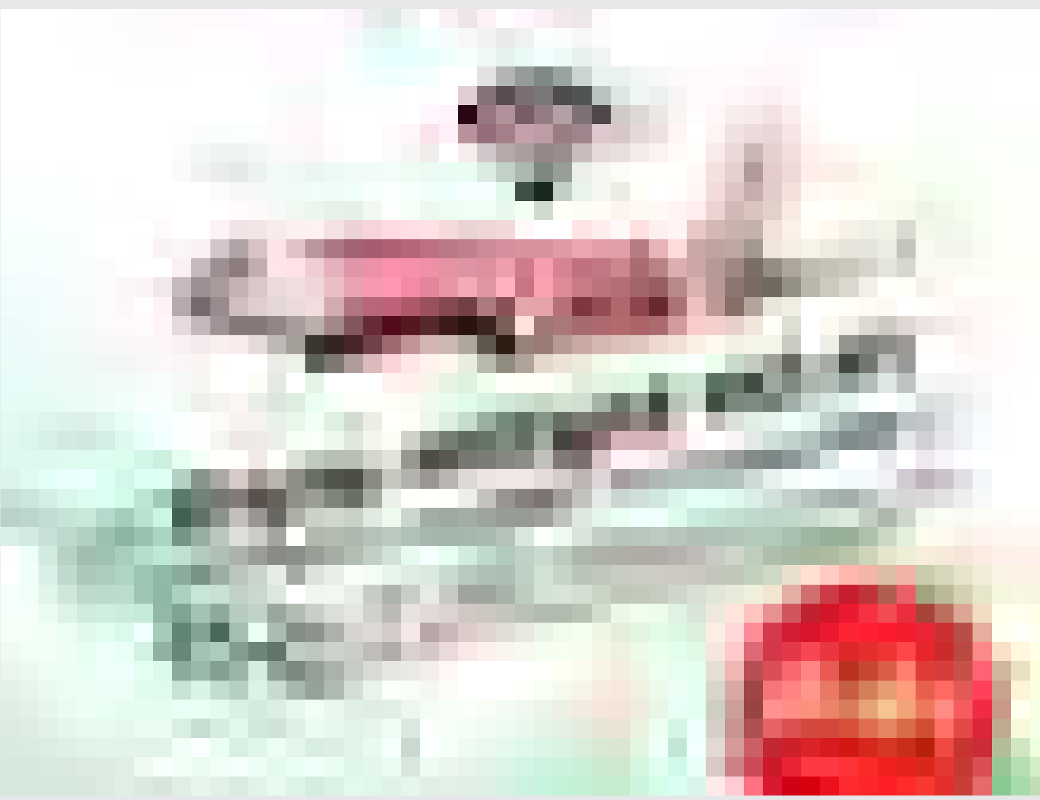
Other new services introduced during the year were: the Premium Flex, Duty Free, and Redbox.

Premium Flex, launched in August, has been designed specifically with our business guests in mind. With the service, they get to enjoy the flexibility of changing their flight up to two times at no cost, complimentary 20kg baggage allowance as well as Xpress boarding and baggage. As if that were not enough, Premium Flex guests get to choose their seats – inclusive of Premium Seats (previously known as Hot Seats) – at no extra cost, but subject to availability.

Also in August, we launched our Duty Free in the sky, offering guests a wide selection of cosmetics, face care products, perfumes, watches, sunglasses, bags, belts and other accessories. Starting with domestic flights, it was extended to international flights; and soon there will be even more accessible via a Duty Free website, enabling guests to make their purchases even before leaving home.

Redbox is a low-cost courier service, wholly developed in-house, that leverages on our extensive route network and excellent flight frequencies to provide access to various destinations not connected by other airlines. This, and the fact that our prices are up to 50% cheaper than existing courier services, makes Redbox highly attractive, especially to SMEs and online businesses. Since its launch in August, we have already attracted a number of significant clients in the e-commerce segment. Jointly marketed by R Box Asia Pte Ltd, Redbox is accessible online at redbox.airasia.com, with strategic operations in 31 major towns in Malaysia, Singapore, Indonesia, the Philippines, Vietnam and Nepal. Plans are in the pipeline to take our Redbox to 13 more markets including Bangladesh, Hong Kong, China, India, Australia and Japan.





FOOD GLORIOUS FOOD!

As a true Asean airline worthy of the name, AirAsia takes our food seriously. We go to great lengths to source the best local dishes so we can share these with our guests. And our efforts have not been in vain. In-flight food and beverage is one of our key ancillary income earners. Not only that, some of our dishes are so popular – think Pak Nasser's nasi lemak and Kamal's mee goreng mamak – they have acquired an almost cult-like following. On almost every flight we are guaranteed to have at least one or two guests requesting for these dishes only to be disappointed because they've run out.

The fact is, we try not to carry too much food on board to avoid waste. Knowing that some guests will still make purchases on flights itself, we do carry more than the meals that have been pre-booked but there is always the possibility that some guests may not get what they want. To avoid such disappointments, we have been promoting our pre-booked meal service via various social media campaigns, as well as in our press advertisements and collaterals such as pocket calendars, with catchy lines such as: "Never fly hungry again".

In order to keep our menu exciting, we continue to add to our delectable offerings. This year, for example, saw the introduction of the Classic Beef Burger as well as a number of value-add combo meals. On top of that, in keeping with our Asean-ness, three combos that bring together authentically Malaysian flavours – Asian Fried Rice with Chicken Satay + Teh Tarik; Kamal's Mee Goreng Mamak + Teh Tarik; and Roti Canai with Chicken Curry + Teh Tarik. Not forgetting our young guests, we also introduced the Kids' Meal of Mac & Cheese + Vege Pasta & Chocolate Brownie which we literally went to town with in our promotions, advertising this yummy yet healthy offering at childcare centres, tuition centres, fitness centres and retailers. During the school holidays, we also organised a special event at KidZania in Kuala Lumpur at which we got kids and their parents to taste our specially prepared kiddie fare.

Taking the concept of sampling further, when Christmas came around, the smell of freshly baked cookies permeated the air at klia2, where we had organised a tasting session at which 1,000 cookies and slices of butter cake were given to guests together with 2015 pocket calendars advertising our in-flight cuisine.

While these efforts helped to increase the uptake of our inflight meals, a definite highlight has to be our Barista in the Skies launched in April 2015. With this new offering, our own trained baristas serve premium-grade coffee to guests. The sheer delight on the faces of coffee connoisseurs and those who truly appreciate gourmet beans has made this undertaking worth every second.

KEY ANCILLARY SERVICES

Other than food and beverage that accounts for about 7% of ancillary revenue, key ancillary earners include assigned seats, which make up about 8% of the total; cargo service, which makes up 11%; insurance, accounting for 6% of our ancillary revenue; and, the biggest contributor of all, pre-booked and excess baggage, which makes up about 44% of total ancillary revenue.

We offer two types of seats on our planes – Standard and Premium, which were previously called Hot Seats. Premium seats are located in the first five rows of the Airbus A320 aircraft as well as at rows 12 and 14 which are next to the emergency exits, affording guests more leg room. By booking a Premium seat, guests can enjoy their flight in greater ease and comfort; meanwhile booking Standard seats in advance is useful if guests have a preference for window or aisle seats or if they are travelling in a group and would like to be able to sit together.

Fly-Thru allows guests to connect seamlessly from one flight to another without having to check in again. In 2014, as a result of offering the service on more route connections, the number of guests opting to Fly-Thru across the AirAsia Group increased by 90% year-on-year to 1.52 million. Of that number, 90% made their connections in Kuala Lumpur, the others in Bangkok, Jakarta and Bali. In the pipeline for the service are routes from China to Australia and Thailand.

Because pre-booked baggage is the most accretive of our ancillary services, much thought goes into developing an optimal fee structure for the service. And on 29 May 2014, AirAsia once again revised the rates for international flights of two hours or more, the new structure contributing to a 5% year-on-year increase in revenue from pre-booked baggage.

NON-FLIGHT ANCILLARY SERVICES

Although most of our ancillary services are flight-related, AirAsia also has at our fingertips a huge resource that can be monetised in other ways: our database. We are able to market just about any product via electronic direct mail to every guest who has purchased a ticket online as they are now part of our extended family. And we certainly make use of this opportunity. Among the non-travel related ancillary services that we promote is RedTix, our marketing and sales arm for red-hot ticket events.

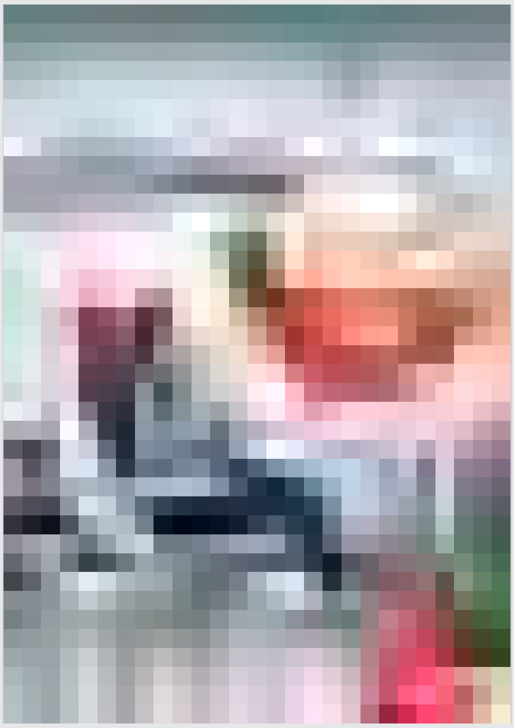
RedTix is making a name for itself as the sales outfit for major concerts and other entertainment as well as lifestyle events in the country. In 2014, it sold tickets to a series of pulsating concerts starting with Future Music Festival Asia 2014, a much awaited three-day music extravaganza held at Bukit Jalil, followed closely by Avril Lavigne Live in KL 2014 at Stadium Merdeka and the popular mixed martial arts event OneFC Championship – War of Nations held at Stadium Putra Bukit Jalil.

In line with Visit Malaysia Year 2014, RedTix also ticketed immensely popular international and local concerts and stand-up acts such as Chi Lam Crazy Hours Live in Malaysia, Pet Shop Boys Live, Harith Iskandar Laugh Malaysia and Dato Siti Nurhaliza Live in KLCC.

THE FUTURE IS FOR THOSE WHO INNOVATE

Ancillary income has become an important source of revenue for AirAsia, one which we believe still presents enormous potential for growth. We are constantly looking for innovative ways to tap into this potential – by creating new demand for products and services, entering into more synergistic ventures, and generally looking into how we can best serve our guests. In April 2015, we implemented a new system, Dotrez – developed with ancillary in mind, which we believe will further improve the user experience on our website and generate more spend. The new web system, which is four times faster than its predecessor (SkySales), enhances the customer experience through its one-view meal menu, real seat photos with detailed description, ancillary bundles and clearer payment guideline.

Of course, we will not stop at just providing a pleasant user experience. As with almost everything we do, what we seek is to go beyond giving our guests what they want to truly delighting them with what they never would have expected. For that, really, is what AirAsia is all about.



extensive documentation and mapping exercise completed in 2013 to boost heritage tourism to this historically rich artisanal enclave, ArkomJogja is now engaging more intensely with local silversmiths to revive their traditional trade. With funding and technical support from AirAsia Foundation and the British Council Indonesia, ArkomJogja organised a week-long design innovation workshop for 22 traditional silversmiths in Kotagede to enhance the aesthetic value of their craft to increase their sales revenue.

The two new social enterprises added to AirAsia Foundation's list were Muser Coffee Hill and Thien Chi.

Jakkapong Mongkhonkeree, Muser Coffee Hill Leader

Muser Coffee Hill

The Muser hilltribe in the mountainous Tak Province in northern Thailand has been cultivating coffee for generations. However, years of mono-culture have led to severe loss of biodiversity and a general degradation of the forest on which they depend. Muser Coffee Hill (MCH), established in 2008, has been working with a network of 3,000 hilltribe farmers, educating them on the importance of biodiversity for the long-term sustainability of their livelihood and guiding them to plant shade-grown coffee, which thrives under the canopy of taller trees. This would enable the farmers to grow the crop without clearing any land, thus preserving the forest. Under the project supported by AirAsia Foundation, MCH purchased a new coffee roaster which increased its roasting capacity by six times per hour so that the farmers can earn a higher yield for their crop. Proceeds from the sales are ploughed back into helping more farmers cultivate shade-grown coffee.

Thien Chi's environmentally-friendly bamboo bike

Children on bamboo bikes

Thien Chi Bamboo Bicycle Project

The Ham Thuan Nam district in south eastern Vietnam subsists on its dragon fruit farms. When the fruit comes into season between May and October, big farms hire extra hands to help harvest the crop. For the remaining six months of the year, however, these contractual workers – who represent an ethnic minority in the country – do not have any stable income, and many get lured into a web of alcoholism and other forms of escapism. To provide the local community with stable employment, Thien Chi has set up a workshop to manufacture bamboo bicycles, hiring eight full-time and two part-time employees. Profits from the sale of the bamboo bikes are used to sustain the business as well as to conduct healthcare and education programmes for members of the wider community. With funds from AirAsia Foundation, Thien Chi purchased equipment for the new workshop, retrained seasonal farm workers to produce quality bamboo bicycles and supported the workshop's first year operating expenses.

Recognising the value of these social enterprises, our Allstars regularly lend their support in any way they can to further their cause. On the weekend of 18-19 October, for example, 15 Allstar volunteers could be seen at the KL Arts in the Park Festival, organised by Kuala Lumpur City Hall, helping Rags2Riches and Thien Chi Bamboo Bicycle man their booths and run their activities – a weaving workshop and bamboo bicycle kids' race. These activities helped to raise the enterprises' profiles, created greater public awareness of their unique approach to income generation while also gaining some visibility for AirAsia Foundation.

Disaster Relief and Rehabilitation

In November 2013, AirAsia was one of the first airlines to join relief aid efforts in the immediate aftermath of Typhoon Haiyan, one of the worst typhoons ever to hit the Philippines. We transported more than 5,000 relief workers and survivors and 400 tonnes of relief aid to Tacloban, Cebu and Kalibo. In addition, we provided 250,000 free seats across our network in the Philippines for people to travel in search of missing family members.

We then raised USD2,174,705 in a region-wide fund-raising campaign, called To *Philippines With Love*. Of this, we channelled USD1,040,223 to the Philippine Red Cross to build 345 homes in Panay; USD850,000 to Habitat for Humanity Philippines to build 187 homes in Tacloban; USD180,000 to social enterprise Hapinoy to set up 133 provision stores run by women in Palo; USD50,000 to AirAsia Foundation grantee Rags2Riches to train 50 artisans; and USD54,482 to 58 affected airport workers to help them rebuild their homes.

By the end of 2014, both home rebuilding organisations had commenced construction work. The Hapinoy women entrepreneurs were trained and provided with support to start up their own home-based groceries

AirAsia transporting relief aid for flood victims in Malaysia's East Coast

businesses. All the beneficiaries also successfully repaid microfinance loans taken to stock their stores. Meanwhile, under the Rags2Riches project, following art therapy and skills-building workshops, the new artisans created a new product line which hit the shelves in December.

GCEO Tony Fernandes visiting Tacloban

Just as rehabilitation efforts in the Philippines were bearing fruit, at end 2014 the East Coast of Peninsular Malaysia and parts of East Malaysia were inundated by the worst floods in 40 years. Again, AirAsia and our volunteers came to the fore. Over a three-week emergency response period, we transported over 28 tonnes of food, water, clothes and medical supplies on behalf of relief organisations, while also providing free flights for more than 200 medical personnel and volunteers travelling to Kelantan. AirAsia Foundation launched an East Coast Flood Relief fund-raising effort between 1-18 January 2015, collecting donations on board AirAsia flights and on our online channels to support Mercy Malaysia's emergency relief efforts and subsequent rehabilitation activities. The campaign raised a total of RM902,447 which was channelled towards the refurbishment and reconstruction of various clinics and schools, and to support an Orang Asli community water project.

In India, our new associate – AirAsia India – deployed a seven-member team to assist in relief efforts in Kashmir during the devastating floods in September 2014. The airline also helped to fly in medical supplies.

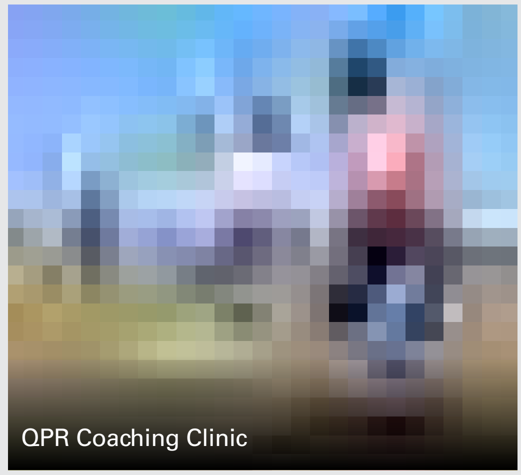
In support of future humanitarian relief work in Southeast Asia, Thai AirAsia pledged a total of 10 hours of flight time for up to 180 personnel and 8 tonnes of cargo to Airlink. This global humanitarian response organisation works with airline partners to mobilise aid in response to natural disasters, while also addressing developing-world issues such as access to clean water, food, shelter, medical aid and education.

Creating a Brighter Future Through CSR

Our CSR efforts during the year continued to target the younger generation, especially in identifying and nurturing hidden talents. At the same time, we supported initiatives to promote healthier lifestyles and to narrow the educational gap. Our volunteers, meanwhile, willingly devoted their time to uplift the lives of the underprivileged.

Developing Young Talent Around Asean

We are proud to have developed a flagship talent development programme – the AirAsia QPR Coaching Clinics – which entered its second year in 2014. Working with Queens Park Rangers Football Club in the Community Trust, coaching clinics were held in November 2014 in Bangkok, Beijing, Guangzhou, Kuala Lumpur and Kota Kinabalu, benefitting a total of 435 youth. The five "stars" of these clinics were then flown to England to spend a week training at QPR's Academy.



QPR Coaching Clinic

During this time, they also got to visit the football club's grounds at Loftus Road where they met QPR manager Chris Ramsey and the R's first team. They even had the privilege of watching the team train and were part of the guard of honour during QPR's Premier League match with Everton.
Through this programme, our hope is to both unravel talented young footballers at the grassroots level and inspire them to excel.

In Thailand, our associate joined forces with the Ministry of Culture to organise an Air Travel to Preserve Fine Arts project from July to December 2014 through which more than 500 Thai students got the opportunity to learn from Thai National Artists at training camps organised in 10 provinces throughout the nation. Representatives from these camps were then brought together for a three-day national workshop at the end of which they performed in a competition. The winner of this was named Thai AirAsia's Young Cultural Ambassador. The programme not only benefitted the young artistes who took part in the workshops but also thousands of locals and visitors who got to observe the training workshops and the competition finale.

Sharing and Caring the Asean Way

Throughout the year, AirAsia and our associates also carried out numerous projects that touched the lives of the underprivileged, providing financial aid as well as personal time to uplift lives and to reinforce a message embedded in everything we do, from our flight operations to the way we treat our guests and Allstars – that we are all one.

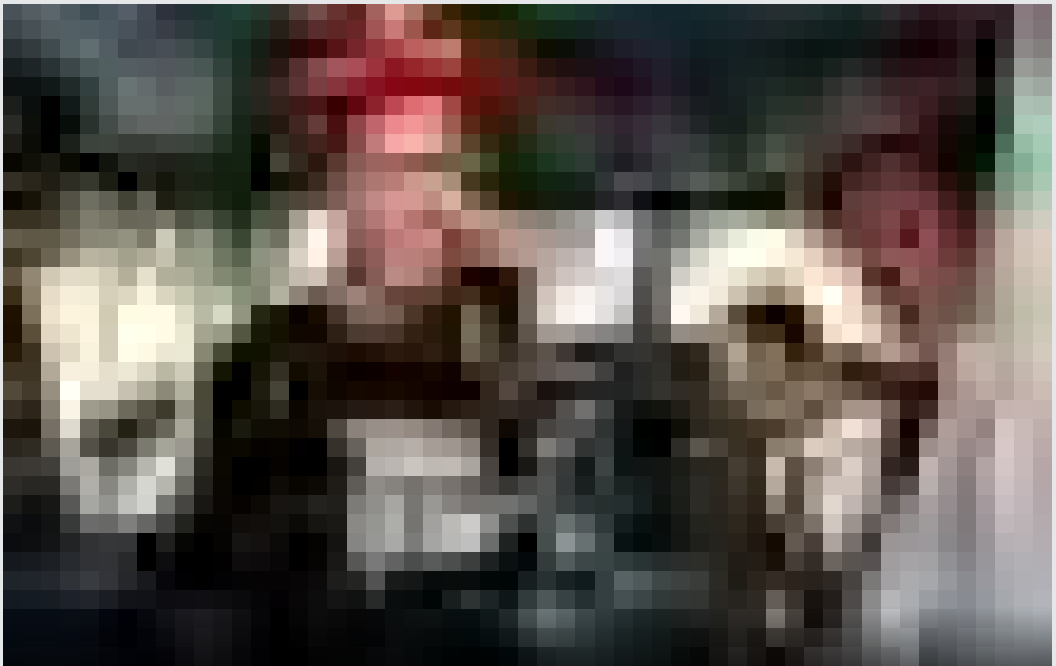
AAI CEO Mittu visits Sri Rakum School for the blind

Celebrating Ramadhan in Malaysia, AirAsia and AirAsia X hosted more than 100 children from four homes around the Klang Valley – Asrama Damai (Kuang), Rumah Amal Cahaya Tengku Ampuan Rahimah RACTAR (Subang Jaya), Angel's Home (Taman OUG) and Rumah Keluarga Kami (Kajang) – to a breaking of fast at the Mandarin Oriental Hotel. The occasion was made all the more memorable for the children by the appearance of 40 celebrities, some of whom also performed.

Eighty-six caring Allstars, meanwhile, scaled Mt Papandayan in Bandung, Indonesia to support a local breast cancer awareness campaign. Donning pink t-shirts with the tagline "Tough enough to wear Pink", the climbers also donated books, school bags and stationery to three local primary schools in Desa Cisirupan.

In Thailand, our associate carried out two projects that served to promote learning among youth. From June to December, Thai AirAsia worked with Books for Thailand Foundation to deliver more than 50,000 textbooks to rural schools in 10 provinces. In September, the airline flew 70 students from 14 provinces on a chartered flight from Bangkok to Hua Hin to learn about sustainable organic farming at the Chang Hua Mun royal project in Petchaburi province.

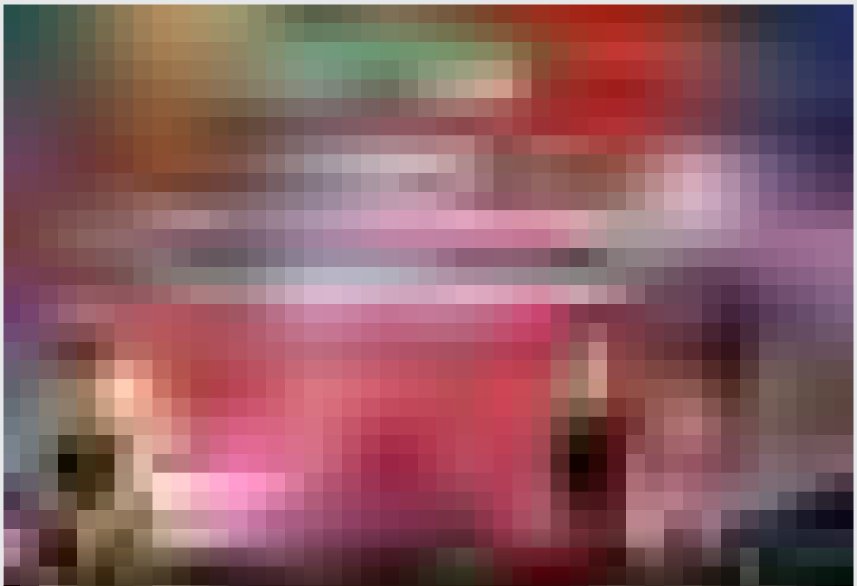
Thai AirAsia also embarked on a campaign to ensure that not only everyone can fly but also that everyone can experience the best of local tourism. It organised training for its Allstars on proper care of passengers with special needs while advocating "universal designs" at popular tourist destinations to cater for all visitors, including persons with disabilities (PWDs).



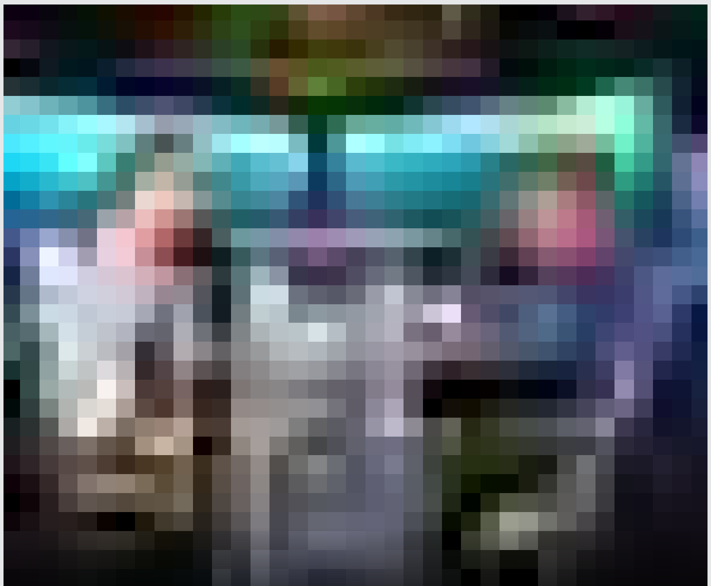
Jessica Cox raised awareness of PWD needs

Carrying on the theme of empowering PWDs, our Allstars in India sponsored various activities at Sri Rakum, a school for the blind and the underprivileged, while in the Philippines, AirAsia flew Filipino American Jessica Cox, the world's first armless pilot, and her husband to Tacloban. Here, Jessica shared how the rebuilding of typhoon-hit cities should take into account features and facilities that would increase the mobility of PWDs. Philippines' AirAsia also made the dream of young cancer patient, Jake Adonis Sebial, come true by flying him to Malaysia and arranging for the 18-year-old to "fly a plane" using one of the Airbus A320 flight simulators at the Asian Aviation Centre of Excellence in Sepang. Jake was diagnosed with acute myeloblastic leukemia (AML), which affects the blood and bone marrow, in September 2014. AirAsia learnt of his wish to fly through Make-A-Wish Foundation Philippines.

In Indonesia, the dreams of 17 youth to make a career in the field of flying is being realised. In October, Indonesia AirAsia awarded scholarships in aviation engineering to these students – both to fulfil their ambitions as well as to meet growing demand for aviation technicians in the country. The students are being trained at the Indonesian State Aviation School in Curug, Banten, and will join AirAsia upon completion of their 20-month programme.



TAA supporting the nation's youth to learn about local arts and culture



Jake Sebial finally gets to "fly" a plane

Championing Asean Stars

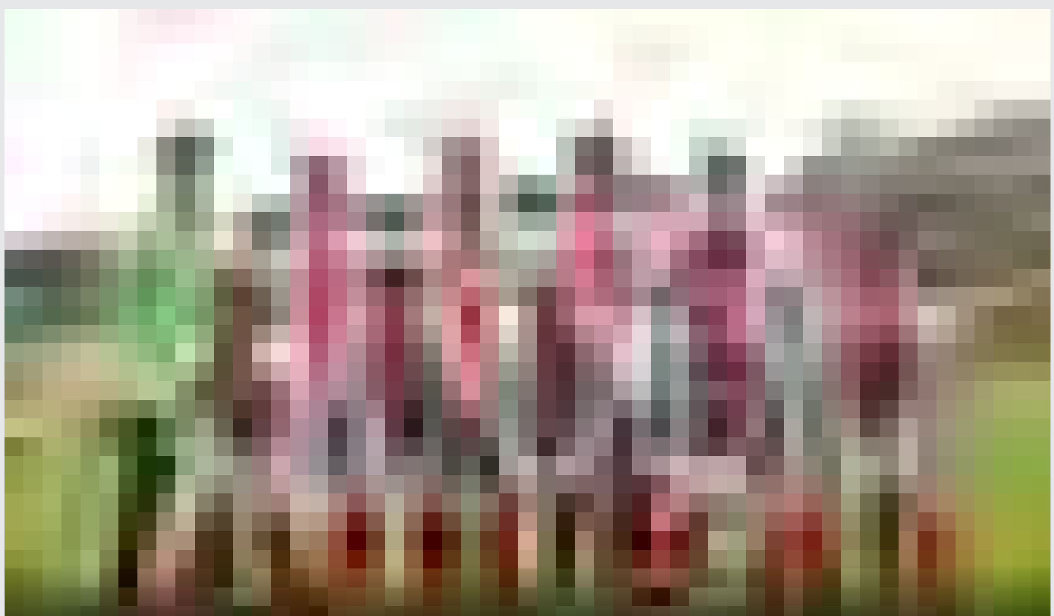
AirAsia has always believed in the potential of Asean sporting talent to be world champions, and has sponsored a number of outstanding personalities from the region to provide them extra support to shine, not just regionally but within the global sporting arena. Our Malaysian sports ambassadors include squash player Low Wee Wern, who currently ranks eighth in the world; and Moto GP racer Zulfahmi Khairuddin (Fahmi), who made his debut at the Malaysian Grand Prix in 2009.

We have also been the title sponsor of the ASEAN Basketball League (ABL) since 2009, and will be its Official Airline in the next season. We support the Malaysia-based AirAsia Badminton Academy to groom badminton talents in Asia. And, in 2014, we became the official airline sponsor for a new bike-racing competition, Shell Advance Asia Talent Cup, which aims to give teenaged riders from the Asian and Australian regions a formal path into competitive road racing. In addition, at the international level, we are the Official Partner and Official Shirt Sponsor of Queens Park Rangers (QPR), whom we have been supporting for four seasons.

While our sports ambassadors are elevating Asean to an international level, we are also very proud of our own AirAsia Allstars Football Club (AAFC), which has grown from a casual company team into a professional club that is now playing in the third tier of the Malaysian football league. In 2011, the team decided to play more competitively to represent AirAsia's passion, spirit and determination. It therefore registered with the Registrar of Sports Council on 9 August 2011. Its coaches scoured all potential players to put together the best possible team. Its members underwent some gruelling training – in addition to carrying out their work responsibilities – and made their debut at the FAS Cup (Selangor State League) 2012. Throughout the tournament, AAFC suffered only three defeats in eight matches to finish third. After two years in the FAS Super League, AAFC again finished at third place with five wins, three draws and two losses. It also managed to top the Selangor league table for a few weeks after defeating the defending champion, NPNG. Today, our team has been promoted to the national FAM League 2015 (Malaysia League Division 3), marking an entirely new beginning. With all our support, we hope to see them go on to achieve some spectacular successes at this level.

AAFC 2014 Full Squad

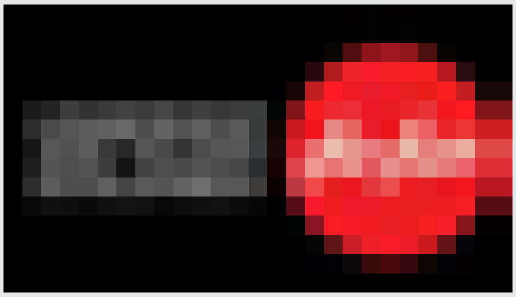
AirAsia Berhad Chairman, Datuk Kamarudin and CEO, Aireen watching an AAFC match from the sidelines



The Regulars: AAFC's First 11

DEVELOPING A DYNAMIC WORKPLACE

We cannot stress enough how much we value our Allstars, who have supported AirAsia as we've progressed along our journey from a two-aircraft carrier into Asia's largest low-cost airline. Recognising the critical role our Allstars play, we have from the beginning strived to attract the best people into our company – but the "best" not necessarily meaning those with exceptional academic credentials. While qualifications are important, we have consistently looked for people who are passionate, dedicated, who work well in teams, are unabashedly creative and, above all, who share our dream of democratising air travel.



Part of the attraction of working with AirAsia when we started out was the obvious dynamism and energy that marked our operations, our flat and open working environment that encourages the free exchange of ideas; and the fact that everyone and anyone could progress in the Company as far as their dreams took them. We had ramp boys becoming engineers, flight attendants becoming pilots...

These aspects continue to stand us apart. However, as we have grown, it has become imperative to put in place more structured systems and processes to institutionalise capability building so as to ensure our corporate needs are met in a systematic manner. Towards this end, a Leadership & Talent Development (LTD) arm was established to focus on continuous learning and development to enable our Allstars not only to grow professionally but also to contribute in a more meaningful way towards the Group's ongoing expansion.

LTD is managed by AirAsia experts who will use their own knowledge and experience as well as external resources to develop training programmes to be run for Allstars Group-wide at the Asian Aviation Centre of Excellence. As the programmes are designed in-house they will be very focused on AirAsia's needs and are therefore more likely to achieve outcomes that will propel the Group towards our goals. Both department-specific as well as

GCEO Tony Fernandes paying our Allstars a surprise visit

capability-specific programmes will be run to fill identified gaps. Under a Next Generation Leaders (NGL) programme, Allstars who have been identified as having leadership potential will receive targeted training to accelerate their career progression and be prepared for future leadership positions.

Already, a number of senior managers have volunteered their time and intellectual capital to kick off LTD and enrich the learning experience at AirAsia, offering their expertise in the following areas: Coaching, MS Excel, Employee Relations & Discipline, Aviation 101, Nipping Fraud in the Bud, Interview Skills for Interviewers, Personality Profiling, Technical Writing Skills and Engineering from Non-Engineers.

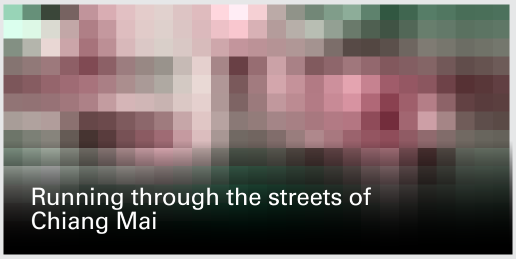
To support this learning culture, Allstars are now entitled to five Formal Learning Days (FLDs) for training beyond that required for regulatory or technical purposes. At the same time, regular emails will be blasted out to all employees on "work tools", namely tips and advice on getting work done more effectively and efficiently.

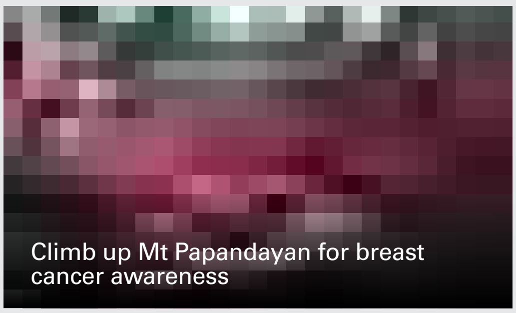
We have also shifted our IT platform from Microsoft to Google in order to enable greater Allstar interaction and collaboration, as well as access to resources that support individual learning and development. Using Google+, Google Drive, Calendar, Hangouts and Circles, Allstars will be able to keep updated about LTD programmes being run, access the LTD library, enrol into programmes, and share materials as well other pertinent information among each other.

Building competencies at AirAsia

A Healthy Work Environment

Various clubs at AirAsia cater to different interests of our Allstars, among which the Outdoor Club is one of the most active. It organises a whole range of activities from mountain climbing to paintball and running marathons. Just in 2014, a number of our Allstars took part in the Malaysian Women International Marathon on 16 March, Penang Bridge International Marathon on 16 November and Chiang Mai International Marathon on 21 December. These activities not only keep our Allstars physically fit but also develop a close sense of camaraderie, especially among those from different departments who may not have much contact with each other in the normal course of work.

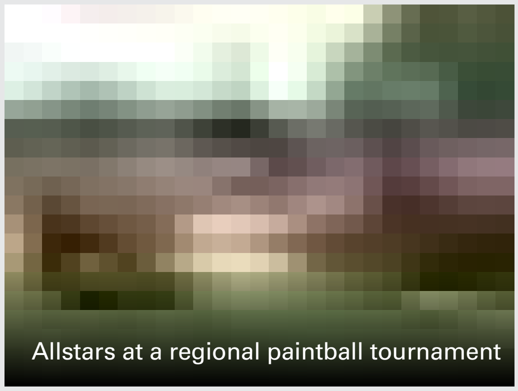

Running through the streets of Chiang Mai


Climb up Mt Papandayan for breast cancer awareness

Two highlights of the year 2014 were the earlier mentioned trek up Mt Papandayan in Bandung in aid of raising breast cancer awareness; and a cycling trip organised in collaboration with AirAsia Foundation's grantee, Thien Chi. The nine-day ride in December, on bamboo bicycles manufactured by Thien Chi, took our Allstars and 50 other cyclists from different countries along the Mekong River, revealing some stunning countryside in Vietnam and Cambodia.

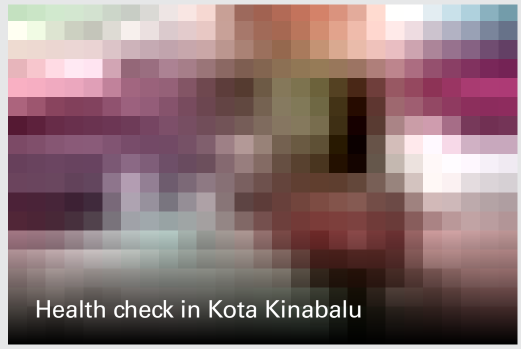
Various regional meets were also organised throughout the year, including:

- Allstars Regional Golf Tournament – Bangkok, 4 April
- Allstars Regional Badminton Tournament – Kuala Lumpur, 19 April
- AirAsia Badminton Academy Coaching Clinic – Bangkok, 17 May
- Allstars Regional Futsal Tournament – Kuala Lumpur, 21 June
- Allstars Regional Yoga Retreat – Phuket, 15-17 August
- Allstars Regional Paintball Tournament – Kuala Lumpur, 6 September
- Allstars Regional Basketball Tournament – Jakarta, 9 November
- Allstars Photography Workshop – Penang, 28-30 November


Allstars at a regional paintball tournament


Allstars at the Malaysia Women International Marathon - iCity Shah Alam


Ground Operations' Allstars donning their new uniform


Health check in Kota Kinabalu

In addition, on a weekly basis, Allstars have the opportunity to join Zumba and yoga classes, as well as to get really fit at bootcamp.

The management fully supports initiatives to instil a healthy lifestyle and plays its part by organising various health related events. In 2014, March was designated as the Allstar Breast Cancer Awareness Month, during which a medical specialist was stationed at our headquarters at the Low Cost Carrier Terminal (LCCT) to conduct breast examinations. Later the same month, general health checks were offered covering vision, blood pressure, glucose level, body mass index (BMI) and cholesterol. A dietician was also on hand for one-on-one consultations. Similar Allstar Health Check Days were subsequently organised in Kuching and Kota Kinabalu in April.

Further promoting well-being, during the year the uniforms of Ground Operations Allstars were changed, not only in terms of design but also to use the latest, most ergonomic fabric. Called FRESHFIT®, the high-tech material employs silver-based technology to prevent bacterial build-up and has an inbuilt moisture management system to maintain body temperature, keeping our Allstars optimally comfortable.

A Truly Asean Workplace

AirAsia is a firm believer of the immense value that a diverse mix of employees brings to an organisation. The greater the social, cultural and age diversity, the richer the range of perspectives that we are able to meld together into more balanced strategies based on a better understanding of the markets that we operate in.

Reflecting this belief, as well as our Asean focus, our headquarters in LCCT is not only a melting pot of the different Malaysian races but also includes a significant number of Allstars from the region. This ethnic diversity is mirrored in all our associate airlines and companies (as highlighted in the breakers of our Asean champions in this annual report). The multicultural mix of our work environment is supplemented by a fairly balanced gender and age-group representation.

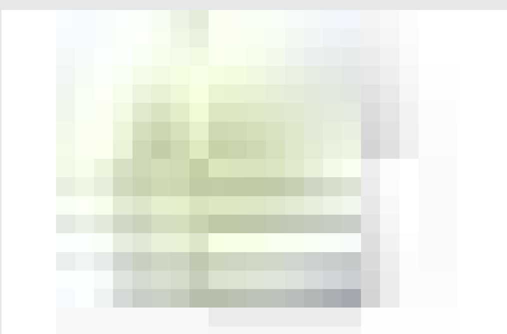
In the Malaysian operations itself, as at end 2014, 30.2% of our 6,321 Allstars were female, while across the Group, the percentage was slightly higher, at 34.4% of a total of around 14,000 Allstars. In terms of ethnicity, our Malaysian operations comprises 54.3% Malays, 15.1% Chinese, 13.7% Indians, 6.6% other Bumiputras and 10.3% other nationalities. In terms of age, we have Allstars ranging from below 20 years up to above 70 years. However, the largest age group brackets are from 26-30 years (33.6% of the total), 31-40 years (32.4%) and 21-25 years (21.1%). Group-wide there is a slightly higher representation of Allstars in the 31-40 year bracket (34.5%) while the 26-30 year bracket comes second (32.8%), followed by the 21-25 year bracket (19.2%).

WORLD'S BEST LOW-COST AIRLINE

Being named The World's Best Low-Cost Airline six times in a row is a reflection of the priority we place on serving our guests to the best of our ability, safely. We are very conscious of the critical need to ensure the highest level of safety to protect our guests, our people and assets, and continuously enhance our safety systems with the latest best practices. At the same time, we are constantly innovating to increase the range of our product and service offerings; we engage intensely with our guests and respond to their feedback; and we make their flying experience on AirAsia as comfortable and enjoyable as possible with warm hospitality. Our service delivery is supported by operational systems and processes which are updated regularly to improve efficiencies all round.

Greater Transparency, Better Access

As a public listed company, we are conscious of our responsibility to maintain a high level of transparency with our stakeholders and especially our shareholders, to keep them apprised of our performance and strategies going forward. We also have in place a governance framework that provides for a clear division of responsibilities of the Board and management, and the inclusion of an appropriate number of independent directors who ensure objectivity in every decision and action plan. We are guided in our governance practices by the Malaysian Code on Corporate Governance 2012 and other best practices locally as well as internationally.



Internally, to enhance our audit function, we have introduced QualityNet, an integrated audit management system which provides comprehensive auditing and compliance capabilities including audit findings management, the creation of schedules and checklists. The system integrates the audit data systems of our different associate companies, allowing management to retrieve reports from all via a shared dashboard, creating greater transparency across the Group. QualityNet is currently undergoing user acceptance tests (UAT) and should be operational by the second half of 2015.

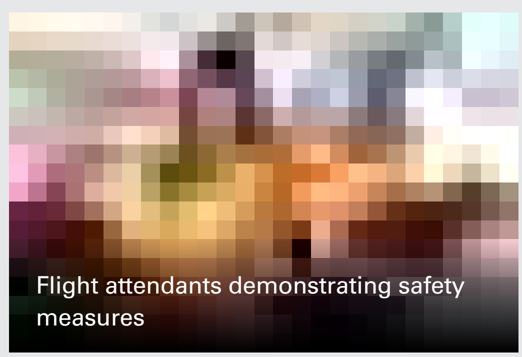
Investors and shareholders are kept updated of our performance via our quarterly and annual financial results, Bursa announcements, operating statistics, AGM presentations, and more, on the Investor Relations pages of our corporate website. The site also presents videos of interviews of our leaders, the latest featuring our Group CEO being interviewed by CNBC on our fourth quarter and financial year 2014 earnings results.

Further intensifying our investor engagement, we have been developing social media platforms for closer and quicker interaction. In 2013 we had introduced the AirAsia IR Twitter which the IR team uses to communicate updates especially those that are relevant to investors. In 2014, we took our social engagement one step higher by becoming the first airline in the region to launch an Investor Relations app, offering the financial community easy access to information at their fingertips. Available for mobile and tablet devices on both iOS and Android platforms, it offers access to all the information currently available on our IR web pages.

Regular engagement with the investment community, coupled with innovations such as this, has contributed to our winning streak for excellent investor relations (IR). In 2014, we won the Best Investor Relations Company in Malaysia, Best CEO (Investor Relations) in Malaysia and Best Investor Relations Officer for the fourth consecutive year by Corporate Governance Asia, on top of winning the Best Investor Relations Website for (Mid Cap) award from the Malaysian Investor Relations Association (MIRA) yet again.

Continuously Enhanced Safety

Safety represents an ongoing journey as we continuously enhance our practices and procedures, reducing as far as possible all risk parameters. Adhering to our Safety Management System (SMS), we identify hazards through audits and safety reports submitted by our personnel. These are risk-assessed and monitored for trends, resulting in mitigation actions before any identified risk can escalate into incidents or accidents.



Flight attendants demonstrating safety measures

Further building on the SMS, in 2014 we subscribed to UK-based Vistair's market leading suite of cloud-based safety e-solutions which have been designed and developed alongside aviation professionals, ensuring airline-specific safety, efficiency and compliance. The system, SafetyNet™, not only provides the tools to identify and mitigate risks, but also provides powerful trend analysis to help us make crucial safety decisions before incidents can occur. In addition, it promotes an open safety culture in which Allstars are able to report any perceived safety issue or concern within the airline.

As a measure of our commitment to the highest levels of security and safety, in November AirAsia became the first airline in the world to integrate INTERPOL's I-Checkit system into our immigration system. This allows us to screen the passports of all prospective passengers against information contained in the world police body's Stolen and Lost Travel Documents (SLTD) database. Since testing the system in June 2014, nearly six million AirAsia passengers have been screened against the SLTD database, resulting in 55 positive matches. After further examination by immigration authorities at the airports, 18 of those passengers were not allowed to board their flights.

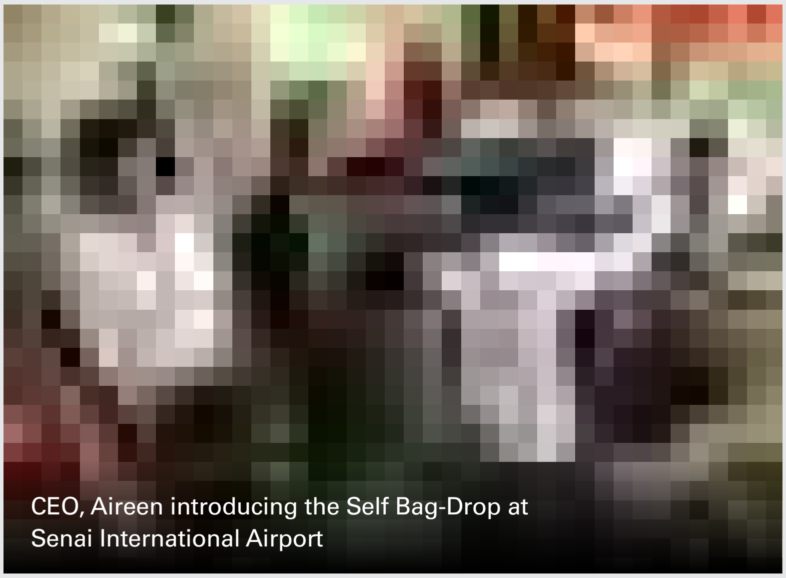
For more information on our safety measures, refer to our Safety Commitment section of this annual report.

Risk Management

The aviation sector brings with it many inherent uncertainties. At AirAsia, we safeguard the company's assets and mitigate the impact of any negative outcome via efficient internal controls that clearly set out acceptable levels of risk.

Enterprise risk management (ERM) across AirAsia is governed by a Risk Management Framework and Policy. In 2014, a web-based system was launched for risk officers and risk owners to account for the identification of risk and implementation of risk management controls within each business unit. To ensure resilience, the system also includes a business continuity management (BCM) module to identify and manage the availability of critical resources and functions to address threats to the business.

Preserving the integrity of our IT systems, we conduct system and product vulnerability assessments regularly to identify system threats and have put in place a dedicated team to monitor and report management action items relating to the same.

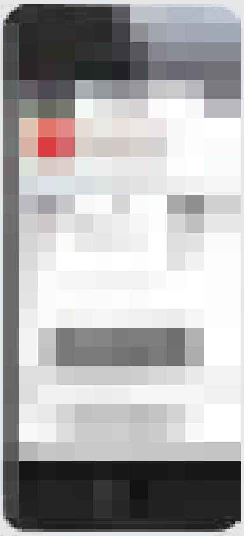


CEO, Aireen introducing the Self Bag-Drop at Senai International Airport

The ERM and BCM modules of the new web-based system were rolled out in AirAsia Berhad in 2014, along with user training, and will be introduced in stages at all our associate airlines in 2015, effectively raising ERM and BCM awareness across the Group and instilling a culture of risk management among Allstars.

Group aviation insurance is held to transfer significant risk to the business arising from physical damage or liability relative to our operations.

Product and Service Innovation



Every year, we add to our menu of services to ensure we meet our guests' every need. In 2014, we created another first by introducing WiFi on board, enabling guests to communicate with friends on the ground via WhatsApp, WeChat and LINE. Work on this service, called roKKi, is ongoing and we intend to introduce more functionalities on board such as email and video streaming. We also introduced Premium Flex, targeted specifically to business travellers, allowing them to change their flight booking up to two times, enjoy 20kg free baggage allowance as well as Xpress boarding and Xpress baggage among other perks.

In March, we launched the paperless e-boarding pass, an option open to guests who check in using our mobile app. With the electronic pass, and if they do not have any check-in baggage, they can proceed straight to the departure gate, completely avoiding any queue at the check-in counter. The service was launched for all domestic flights in Thailand and extended in October to Hong Kong and domestic flights within Malaysia. As of February 2015, it has been made available for international flights from Malaysia, and will be implemented across Thai AirAsia's international flights and AirAsia flights leaving Ninoy Aquino International Airport in Manila pending approval from the relevant authorities.

Facilitating those with baggage to be checked in, in April 2015 we introduced the Automatic Bag Drop at Senai International Airport, Johor. In order to avail of this, guests need to print their baggage tags at home together with their boarding pass. This latest service offering, which effectively completes the self-service experience of AirAsia guests, will be made available at Don Mueang Airport, Phuket, Langkawi International Airport and a few airports in Indonesia in the coming months.

In order to measure the effectiveness of our service, we conduct regular online surveys via emails to guests asking for feedback on their overall experience flying with us, from check-in to boarding as well as with the cabin and flight crews. It also covers the condition of the cabin and quality of F&B. In 2014, a total of 467,634 guests responded to this survey, corresponding to a 7.3% response rate. From their response, we have been able to gauge areas that require improvement across all airlines in the Group and are working to do so accordingly. Interestingly, a high number of guests – as many as 48% in some quarters of the year – did not purchase any inflight food or beverage, indicating a need to introduce more snacks on short flights, introduce greater variety and intensify our promotional activities.

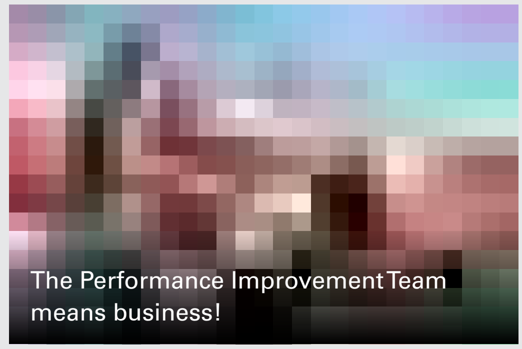
Building Stronger Ties With Guests

A key differentiator of AirAsia is the way we engage with our guests – not just face-to-face but also online, via our website and social media. As the first truly online airline in Asia, we invest considerably in our website and the communication platforms hosted – such as Ask AirAsia, Live Chat, Facebook, Twitter and Weibo – to make these as user-friendly and effective as possible. The results have been positive.

The number of visits to our website has been steadily increasing over the years and reached 22 million as at end 2014. Of these, 11 million were unique visitors. More importantly, the conversion rate of visits to flight booking has also been increasing, and in 2014 stood at 4.4%, up from 3.9% in 2013. This increase, during a year of generally dampened air travel, was particularly encouraging.

As part of continuous efforts to enhance our customer engagement, in April 2015 we embarked on a comprehensive Customer Service Management (CSM) revamp to integrate the different platforms we use to communicate with guests so as to respond more effectively to their comments or requests. As part of this revamp, we have adopted cloud technology to manage our web self-service, case management, social engagement monitoring, internal system integration and multi-platform chat.

With better CSM, we will be able to improve problem points such as guest refunds. A backlog has accumulated in some of our associates due to bottlenecks in the previous system. However these will soon be cleared and, in future, our target is for all refund requests to be processed in less than 45 business days (excluding processing time from customers' merchant banks).



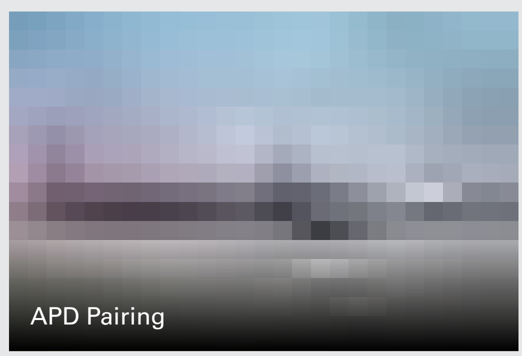
The Performance Improvement Team means business!

Greater Efficiencies, Lower Cost

Our ability to stay true to the AirAsia pledge of "Now everyone can fly" rests on maintaining the highest level of operational efficiency so as to reduce our costs and pass on the savings to our guests. Towards this end, in 2010 we embarked on a Continuous Improvement Progamme (CIP) which seeks to streamline AirAsia's entire spectrum of operations. As part of the CIP, a Performance Improvement Team, known as the PIT Board, was set up with the primary aim of improving efficiencies. Working with our consultants, GE, and engaging more extensively with Allstars to improve every aspect of their day-to-day functions, the team has steadily notched a number of wins.

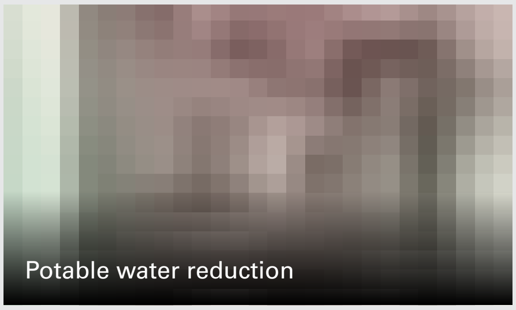
Its achievements in 2014 included:

- **APU Savings** – when aircraft are in for night maintenance, their engines are kept running, either via the ground power units (GPUs) or the auxiliary power units (APUs) on board. Although the GPU is 10 times more cost-effective, there are insufficient numbers of these, necessitating the use of APUs. Our engineers, however, have found a solution to reduce APU usage by 30 minutes per aircraft per day, saving a total of USD903,014.



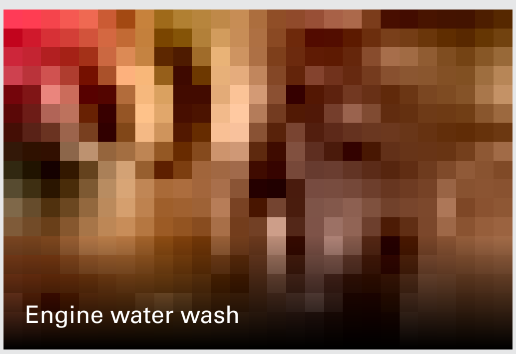
APD Pairing

- **APD Pairing** – as aircraft age, their fuel efficiency deteriorates ie their aircraft performance deterioration (APD) index increases. In response, we have started to pair aircraft from Malaysia and Indonesia to optimise aircraft utilisation with the best routes. This has led to an estimated annual savings of USD800,000 for Malaysia and USD47,221 for Indonesia.



Potable water reduction

- **Potable water reduction** – every 1kg of weight on our aircraft carries a penalty of 0.034kg of fuel burn. By reducing the volume of potable water on flights, we have managed to reduce the weight of certain flights from Kuala Lumpur by 25kg, saving USD90,000 per annum.
- **Cargo panel** – this area in the aircraft is easily damaged with the loading and unloading of cargo, leading to RM3 million being spent annually to repair the floor, side and ceiling panels. Negotiating better deals with vendors who carry out the maintenance and repair of these panels, as well as encouraging more careful behaviour of ramp and cargo teams, we expect to reduce our costs significantly.
- **Minimise Nose Radome Repair** – it is important to keep the nose radome in good shape to protect the radio antennas and other structures it houses from atmospheric elements. With proper maintenance and monitoring, we are looking at reducing the cost of nose radome repair.

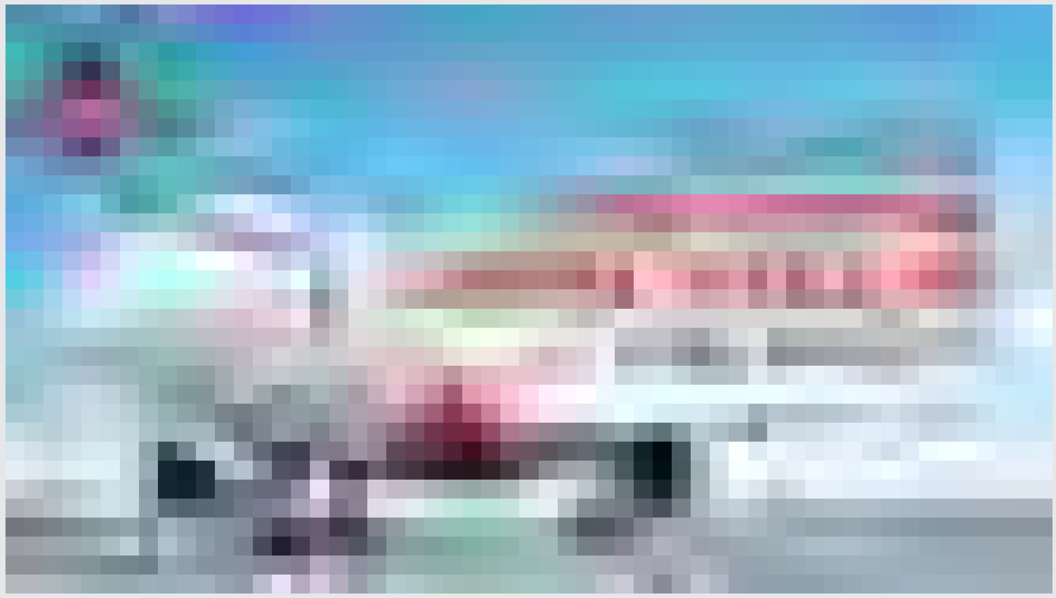


Engine water wash

- **Engine Water Wash** – the efficiency of engines is impacted by accumulation of dirt. To reduce this effect, a new engine wash procedure has been implemented which will keep engines cleaner and maintain their fuel efficiency.
- **Reducing Aircraft Swap Delay** – from January 2013 till June 2014 engineering delay due to aircraft swaps amounted to 20,113 minutes or 44.4% of total delay by the Engineering Department. By minimising aircraft swaps, we hope to save an estimated USD73,176 every year.
- **Apron Bus Usage Reduction** – we target to reduce the use of apron buses by 35% by looking at aircraft bay allocation and implementing a minimum passenger load factor per bus. This would enable us to save an estimated USD54,216 per year.

CREATING AN ENVIRONMENT OF CONSERVATION

As an airline, we are conscious of the role we can play to reduce as far as possible our CO2 emissions. This is an aspect of operations that we take seriously not only because of compelling environmental reasons but also because it is critical to our low-cost business model. Fuel makes up around 50% of our total costs, hence reducing fuel consumption via efficiency has been a strong and loud mantra in the corridors of AirAsia.



Having already set up a Fuel Efficiency team that works closely with our partners GE Aviation and Airbus to adopt best fuel management practices, AirAsia is now making fuel efficiency part of our corporate culture, something for everyone to be conscious about and contribute towards. To help create greater awareness of issues regarding fuel efficiency, we launched *redfuel*, a monthly newsletter. To make it an interesting read, the newsletter not only highlights how airlines can reduce fuel but also has "myth buster" sections and "did-you-know" info bytes such as: "A reduced flap and idle reverse landing saves fuel equivalent to the hourly flight allowance of a set of cabin crew in AA."

Supplementing theoretical knowledge with real-life training, in April 2014, we rolled out our first GE Train the Trainer session in Manila and Jakarta, followed by sessions in Bangkok and Kuala Lumpur in June. The idea is for all AirAsia pilots and dispatchers to receive one-day training on fuel-efficient procedures and to incorporate key messages into our training programmes for Captains as well as in the recurrent training sessions using simulators and during check-rides. In collaboration with GE, we have initiated a number of programmes to enhance our fuel efficiency. Some of them, and their results, are described here:

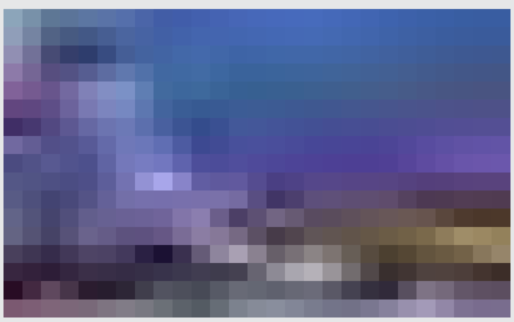
- **Engine Out Taxi-ing**

  Shutting down one engine while taxi-ing for departure or after landing is one of the most effective techniques to generate significant fuel savings for airlines, particularly operators like AirAsia with a high number of daily cycles per aircraft. One minute of one-engine taxi on arrival per flight saves 1.2 million kg of fuel annually. In more layman terms, five minutes of one-engine taxi on four flights saves enough fuel to drive between KLCC and klia2 14 times in a Toyota Vios. Unless there are compelling safety reasons for not doing so, we regularly encourage our pilots to engage in engine out taxi-ing (EOT), especially on landing and taxi-ing the aircraft to the arrival gate.

  During the year, we achieved an average EOT of 2.05 minutes, up from a baseline of 1.64 minutes for a total of 24,435 flights during the year.

- **Reduced flap landing**
  Reduced flap landing means landing an aircraft without using full landing flaps. It not only reduces fuel consumption but also decreases chemical and noise emissions. When landing an airplane with reduced flaps, fuel burn is reduced by approximately 25kg on an A320 aircraft. The percentage of AirAsia Group flights using reduced flap landing increased from 47% in January 2014 to 63% in January 2015. Our standard operating procedure (SOP) today is to use a reduced flap and idle reverse setting which can save up to 5.8 million kg of fuel annually for the Group.

- **Airspace Optimisation**
  In November 2013, AirAsia became the first Malaysian airline to pioneer the Required Navigation Performance Authorisation Required Approach (RNP-AR APCH), an advanced form of Performance-based Navigation (PBN), in Penang. RNP procedures shorten the distance an aircraft has to fly, hence reduces fuel burn, exhaust emissions and noise pollution. According to our calculations, RNP flight paths save AirAsia up to 23 nautical miles (NM) per approach to the Penang International Airport, and will save us approximately 23 NM at Kuching Airport and 18 NM at Kota Bharu compared to the standard terminal arrival. Putting this into perspective, every NM saved results in 5.8 million kg of fuel per year just for our Malaysian operation, which translates into USD7.8 million of fuel and operating costs per year.

  We hope to introduce the RNP-AR approach at our other airports in Malaysia in 2015, while our associates are working on similar programmes.

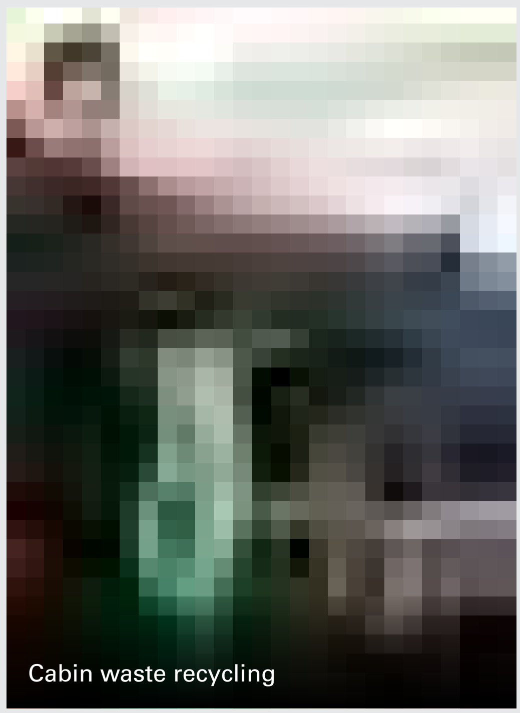
Greening Our Premises

Our environmental consciousness does not stop with fuel efficiency but is reflected in "green" activities in all our premises – from our offices to terminals, as well as in our ground and in-flight operations. We also encourage our vendors to abide by green regulations.

AirAsia offices have recycling bins for Allstars to deposit waste materials. Recycling is also practised on board our aircraft, with flight attendants collecting plastic, paper and aluminium waste at the end of each flight for recycling purposes. Metal waste from engine parts, scrap aircraft propellers and even battery parts are sold to a licensed scrap metal company.

Environmental Scheduled Waste Management Awareness Training is conducted yearly, in line with the Environmental Quality Act (EQA) 1974, OSH Act 1994 and Annex 16 to ICAO. Every year, we also conduct Environmental Training and Inspection at all domestic stations to familiarise our Allstars with proper processes in scheduled waste management and disposal. At the Kuala Lumpur station, Environmental Assessment Audits are conducted every month.

Efforts to educate our Allstars on the importance of preserving the environment are ongoing and we expect to be able to report on more green successes in upcoming annual reports.



Cabin waste recycling

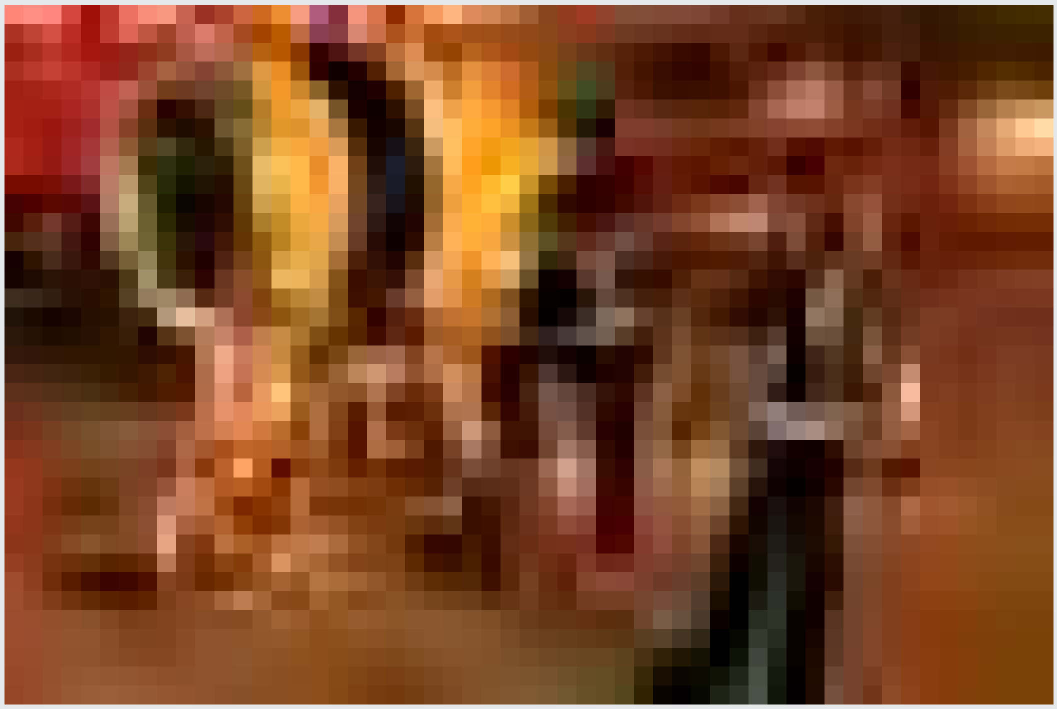
OUR SAFETY COMMITMENT

SAFETY IS OF PRIMARY CONCERN AT AIRASIA AND IS MANAGED VIA OUR SAFETY MANAGEMENT SYSTEM (SMS). UNDER THE SMS, WE CONTINUOUSLY IDENTIFY HAZARDS THROUGH AUDITS AND SAFETY REPORTS SUBMITTED BY OUR PERSONNEL, WHICH ARE RISK-ASSESSED AND MONITORED FOR TRENDS, RESULTING IN MITIGATION ACTIONS BEFORE ANY IDENTIFIED RISK CAN ESCALATE INTO INCIDENTS OR ACCIDENTS.

The critical safety functions of senior management are in the areas of strategy and leadership. Senior management provide a vision for safety management and the resources required to maintain our targeted level of safety. Meanwhile, all staff are aware that the health and safety of the organisation is everyone's responsibility.

Our SMS is built on a sound and just reporting framework, which ensures that any hazard or safety deficiency detected is brought to the attention of those with the authority to make changes. Unusual trends in Flight Data, for example, are analysed and reported to the Flight Operations Management for prompt corrective action. The flight crew concerned will be consulted, and new procedures may be introduced to address previously unknown weak points or areas of uncertainty.

We recognise human stress as an area of concern and address it through a Critical Incident Stress Management (CISM) module developed by the Human Factors section. Psychologists are engaged to apply the CISM, not only for our flight and cabin crew, but to all other employees.



Our approach to safety further ensures that authority and accountability co-exist. I pledge that no disciplinary action will be taken against any employee for reporting a safety hazard or concern to this Company's management. I pledge also that no member of staff will be asked to compromise on our safety standards to 'get the job done'.

An essential component of our SMS is employee training. We train our employees so they are able to perform their tasks in a safe and efficient manner. Training modules for our crew are continuously updated and refreshed to include recommendations made following accidents and serious incidents within the industry, to ensure they are equipped with the knowledge to manage all possible scenarios.

Medical incidents are reviewed and shared with the cabin crew during classes and the importance of first aid is emphasised, while the content of the medical kits on board aircraft are reviewed to ensure that they are able to be of assistance in times of need. Incidents and accidents are also shared with ground employees during training to allow them to understand their role in preventing and managing similar occurrences where compliance to procedures is key.

While the management makes available this training, it is the employees' individual responsibility to then follow all prescribed safe work practices. There is, further, always an open and active channel for discussing and reporting safety matters including the review of impractical procedures.

The ultimate responsibility for safety in the Company rests with me as the Chief Executive Officer/Accountable Manager. Meanwhile, the responsibility for making our operations safer for everyone lies with each one of us – from heads of department and/or managers to front-line employees. Each head of department and/or manager is responsible for a safe work environment in his or her area of responsibility and, through oversight

from the Safety Department, ensures that all reasonable steps are taken to prevent incidents and accidents.

Our approach to safety is that it is a never-ending journey. This means that we continuously work to strengthen our 100% safety-conscious culture throughout the Group. In 2015, we established a Government Regulatory and Certification Envoys (GRACE) team to pro-actively anticipate and address safety, flight operational and engineering issues across all aircraft operating companies under our banner. Through the team, we aim to promote better information-sharing between safety and technical departments across the Group, while also communicating regularly with regulatory authorities in the region.

We are committed to ensuring that safety excellence is integral to our day-to-day aviation activities, as we realise this is crucial to the sustainability of our business. Safety values are at the core of this Company, underlining our commitment to providing our employees and guests with the safest possible environment.

SAFETY POLICY STATEMENT

Safety is given top priority in all of our activities. We are committed to developing, implementing, maintaining and improving our safety strategy, management systems and processes to ensure that all our aviation activities are undertaken with balanced resource allocation, aimed at achieving the highest level of safety performance and meeting the highest international safety standards.

All levels of management are accountable for the delivery of the highest level of safety performance, starting with the Chief Executive Officer.

Our commitment is to:

a. Develop and embed a safety culture in all our aviation activities that recognises the importance and value of effective aviation safety management and acknowledges that safety is paramount at all times.

b. Clearly define for all staff their accountability and responsibility for the development and delivery of aviation safety strategies and performance.

c. Ensure that all staff are provided with adequate and appropriate aviation safety information and training, are competent in safety matters and are only allocated tasks commensurate with their skills.

d. Establish and implement a hazard identification and risk management process to minimise the risks associated with aircraft operations to a point that is as low as reasonably practicable/achievable, and conduct safety reviews to ensure that relevant action is taken.

e. Ensure that sufficient skilled and trained resources are always available to implement safety strategies, policies and processes.

f. Establish and measure our safety performance against realistic objectives and/or targets.

g. Ensure that the externally supplied systems and services that may have an impact on the safety of our operations meet appropriate safety standards.

h. Actively develop and improve our safety processes to conform to world-class standards while complying with and, wherever possible, exceeding legislative and regulatory requirements and standards.

i. Foster and encourage the maximum level of reporting and transparency with non-punitive safety/hazard reporting and by nurturing a just culture in the airline.

AIREEN OMAR
Chief Executive Officer

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THE ASEAN AIRLINE

ANNUAL REPORT
YEAR 2014

AirAsia

FINANCIAL STATEMENTS

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("the Board") of AirAsia Berhad ("the Company" or "AirAsia") is committed to ensure good corporate governance are applied throughout the Group. Save as disclosed otherwise, the Board considers that it has complied throughout the year under review with the principles and recommendations as set out in the Malaysian Code on Corporate Governance 2012 ("the Code"), Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") ("MMLR") and Corporate Governance Guide: Towards Boardroom Excellence ("CG Guide"). The following sections explain how the Company applies the principles and supporting principles of the Code, MMLR and CG Guide.

A. DIRECTORS

Roles and Responsibilities of the Board

The Board retains full and effective control over the affairs of the Company and the Group, to formulate policies and strategy, to actively oversee and monitor management's performance and has assumed the following to ensure the effectiveness of the Board and to discharge its fiduciary and leadership functions:

- Reviewing and adopting strategic corporate plans and programmes for the Company;
- Approving the Company's annual budget, including major capital commitments and carries out periodic review of the achievements against business targets;
- Approving new ventures;
- Approving material acquisitions and disposals of undertakings and properties;
- Identifying principal risks and to ensure implementation of appropriate internal control system and mitigation measures to manage these risks;
- Overseeing and evaluating the conduct of the Company's business;
- Monitoring and if necessary approving changes to the management and control structure within the Company and its subsidiaries, including key policies, delegated authority limits;
- Reviewing succession planning;
- Developing and implementing of an investor relations program;
- Reviewing adequacy and integrity of the Company's management information and system of internal controls; and
- Any other matters which are required to be approved by the Board pursuant to the applicable rules, laws and regulations.

The Board Charter of the Company can be downloaded from the Company's website.

Board Balance and Meetings

The Board consists of eight (8) Members, the details are given on pages 80 to 95 of the Corporate Book as follows:-

- One (1) of the Board Member is the Non-Independent Executive Chairman;
- One (1) is the Non-Independent Executive Director and Group Chief Executive Officer;
- One (1) is the Executive Director and Chief Executive Officer;
- One (1) is the Non-Independent Non-Executive Director;
- One (1) is the Senior Independent Non-Executive Director; and
- Three (3) are the Independent Non-Executive Directors.

Four (4) of the Non-Executive Directors fulfill the criteria of independence as defined in the MMLR. The high proportion of Independent Non-Executive Directors (fifty percent) provides for effective checks and balances in the functioning of the Board and reflects AirAsia's commitment to uphold excellent corporate governance.

The Board has appointed Dato' Fam Lee Ee, the Senior Independent Non-Executive Director as the Chairman of the Nomination and Remuneration Committee ("NRC") to whom all concerns of shareholders and other stakeholders may be conveyed.

Dato' Fam Lee Ee has also served the Board as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years and he was approved by the shareholders of the Company during the 21st Annual General Meeting held on 4 June 2014 to continue serving as an Independent Non-Executive Director of the Company. He was re-designated as a Senior Independent Non-Executive Director of the Company on 20 August 2014. The Board has recommended him to continue to act as a Senior Independent Non-Executive Director based on the following justifications:

(a) He has fulfilled the criteria under the definition of Independent Director as stated in the MMLR, and thus, he would be able to function as a check and balance, bring an element of objectivity to the Board;
(b) He has vast experience in a diverse range of businesses and legal matters and therefore would be able to provide a constructive opinion; he exercises independent judgment and has the ability to act in the best interest of the Company;
(c) He has devoted sufficient time and attention to his professional obligations for informed and balanced decision making;
(d) He has continued to exercise his independence and due care during his tenure as an Independent Non-Executive Director of the Company and carried out his professional duties in the best interest of the Company and shareholders; and
(e) He has shown great integrity of independence and had not entered into any related party transaction with the Company.

The Board had appointed Mr. Amit Bhatia as an Independent Non-Executive Director of the Company on 9 June 2014. Subsequent to the resignation of Dato' Mohamed Khadar bin Merican and Datuk Mohd Omar bin Mustapha on 20 August 2014, Mr. Uthaya Kumar A/L K Vivekananda was appointed as an Independent Non-Executive Director of the Company on the even date.

The Company observes the requirements of the Code to have majority independent directors in the event the Chairman is not an independent Director of the Company. The NRC had deliberated on the matter and viewed that the Company would need more time to comply with this recommendation as the Board's size is small at the moment.

The roles of the Chairman, Group Chief Executive Officer ("GCEO") and the Chief Executive Officer ("CEO") are separate with a clear division of responsibilities between them. This segregation of duties ensures an appropriate balance of role, responsibilities and accountability at the Board level, such that no one individual has unfettered powers of decision.

The size, balance and composition of the Board support the Board's role, which is to determine the long term direction and strategy of the Group, create value for shareholders, monitor the achievement of business objectives, ensure that good corporate governance is practised and to ensure that the Group meets its other responsibilities to its shareholders, other stakeholders and guests.

The Non-Executive Directors are persons of high calibre and integrity. They collectively possess rich experience primarily in finance and private sector enterprises and bring wide and varied commercial experience to the Board and the Board Committees deliberations. The Non-Executive Directors devote sufficient time and attention as necessary in order to perform their duties. Other professional commitments of the Non-Executive Directors are provided in their biographies on pages 80 to 95 of the Corporate Book. The Board requires that all Independent Directors are independent in character and judgement; who do not participate in the day-to-day management of the Company and do not involve themselves in the business transactions or relationships with the Group, in order not to compromise their independence.

The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in maintaining its competitive advantage. Our diverse Board includes and makes good use of differences in skills, regional and industry experience, background, race, gender, ethnicity, age and other attributes of Directors. This effort could be evidenced by the appointment of Cik Aireen Omar as the Executive Director and CEO of the Company in July 2012. Besides, the Company maintains a good mix of diversity in the senior management of the Company.

The Board, through the NRC, will take steps to ensure that women candidates are sought as part of its recruitment exercise. Selection of women candidates to join the Board will be, in part, dependent on the pool of women candidates with the necessary skills, knowledge and experience. The ultimate decision will be based on merit and contributions the candidate can bring to the Board.

The NRC also reviews the composition of the Board and the Board's committees annually. During the year under review, the Board had conducted the assessments on the performance of the Board and Board committees as well as the performance of the individual Board and Committee members. During the financial year, the NRC had also reviewed and assessed the independence of the Independent Directors of the Company.

Board meetings for each financial year are scheduled well ahead before the end of the preceding financial year so that the Directors can plan accordingly and fit the year's Board meetings into their respective schedules.

The Board holds regular meetings of no less than five (5) times a year. Special Board meetings may be convened as and when necessary to consider urgent proposals or matters that require the Board's expeditious review or consideration.

The Board maintains a formal schedule of matters specifically reserved for the Board's decision to ensure that the direction and control of the Company is firmly in its hands.

During the financial year ended 31 December 2014, the Board held a total of six (6) meetings and the details of Directors' attendances are as set out below:

Name:	**No. of Meetings Attended**
Datuk Kamarudin bin Meranun	6
Tan Sri Dr. Anthony Francis Fernandes	5
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	6
Dato' Fam Lee Ee	6
Dato' Mohamed Khadar bin Merican	5 Note 1
Datuk Mohd Omar bin Mustapha	4 Note 1
Aireen Omar	6
Robert Aaron Milton	6
Amit Bhatia	3 Note 2
Uthaya Kumar A/L K Vivekananda	1 Note 3

Note 1: *Dato' Mohamed Khadar bin Merican and Datuk Mohd Omar bin Mustapha resigned on 20 August 2014.*
Note 2: *Mr. Amit Bhatia was appointed on 9 June 2014.*
Note 3: *Mr. Uthaya Kumar A/L K Vivekananda was appointed on 20 August 2014.*

Supply of Information

Prior to the Board Meetings, all Directors will receive the agenda and a set of Board meeting papers containing information for deliberation at the Board Meetings. This is to accord sufficient time for the Directors to review the Board papers and seek clarifications that they may require from the Management or the Company Secretary. Urgent papers may be presented and tabled at the Board meetings under supplemental agenda. The Board meeting papers are presented in a concise and comprehensive format. Board meeting papers tabled to the Directors include progress reports on the Group's business operations; detailed information on business propositions; quarterly and annual financial statements, corporate proposals including where relevant, supporting documents such as risk evaluations and professional advice from solicitors or advisers and report on the directors' dealings in securities, if any. The Company Secretary ensures that all Board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are recorded and maintained in the statutory register at the registered office of the Company.

The Directors will declare immediately to the Board should they be interested in any transaction to be entered into directly or indirectly by the Company. An interested Director will abstain from all deliberations and voting on the said transaction. In the event that shareholders' approval is required for a corporate proposal, the interested Director, if he is a shareholder as well, shall abstain from voting on the resolution pertaining to the corporate proposal and ensure persons connected to them similarly abstain from voting on the resolution.

Any Director who wishes to seek independent professional advice in the furtherance of his duties may do so at the Group's expense. Directors have access to all information and records of the Group and also the advice and services of the Company Secretary, who also serve in that capacity in the various Board Committees. The Company Secretary also serves notice to Directors on the closed periods for trading in AirAsia's shares, in accordance with Chapter 14 on Dealings in Listed Securities of the MMLR.

Code of Ethics

The Directors observe the Company's Code of Ethics established by the Companies Commission of Malaysia in furtherance of their duties.

Appointments to the Board

The Group has implemented procedures for the nomination and election of Directors via the NRC. The NRC will assess the nominee(s) for directorship and Board Committees membership and thereupon submitting their recommendation to the Board for decision.

The Company Secretary will ensure that all appointments are properly made, that all information necessary is obtained, as well as all legal and regulatory obligations are met.

Directors' Training

All the Directors have attended the Mandatory Accreditation Programme for Directors of Public Listed Companies ("MAP").

Directors are regularly updated on the Group's businesses and the competitive and regulatory environment in which they operate. Directors, especially newly appointed ones, are encouraged to visit the Company's operating centre to have an insight on the Company's operations which could assist the Directors to make effective decisions.

For the year under review, the Directors had continuingly kept abreast with the development in the market place with the aim of enhancing their skills, knowledge and experience.

Among the training programmes, seminars and briefings attended by Directors during the year were as follows:

Name	Programmes
Datuk Kamarudin Bin Meranun	• CEO CIMB Asia Pacific Conference, Kuala Lumpur
Tan Sri Dr. Anthony Francis Fernandes	• JANE Summit, Japan • CEO CIMB Asia Pacific Conference, Kuala Lumpur • CLSA Investors Forum, Hong Kong • Nordic Business Forum, Norway • Credit Suisse Emerging Markets, Beijing
Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	• Annual Asean Corporate Governance Summit 2014 • Risk & Internal Control – Workshops for Audit Committee Members
Dato' Fam Lee Ee	• Risk Management and internal control – workshop for audit committee members organised by Bursa Malaysia and CG Board Asia Pacific • Malaysia-China High Level Economic Forum at Beijing, PRC organised by Ministry of Commerce, PRC and MITI Malaysia • "Aviation Outlook in 2014" seminar organised by Frost & Sullivan in Kuala Lumpur • Performance and Forecast of London Development Market update in Kuala Lumpur • China-Malaysia Qinzhou Industrial park Forum at Nanning, Guangxi, PRC • "Market outlook" luncheon talk organised by AmBank at Kuala Lumpur
Aireen Omar	• Crisis Communication Training • ASEAN Tourism Conference • LSE Asia Forum • PCORE Forum – 'Reaching For The Sky' • Corporate Governance Symposium • Graduan Aspire Program • CIMB 4th Annual Asia Pacific Conference & Invest Malaysia • Business Leaders Dialogue with YAB Dato' Sri Mohd Najib Tun Abdul Razak • AAB – Advocacy Sessions on Corporate Disclosure for Directors of Listed Issuers • CLSA Investor's Forum, Hong Kong • ASEAN Corporate Governance Summit 2014 • GE Women's Network Singapore Leadership Summit 2014, Singapore • PATA Hub City Forum ("HCF") • Airline Economics Growth Frontiers, Hong Kong • 15th Annual Asia Pacific Air Finance Conference, Hong Kong • LSE Insights – Talk on "The Coming World Crisis" by Professor Michael Cox • Khazanah Global Lectures 2014
Amit Bhatia	• MAP • Mikhail Khodorkovsky on Russia's future • Carl Bildt's vision for internet governance
Uthaya Kumar A/L K Vivekananda	• MAP

All Directors were also updated by the Company Secretary on changes to the MMLR and relevant guidelines on the regulatory and statutory requirements. The external auditors also briefed Audit Committee ("AC") members on the significant changes in financial reporting standards as well as tax matters, if any.

Apart from the above, during the financial year under review, Mr. Robert Aaron Milton did not attend other training programmes as he had not identified any training courses that were of particular benefit to his role as Director of AirAsia.

Re-election of Directors

The Articles of Association of the Company provide that at least one-third of the Directors are subject to retirement by rotation at each Annual General Meeting ("AGM"). All Directors are also required to retire once in every three years, and if eligible to offer themselves for re-election. The Articles of Association also provide that a Director who is appointed by the Board in the course of the year shall be subjected to re-election at the next AGM to be held following his appointment. Directors over seventy years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

Board Committees

To assist the Board in discharging its duties, various Board Committees have been established. The functions and terms of reference are clearly defined and, where applicable, comply with the recommendations of the Code.

The AC comprises two Independent Non-Executive Directors and one Non-Independent Non-Executive Director.

The Chairman of the AC would report to the Directors at Board meetings, of any salient matters raised at the AC meetings and which require the Board's notation, approval or decision.

The Board has delegated the responsibility of reviewing the effectiveness of risk management to the AC. The AC also reviews the risk management framework, processes and reports.

Further information on the composition, summary terms of reference and other information relating to the AC are set out on pages 11 to 16 of this Annual Report.

The NRC comprises three Non-Executive Directors, namely:

Chairman:	Dato' Fam Lee Ee *(Senior Independent Non-Executive Director)*
Members:	Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar *(Non-Independent Non-Executive Director)* Mr. Uthaya Kumar A/L K Vivekananda *(Independent Non-Executive Director)*

The primary responsibility of the NRC in accordance with its terms of reference is to assist the Board with the following functions:

For Nomination:

- To assess and recommend new nominees for appointment to the Board and Board Committees (the ultimate decision as to whom shall be nominated should be the responsibility of the full Board after considering the recommendations of such a Committee).
- To review the required mix of skills and experience and other qualities, including core competencies which the Non-Executive Directors should bring to the Board.
- To assess the effectiveness of the Board as a whole, the Board Committees and the contribution of each individual Director.
- To review the Board's succession planning.
- To review and determine the appropriate training programmes for the Board as a whole.

The Board, through the NRC, had carried out a review on the composition of the Board and is satisfied that the size and composition of the Board is adequate with the appropriate mix of knowledge, skills, attributes and core competencies.

For Remuneration:

- To review and to consider the remuneration of Executive Directors in accordance with their skills, experience and responsibilities and make recommendations to the Board on the remuneration packages of each Executive Director.
- To provide an objective and independent assessment of the benefits granted to the Executive Directors.
- To conduct continued assessment of individual Executive Directors to ensure that remuneration is directly related to corporate and individual performance.
- Annual review of the overall remuneration policy for Directors for recommendation to the Board.

The Company maintains transparent procedures in determining the remuneration policy for Directors. Executive Directors play no part in decisions on their own remuneration. The determination of remuneration packages of non-executive Directors is a matter for the Board as a whole. All the individual Directors concerned abstained from discussing their own remuneration.

The Safety Review Board ("SRB") was established in August 2005 with the purpose of providing Board level oversight and input to the management of Safety within AirAsia's operations. The Board appoints the Chairman of the Committee and a meeting is held each quarter to review progress and trends in relation to Flight Safety & Airworthiness, Incident Reports, Investigations and recommendations and Flight Data Analysis and Recommendations. The Committee comprises two Non-Executive Directors and one Executive Director, namely:

Chairman:	Mr. Robert Aaron Milton *(Independent Non-Executive Director)*
Member:	Cik Aireen Omar *(Executive Director and CEO)* Mr. Uthaya Kumar A/L K Vivekananda *(Independent Non-Executive Director)*

Other members include relevant operations personnel, safety and security specialists from AirAsia and from our affiliates in Thailand, Indonesia and Philippines. A report is provided to the Board each quarter.

During the financial year, the Employee Share Option Scheme ("ESOS") Committee comprises Tan Sri Dr. Anthony Francis Fernandes, Datuk Kamarudin Bin Meranun and Mr. Andrew Robert Littledale, the former Chief Financial Officer of the Company. The ESOS Committee was established to administer the available ESOS of the Group, if any, in accordance with the objectives and regulations thereof and to determine the participation eligibility, option offers and share allocations and to attend to such other matters as may be required. The ESOS Committee had ceased on 6 June 2014.

During the year under review, the Company has established an Investment Committee to review, evaluate, recommend and monitor any investment(s) made or to be made by the Company and/or its subsidiaries. The Committee comprises two Independent Non-Executive Directors and one Executive Director, namely:

Chairman: Mr. Amit Bhatia
(Independent Non-Executive Director)

Members: Tan Sri Dr. Anthony Francis Fernandes
(Non-Independent Executive Director and GCEO)
Mr. Uthaya Kumar A/L K Vivekananda
(Independent Non-Executive Director)

B. DIRECTORS REMUNERATION

The remuneration package comprises the following elements:

1. Fee

The fees payable to each of the Non-Executive Directors for their services on the Board are based on the basic Board fee and their respective additional responsibilities on the Board's committees during the year recommended by the Board for final approval by shareholders of the Company at the AGM.

2. Basic salary

The basic salary for each Executive Director is recommended by the NRC and approved by the Board, taking into account the performance of the individual, the inflation price index and information from independent sources on the rates of salary for similar positions in other comparable companies internationally. Salaries are reviewed annually.

3. Bonus scheme

The Group operates a bonus scheme for all employees, including the Executive Directors. The criteria for the scheme are dependent on various performance measures of the Group, together with an assessment of each individual's performance during the period. The bonus for the Executive Directors is recommended by the NRC and approved by the Board.

4. Benefits-in-kind

Other customary benefits (such as private medical care, travel coupons, etc.) are made available as appropriate.

5. Service contract

The Executive Chairman, GCEO and CEO each have a three-year service contract with AirAsia.

6. Directors' share options

There was no movement in Directors' share options up to the expiry of the ESOS on 6 June 2014.

Details of the Directors' remuneration are set out in Note 2 of the Audited Financial Statements on pages 57 to 58 of this Annual Report. Whilst the Code has prescribed for individual disclosure packages, the Board is of the view that the transparency and accountability aspects of Corporate Governance in respect of the Directors' remuneration are appropriately and adequately addressed by the band disclosure in the said Note 2.

C. SHAREHOLDERS

Investor Relations

The Company is committed to maintaining good communications with shareholders and investors. Communication is facilitated by a number of formal channels used to inform shareholders about the performance of the Group. These include the Annual Report and Financial Statements and announcements made through Bursa Malaysia, as well as through the AGM.

Members of senior management are directly involved in investor relations through periodic roadshows and investor briefings in the country and abroad with financial analysts, institutional shareholders and fund managers.

Reports, announcements and presentations given at appropriate intervals to representatives of the investment community are also available for download at the Group's website at *www.airasia.com*. Shareholders may obtain the Company's announcements on its website or via the Bursa Malaysia's website at "*http://www.bursamalaysia.com*".

Any queries or concerns regarding the Group may be directed to the Investor Relations Department at *investorrelations@airasia.com*.

AGM

Given the size and geographical diversity of our shareholders' base, the AGM is another important forum for shareholders interaction. All shareholders are notified of the meeting and are provided with a copy of the Group's Annual Report at least 21 days before the meeting is held.

At the AGM, the GCEO and the CEO will conduct a brief presentation on the Group's performance for the year and future prospects. The Chairman and all Board Committee chairmen where possible will be present at the AGM to answer shareholders' questions and hear their views during the meeting. Shareholders are encouraged to participate in the proceedings and engage with dialogue with the Board and Senior Management. The extract of the minutes of AGM for the year 2014 is available on the Company's website.

D. ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to ensure that the quarterly reports, annual audited financial statements as well as the annual review of operations in the Annual Report reflect full, fair and accurate recording and reporting of financial and business information in accordance with the MMLR of Bursa Malaysia.

Timely release of announcements on quarterly financial reports reflects the Board's commitment to provide transparent and up-to-date disclosures of the performance of the Company and its group of subsidiaries.

The Directors are also required by the Companies Act, 1965 to prepare the Group's annual audited financial statements with all material disclosures such that they are complete, accurate and in conformance with applicable accounting standards and rules and regulations. The AC assists the Board in overseeing the financial reporting process.

Audit Committee and Internal Control

The Board's governance policies include a process for the Board, through the AC to review regularly the effectiveness of the system of internal control as required by the Code. A report on the AC and its summary terms of reference is presented on pages 11 to 16 of this Annual Report.

The Board has overall responsibility for the Group's system of internal control, which comprises a process for identifying, evaluating and managing the risks faced by the Group and for regularly reviewing its effectiveness in accordance with the Code.

The Board confirms that this process was in place throughout the year under review and up to the date of approval of these financial statements. The primary aim is to operate a system which is appropriate to the business and which can, over time, increase shareholders' value whilst safeguarding the Group's assets. The system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Statement on Risk Management and Internal Control is set out in pages 17 to 19 of this Annual Report.

Relationship with the External Auditors

The Board, through the AC, has maintained appropriate, formal and transparent relationship with the external auditors. The AC meets the external auditors without the presence of management, whenever necessary, and at least twice a year. Meetings with the external auditors are held to further discuss the Group's audit plans, audit findings, financial statements as well as to seek their professional advice on other related matters. From time to time, the external auditors inform and update the AC on matters that may require their attention.

E. OTHERS

Corporate Disclosure Policy and Procedures

AirAsia observed the continuing disclosure obligation imposed upon a listed issuer by Bursa Malaysia. A Corporate Disclosure Policy and Procedures was approved by the Board, which provides accurate, balanced, clear, timely and complete disclosure of corporate information to enable informed and orderly market decisions by investors. In this respect, the Company follows the disclosure guidelines and regulations of Bursa Malaysia's CG Guide.

Material information will in all cases be disseminated via Bursa Malaysia and other means.

Code of Conduct

The Company had formalised ethical standards through a Code of Conduct and will ensure its compliance. The Code of Conduct is published on the Company's website.

Whistleblowing Programme

In order to improve the overall organisational effectiveness and to uphold the integrity of the Company in the eyes of the public, the Company has updated the whistleblowing program during the year which acts as a formal communication channel where all stakeholders can communicate their concerns in cases where the Company's business conduct is deemed to be contrary to the Company's common values.

All concerns should be addressed to the Group Head – Internal Audit who will then assess all concerns reported and recommend the appropriate action, and subsequently:

- Compile all reports received and submit to the Chairman of the AC; and
- Report to Management on behalf of the AC the results of the investigation for further action.

All details pertaining to the name and position of the whistleblower will be kept strictly confidential throughout the investigation proceedings.

This statement is made in accordance with a resolution of the Board of Directors of AirAsia dated 22 April 2015.

AUDIT COMMITTEE REPORT

SUMMARY OF TERMS OF REFERENCE OF THE AUDIT COMMITTEE

A. COMPOSITION

The Committee shall comprise at least three Non-Executive Directors appointed by the Board of Directors. All the members of the Committee must be Non-Executive Directors, with a majority of them being Independent Directors. All members of the Committee shall be financially literate and at least one member shall:

(i) be a member of the Malaysian Institute of Accountants; or
(ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years of working experience and:-
- he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
- he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or

(iii) fulfills other requirements as prescribed or approved by the Exchange.

B. ROLES AND RESPONSIBILITY

The primary roles and responsibilities of the Committee with regards to the AirAsia Group's Internal Audit department, External Auditors, Financial Reporting, Related Party Transactions, Risk Management, Annual Reporting and Investigations are as follows:

Internal Audit

- Mandate the Internal Audit department to report directly to the Committee;
- Review the adequacy of the scope, functions, competency and resources of the Internal Audit department, and that it has the necessary independence and authority to carry out its work, which should be performed professionally and with impartiality and proficiency;
- Review Internal Audit Reports and ensure that appropriate and prompt remedial action is taken by Management on lapses in controls or procedures that are identified by Internal Audit;
- Review the Internal Audit Reports relating to the AirAsia Group's affiliates;
- Review the appraisal or assessment of the performance of Members of the Internal Audit function;
- Approve the appointment or termination of the Group Head – Internal Audit and Senior Staff Members of Internal Audit;
- Take cognisance of resignations of Internal Audit staff and the reasons for resigning;
- Review the results of ad-hoc investigations performed by internal auditors and the actions taken relating to those investigations;
- Review the results of internal assessment performed on the internal audit function;
- Review the results of the external assessment performed on the internal audit function;
- Review the adequacy of the Internal Audit Charter; and
- Approve the Internal Audit Charter, which defines the purpose, authority, scope and responsibility of the Internal Audit function within the Group.

External Auditor

- To consider the appointment of the External Auditor, Audit fees, resignation or dismissal of the External Auditor;
- To submit a copy of written representation or submission of External Auditors' resignation to the Exchange;
- Monitor the effectiveness of the External Auditors' performance and their independence and objectivity;
- To discuss with the External Auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- Review major findings raised by the External Auditors and management's responses, including the status of the previous audit recommendations;
- To discuss problems and reservations arising from the interim and final audits, and any matter the External Auditor may wish to discuss (in the absence of management where necessary);

- To provide a line of communication between the Board and the External Auditors;
- Review the extent of assistance and co-operation extended by the Group's employees to the External Auditors;
- The Committee shall review and monitor the provision of non-audit services by the External Auditors and to ensure that they comply with the external audit independence policy; and
- The Committee is responsible for requiring for Group's external auditors to submit on a periodic basis to the Committee a formal written statement delineating all relationships between the External Auditors and the Group, consistent with International Standard on Auditing 260 modified as appropriate based on the Malaysian guidelines for auditors independence, and to obtain confirmation from them that they are, and have been, independent throughout the conduct of the audit engagement.

Financial Reports and Bursa Malaysia Announcements

To review the quarterly and year-end financial statements of the Group and Company, and reports to Bursa Malaysia focusing particularly on:

- any change in accounting policies and practices, and the implementation of such changes;
- significant and unusual events;
- significant adjustments arising from the audit;
- litigation that could affect the results materially;
- the going concern assumption;
- compliance with accounting standards, other legal requirements and regulatory requirements;
- where necessary, make appropriate recommendations to the Board for approval; and
- review and ensure corporate disclosure policies and procedures of the Group (as they pertain to accounting, audit and financial matters) comply with the disclosure requirements as set out in the Bursa Listing Requirements.

Related Party Transactions

- To review any related party transactions and conflict of interest situations and, where appropriate, make recommendations to the Board for approval that such transactions are at arm's length and are in the best interest of the Group or Company; and
- To review the process used to procure the shareholders' mandate for recurrent related party transactions.

Risk Management

- To develop and inculcate a risk awareness culture within the Group;
- To review Risk Management Strategies, frameworks and policies of the Group to ensure key risks are systematically identified, monitored and controlled;
- To ensure resources and systems are in place for the risk management function; and
- To oversee specific risk management concerns raised by business units.

Annual Report

- Report the Audit Committee's activities for the financial year.
- The Committee must prepare for the Board's consideration and approval, a draft of the Audit Committee Report to be set out in the Group's annual report. This draft report must disclose amongst others:
    - o The Committee's composition, including the name, designation (indicating the chairman) and directorship of the members (indicating whether the directors are independent or otherwise);
    - o The Committee's terms of reference;
    - o The number of Committee meetings held during the financial year, details of attendance of each Committee member and the details of relevant training attended by each Committee member;
    - o A summary of Committee's activities in discharging its functions and duties for the financial year; and
    - o A summary of the activities of the internal audit function or activity.
- To review the Statement on Risk Management and Internal Control and the Statement on Corporate Governance prior to their inclusion in the Company's Annual Report.

Investigations

- To consider major findings of internal investigations and management's response; and
- To review the Company's procedures for detecting fraud and whistle blowing.

Internal Control

- To evaluate the overall adequacy and effectiveness of the system of internal controls including information technology controls, the Group's financial, audit and accounting organisations and personnel and the Group's policies and compliance procedures with respect to business practices, through a review of the results of work performed by internal and external auditors and discussions with key Senior Management; and
- To review the employee code of business practice, vendor code of business practice, the whistle-blowing policy and the outcome of any defalcation cases investigated.

Review of the Committee

- To conduct a self-assessment exercise to evaluate the Committee's overall effectiveness in discharging its responsibilities and report the results of the self-assessment to the Board.

Annual Review of the Terms of Reference of the Committee

- Review and reassess the adequacy of the terms of reference of the Committee on a periodic basis, and where necessary obtain the assistance of management, the Group's external auditors and external legal counsel, and recommend proposed changes to the Board for approval.

Other Matters

To consider any other matters as directed by the Board.

C. AUTHORITY AND POWERS OF THE AUDIT COMMITTEE

In carrying out its duties, the Audit Committee shall, at the cost of the Company:

- have authority to investigate any matter within its Terms of Reference;
- have full, free and unrestricted access to the Group's and Company's records, properties, personnel and other resources;
- have full and unrestricted access to any information regarding the Group and Company;
- have direct communication channels with the External Auditors and person(s) carrying out the internal audit function;
- be able to obtain independent professional or other advice; and
- convene meetings with the External Auditors, Internal Auditors or any other professional advisors, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the MMLR, the Committee is authorised to promptly report such matters to the Exchange.

D. MEETINGS

a) The Committee shall meet at least four (4) times a year and at such other times as the Chairman shall decide;
b) The quorum for an Audit Committee Meeting shall be at least two (2) members. The majority present must be Independent Directors;
c) The External Auditor has the right to appear and be heard at any meeting of the Committee and shall appear before the Committee when required to do so;
d) The Group Chief Executive Officer / Chief Executive Officer has to attend the meetings to assist in the deliberations and resolutions of matters raised;
e) The Group Chief Financial Officer, Chief Financial Officer and the Group Head of Internal Audit of the Group and the Company shall attend the meetings to assist in deliberations and resolution of matters raised. However, at least twice a year, the Committee shall meet with the External Auditors without the presence of management;
f) The Company Secretary shall act as Secretary of the Committee;
g) The Secretary of the Committee shall be entrusted to record all proceedings and minutes of all meetings of the Committee;
h) The Committee at each Board Meeting will report a summary of significant matters discussed at the Committee meetings; and
i) The Committee may request other Board members and any other officer or employee to attend a meeting of the Committee to assist in the deliberation and resolution of matter raised.

The Terms of Reference summarised above were revised and approved by the Board of Directors of AirAsia on 19 November 2014.

ACTIVITIES OF THE AUDIT COMMITTEE DURING THE YEAR

A summary of the activities performed by the Committee during the financial year ended 31 December 2014 ("Financial Year") is set out below.

Composition of the Audit Committee and Attendance of meetings

A total of eight (8) meetings were held for the Financial Year. The members of the Committee together with the details of their attendance at the Committee meetings held during the year were as follows:

Name	Directorship	No. of Meetings attended
Uthaya Kumar A/L K Vivekananda *(Chairman of the Committee)*	Independent Non-Executive Director	3 Note 1
Dato' Mohamed Khadar bin Merican *(Former Chairman of the Committee)*	Independent Non-Executive Director	5 Note 2
Dato' Fam Lee Ee	Senior Independent Non-Executive Director	8
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	Non-Independent Non-Executive Director	8

Note 1: Mr. Uthaya Kumar A/L K Vivekananda was appointed as the Chairman of the Committee upon the resignation of Dato' Mohamed Khadar bin Merican as a Director of the Company on 20 August 2014.
Note 2: Dato' Mohamed Khadar bin Merican ceased as the Chairman of the Committee on 20 August 2014.

The Committee meets on a scheduled basis at least once in every two months. The GCEO, CEO, the Group Chief Financial Officer, the Chief Financial Officer and the Group Head of Internal Audit are invited to attend the meetings to assist in the deliberations as and when necessary. The External Auditors are also invited to discuss their Audit Plan, Audit Report, Management Letter, Internal Control Report and other reports as and when necessary.

Internal Audit

- Approved the Group's Internal Audit Plan, scope and budget for the financial year.
- Reviewed the results of Internal Audit Reports and monitor the implementation of management action plans in addressing and resolving issues.
- Reviewed the adequacy and competencies of Internal Audit function to execute the Annual Audit Plan.

Risk Management

- Reviewed and evaluated the Risk Management Framework and Policy.
- Reviewed the key risk profile for the Company.
- Reviewed the Statement on Risk Management and Internal Control and Audit Committee Report for inclusion in the 2014 Annual Report.

External Audit

- The Committee reviewed Messrs PricewaterhouseCoopers ("PwC") overall work plan and recommended to the Board their remuneration and Terms of Engagement as External Auditors.
- The Committee considered in detail the results of the audit, PwC's performance and independence and the effectiveness of the overall audit process.
- The Committee recommended PwC's re-appointment as Auditors to the Board and this resolution will be put to shareholders at the AGM.
- Reviewed updates on the introduction of Malaysian Financial Reporting Standards and how they will impact the Company and has monitored progress in meeting the new reporting requirements.
- The Committee was also updated by PwC on changes to the relevant guidelines on the regulatory and statutory requirements.
- Deliberated and reported the results of the annual audit to the Board of Directors.
- Met with the External Auditor without the presence of management to discuss any matters that they may wish to present.

Employee Share Option Scheme

- The Committee verified the allocation options pursuant to the criteria disclosed to the employees of the Group and established pursuant to the Employee Share Option Scheme up to its expiry on 6 June 2014.

Financial Reporting

- Reviewed and deliberated on the Quarterly Financial Announcements and Annual Audited Financial Statements prior to submission to the Board of Directors for consideration and approval.

Related Party Transactions

- Reviewed the related party transactions entered into by AirAsia Berhad Group in conformity to the established procedures in adherence to the MMLR.

INTERNAL AUDIT FUNCTION

AirAsia Group has a well-established in-house Internal Audit ("IA") to assist the Board to oversee that Management has in place a sound risk management, internal control and governance system. The IA maintains its impartiality, proficiency and due professional care by having its plans and reports directly under the purview of the Committee. IA function is also guided by its Audit Charter that provides for its independence and reflects the roles, responsibilities, accountability and scope of work of the department. The IA reports functionally to Audit Committee and administratively to the GCEO.

The principal responsibility of IA is to undertake regular and systematic reviews of the systems of internal controls, so as to provide reasonable assurance that the systems continue to operate efficiently and effectively. The IA implements risk based auditing in establishing the strategic and annual audit plan, being the main factor in determining the areas or units to be audited.

The audits cover the review of the adequacy of risk management, the strength and effectiveness of the internal controls, compliance to both internal and statutory requirement, governance and management efficiency, amongst others. Areas for improvement and audit recommendations are forwarded to the management for attention and further actions. Management is responsible to ensure that corrective actions are implemented within the required time frame. The audit reports which provide the results of the audit conducted are submitted to the Audit Committee for review. Key control issues and recommendations are highlighted to enable the Committee to execute its oversight function.

The Audit Committee reviews and approves the IA's human resource requirements to ensure that the function is adequately resourced with competent and proficient Internal Auditors. Total operational costs of the Internal Audit department for 2014 was RM1,955,393.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

The Board remains committed to complying with the Code which "… requires listed companies to maintain a sound risk management framework and internal control system to safeguard shareholders' investment and the Company's assets" and guided by the Bursa Malaysia's MMLR Paragraph 15.26 (b) and Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers. The Board is pleased to issue the following Statement on Risk Management & Internal Control for the financial year ended 31 December 2014.

RESPONSIBILITY

The Group aims to achieve the highest standards of professional conduct and ethics, to raise the bar on accountability and to govern itself in accordance to the relevant regulations and laws. To achieve long term shareholder value through responsible and sustainable growth, the Group has established and maintains an internal control system that incorporates various control mechanisms at different levels throughout the Group. The Board is responsible for reviewing the effectiveness of these control mechanisms. Due to the limitations inherent in any such system, this is designed to manage rather than eliminate risk and to provide reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Group has in place an on-going process for identifying, evaluating, monitoring and managing significant risks that may materially affect the achievement of corporate objectives. This process has been in place throughout the year and is regularly reviewed by the Board. Management is responsible for assisting the Board implement policies and procedures on risk and control by identifying and assessing the risks faced, and in the implementation of suitable remedial actions to enhance operational controls and risk management. Indeed, the first level of assurance comes from business operations which perform the day-to-day operational risk through comprehensive system of internal controls. The Board is informed of major issues on internal controls, regulatory compliance and risk taking.

The Board has received assurance from the Group Chief Executive Officer, Chief Executive Officer and Group Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

The Board is of the view that the risk management and internal control system in place for the year under review is sound and adequate to safeguard the shareholders' investment, the interest of customers, regulators and employees and the Group's assets.

INTEGRATING RISK MANAGEMENT WITH INTERNAL CONTROL SYSTEM

The Board continues to rely on the enterprise risk management framework to manage its risks and to form the basis of the internal audit plan. Effective risk management is particularly challenging as the Group operates in a rapidly changing environment. The process of risk management is ongoing where the coverage includes the Group's associated companies. Risk profiling and assessments for all business divisions, joint ventures and associated companies have been performed during the development of the annual audit plan which was presented, deliberated and approved by the AC.

The Board relies significantly on the Group's internal auditors to carry out audits of the various operating units based on the risk-based approved audit plan.

KEY RISK MANAGEMENT & INTERNAL CONTROL PROCESSES

The key processes that have been established in reviewing the adequacy and effectiveness of the Group's risk management and internal control system are described below:

Risk Management

- The Board has delegated the responsibility of reviewing the effectiveness of risk management to the AC supported by the risk management function;

- A written Risk Management Framework and Policy ("RMF&P") is in place. The RMF&P outlines the Group's underlying approach to risk and risk management, process, structure, tools etc. Subsequent changes to the RMF&P would be reviewed and recommended by the AC to the Board;

- Effectiveness of the risk management system is monitored and evaluated on an on-going basis through continuous monitoring and evaluation on the Group's risk management system; and

- Additionally, the AC reviews and assesses the adequacy of these risk management policies and ensure infrastructure, resources and systems are in place for effective risk management.

Internal Audit

- The Board has extended the responsibilities of the AC to include the assessment of internal controls, through the Internal Audit ("IA") function. The AC, chaired by an independent non-executive director reviews the internal controls system and findings of the internal auditors and external auditors;

- The IA is an independent function that reports directly to the AC. The IA assists the Committee and the Board by performing regular and systematic review of the internal controls, financial and accounting matters, operational policies and procedures, and ensuring that internal controls are adequate to meet the Group's requirements. Audits are carried out on all units and stations, the frequency of which is determined by the level of risks assessed. The selection of auditable areas to be audited is based on risk based audit methodology taking into consideration input of the senior management and the Board;

- Management is responsible for ensuring that corrective actions to address control weaknesses are implemented within a defined time frame. The status of implementation is monitored through follow-up audits which are also reported to the AC;

- The conducts of internal audit work is governed by the Internal Audit Charter, which is approved by the AC. The AC also reviews the adequacy of scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work. The IA is also guided by the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors; and

- The AC also reviews and considers matters relating to internal controls as highlighted by the external auditors in the course of their statutory audit of the Group's financial statements.

The Board and Operational Committees

- The Board has established an organisational structure with clearly defined lines of responsibilities, authority limits and accountability aligned to business and operations requirements which support the maintenance of a strong internal control environment;

- The Board has established the Board Committees with clearly defined delegation of responsibilities within the definition of terms of reference and organisation structures. These committees include NRC, AC, Investment Committee and SRB which have been set up to assist the Board to perform its oversight functions. The Committees have the authority to examine all matters within their scope and report to the Board with their recommendations; and

- Operational committees have also been established with appropriate empowerment to ensure effective management and supervision of the Group's core business operations. These committees include the Financial Risk Committee, Quality and On-Time Performance Committee where meetings are held frequently to address emerging issues, concerns and action plans.

Other Key Processes

- Policies and procedures of core business processes are documented in a series of Standard Operating Procedures and implemented throughout the Group. These policies and procedures are subject to regular reviews, updates and continuous improvements to reflect the changing risks and operational needs;

- Heads of Department present their annual budget, including financial and operating targets and capital expenditure plans for the approval of the Chief Executive Officer. Group annual budget is prepared and tabled for Board approval. These budgets and business plans are cascaded throughout the organisation to ensure effective execution and follow through. Actual performance is compared against budget and reviewed by the Board; and

- The Group has implemented a formal performance appraisal system for all levels of employees.

The statement also caters for the state of internal controls in material joint ventures and associated companies. There was no material loss incurred as a result of internal control weaknesses.

ADDITIONAL COMPLIANCE INFORMATION

The information set out below is disclosed in compliance with the MMLR of Bursa Malaysia:-

1. UTILISATION OF PROCEEDS FROM CORPORATE PROPOSAL

There were no proceeds raised by the Company from corporate proposals during the financial year ended 31 December 2014.

2. SHARE BUY-BACK

During the financial year under review, the Company had obtained approval at its Extraordinary General Meeting held on 4 June 2014 to purchase up to ten percent (10%) of its issued and paid-up share capital at the point of purchase pursuant to Section 67A of the Companies Act, 1965, Chapter 12 of the MMLR and subject to any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities. The Company did not exercise any share buy-back during the financial year.

3. DEPOSITORY RECEIPT PROGRAMME

The Company did not sponsor any depository receipt programme during the financial year ended 31 December 2014.

4. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES EXERCISED

The Company did not issue any warrants or convertible securities during the financial year ended 31 December 2014. The AirAsia Employee Share Option Scheme ("ESOS") came into effect on 1 September 2004. The details of the ESOS exercised are disclosed in pages 90 to 91 of the financial statements.

5. ESOS

The ESOS is the only share scheme of the Company in existence during the financial year ended 31 December 2014 approved by the shareholders on 7 June 2004. On 28 May 2009, the Company extended the duration of its ESOS which expired on 6 June 2009 for 5 years to 6 June 2014. The information of the ESOS is as follows:

	During the financial year ended 31 December 2014	**Since commencement of the ESOS on 7 June 2004**
Total number of options or shares granted	-	93,168,000
Total number of options exercised or shares vested	1,911,500	67,943,000
Total options or shares outstanding*	-	-

* The ESOS of the Company has expired on 6 June 2014.

Granted to Executive Directors and Chief Executive	**During the financial year ended 31 December 2014**	**Since commencement of the ESOS on 7 June 2004**
Aggregate options or shares granted	-	1,200,000
Aggregate options exercised or shares vested	-	1,200,000
Aggregate options or shares outstanding	-	-

Granted to Executive Directors and senior management	During the financial year ended 31 December 2014	Since commencement of the ESOS on 7 June 2004
Aggregate maximum allocation in percentage	-	50.0%
Actual percentage granted	-	1.29%

There were no options granted to the Non-Executive Directors pursuant to the ESOS since its commencement on 7 June 2004.

6. SANCTIONS AND/OR PENALTIES

There were no public sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies during the financial year ended 31 December 2014.

7. NON-AUDIT FEES

The amount of non-audit fees incurred for services rendered to the Company by the External Auditors for the financial year ended 31 December 2014 were RM1,230,000 for tax advisory services rendered and audit fees for unconsolidated structured entities.

8. VARIATION IN RESULTS

There were no profit estimations, forecasts or projections made or released by the Company during the financial year ended 31 December 2014.

9. PROFIT GUARANTEE

During the financial year ended 31 December 2014, the Group and the Company did not give any profit guarantee.

10. MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

There were no material contracts entered into by the Company and its subsidiaries involving directors' and major shareholders' interests still subsisting at the end of the financial year ended 31 December 2014.

11. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

At the Extraordinary General Meeting ("EGM") held on 4 June 2014, the Company had obtained a shareholders' mandate to allow the Company and/or its subsidiaries to enter into recurrent related party transactions ("RRPTs") of a revenue or trading nature.

The breakdown of the aggregate value of the RRPTs entered into by the Group during the financial period from 4 June 2014 to 31 December 2014 is as follows:

	Transacting Parties	Nature of RRPTs	Class and relationship of the Related Parties	Actual value
Revenue/income				
1.	AirAsia X Berhad ("AAX")	Provision of the following range of services by our Company to AAX: (a) Commercial - Sales and distribution - Sales support - Direct channel - Branding and Creative • Protection of brand to ensure proper public perception is built • Manage communication imagery, sponsorships (e.g. sports and youth marketing) and commercial branding • Creative includes graphic designs supporting branding activities - Web team: Manage, plan, build and develop airasia.com website (b) Innovation, Commercial and Technology - Involves all services related to information technology ("IT") (c) Treasury - Fuel procurement - Fuel hedging (d) Audit and Consulting - Credit card fraud unit (e) Cargo (f) Manpower cost (affiliate of companies in China) (g) IT Internal Audits	**Interested Directors and Major Shareholders** Tan Sri Dr. Tony Fernandes Datuk Kamarudin Bin Meranun ("Datuk Kamarudin") **Interested Major Shareholder** Tune Air Sdn. Bhd. ("Tune Air")	RM4,289,000
2.	AAX	Provision of the rights by our Company to AAX as a licensee to operate scheduled air services under the trade name and livery of AirAsia	**Interested Directors and Major Shareholders** Tan Sri Dr. Tony Fernandes Datuk Kamarudin **Interested Major Shareholder** Tune Air	RM2,595,000
3.	Tune Ins Holdings Berhad ("TIH")	Provision of the right to access our Company's customer database by our Company to TIH to conduct telesales marketing on TIH's and/or third party insurance products and the provision of management services by TIH to our Company's travel insurance business	**Interested Directors and Major Shareholders** Tan Sri Dr. Tony Fernandes Datuk Kamarudin **Interested Major Shareholder** Tune Air	RM229,000

	Transacting Parties	Nature of RRPTs	Class and relationship of the Related Parties	Actual value
Revenue/income				
4.	Tune Insurance Malaysia Berhad ("TIMB")	Provision of travel insurance to our customers for journeys originated from Malaysia resulting in underwriting commission received by our Company	**Interested Directors and Major Shareholders** Tan Sri Dr. Tony Fernandes Datuk Kamarudin **Interested Major Shareholder** Tune Air	RM8,247,000
5.	AAX	Provision of charter services to Beirut, Lubnan to be provided by AAX for the Malbatt contingent	**Interested Directors and Major Shareholders** Tan Sri Dr. Tony Fernandes Datuk Kamarudin **Interested Major Shareholder** Tune Air	RM8,827,000
6.	Thai AirAsia X Co. Ltd ("TAAX")	Provision of the rights by our Company to TAAX as a licensee to operate scheduled air services under the trade name and livery of AirAsia	**Interested Directors and Major Shareholders** Tan Sri Dr. Tony Fernandes Datuk Kamarudin **Interested Major Shareholder** Tune Air	USD720,000
7.	BIG Duty Free Holdings Ltd ("BIG Duty Free")	Provision of BIG Duty Free as the Company's exclusive partner to plan, manage and operate a duty free business for the Company	**Interested Directors and Major Shareholders** Tan Sri Dr. Tony Fernandes Datuk Kamarudin	NIL
8.	Think BIG Digital Sdn Bhd ("Think BIG")	Revenue from ticket sales and/or other ancillary sales arising from redemption of loyalty points from Think BIG, which operates and manages a loyalty program branded as the BIG Loyalty Program	**Interested Directors and Major Shareholders** Tan Sri Dr. Tony Fernandes Datuk Kamarudin **Interested Major Shareholder** Tune Air	RM942,000
Expense				
9.	QPR Holdings Limited	Provision of full shirt sponsorship by our Company to Queens Park Rangers Football Club ("QPR") which is contingent upon QPR being promoted into the premier league (GBP2,500,000) and bonuses which is contingent upon QPR winning the Capital One Cup and/or FA Cup (GBP1,450,000)	**Interested Directors and Major Shareholders** Tan Sri Dr. Tony Fernandes Datuk Kamarudin	GBP1,675,000

	Transacting Parties	Nature of RRPTs	Class and relationship of the Related Parties	Actual value
Expense				
10.	Think BIG	Purchase of loyalty points from Think BIG, which operates and manages a loyalty program branded as the BIG Loyalty Program	**Interested Directors and Major Shareholders** Tan Sri Dr. Tony Fernandes Datuk Kamarudin **Interested Major Shareholder** Tune Air	RM1,500,000
11.	AAX	Shared service in relation to the respective AAX employees whose services are also provided to our Company	**Interested Directors and Major Shareholders** Tan Sri Dr. Tony Fernandes Datuk Kamarudin **Interested Major Shareholder** Tune Air	RM382,000
12.	Tune Box Avionics Sdn Bhd	Purchase and maintenance of an inflight entertainment and connectivity solutions	**Interested Directors and Major Shareholders** Tan Sri Dr. Tony Fernandes Datuk Kamarudin	USD3,812,000

The shareholdings of the interested Directors and interested Major Shareholders in the Company as at 17 April 2015 are as follows:

	Direct		Indirect	
	No. of Shares	**%**	**No. of Shares**	**%**
Interested Directors				
Tan Sri Dr. Anthony Francis Fernandes	1,600,000	0.06	*531,212,082	19.09
Datuk Kamarudin Bin Meranun	2,000,000	0.07	*531,212,082	19.09
Interested Major Shareholder				
Tune Air Sdn. Bhd.	531,212,082	19.09	-	-

Note:

* Deemed interested via their interests in Tune Air Sdn. Bhd., being the Major Shareholder of our Company pursuant to Section 6A of the Companies Act, 1965.

Please refer to the note of Section 2.3 of the Circular to shareholders dated 12 May 2014 and 12 May 2015 respectively on the directorships and shareholdings of the interested directors and interested major shareholder in the transacting parties.

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of providing air transportation services. The principal activities of the subsidiaries are described in Note 9 to the financial statements. There was no significant change in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year	82,836	32,814

DIVIDENDS

The dividends on ordinary shares paid by the Company since the end of the previous financial year were as follows:

	RM'000
In respect of the financial year ended 31 December 2013, - a first and final single-tier dividend of 4 sen per ordinary share of RM0.10 each on 2,782,304,080 ordinary shares of RM0.10 each, paid on 3 July 2014	111,292

The Directors now recommend a first and final single-tier dividend in respect of the financial year ended 31 December 2014 of 3 sen per share on 2,782,974,080 ordinary shares of RM0.10 each amounting to RM83,489,222, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company.

RESERVES AND PROVISIONS

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

ISSUANCE OF SHARES

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM278,106,258 to RM278,297,408 by way of issuance of 1,911,500 ordinary shares of RM0.10 each pursuant to the exercise of the Company's Employee Share Option Scheme ("ESOS") at an exercise price of RM1.08 per share. The premium arising from the exercise of ESOS of RM1,873,270 is credited to the Share Premium account.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company. There was no other change in the issued and paid-up share capital of the Company during the financial year.

DIRECTORS

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

Datuk Kamarudin Bin Meranun	
Tan Sri Dr. Anthony Francis Fernandes	
Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	
Dato' Fam Lee Ee	
Aireen Omar	
Robert Aaron Milton	
Amit Bhatia	(Appointed on 9 June 2014)
Uthaya Kumar A/L K Vivekananda	(Appointed on 20 August 2014)
Dato' Mohamed Khadar Bin Merican	(Resigned on 20 August 2014)
Datuk Mohd Omar Bin Mustapha	(Resigned on 20 August 2014)

DIRECTORS' BENEFITS

During and at the end of the financial year ended 31 December 2014, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 2 and Note 32 to the financial statements.

DIRECTORS' INTERESTS IN SHARES

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

	Number of ordinary shares of RM0.10 each			
	At 1.1.2014	**Acquired**	**(Disposed)**	**At 31.12.2014**
Direct interests in the Company				
Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	150,000	-	(55,000)	95,000**
Tan Sri Dr. Anthony Francis Fernandes	1,600,000	-	-	1,600,000***
Datuk Kamarudin Bin Meranun	2,000,000	-	-	2,000,000***
Dato' Fam Lee Ee	50,000	-	(50,000)	-
Robert Aaron Milton	100,000	-	-	100,000****
Indirect interests				
Tan Sri Dr. Anthony Francis Fernandes *	640,608,382	-	(109,396,300)	531,212,082
Datuk Kamarudin Bin Meranun *	640,608,382	-	(109,396,300)	531,212,082

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

* By virtue of their interests in shares in the substantial shareholder of the Company, Tune Air Sdn. Bhd. ("TASB"), Tan Sri Dr. Anthony Francis Fernandes and Datuk Kamarudin Bin Meranun are deemed to have interests in the Company to the extent of TASB's interests therein, in accordance with Section 6A of the Companies Act, 1965.

** Shares held under CIMSEC Nominees (Tempatan) Sdn Bhd.

*** Shares held under HSBC Nominees (Tempatan) Sdn Bhd.

**** Shares held under HDM Nominees (Asing) Sdn Bhd.

According to the register of Directors' shareholdings, other than as disclosed above, none of the other Directors in office at the end of the financial year held any interest in shares or debentures of the Company and its related corporations during the financial year.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Group and the Company were made out, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and Company had been written down to an amount which they might be expected so to realise.

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

(a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and Company misleading or inappropriate.

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

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

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

(b) any contingent liability of the Group and Company which has arisen since the end of the financial year.

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

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

In the opinion of the Directors:

(a) the results of the Group's and Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and Company for the financial year in which this report is made.

AUDITORS

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

In accordance with a resolution of the Board of Directors dated 22 April 2015.

DATUK KAMARUDIN BIN MERANUN
DIRECTOR

AIREEN OMAR
DIRECTOR

GENERAL INFORMATION AND SUMMARY
OF SIGNIFICANT ACCOUNTING POLICIES

A GENERAL INFORMATION

The principal activity of the Company is that of providing air transportation services. The principal activities of the subsidiaries are described in Note 9 to the financial statements. There were no significant changes in the nature of these activities during the financial year.

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

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

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

LCC Terminal
Jalan KLIA S3
Southern Support Zone
KL International Airport
64000 Sepang
Selangor Darul Ehsan

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 22 April 2015.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements of the Group and Company have been prepared in accordance with the Malaysian Financial Reporting Standards ('MFRS'), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

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 period. It also requires Directors to exercise their judgment in the process of applying the Group 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 C.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Standards, amendments to published standards and interpretations that are effective

The new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Group and Company's financial year beginning on or after 1 January 2014 are as follows:

- Amendments to MFRS 132 'Offsetting Financial Assets and Financial Liabilities'
- Amendments to MFRS 136 'Recoverable Amount Disclosures for Non-Financial Assets'
- Amendments to MFRS 139 'Novation of Derivatives and Continuation of Hedge Accounting'
- Amendments to MFRS 10, MFRS 12 and MFRS 127 'Investment entities'
- IC Interpretation 21 'Levies'

(c) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- Amendment to MFRS 11 'Joint arrangements' (effective from 1 January 2016) requires an investor to apply the principles of MFRS 3 'Business Combination' when it acquires an interest in a joint operation that constitutes a business. The amendments are applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation. However, a previously held interest is not re-measured when the acquisition of an additional interest in the same joint operation results in retaining joint control.

- Amendments to MFRS 116 'Property, plant and equipment' and MFRS 138 'Intangible assets' (effective from 1 January 2016) clarify that the use of revenue-based methods to calculate the depreciation and amortisation of an item of property, plant and equipment and intangible are not appropriate. This is because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

  The amendments to MFRS 138 also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption can be overcome only in the limited circumstances where the intangible asset is expressed as a measure of revenue or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

- Amendments to MFRS 10 and MFRS 128 regarding sale or contribution of assets between an investor and its associate or joint venture (effective from 1 January 2016) resolve a current inconsistency between MFRS 10 and MFRS 128. The accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business'. Full gain or loss shall be recognised by the investor where the non-monetary assets constitute a 'business'. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor to the extent of the other investors' interests. The amendments will only apply when an investor sells or contributes assets to its associate or joint venture. They are not intended to address accounting for the sale or contribution of assets by an investor in a joint operation.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective (countinued)

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 'Financial Instruments: Recognition and Measurement'. The complete version of MFRS 9 was issued in November 2014.

  MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ('OCI'). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

  For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

  There is now a new expected credit losses model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

- MFRS 15 'Revenue from contracts with customers' (effective from 1 January 2017) deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations.

The Group and the Company are in the process of assessing the full impact of the above standards, amendments to published standards and interpretations on the financial statements of the Group and of the Company in the year of initial application.

(d) Basis of consolidation

(i) Subsidiaries

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

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair 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.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Basis of consolidation (continued)

(i) Subsidiaries (continued)

Acquisition-related costs are expensed as incurred.

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

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

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

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

(ii) Joint arrangements

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

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

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

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Basis of consolidation (continued)

(iii) Associates

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

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

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

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

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

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

(e) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ('CGUs'), or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) 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 B(s) 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 financial period in which they are incurred.

Significant parts of an item of property, plant and equipment 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	8 or 13 years
Aircraft spares	10 years
Aircraft fixtures and fittings	Useful life of aircraft or remaining lease term of aircraft, whichever is shorter
Buildings	
- simulator	28.75 years
- hangar	50 years
Motor vehicles	5 years
Office equipment, furniture and fittings	5 years
Office renovation	5 years
Simulator equipment	25 years
Operating plant and ground equipment	5 years
In-flight equipment	5 years
Training equipment	5 years

Service potential of 8 years represents the period over which the expected cost of the first major aircraft engine overhaul is depreciated. Subsequent to the engine overhaul, the actual cost incurred is capitalised and depreciated over the subsequent 8 years.

Service potential of 13 years represents the period over which the expected cost of the first major airframe check is depreciated. Subsequent to the airframe check, the actual cost incurred is capitalised and depreciated over the subsequent 13 years.

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

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment (continued)

Residual values, where applicable, are reviewed annually against prevailing market rates at the balance sheet date for equivalent aged assets and depreciation rates are adjusted accordingly on a prospective basis. For the current financial year ended 31 December 2014, the estimated residual value for aircraft airframes and engines is 10% of their cost (2013: 10% of their cost).

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 cost of subsequent major airframe and engine maintenance checks as well as upgrades to leased assets are capitalised and amortised over the shorter of the period to the next check or the remaining life of the aircraft.

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such an indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note B(h) on impairment of non-financial assets.

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

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

(g) Investments in subsidiaries, joint ventures and associates

In the Company's separate financial statements, investments in subsidiaries, joint ventures and associates are stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount (see Note B(h)). On disposal of investments in subsidiaries, joint ventures and associates, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

(h) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually, or as and when events or circumstances occur indicating that an impairment may exist. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less 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.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Maintenance and overhaul

Owned aircraft

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

Leased aircraft

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

(j) 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.

Lessee

Finance leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payment.

Each lease payment is allocated between the liability and finance charges so as to achieve a periodic constant rate of interest on the remaining balance of the liability. The corresponding rental obligations, net of finance charges, are included in payables. The interest element of the finance cost is charged to 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. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

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 B(f) above. Where there is no reasonable certainty that the ownership will be transferred to the Group, the asset is depreciated over the shorter of the lease term and its useful life.

Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the lease period.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Leases (continued)

Lessor

Operating leases

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

(k) Inventories

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

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

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

(l) Financial assets

(i) Classification

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives are also categorised as held for trading unless they are designated as hedges (see Note B(n)). 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 loans and receivables comprise 'trade and other receivables', 'amounts due from associates, joint ventures and related companies' and 'deposits, cash and bank balances' in the balance sheets.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) Financial assets (continued)

(ii) Recognition and initial measurement

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

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

(iii) Subsequent measurement – gains and losses

Available-for-sale financial assets and 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 profit or loss in the period in which the changes arise.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses (see accounting policy Note B(I)(iv)) and foreign exchange gains and losses on monetary assets. The exchange differences on monetary assets are recognised in the income statement, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change.

Interest and dividend income on available-for-sale financial assets are recognised separately in profit or loss. Interest on available-for-sale debt securities calculated using the effective interest method is recognised in profit or loss. Dividends income on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

(iv) Subsequent measurement – Impairment of financial assets

<u>Assets carried at amortised cost</u>

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

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

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- Disappearance of an active market for that financial asset because of financial difficulties; or
- 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.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial assets (continued)

(iv) Subsequent measurement – Impairment of financial assets (continued)

Assets carried at amortised cost (continued)

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 of the asset is reduced and the amount of the loss is recognised in 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 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.

Assets classified as available-for-sale

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, the Group uses criteria and measurement of impairment loss applicable for 'assets carried at amortised cost' above.

In the case of equity securities classified as available-for-sale, in addition to the criteria for 'assets carried at amortised cost' above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in profit or loss. The amount of cumulative loss that is reclassified to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

(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.

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to the income statements.

(m) Offsetting financial instruments

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

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) 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 B(l). The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

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

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

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within ‘finance income/(costs)’ and ‘foreign exchange losses’.

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

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

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

(o) 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 provision for impairment.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Cash and cash equivalents

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

(q) Provisions

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.

(r) Share capital

(i) Classification

Ordinary shares with discretionary dividends are classified as equity.

(ii) Share issue costs

Incremental external costs directly attributable to the issuance of new shares or options are deducted against share premium account.

(iii) Dividends distribution

Distributions to holders of an equity instrument is debited directly to equity, net of any related income tax benefit and the corresponding liability is recognised in the period in which the dividends are approved.

(s) Borrowings and borrowing costs

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.

General and specific borrowing costs 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.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Borrowings and borrowing costs (continued)

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

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

(t) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries and associates operate and generate taxable income.

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

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

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

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

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

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Employee benefits

(i) Short term employee benefits

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

(ii) Defined contribution retirement plan

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

(v) Revenue and other income

Passenger seat sales are in respect of scheduled passenger flight and chartered flight income and are recognised upon the rendering of transportation services net of discounts. The revenue in respect of seats sold for which services have not been rendered is included in current liabilities as sales in advance.

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

Fuel and insurance surcharges, administrative fees, baggage fees, freight and ancillary sales are recognised upon the completion of services rendered. Related revenue is recognised upon the completion of services rendered and net of discounts.

Rental income and brand license fees are recognised on an accrual basis.

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

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.

(w) 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 consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Foreign currencies (continued)

(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 and joint ventures are separately disclosed after net operating profit.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

(iii) Group companies

The results and financial position of all the Group entities (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 income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is disposed of or sold, such exchange differences that were recorded in equity are recognised in the income statements as part of the gain or loss on disposal.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences relating to that foreign operation recognised in other comprehensive income and accumulated in the separate component of equity are reclassified to profit or loss. In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Trade payables

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

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

(y) Contingent liabilities

The Group does not recognise contingent liabilities but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare 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 recognises separately the contingent liabilities of the acquirees as part of allocating the cost of a business combination where their fair values can be measured reliably. Where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisitions.

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

(z) 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.

C CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

C CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(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 airframes and engines based on factors such as business plans 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 in the estimated useful lives and residual values of aircraft airframes and engines as disclosed in Note B(f), would increase the recorded depreciation charge and decrease the carrying amount of property, plant and equipment.

(ii) Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Estimating the future taxable profits involves significant assumptions, especially in respect of fares, load factor, fuel price, maintenance costs and currency movements. These assumptions have been built based on past performance and adjusted for non-recurring circumstances and a reasonable growth rate. However, even where the actual taxable profits in the future are 5 percent lower than the anticipated taxable profits, the deferred tax assets can still be fully utilised.

(iii) Impairment of amounts due from associates

Management reviews the recoverability of the amounts due from associates with reference to any evidence of impairment. This evidence may include observable data indicating that there has been an adverse change in the payment status of the associates and the local economic conditions that correlate with the potential risk of impairment on the transactions. Impairment assessment is performed on the amounts due from associates whenever events or changes in circumstance indicate that the amounts may not be recoverable. This impairment assessment exercise requires significant judgment in estimating the future cash flows generated by the associates, which involved uncertainties and are significantly affected by assumptions used and judgment made regarding estimates of future cash flows in in respect of fares, load factor, fuel price, maintenance costs and currency movements.

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Revenue	1	5,415,744	5,111,822	5,415,744	5,111,822
Other income	1	178,029	181,279	156,338	137,813
Operating expenses					
- Staff costs	2	(667,277)	(610,905)	(642,222)	(606,765)
- Depreciation of property, plant and equipment	8	(719,497)	(597,258)	(718,202)	(596,827)
- Aircraft fuel expenses		(2,254,237)	(2,212,198)	(2,254,237)	(2,212,198)
- Maintenance and overhaul		(149,411)	(138,622)	(149,411)	(138,622)
- User charges	4	(545,279)	(490,009)	(545,279)	(490,009)
- Aircraft operating lease expenses		(198,280)	(189,354)	(198,280)	(189,354)
- Other operating expenses		(233,760)	(191,831)	(260,909)	(196,596)
Share of results of joint ventures	10	57,266	13,599	-	-
Share of results of associates					
- Existing associates	11	(29,707)	82,695	-	-
- Disposed associate	11	-	(41,032)	-	-
		(29,707)	41,663	-	-
Operating profit		853,591	918,186	803,542	819,264
Finance income	5	121,869	112,320	121,836	112,304
Finance costs	5	(533,967)	(428,406)	(533,905)	(428,347)
Net operating profit		441,493	602,100	391,473	503,221
Foreign exchange losses	5	(609,085)	(353,218)	(609,087)	(353,218)
Foreign exchange gains on amounts due from associates and joint ventures		190,293	34,088	190,293	34,088
Gain on disposal of interest in AirAsia Japan Co Ltd	11	-	78,265	-	-
Profit/(loss) before taxation		22,701	361,235	(27,321)	184,091
Taxation					
- Current taxation	6	(25,638)	(18,910)	(25,638)	(18,910)
- Deferred taxation	6	85,773	19,799	85,773	19,799
		60,135	889	60,135	889
Net profit for the financial year		82,836	362,124	32,814	184,980

	Note	Group 2014 RM'000	Group 2013 RM'000
Net profit for the financial year attributable to:			
- Equity holders of the Company		82,836	362,124
- Non-controlling interests		-	-
		82,836	362,124
Earnings per share (sen)			
- Basic	7	3.0	13.0
- Diluted	7	3.0	13.0

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

		Group		Company	
	Note	2014	2013	2014	2013
		RM'000	RM'000	RM'000	RM'000
Profit for the financial year		82,836	362,124	32,814	184,980
Other comprehensive (loss)/income					
Items that may be subsequently reclassified to profit or loss					
Other investments					
- Net change in fair values	12	(132,396)	265,788	(132,396)	265,788
- Transfer to profit or loss on disposal	12	(42,077)	-	(42,077)	-
Cash flow hedges		(252,939)	178,213	(222,239)	178,213
Foreign currency translation differences		7,963	404	-	-
Other comprehensive (loss)/income for the financial year, net of tax		(419,449)	444,405	(396,712)	444,001
Total comprehensive (loss)/income for the financial year		(336,613)	806,529	(363,898)	628,981
Total comprehensive (loss)/income attributable to:					
- Equity holders of the Company		(336,613)	806,529		
- Non-controlling interests		-	-		
		(336,613)	806,529		

BALANCE SHEETS
AS AT 31 DECEMBER 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	8	12,533,535	11,292,826	12,527,171	11,288,171
Investment in subsidiaries	9	-	-	23,480	23,480
Investment in joint ventures	10	191,620	134,354	81,559	81,559
Investment in associates	11	230,454	260,483	3,760	29
Other investments	12	384,790	571,895	384,790	561,770
Goodwill	13	7,334	7,334	-	-
Deferred tax assets	14	466,968	381,195	466,968	381,195
Receivables and prepayments	15	1,132,504	847,573	1,113,924	847,573
Deposits on aircraft purchase	16	500,321	642,394	500,321	642,394
Amounts due from associates	17	2,301,528	559,190	2,213,755	478,564
Derivative financial instruments	18	381,686	235,665	381,686	235,665
		18,130,740	14,932,909	17,697,414	14,540,400
CURRENT ASSETS					
Inventories	19	18,152	29,520	18,152	29,520
Receivables and prepayments	15	682,909	731,506	638,026	697,236
Derivative financial instruments	18	286,298	3,173	286,298	3,173
Amounts due from subsidiaries	20	-	-	173,953	191,120
Amounts due from joint ventures	21	51,188	33,703	34,432	11,431
Amounts due from associates	17	153,803	738,735	148,907	689,372
Amounts due from related parties	20	3,179	6,113	3,144	6,113
Deposits, cash and bank balances	22	1,337,849	1,380,435	1,319,085	1,306,926
		2,533,378	2,923,185	2,621,997	2,934,891

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
LESS: CURRENT LIABILITIES					
Trade and other payables	23	773,128	744,998	781,578	660,309
Sales in advance		502,810	661,590	501,962	661,590
Amount due to a subsidiary	24	-	-	-	10,185
Amount due to a joint venture	21	-	-	-	151
Amounts due to associates	17	55,110	467	55,110	467
Amounts due to related parties	24	24,693	15,145	24,693	15,145
Borrowings	25	2,274,928	1,119,436	2,274,928	1,119,436
Derivative financial instruments	18	472,204	29,545	472,204	29,545
Current tax liabilities		9,380	1,074	9,712	1,400
		4,112,253	2,572,255	4,120,187	2,498,228
NET CURRENT (LIABILITIES)/ASSETS		(1,578,875)	350,930	(1,498,190)	436,663
NON-CURRENT LIABILITIES					
Other payables and accruals	23	1,212,044	918,864	1,212,044	918,864
Borrowings	25	10,453,090	9,051,416	10,453,090	9,051,416
Derivative financial instruments	18	248,095	251,768	248,095	251,768
Amount due to an associate	17	83,545	60,859	64,965	60,859
		11,996,774	10,282,907	11,978,194	10,282,907
		4,555,091	5,000,932	4,221,030	4,694,156
CAPITAL AND RESERVES					
Share capital	26	278,297	278,106	278,297	278,106
Share premium		1,230,941	1,229,068	1,230,941	1,229,068
Foreign exchange reserve		8,818	855	-	-
Retained earnings	27	2,898,035	2,926,491	2,542,092	2,620,570
Other reserves	27	139,000	566,412	169,700	566,412
Shareholders' equity		4,555,091	5,000,932	4,221,030	4,694,156

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

		Attributable to equity holders of the Company									
		Issued and fully paid ordinary shares of RM0.10 each									
	Note	Number of shares '000	Nominal value RM'000	Share premium RM'000	Foreign exchange reserve RM'000	Cash flow hedge reserve RM'000	Available-for-sale reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2014		2,781,064	278,106	1,229,068	855	80,065	486,347	2,926,491	5,000,932	-	5,000,932
Net profit for the financial year		-	-	-	-	-	-	82,836	82,836	-	82,836
Other comprehensive income/(loss)		-	-	-	7,963	(252,939)	(174,473)	-	(419,449)	-	(419,449)
Total comprehensive income/(loss)		-	-	-	7,963	(252,939)	(174,473)	82,836	(336,613)	-	(336,613)
Dividends	28	-	-	-	-	-	-	(111,292)	(111,292)	-	(111,292)
Issuance of ordinary shares											
- pursuant to the Employee Share Option Scheme	26	1,910	191	1,873	-	-	-	-	2,064	-	2,064
At 31 December 2014		2,782,974	278,297	1,230,941	8,818	(172,874)	311,874	2,898,035	4,555,091	-	4,555,091

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

		Attributable to equity holders of the Company									
		Issued and fully paid ordinary shares of RM0.10 each									
	Note	Number of shares '000	Nominal value RM'000	Share premium RM'000	Foreign exchange reserve RM'000	Cash flow hedge reserve RM'000	Available-for-sale reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2013		2,779,908	277,991	1,227,935	451	(98,148)	220,559	3,231,581	4,860,369	-	4,860,369
Net profit for the financial year		-	-	-	-	-	-	362,124	362,124	-	362,124
Other comprehensive income		-	-	-	404	178,213	265,788	-	444,405	-	444,405
Total comprehensive income		-	-	-	404	178,213	265,788	362,124	806,529	-	806,529
Dividends	28	-	-	-	-	-	-	(667,214)	(667,214)	-	(667,214)
Issuance of ordinary shares											
- pursuant to the Employee Share Option Scheme	26	1,156	115	1,133	-	-	-	-	1,248	-	1,248
At 31 December 2013		2,781,064	278,106	1,229,068	855	80,065	486,347	2,926,491	5,000,932	-	5,000,932

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	Issued and fully paid ordinary shares of RM0.10 each		Non-distributable			Distributable	
		Number of shares	Nominal value	Cash flow hedge reserve	Available-for-sale reserve	Share premium	Retained earnings	Total
		'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2014		2,781,064	278,106	80,065	486,347	1,229,068	2,620,570	4,694,156
Net profit for the financial year		-	-	-	-	-	32,814	32,814
Other comprehensive loss		-	-	(222,239)	(174,473)	-	-	(396,712)
Total comprehensive (loss)/income		-	-	(222,239)	(174,473)	-	32,814	(363,898)
Dividends	28	-	-	-	-	-	(111,292)	(111,292)
Issuance of shares								
- pursuant to the Employee Share Option Scheme	26	1,910	191	-	-	1,873	-	2,064
At 31 December 2014		2,782,974	278,297	(142,174)	311,874	1,230,941	2,542,092	4,221,030
At 1 January 2013		2,779,908	277,991	(98,148)	220,559	1,227,935	3,102,804	4,731,141
Net profit for the financial year		-	-	-	-	-	184,980	184,980
Other comprehensive income		-	-	178,213	265,788	-	-	444,001
Total comprehensive income		-	-	178,213	265,788	-	184,980	628,981
Dividends	28	-	-	-	-	-	(667,214)	(667,214)
Issuance of shares								
- pursuant to the Employee Share Option Scheme	26	1,156	115	-	-	1,133	-	1,248
At 31 December 2013		2,781,064	278,106	80,065	486,347	1,229,068	2,620,570	4,694,156

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before taxation	22,701	361,235	(27,321)	184,091
Adjustments:				
Property, plant and equipment				
- Depreciation	719,497	597,258	718,202	596,827
- Loss/(gain) on disposals	4,690	(3,036)	4,690	(3,036)
Gain on disposal of other investments	(42,077)	-	(42,077)	-
Gain on disposal of interest in AirAsia Japan Co Ltd	-	(78,265)	-	-
Impairment on other investments	10,125	2,685	-	-
Impairment of trade and other receivables	30,651	18,864	24,853	16,382
Impairment of amount due from a subsidiary	-	-	14,984	5,306
Fair value gain on derivative financial instruments	(212,398)	(287,266)	(212,398)	(287,266)
Share of results of joint ventures	(57,266)	(13,599)	-	-
Share of results of associates	29,707	(41,663)	-	-
Net unrealised foreign exchange loss	639,614	517,669	640,586	517,669
Dividend income	(4,697)	-	(4,697)	-
Interest expense	533,967	428,406	533,905	428,347
Interest income	(121,869)	(112,320)	(121,836)	(112,304)
	1,552,645	1,389,968	1,528,891	1,346,016
Changes in working capital:				
Inventories	11,368	(5,795)	11,368	(5,795)
Receivables and prepayments	(258,466)	(149,105)	(208,156)	(145,833)
Trade and other payables	101,432	464,809	187,931	420,750
Related party balances	(725,677)	(369,431)	(813,667)	(355,875)
Cash generated from operations	681,302	1,330,446	706,367	1,259,263
Interest paid	(470,613)	(411,117)	(470,551)	(411,117)
Interest received	106,576	64,208	106,543	64,192
Tax paid	(15,234)	(22,399)	(15,234)	(22,399)
Net cash from operating activities	302,031	961,138	327,125	889,939

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Property, plant and equipment				
- Additions	(2,084,641)	(2,117,455)	(2,081,254)	(2,112,369)
- Proceeds from disposals	119,745	16,437	119,362	16,437
Loan repayment received from associates	80,937	30,649	80,937	30,649
Proceeds from disposal of associate	-	78,265	-	-
Proceeds from disposal of other investments	44,584	-	44,584	-
Dividend received	4,697	-	4,697	-
Investment in associates	(30,378)	(55,975)	(3,731)	-
Loans granted to associate	(431,258)	(145,514)	(431,258)	(64,888)
Refund/(Deposits placed) on aircraft purchase	142,073	(152,483)	142,073	(152,483)
Net cash used in investing activities	(2,154,241)	(2,346,076)	(2,124,590)	(2,282,654)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from allotment of shares	2,064	1,248	2,064	1,248
Proceeds from borrowings	3,129,496	2,424,972	3,129,496	2,424,972
Repayment of borrowings	(1,241,080)	(1,250,227)	(1,241,080)	(1,250,227)
Dividends paid	(111,292)	(667,214)	(111,292)	(667,214)
Net cash from financing activities	1,779,188	508,779	1,779,188	508,779
NET DECREASE FOR THE FINANCIAL YEAR	(73,022)	(876,159)	(18,277)	(883,936)
CURRENCY TRANSLATION DIFFERENCES	30,436	23,863	30,436	23,863
DEPOSITS, CASH AND BANK BALANCES AT BEGINNING OF THE FINANCIAL YEAR	1,380,435	2,232,731	1,306,926	2,166,999
DEPOSITS, CASH AND BANK BALANCES AT END OF THE FINANCIAL YEAR	1,337,849	1,380,435	1,319,085	1,306,926

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

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Deposits, cash and bank balances (Note 22)	1,337,849	1,380,435	1,319,085	1,306,926
Less: Deposits pledged as securities	(15,649)	(14,416)	(15,649)	(14,416)
Less: Restricted cash	(553,822)	(171,529)	(553,822)	(171,529)
Adjustments in net cash flow from financing activities	(569,471)	(185,945)	(569,471)	(185,945)
Cash and cash equivalents	768,378	1,194,490	749,614	1,120,981

The deposits with licensed banks of the Group and Company amounting to RM15,649,000 (2013: RM14,416,000) are pledged as securities for banking facilities granted to the Group and Company (Note 25).

Restricted cash was in relation to a cash deposit pledged for the Group's and Company's revolving credit facility as at 31 December 2014 (Note 25).

1 REVENUE AND OTHER INCOME

REVENUE

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Passenger seat sales	2,989,268	3,004,429	2,989,268	3,004,429
Baggage fees	456,039	442,677	456,039	442,677
Aircraft operating lease income	793,020	666,247	793,020	666,247
Surcharges and fees	677,241	587,972	677,241	587,972
Other revenue	500,176	410,497	500,176	410,497
	5,415,744	5,111,822	5,415,744	5,111,822

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

OTHER INCOME

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
(Loss)/gain on disposals of property, plant and equipment	(4,690)	3,036	(4,690)	3,036
Gain on disposal of other investments	42,077	-	42,077	-
Fees charged to associates providing commercial air transport services	61,108	54,571	61,108	54,571
Others	79,534	123,672	57,843	80,206
	178,029	181,279	156,338	137,813

Other income ('others') includes commission income and advertising income.

2 STAFF COSTS

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Wages, salaries, bonus and allowances	608,555	554,085	586,420	550,074
Defined contribution retirement plan	58,722	56,820	55,802	56,691
	667,277	610,905	642,222	606,765

2 STAFF COSTS (CONTINUED)

Included in staff costs are Executive Directors' and Non-Executive Directors' remuneration, analysed as follows:

	Group and Company	
	2014	2013
	RM'000	RM'000
Executive Directors		
- basic salaries, bonus and allowances	8,531	6,925
- defined contribution plan	1,023	831
Non-executive Directors		
- fees	1,078	1,659
	10,632	9,415

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

	Executive		Non-executive	
	2014	2013	2014	2013
Range of remuneration				
Below RM150,000	-	-	3	5
RM150,001 to RM200,000	-	-	2	1
RM200,001 to RM250,000	-	-	2	1
RM250,001 to RM300,000	-	-	-	1
RM300,001 to RM350,000	-	-	-	1
RM1,000,001 to RM2,000,000	1	1	-	-
RM2,000,001 to RM3,000,000	-	1	-	-
RM3,000,001 to RM4,000,000	1	1	-	-
RM4,000,001 to RM5,000,000	1	-	-	-

3 OTHER OPERATING EXPENSES

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Impairment of amount due from a subsidiary (Note 20)	-	-	14,984	5,306
Impairment of other investments (Note 12)	10,125	2,685	-	-
Regional expenses incurred	-	45,438	-	45,438
Impairment of trade and other receivables	30,651	18,864	24,853	16,382
Rental of land and building	3,529	6,310	3,529	6,310
Auditors' remuneration				
- audit fees	800	752	758	710
- non-audit fees	1,230	287	1,230	287
Rental of equipment	1,791	2,255	1,791	2,255
Advertising costs	62,929	42,316	62,929	42,316
Net foreign exchange losses/(gains) from operations				
- Realised	18,922	17,137	18,922	17,137
- Unrealised	(28,164)	(35,010)	(28,164)	(35,010)

4 USER CHARGES

User charges include airport related charges, ground operational charges, aircraft insurance cost, and inflight related expenses.

5 FINANCE INCOME/(COSTS)

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Finance income:				
Interest income:				
- deposits with licensed banks	17,889	4,779	17,889	4,779
- short term deposits with fund management companies	-	759	-	759
- amounts due from associates and joint ventures	88,867	49,628	88,867	49,628
Gain from interest rate contracts	6,824	48,112	6,824	48,112
Others	8,289	9,042	8,256	9,026
	121,869	112,320	121,836	112,304
Finance costs:				
Interest expense				
- bank borrowings	(522,921)	(418,794)	(522,921)	(418,794)
Amortisation of premiums for interest rate caps	(8,192)	(8,032)	(8,192)	(8,032)
Bank facilities and other charges	(2,854)	(1,580)	(2,792)	(1,521)
	(533,967)	(428,406)	(533,905)	(428,347)
FOREIGN EXCHANGE LOSSES				
Borrowings:				
- realised	(5,339)	(5,606)	(5,339)	(5,606)
- unrealised	(707,031)	(586,767)	(707,033)	(586,767)
- fair value movement recycled from cash flow hedge reserve	175,256	194,578	175,256	194,578
(Loss)/gain from forward foreign exchange contracts and others	(71,971)	44,634	(71,971)	44,634
Ineffective on cash flow hedges (Note 18)	-	(57)	-	(57)
	(609,085)	(353,218)	(609,087)	(353,218)

6 TAXATION

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Current taxation	25,638	18,910	25,638	18,910
Deferred taxation (Note 14)	(85,773)	(19,799)	(85,773)	(19,799)
	(60,135)	(889)	(60,135)	(889)
Current taxation				
- Current financial year	25,638	18,910	25,638	18,910
Deferred taxation				
- Origination and reversal of temporary differences	80,109	68,468	80,109	68,468
- Tax incentives	(165,882)	(88,267)	(165,882)	(88,267)
	(85,773)	(19,799)	(85,773)	(19,799)
	(60,135)	(889)	(60,135)	(889)

The current taxation charge is in respect of interest income which is assessed separately.

The explanation of the relationship between taxation and profit before taxation is as follows:

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) before taxation	22,701	361,235	(27,321)	184,091
Tax calculated at Malaysian tax rate of 25% (2013: 25%)	5,675	90,309	(6,830)	46,023
Tax effects of:				
- expenses not deductible for tax purposes	147,803	107,711	147,803	107,711
- income not subject to tax	(24,786)	(31,419)	(19,171)	(949)
- associates' results reported net of tax	7,427	(10,416)	-	-
- joint ventures' results reported net of tax	(14,317)	(3,400)	-	-
- tax incentives	(165,882)	(137,133)	(165,882)	(137,133)
- change in statutory tax rate	(16,055)	(16,541)	(16,055)	(16,541)
Taxation	(60,135)	(889)	(60,135)	(889)

7 EARNINGS PER SHARE

(a) Basic earnings per share

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

	Group	
	2014	**2013**
Net profit for the financial year (RM'000)	82,836	362,124
Weighted average number of ordinary shares in issue ('000)	2,782,245	2,780,542
Earnings per share (sen)	3.0	13.0

(b) Diluted earnings per share

For the diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Group	
	2014	**2013**
Net profit for the financial year (RM'000)	82,836	362,124
Weighted average number of ordinary shares in issue ('000)	2,782,245	2,780,542
Adjustment for ESOS ('000)	-	2,020
Weighted average number of ordinary shares for diluted earnings per share	2,782,245	2,782,562
Diluted earnings per share (sen)	3.0	13.0

The Company's share option scheme lapsed on 6 June 2014.

8 PROPERTY, PLANT AND EQUIPMENT

	At 1 January 2014 RM'000	Additions RM'000	Disposals RM'000	Depreciation charge RM'000	At 31 December 2014 RM'000
Group					
Net book value					
Aircraft engines, airframe and service potential	11,049,553	1,990,785	(88,095)	(660,861)	12,291,382
Aircraft spares	125,275	29,302	(4,271)	(27,554)	122,752
Aircraft fixtures and fittings	24,152	31,151	(844)	(11,263)	43,196
Buildings	33,177	51	(30,287)	(1,286)	1,655
Motor vehicles	4,867	5,235	(102)	(2,418)	7,582
Office equipment, furniture and fittings	20,125	14,071	(437)	(8,622)	25,137
Office renovation	8,116	1,477	(385)	(2,700)	6,508
Simulator equipment	1,099	-	-	(10)	1,089
Operating plant and ground equipment	11,490	5,047	(14)	(4,061)	12,462
In-flight equipment	598	65	-	(279)	384
Training equipment	578	-	-	(443)	135
Work in progress	13,796	7,457	-	-	21,253
	11,292,826	2,084,641	(124,435)	(719,497)	12,533,535

	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment loss RM'000	Net book value RM'000
Group				
At 31 December 2014				
Aircraft engines, airframe and service potential	15,699,049	(3,407,667)	-	12,291,382
Aircraft spares	303,900	(164,165)	(16,983)	122,752
Aircraft fixtures and fittings	125,341	(82,145)	-	43,196
Buildings	2,114	(459)	-	1,655
Motor vehicles	27,450	(19,868)	-	7,582
Office equipment, furniture and fittings	82,092	(56,955)	-	25,137
Office renovation	23,033	(16,525)	-	6,508
Simulator equipment	4,967	(3,878)	-	1,089
Operating plant and ground equipment	44,795	(32,333)	-	12,462
In-flight equipment	1,896	(1,512)	-	384
Training equipment	4,419	(4,284)	-	135
Work in progress	21,253	-	-	21,253
	16,340,309	(3,789,791)	(16,983)	12,533,535

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	At 1 January 2013 RM'000	Additions RM'000	Disposals RM'000	Depreciation charge RM'000	At 31 December 2013 RM'000
Group					
Net book value					
Aircraft engines, airframe and service potential	9,563,749	2,036,509	(4,050)	(546,655)	11,049,553
Aircraft spares	125,207	32,220	(6,781)	(25,371)	125,275
Aircraft fixtures and fittings	18,647	13,383	(686)	(7,192)	24,152
Buildings	34,581	-	-	(1,404)	33,177
Motor vehicles	4,811	3,508	(1,507)	(1,945)	4,867
Office equipment, furniture and fittings	19,705	7,990	(74)	(7,496)	20,125
Office renovation	6,218	4,209	-	(2,311)	8,116
Simulator equipment	1,138	-	-	(39)	1,099
Operating plant and ground equipment	9,795	5,741	(303)	(3,743)	11,490
In-flight equipment	816	99	-	(317)	598
Training equipment	1,363	-	-	(785)	578
Work in progress	-	13,796	-	-	13,796
	9,786,030	2,117,455	(13,401)	(597,258)	11,292,826

	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment loss RM'000	Net book value RM'000
Group				
At 31 December 2013				
Aircraft engines, airframe and service potential	13,844,568	(2,795,015)	-	11,049,553
Aircraft spares	278,869	(136,611)	(16,983)	125,275
Aircraft fixtures and fittings	95,845	(71,693)	-	24,152
Buildings	41,204	(8,027)	-	33,177
Motor vehicles	22,595	(17,728)	-	4,867
Office equipment, furniture and fittings	69,692	(49,567)	-	20,125
Office renovation	21,557	(13,441)	-	8,116
Simulator equipment	4,967	(3,868)	-	1,099
Operating plant and ground equipment	41,037	(29,547)	-	11,490
In-flight equipment	1,831	(1,233)	-	598
Training equipment	4,419	(3,841)	-	578
Work in progress	13,796	-	-	13,796
	14,440,380	(3,130,571)	(16,983)	11,292,826

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	At 1 January 2014 RM'000	Additions RM'000	Disposals RM'000	Depreciation charge RM'000	At 31 December 2014 RM'000
Company					
Net book value					
Aircraft engines, airframe and service potential	11,049,553	1,990,785	(88,095)	(660,861)	12,291,382
Aircraft spares	125,275	29,302	(4,271)	(27,554)	122,752
Aircraft fixtures and fittings	24,152	31,151	(844)	(11,263)	43,196
Buildings	33,177	51	(30,287)	(1,286)	1,655
Motor vehicles	4,867	5,235	(102)	(2,418)	7,582
Office equipment, furniture and fittings	18,752	12,426	(437)	(7,998)	22,743
Office renovation	4,834	1,471	(2)	(2,029)	4,274
Simulator equipment	1,099	-	-	(10)	1,089
Operating plant and ground equipment	11,490	5,047	(14)	(4,061)	12,462
In-flight equipment	598	65	-	(279)	384
Training equipment	578	-	-	(443)	135
Work in progress	13,796	5,721	-	-	19,517
	11,288,171	2,081,254	(124,052)	(718,202)	12,527,171

	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment loss RM'000	Net book value RM'000
Company				
At 31 December 2014				
Aircraft engines, airframe and service potential	15,699,049	(3,407,667)	-	12,291,382
Aircraft spares	303,900	(164,165)	(16,983)	122,752
Aircraft fixtures and fittings	125,341	(82,145)	-	43,196
Buildings	2,114	(459)	-	1,655
Motor vehicles	27,450	(19,868)	-	7,582
Office equipment, furniture and fittings	78,934	(56,191)	-	22,743
Office renovation	19,454	(15,180)	-	4,274
Simulator equipment	4,967	(3,878)	-	1,089
Operating plant and ground equipment	44,795	(32,333)	-	12,462
In-flight equipment	1,896	(1,512)	-	384
Training equipment	4,419	(4,284)	-	135
Work in progress	19,517	-	-	19,517
	16,331,836	(3,787,682)	(16,983)	12,527,171

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	At 1 January 2013 RM'000	Additions RM'000	Disposals RM'000	Depreciation charge RM'000	At 31 December 2013 RM'000
Company					
Net book value					
Aircraft engines, airframe and service potential	9,563,749	2,036,509	(4,050)	(546,655)	11,049,553
Aircraft spares	125,207	32,220	(6,781)	(25,371)	125,275
Aircraft fixtures and fittings	18,647	13,383	(686)	(7,192)	24,152
Buildings	34,581	-	-	(1,404)	33,177
Motor vehicles	4,811	3,508	(1,507)	(1,945)	4,867
Office equipment, furniture and fittings	19,705	6,477	(74)	(7,356)	18,752
Office renovation	6,218	636	-	(2,020)	4,834
Simulator equipment	1,138	-	-	(39)	1,099
Operating plant and ground equipment	9,795	5,741	(303)	(3,743)	11,490
In-flight equipment	816	99	-	(317)	598
Training equipment	1,363	-	-	(785)	578
Work in progress	-	13,796	-	-	13,796
	9,786,030	2,112,369	(13,401)	(596,827)	11,288,171

	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment loss RM'000	Net book value RM'000
Company				
At 31 December 2013				
Aircraft engines, airframe and service potential	13,844,568	(2,795,015)	-	11,049,553
Aircraft spares	278,869	(136,611)	(16,983)	125,275
Aircraft fixtures and fittings	95,845	(71,693)	-	24,152
Buildings	41,204	(8,027)	-	33,177
Motor vehicles	22,595	(17,728)	-	4,867
Office equipment, furniture and fittings	68,179	(49,427)	-	18,752
Office renovation	17,984	(13,150)	-	4,834
Simulator equipment	4,967	(3,868)	-	1,099
Operating plant and ground equipment	41,037	(29,547)	-	11,490
In-flight equipment	1,831	(1,233)	-	598
Training equipment	4,419	(3,841)	-	578
Work in progress	13,796	-	-	13,796
	14,435,294	(3,130,140)	(16,983)	11,288,171

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Included in property, plant and equipment of the Group and the Company are assets with the following net book values:

	Group and Company	
	2014	2013
	RM'000	RM'000
Net book value of owned aircraft sub-leased to associates	4,674,014	4,254,518
Aircraft pledged as security for borrowings (Note 25)	12,291,382	11,049,553

The beneficial ownership and operational control of 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 financiers during delivery, the legal title will be transferred to the Company only upon settlement of the respective facilities.

9 INVESTMENT IN SUBSIDIARIES

	Company	
	2014	2013
	RM'000	RM'000
Unquoted investments, at cost	23,516	23,516
Less: Accumulated impairment losses	(36)	(36)
	23,480	23,480
At 1 January/31 December	23,480	23,480

9 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows:

Name of entity	Country of incorporation	Group's effective equity interest 2014 %	2013 %	Principal activities
Directly held by the Company				
AirAsia Investment Ltd ("AAIL")*	Malaysia	100	100	Investment holding
AirAsia Go Holiday Sdn Bhd ("AGH")	Malaysia	100	100	Tour operating business
AirAsia (Mauritius) Limited*	Mauritius	100	100	Providing aircraft leasing facilities to Thai AirAsia Co. Ltd
AirAsia Corporate Services Limited*	Malaysia	100	100	Facilitate business transactions for AirAsia Group with non-resident goods and service providers
Ground Team Red Sdn Bhd (formerly known as Aras Sejagat Sdn Bhd)	Malaysia	100	100	Special purpose vehicle for financing arrangements required by AirAsia
Koolred Sdn Bhd	Malaysia	100	100	Investment holding
AirAsia Global Shared Services Sdn Bhd	Malaysia	100	100	To provide shared services and outsourcing for its affiliates
Asia Aviation Capital Limited ("AAC")*	Malaysia	100	-	Providing aircraft leasing services
Held by AGH				
AirAsia Exp Pte. Ltd ("AAE")*	Singapore	100	100	Investment holding
Held by AAIL				
AirAsia Capital Ltd *	Malaysia	100	100	Dormant

* Not audited by PricewaterhouseCoopers, Malaysia

On 26 September 2014, a wholly-owned subsidiary of the Company, AAC was incorporated in Labuan, Malaysia to provide aircraft leasing services for the Company and its affiliates. The initial share capital of AAC is USD100 comprising 100 ordinary shares of USD1.00 each.

10 INVESTMENT IN JOINT VENTURES

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Unquoted investments, at cost	111,674	111,674	81,559	81,559
Share of post-acquisition reserves	79,946	22,680	-	-
	191,620	134,354	81,559	81,559

The joint ventures listed below have share capital consisting solely of ordinary shares, which are directly held by the Group:

Name of entity	Principal place of business/country of incorporation	Group's effective equity interest		Principal activities
		2014	2013	
		%	%	
Think Big Digital Sdn Bhd ("BIG")	Malaysia	47.8*	50	Financial services
Asian Aviation Centre of Excellence Sdn Bhd ("AACOE")	Malaysia	50	50	Aviation training
<u>Held by AAE</u>				
AAE Travel Pte Ltd ("AAE Travel")	Singapore	50	50	Online travel agency

* Reclassified to investment in associate (Note 11)

All the joint ventures listed above are private companies for which there is no quoted market price available for its shares.

There are no contingent liabilities relating to the Group's interest in the joint ventures.

AACOE is an aviation training centre with operations in Malaysia and Singapore. AACOE is a strategic partner of the Company and provides initial and recurrent training for both pilots and flight attendants. AACOE also provides training to TAA, IAA, PAA, AAIPL and other airline clients in the region.

AAE Travel is an online travel agent based in Singapore. AAE Travel is a strategic partner and sells both hotel accommodation and flights across the ASEAN region. AAE Travel provides the Company with an additional distribution channel and access to a wider market.

10 INVESTMENT IN JOINT VENTURES (CONTINUED)

Summarised financial information for joint ventures

Set out below are the summarised financial information of the joint ventures which are accounted for using the equity method:

Summarised balance sheets

	AACOE		AAE Travel		Total	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Current						
Cash and cash equivalents	58,987	77,721	126,137	76,179	185,124	153,900
Other current assets	46,105	35,714	18,961	15,274	65,066	50,988
Total current assets	105,092	113,435	145,098	91,453	250,190	204,888
Financial liabilities (excluding trade payables)	(3,741)	(23,790)	(10,644)	(8,377)	(14,385)	(32,167)
Other current liabilities (including trade payables)	(47,658)	(22,327)	(35,333)	(26,771)	(82,991)	(49,098)
Total current liabilities	(51,399)	(46,117)	(45,977)	(35,148)	(97,376)	(81,265)
Non-current						
Assets	334,869	264,567	4,552	6,101	339,421	270,668
Liabilities	(108,995)	(125,583)	-	-	(108,995)	(125,583)
Net assets	279,567	206,302	103,673	62,406	383,240	268,708

Summarised statements of comprehensive income

	AACOE		AAE Travel		Total	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Revenue	85,432	88,927	438,823	312,409	524,255	401,336
Depreciation and amortisation	(19,111)	(17,633)	(6,606)	(3,084)	(25,717)	(20,717)
Interest income	-	-	-	12,499	-	12,499
Interest expense	(4,139)	(2,102)	-	-	(4,139)	(2,102)
Profit before taxation	24,075	23,128	43,658	18,027	67,733	41,155
Tax income/(expense)	49,190	(12,208)	(2,391)	(1,750)	46,799	(13,958)
Profit after taxation and total comprehensive income	73,265	10,920	41,267	16,277	114,532	27,197
Dividends received from joint ventures	-	-	-	-	-	-

10 INVESTMENT IN JOINT VENTURES (CONTINUED)

Reconciliations of summarised financial information

	AACOE		AAE Travel		Total	
	2014	2013	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Opening net assets at 1 January	206,302	195,382	62,406	46,129	268,708	241,511
Profit after taxation and total comprehensive income	73,265	10,920	41,267	16,277	114,532	27,197
Closing net assets at 31 December	279,567	206,302	103,673	62,406	383,240	268,708
Interest in joint ventures at 50%	139,784	103,151	51,837	31,203	191,620	134,354
Carrying value at 31 December	139,784	103,151	51,837	31,203	191,620	134,354

11 INVESTMENT IN ASSOCIATES

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Unquoted investments, at cost	169,434	139,056	3,760	29
Share of post-acquisition profits	91,720	121,427	-	-
Share of post-acquisition reserves	(30,700)	-	-	-
	230,454	260,483	3,760	29

The details of the associates are as follows:

Name of entity	Principal place of business/country of incorporation	Group's effective equity interest		Principal activities
		2014	2013	
		%	%	
AirAsia Philippines Inc	Philippines	39.9	39.9	Providing air transportation services, currently dormant
Asian Contact Centres Sdn. Bhd.	Malaysia	50.0	50.0	Providing end-to-end solutions for customers contact management and contact centre
Think Big Digital Sdn Bhd ("BIG")	Malaysia	47.8	50.0*	Financial services

11 INVESTMENT IN ASSOCIATES (CONTINUED)

The details of the associates are as follows: (continued)

Name of entity	Principal place of business/country of incorporation	Group's effective equity interest 2014 %	2013 %	Principal activities
Held by AAIL				
PT Indonesia AirAsia ("IAA")	Indonesia	48.9	48.9	Commercial air transport services
Thai AirAsia Co. Ltd ("TAA")	Thailand	45.0	45.0	Commercial air transport services
AirAsia Go Holiday Co. Ltd	Thailand	49.0	49.0	Tour operating business, currently dormant
AirAsia Inc ("PAA")	Philippines	40.0	40.0	Commercial air transport services
AirAsia (India) Private Limited ("AAIPL")	India	49.0	49.0	Commercial air transport services
AirAsia Japan Co., Ltd ("JAA")	Japan	49.0	-	Commercial air transport services – currently not operating

* Classified as investment in joint venture (Note 10)

All the associates listed above are private companies for which there is no quoted market price available for its shares.

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

TAA, IAA, PAA and AAIPL are all operators of commercial air transport services which are based in Thailand, Indonesia, Philippines and India respectively. These associate companies are strategic investments of the Company and form an essential part of the Company's growth strategy. They provide access to a wider geographical market and network coverage in the provision of air transport services across the ASEAN region.

BIG is a strategic partner of the Company and is based in Malaysia. BIG provides expertise in the operation of an airline loyalty scheme which will enable the Company to earn incremental revenue from the redemption of loyalty points issued by BIG.

11 INVESTMENT IN ASSOCIATES (CONTINUED)

Acquisition of interests in associates during the financial year ended 31 December 2014

On 1 July 2014, the Company, through its wholly-owned subsidiary, AAIL, entered into a Shareholders' Agreement and a Share Subscription Agreement with Octave Japan Infrastructure Fund I GK ("Octave"), Rakuten, Inc. ("Rakuten"), Noevir Holdings Co. Ltd. ("Noevir") and Alpen Co. Ltd. ("Alpen") for the purpose of forging a joint venture cooperation between the Company, Octave, Rakuten, Noevir and Alpen to establish a low cost airline in Japan, i.e. AirAsia Japan Co., Ltd. ("JAA"). On 18 July 2014, AAIL subscribed to 3,174,927 shares of common stock and 3,825,073 shares of non-voting convertible stock, representing 49% of the paid-up capital and 33% voting interest in JAA for a cash consideration of JPY490 million (equivalent to RM15.9 million).

On 29 January 2014, the Company entered into a new Shareholders' Agreement with Tune Money International Sdn. Bhd. ("TMI") and Aimia Holdings UK II Limited ("Aimia") for the inclusion of Aimia as a shareholder in Think Big Digital Sdn Bhd ("BIG"). On 10 February 2014, the Company acquired additional interest in BIG of 3,700,000 ordinary shares, diluting the Group's interest to 47.8% (2013: 50%) for a consideration of RM3.7 million.

On 31 October 2014, the Company, through its wholly-owned subsidiary, AAIL, invested an additional 20,000,036 ordinary shares in AirAsia (India) Private Limited ("AAIPL") for a cash consideration of INR200 million (equivalent to RM10.8 million). The Group's equity interest in AAIPL remains as 49%.

Summarised financial information for associates

Set out below are the summarised financial information for the associates which are accounted for using the equity method:

Summarised balance sheet

	JAA		AAIPL		TAA		Total	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Current								
Cash and cash equivalents	12,528	-	57,133	23,169	508,551	196,152	578,212	219,321
Other current assets	62	-	6,883	739	249,531	617,874	256,476	618,613
Total current assets	12,590	-	64,016	23,908	758,082	814,026	834,688	837,934
Financial liabilities (excluding trade payables)	(157)	-	(49,112)	(191)	(185,213)	(707,978)	(234,482)	(708,169)
Other current liabilities (including trade payables)	(780)	-	(16,419)	-	(683,532)	(15,230)	(700,731)	(15,230)
Total current liabilities	(937)	-	(65,531)	(191)	(868,745)	(723,208)	(935,213)	(723,399)
Non-current								
Assets	1,013	-	1,905	383	1,839,295	1,257,240	1,842,213	1,257,623
Liabilities	-	-	-	-	(1,230,728)	(795,449)	(1,230,728)	(795,449)
Net assets	12,666	-	390	24,100	497,904	552,609	510,960	576,709

11 INVESTMENT IN ASSOCIATES (CONTINUED)

Summarised financial information for associates (continued)

Summarised statement of comprehensive income

	JAA		AAIPL		TAA		Total	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Revenue	2	-	45,551	-	2,554,999	2,408,378	2,600,552	2,408,378
Depreciation and amortisation	(88)	-	(195)	(4)	(81,037)	(38,381)	(81,320)	(38,385)
Interest income	-	-	531	385	29,658	43,063	30,189	43,448
Interest expense	-	-	(1,460)	-	(21,990)	(6,611)	(23,450)	(6,611)
(Loss)/profit before taxation	(19,690)	-	(45,677)	(6,398)	13,997	263,739	(51,370)	257,341
Tax (income)/expense	13	-	(68)	-	(484)	(67,093)	(539)	(67,093)
(Loss)/profit after taxation	(19,677)	-	(45,745)	(6,398)	13,513	196,646	(51,909)	190,248
Other comprehensive income	-	-	-	-	(68,222)	1,307	(68,222)	1,307
Total comprehensive (loss)/income	(19,677)	-	(45,745)	(6,398)	(54,709)	197,953	(120,131)	191,555
Dividends received from associates	-	-	-	-	-	-	-	-

Reconciliations of summarised financial information

	JAA		AAIPL		TAA		Total	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Opening net assets at 1 January	-	-	24,100	-	552,609	361,878	576,709	361,878
Investment during the financial year	32,343	-	22,041	30,498	-	-	54,384	30,498
Impact of adoption of new standard on retained earnings	-	-	-	-	-	(2,770)	-	(2,770)
(Loss)/profit for the financial year	(19,677)	-	(45,745)	(6,398)	13,513	196,646	(51,909)	190,248
Other comprehensive income/(loss)	-	-	-	-	(68,222)	1,307	(68,222)	1,307
Foreign exchange differences	-	-	(6)	-	4	(4,452)	(2)	(4,452)
Closing net assets at 31 December	12,666	-	390	24,100	497,904	552,609	510,960	576,709
Interest in associates at 49%, 49%, 45%	6,206	-	191	11,809	224,057	248,674	230,454	260,483
Carrying value at 31 December	6,206	-	191	11,809	224,057	248,674	230,454	260,483

The Group has discontinued the recognition of its share of losses incurred by IAA, PAA and BIG as the Group's interests in IAA, PAA and BIG had been reduced to zero and the Group has not incurred any obligations or guaranteed any obligations in respect of these associates. The Group's share of losses of IAA, PAA and BIG for the current financial year, which have not been equity accounted for, amounted to RM115.6 million, RM36.7 million and RM10.6 million respectively. As at 31 December 2014, the unrecognised amounts of the Group's share of losses of IAA, PAA and BIG which have not been equity accounted for amounted to RM334.1 million (2013: RM218.5 million), RM102.5 million (2013: RM65.8 million) and RM22.9 million (2013: RM16.0 million) respectively.

12 OTHER INVESTMENTS

Other investments are accounted as available-for-sale financial assets, in accordance with MFRS 139 'Financial Instruments: Recognition and Measurement'.

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Non-current				
At 1 January	571,895	308,792	561,770	295,982
Disposal	(44,584)	-	(44,584)	-
Fair value (loss)/gain – recognised in other comprehensive income	(132,396)	265,788	(132,396)	265,788
Impairment loss charged for the year	(10,125)	(2,685)	-	-
At 31 December	384,790	571,895	384,790	561,770

Movements on the impairment of other investments are as follows:

	Group	
	2014	2013
	RM'000	RM'000
At 1 January	2,685	-
Impairment	10,125	2,685
At 31 December	12,810	2,685

13 GOODWILL

	Group	
	2014	2013
	RM'000	RM'000
Cost		
At 1 January and 31 December	7,334	7,334

The carrying amount of goodwill allocated to the Group's cash-generating unit is as follows:

	Group	
	2014	2013
	RM'000	RM'000
Cost		
AirAsia Investment Ltd	7,334	7,334

14 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheets:

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	466,968	381,195	466,968	381,195

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

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
At start of financial year	381,195	361,396	381,195	361,396
(Charged)/credited to income statements (Note 6)				
- Property, plant and equipment	(80,109)	(68,100)	(80,109)	(68,100)
- Tax incentives	165,882	88,267	165,882	88,267
- Tax losses	-	(368)	-	(368)
	85,773	19,799	85,773	19,799
At end of financial year	466,968	381,195	466,968	381,195
Deferred tax assets (before offsetting)				
Tax incentives	1,338,681	1,172,799	1,338,681	1,172,799
Tax losses	8,803	8,803	8,803	8,803
	1,347,484	1,181,602	1,347,484	1,181,602
Offsetting	(880,516)	(800,407)	(880,516)	(800,407)
Deferred tax assets (after offsetting)	466,968	381,195	466,968	381,195
Deferred tax liabilities (before offsetting)				
Property, plant and equipment	(880,516)	(800,407)	(880,516)	(800,407)
Offsetting	880,516	800,407	880,516	800,407
Deferred tax liabilities (after offsetting)	-	-	-	-

As disclosed in Note C to the financial statements in respect of critical accounting estimates and judgments, the deferred tax assets are recognised on the basis of the Group's previous history of recording profits, and to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Estimating the future taxable profits involves significant assumptions, especially in respect of fares, load factor, fuel price, maintenance costs and currency movements. These assumptions have been built based on past performance and adjusted for non-recurring circumstances and a reasonable growth rate.

14 DEFERRED TAXATION (CONTINUED)

The Ministry of Finance granted approval to the Company under Section 127 of Income Tax Act, 1967 for income tax exemption in the form of an Investment Allowance ("IA") of 60% on qualifying expenditure incurred within a period of 5 years commencing 1 July 2009 to 30 June 2014, to be set off against 70% of the statutory income for each year of assessment. On 14 November 2014, the Company had obtained an extension of IA of 50% on qualifying expenditure incurred within a period of 5 years commencing 1 July 2014 to 30 June 2019, to be set off against 50% of the statutory income for each year of assessment. Any unutilised allowance can be carried forward to subsequent years until fully utilised. The amount of income exempted from tax is credited to a tax-exempt account from which tax-exempt dividends can be declared.

15 RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Non-current:				
Trade receivables	28,141	28,141	28,141	28,141
Less: Allowance for impairment	(3,697)	(3,697)	(3,697)	(3,697)
	24,444	24,444	24,444	24,444
Prepayments	975,500	695,538	975,500	695,538
Deposits for maintenance of aircraft	62,643	70,595	62,643	70,595
Other deposits	69,917	56,996	51,337	56,996
	1,132,504	847,573	1,113,924	847,573
Current:				
Trade receivables	128,963	129,341	90,031	115,326
Less: Allowance for impairment	(3,316)	(3,316)	(3,316)	(3,316)
	125,647	126,025	86,715	112,010
Other receivables	176,216	197,346	162,392	174,868
Less: Allowance for impairment	(30,587)	(14,917)	(22,307)	(12,435)
	145,629	182,429	140,085	162,433
Prepayments	320,237	276,628	320,060	276,487
Deposits – cash collateral for derivatives	44,594	122,142	44,594	122,142
Other deposits	46,802	24,282	46,572	24,164
	682,909	731,506	638,026	697,236

Credit terms of trade receivables range from 30 to 60 days (2013: 30 to 60 days).

15 RECEIVABLES AND PREPAYMENTS (CONTINUED)

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

Receivables that are neither past due nor impaired amounted to RM428,644,000 and RM365,358,000 (2013: RM223,802,000 and RM189,791,000) for the Group and Company respectively. These are substantially companies with good collection track records with the Group and Company.

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

Receivables that are past due but not impaired amounted to RM91,032,000 (2013: RM166,092,000) for the Group and Company. These relate to a number of independent customers which have no recent history of default. The ageing analysis of these receivables that are past due but not impaired is as follows:

	Group and Company	
	2014	2013
	RM'000	RM'000
1 to 90 days	30,263	70,621
91 to 120 days	9,086	5,729
121 to 180 days	11,519	58,083
181 to 365 days	9,340	3,466
Over 365 days	6,380	3,749
	66,588	141,648

Receivables that are past due but not impaired included in non-current asset at the balance sheet date relates to an amount due from a customer of RM24,444,000 (2013: RM24,444,000) for which arbitration proceedings are currently ongoing. However, the Directors of the Company have assessed the recoverability of the amount and is of the view that the balance of RM24,444,000 is recoverable.

(iii) Financial assets that are past due and/or impaired

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

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Over 365 days	37,600	21,930	29,320	19,448
Less: Allowance for impairment	(37,600)	(21,930)	(29,320)	(19,448)
	-	-	-	-

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

15 RECEIVABLES AND PREPAYMENTS (CONTINUED)

Movements on the provision for impairment of receivables are as follows:

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
At 1 January	21,930	3,066	19,448	3,066
Written-off	(14,981)	-	(14,981)	-
Impairment (Note 3)	30,651	18,864	24,853	16,382
At 31 December	37,600	21,930	29,320	19,448

The other classes within trade and other receivables do not contain impaired assets.

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

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 receivables and deposits (excluding prepayments) is as follows:

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	195,538	151,375	189,758	151,323
US Dollar	211,769	160,880	154,263	126,803
Others	112,369	294,658	112,369	294,658
	519,676	606,913	456,390	572,784

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

The carrying amounts of the Group's and the Company's trade and other receivables approximate their fair values.

16 DEPOSITS ON AIRCRAFT PURCHASE

Deposits on aircraft purchases represent amounts advanced towards the final cost of aircraft to be delivered to the Company.

17 AMOUNTS DUE FROM/(TO) ASSOCIATES

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Amounts due from associates				
- current	153,803	738,735	148,907	689,372
- non-current	2,301,528	559,190	2,213,755	478,564
	2,455,331	1,297,925	2,362,662	1,167,936
Amounts due to associates				
- current	(55,110)	(467)	(55,110)	(467)
- non-current	(83,545)	(60,859)	(64,965)	(60,859)
	(138,655)	(61,326)	(120,075)	(61,326)

Amounts due from associates include an amount of RM458,715,000 (2013: RM465,206,000) relating to advances to PT Indonesia AirAsia ("IAA") for purchase of aircraft in 2011 for the financing of aircraft purchase and are repayable over terms ranging from 7 years to 9 years at interest rates between 6.16% to 6.65% per annum. From this amount, RM401,552,000 (2013: RM413,676,000) is repayable after 12 months. The Company holds the aircraft as collateral. Other amounts due from associates were charged interest at 6% per annum.

In addition, the amounts due from associates include advances to AirAsia Inc. ("PAA") of RM431.3 million (2013: RM64.9 million). These advances are repayable over a term of up to 5 years from drawdown date. These advances are subject to interest of 6% per annum.

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

Amounts due from associates that are neither past due nor impaired of the Group and Company amounted to RM1,212,867,000 and RM1,125,035,000 (2013: RM972,189,000 and RM842,489,000) respectively.

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

Amounts due from associates of the Group and Company that are past due but not impaired amounted to RM1,242,464,000 and RM1,237,627,000 respectively (2013: RM325,736,000 and RM325,447,000). The ageing analysis of these amounts is as follows:

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Up to 1 year	1,152,690	233,532	1,147,853	233,243
Over 1 year	89,774	92,204	89,774	92,204
	1,242,464	325,736	1,237,627	325,447

The Group and Company have not made any impairment as management is of the view that these amounts are recoverable.

17 AMOUNTS DUE FROM/(TO) ASSOCIATES (CONTINUED)

(iii) Financial assets that are past due and/or impaired

There are no amounts due from associates of the Group and Company that are past due and impaired.

The maximum exposure to credit risk at the reporting date is the carrying value of the amounts due from associates mentioned above.

The currency profile of the amounts due from/(to) associates is as follows:

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Amounts due from associates				
- US Dollar	2,451,131	1,297,925	2,358,462	1,167,936
- Ringgit Malaysia	4,200	-	4,200	-
	2,455,331	1,297,925	2,362,662	1,167,936
Amounts due to associates				
- US Dollar	(138,655)	(61,326)	(120,075)	(61,326)

18 DERIVATIVE FINANCIAL INSTRUMENTS

	Group and Company			
	2014		2013	
	Assets	Liabilities	Assets	Liabilities
	RM'000	RM'000	RM'000	RM'000
Non-current				
Interest rate swaps – cash flow hedges	988	(199,743)	17,266	(195,490)
Interest rate swaps – held for trading	-	(48,352)	-	(56,278)
Interest rate caps – held for trading	1,732	-	4,570	-
Forward foreign exchange contracts – cash flow hedges	326,310	-	182,307	-
Forward foreign exchange contracts – held for trading	52,656	-	31,522	-
Total	381,686	(248,095)	235,665	(251,768)
Current				
Interest rate swaps – held for trading	-	(27,574)	-	(29,309)
Forward foreign exchange contracts – held for trading	7,364	-	1,282	(236)
Commodity derivatives – cash flow hedges	278,934	(444,630)	1,891	-
Total	286,298	(472,204)	3,173	(29,545)

18 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

	2014		2013	
	Notional amount RM'000	Fair value RM'000	Notional amount RM'000	Fair value RM'000
Interest rate caps	338,689	1,732	357,569	4,570
Interest rate swaps	3,360,539	(274,681)	3,467,775	(263,811)
Cross currency interest rate swaps	476,242	27,384	151,869	1,225
Forward foreign exchange contracts	2,786,088	358,946	3,224,321	213,650
Commodity derivatives	3,012,001*	(165,696)	77,328*	1,891

* in barrels

(i) Forward foreign exchange contracts and cross currency interest rate swaps

The notional principal amounts of the outstanding forward foreign exchange contracts and cross currency interest rate swaps at 31 December 2014 were RM3.262 billion (2013: RM3.376 billion).

As at 31 December 2014, the Group has hedged approximately 51% (2013: 54%) of its USD liabilities pertaining to its aircraft and engine loans into Malaysian Ringgit ("RM") by using long dated foreign exchange forward contracts and cross currency interest rate swaps to manage its foreign currency risk. The latest weighted average of USD:RM forward exchange rate is 3.2375 (2013: 3.2239). Gains and losses recognised in the hedging reserve in equity on hedging instruments as of 31 December 2014 will be continuously released to the income statement within foreign exchange gains/(losses) on borrowings until the full repayment of the term loans (refer Note 25 to the financial statements).

(ii) Interest rate contracts

The notional principal amounts of the outstanding interest rate contracts at 31 December 2014 were RM3.699 billion (2013: RM3.825 billion).

The Group has entered into interest rate contracts to hedge against fluctuations in the USD LIBOR on its existing floating rate aircraft financing for aircraft delivered from 2005 to 2014. As at 31 December 2014, the Group has hedged RM916.9 million (2013: RM895.5 million) of its existing aircraft loans at rates from 1.80% to 5.20% per annum (2013: 1.80% to 5.20% per annum) via interest rate swaps, interest rate caps and cross-currency swaps. As at 31 December 2014, the Group has hedged RM2.485 billion (2013: RM2.199 billion) of the term loans and RM722.3 million (2013: RM734.0 million) of the finance lease liabilities (Note 25). Gains and losses recognised in the hedging reserve in equity on hedging instruments as of 31 December 2014 will be continuously released to the income statement within finance cost until the full repayment of the term loans (refer Note 25 to the financial statements).

18 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(iii) Fuel contracts

The outstanding number of barrels of Singapore Jet Kerosene derivative contracts at 31 December 2014 was 3,012,001 barrels (2013: 77,328).

As at 31 December 2014, the Group has entered into Singapore Jet Kerosene fixed swap which represents up to 50% (2013: 7%) of the Group's total expected fuel volume for the financial year 2015. 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 fuel contracts as of 31 December 2014 are recognised in the income statement in the period or periods during which the hedged forecast transactions affects the income statement.

19 INVENTORIES

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Consumables, in-flight merchandise and others	18,152	29,520	18,152	29,520

20 AMOUNTS DUE FROM SUBSIDIARIES AND RELATED PARTIES

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Amounts due from subsidiaries	-	-	194,243	196,426
Less: Allowance for impairment	-	-	(20,290)	(5,306)
	-	-	173,953	191,120
Amounts due from related parties	3,179	6,113	3,144	6,113
	3,179	6,113	177,097	197,233

Movements on the provision for impairment of amounts due from subsidiaries and related parties are as follows:

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
At 1 January	-	-	5,306	-
Less: Allowance for impairment	-	-	14,984	5,306
At 31 December	-	-	20,290	5,306

20 AMOUNTS DUE FROM SUBSIDIARIES AND RELATED PARTIES (CONTINUED)

The amounts due from subsidiaries and related parties are unsecured, interest bearing and have no fixed terms of repayment.

The currency profile of amounts due from subsidiaries and related parties is as follows:

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	454	2,164	49,860	15,462
US Dollar	2,725	3,949	127,237	181,771
	3,179	6,113	177,097	197,233

21 AMOUNTS DUE FROM/(TO) JOINT VENTURES

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Amounts due from joint ventures	51,188	33,703	34,432	11,431
Amount due to a joint venture	-	-	-	(151)

Amounts due from/(to) joint ventures are unsecured, interest free and have no fixed terms of repayment.

The currency profile of the amounts due from/(to) joint ventures is as follows:

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Amounts due from joint ventures:				
- Ringgit Malaysia	33,770	1,604	33,770	1,604
- US Dollar	-	9,827	-	9,827
- Singapore Dollar	17,418	22,272	662	-
	51,188	33,703	34,432	11,431
Amount due to a joint venture:				
- US Dollar	-	-	-	(151)

22 DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Deposits, cash and bank balances	1,337,849	1,380,435	1,319,085	1,306,926

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

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	180,190	145,227	178,453	141,425
US Dollar	75,581	188,148	58,616	118,498
Singapore Dollar	15,350	26,535	15,293	26,483
Australian Dollar	8,484	25,687	8,484	25,687
Chinese Renminbi	1,017,429	910,944	1,017,429	910,944
Hong Kong Dollar	13,129	12,217	13,129	12,216
Indian Rupee	6,243	21,422	6,243	21,422
Thai Baht	1,143	3,911	1,139	3,907
Indonesian Rupiah	5,233	9,807	5,233	9,807
Brunei Dollar	300	3,020	300	3,020
Euro	1,281	10,192	1,281	10,192
Philippine Peso	712	2,270	712	2,270
Vietnamese Dong	7,773	8,952	7,773	8,952
British Pound	1,502	5,639	1,501	5,639
Others	3,499	6,464	3,499	6,464
	1,337,849	1,380,435	1,319,085	1,306,926

The weighted average effective annual interest rates of deposits at the balance sheet dates are as follows:

	Group		Company	
	2014	2013	2014	2013
	%	%	%	%
Deposits with licensed banks	3.21	3.23	3.21	3.23

23 TRADE AND OTHER PAYABLES

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Non-current:				
Aircraft maintenance accruals	1,212,044	918,864	1,212,044	918,864
Current:				
Trade payables	100,227	71,899	55,622	37,841
Accrual for fuel	199,749	224,239	199,749	224,239
Other payables and accruals	473,152	448,860	526,207	398,229
	773,128	744,998	781,578	660,309

Other payables and accruals include accruals for operational expenses payable to airport authorities and passenger service charge.

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

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
RM	524,135	451,680	519,484	412,672
USD	1,343,101	1,106,327	1,356,202	1,081,069
Others	117,936	105,855	117,936	85,432
	1,985,172	1,663,862	1,993,622	1,579,173

24 AMOUNTS DUE TO A SUBSIDIARY AND RELATED PARTIES

The amounts due to a subsidiary and related parties are denominated in Ringgit Malaysia, unsecured, interest free and are repayable on demand.

The currency profile of the amounts due to a subsidiary and related parties are as follows:

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Amounts due to a subsidiary and related parties:				
- Ringgit Malaysia	13,979	15,145	13,979	25,330
- US Dollar	10,714	-	10,714	-
	24,693	15,145	24,693	25,330

25 BORROWINGS

	Weighted average interest rate		Group and Company	
	2014	2013	2014	2013
	%	%	RM'000	RM'000
Current:				
Term loans	3.95	4.21	1,399,003	853,314
Finance lease liabilities (Ijarah)	5.60	5.68	75,530	66,407
Commodity Murabahah Finance	4.62	5.31	51,389	35,940
Revolving credit	2.22	2.07	749,006	163,775
			2,274,928	1,119,436
Non-current:				
Term loans	3.95	4.21	9,131,661	7,903,560
Finance lease liabilities (Ijarah)	5.60	5.68	719,117	744,420
Commodity Murabahah Finance	4.62	5.31	602,312	403,436
			10,453,090	9,051,416
Total borrowings			12,728,018	10,170,852

25 BORROWINGS (CONTINUED)

The borrowings are repayable as follows:

	Group and Company	
	2014	**2013**
	RM'000	**RM'000**
Not later than 1 year	2,274,927	1,119,436
Later than 1 year and not later than 5 years	5,667,740	4,656,400
Later than 5 years	4,785,351	4,395,016
	12,728,018	10,170,852

The currency profile of borrowings is as follows:

	Group and Company	
	2014	**2013**
	RM'000	**RM'000**
Ringgit Malaysia	2,285,827	1,002,151
US Dollar	10,099,768	8,821,446
Euro	140,204	136,757
Singapore Dollar	202,219	210,498
	12,728,018	10,170,852

Total borrowings as at 31 December 2014 consist of the following banking facilities:

	Group and Company	
	2014	**2013**
	RM'000	**RM'000**
Fixed rate borrowings	7,137,045	6,144,416
Floating rate borrowings	5,590,973	4,026,436
	12,728,018	10,170,852

25 BORROWINGS (CONTINUED)

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

	Group and Company			
	2014		2013	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Term loans	5,878,388	5,874,449	5,041,987	4,902,838
Finance lease liabilities (Ijarah)	719,116	677,186	113,284	111,502
Commodity Murabahah Finance	367,029	373,332	403,436	397,280
	6,964,533	6,924,967	5,558,707	5,411,620

The fair values of the borrowings classified as current liabilities approximate their carrying amounts, as the impact of discounting is not significant.

The fair values of the non-current fixed rate borrowings are based on cash flows discounted using borrowing rates that are reflective of the Group's and Company's credit risk at the balance sheet date, at 4.40% to 5.84% (2013: 5.28% to 5.84%) per annum. The fair values of non-current borrowings are within level 3 of the fair value hierarchy.

The above term loans, finance lease liabilities (Ijarah) and commodity murabahah finance are for the purchase of aircraft, spare engines and working capital purposes. Total borrowings include secured liabilities of RM11.8 billion (2013: RM9.8 billion).

The repayment terms of secured term loans, finance lease liabilities (Ijarah) and commodity murabahah finance are on a quarterly or semi-annually basis. These 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.

26 SHARE CAPITAL

	Group and Company	
	2014	2013
	RM'000	RM'000
Authorised:		
Ordinary shares of RM0.10 each:		
At beginning and end of the financial year	500,000	500,000
Issued and fully paid up:		
Ordinary shares of RM0.10 each:		
At beginning of the financial year	278,106	277,991
Issued during the financial year	191	115
At end of the financial year	278,297	278,106

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM278,106,258 to RM278,297,408 by way of issuance of 1,911,500 ordinary shares of RM0.10 each pursuant to the exercise of the Employee Share Option Scheme ("ESOS") at an exercise price of RM1.08 per share. The premium arising from the exercise of ESOS of RM1,873,270 has been credited to the Share Premium account.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company. There were no other changes in the issued and paid-up capital of the Company during the financial year.

EMPLOYEE SHARE OPTION SCHEME ("ESOS")

The Company implemented an ESOS on 1 September 2004 ("the Scheme"). The ESOS is governed by the by-laws which were approved by the shareholders on 7 June 2004 and was effective for a period of 5 years from the date of approval. On 28 May 2009, the Company extended the duration of its ESOS which expired on 6 June 2009 by another 5 years to 6 June 2014. This was in accordance with the terms of the ESOS By-Laws. The ESOS extension was not subject to any regulatory or shareholders' approval.

26 SHARE CAPITAL (CONTINUED)

EMPLOYEE SHARE OPTION SCHEME ("ESOS") (continued)

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

Grant date	Expiry date	Exercise price RM/share	At 1.1.2014 '000	Granted '000	Exercised '000	Lapsed '000	At 31.12.2014 '000
1 September 2004	6 June 2014	1.08	2,583	-	(1,912)	(671)	-

Grant date	Expiry date	Exercise price RM/share	At 1.1.2013 '000	Granted '000	Exercised '000	Lapsed '000	At 31.12.2013 '000
1 September 2004	6 June 2014	1.08	3,739	-	(1,156)	-	2,583

	2014 '000	2013 '000
Number of share options vested at balance sheet date	-	2,583

Details relating to options exercised during the financial year are as follows:

Exercise date	Quoted price of shares at share issue date RM/share	Exercise price RM/share	Number of shares issued '000
January 2014 to March 2014	2.30 – 2.55	1.08	284
April 2014 to June 2014	2.50 – 2.51	1.08	1,628
			1,912

The Company's share option scheme lapsed on 6 June 2014.

27 RETAINED EARNINGS AND OTHER RESERVES

(a) Retained earnings

Under the single-tier tax system which came into effect from the year of assessment 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders.

27 RETAINED EARNINGS AND OTHER RESERVES (CONTINUED)

(b) Other reserves

	Cash flow hedge reserve RM'000	Available-for-sale reserve RM'000	Total RM'000
Group			
At 1 January 2014	80,065	486,347	566,412
Cash flow hedge – fair value gains	(46,983)	-	(46,983)
Amounts transferred to income statement	(175,256)	-	(175,256)
Share capital reserve of associates	(30,700)	-	(30,700)
Revaluation of other investments	-	(132,396)	(132,396)
Transfer to profit or loss on disposal	-	(42,077)	(42,077)
At 31 December 2014	(172,874)	311,874	139,000
At 1 January 2013	(98,148)	220,559	122,411
Cash flow hedge – fair value gains	372,790	-	372,790
Amounts transferred to income statement	(194,577)	-	(194,577)
Revaluation of other investments	-	265,788	265,788
At 31 December 2013	80,065	486,347	566,412
Company			
At 1 January 2014	80,065	486,347	566,412
Cash flow hedge – fair value gains	(46,983)	-	(46,983)
Amounts transferred to income statement	(175,256)	-	(175,256)
Revaluation of other investments	-	(132,396)	(132,396)
Transfer to profit or loss on disposal	-	(42,077)	(42,077)
At 31 December 2014	(142,174)	311,874	169,700
At 1 January 2013	(98,148)	220,559	122,411
Cash flow hedge – fair value gains	372,790	-	372,790
Amounts transferred to income statement	(194,577)	-	(194,577)
Revaluation of other investments	-	265,788	265,788
At 31 December 2013	80,065	486,347	566,412

28 DIVIDENDS

Dividends declared or proposed by the Company are as follows:

	2014		2013	
	Gross dividend per share	Amount of dividend net of tax	Gross dividend per share	Amount of dividend net of tax
	Sen	RM'000	Sen	RM'000
First and final dividend paid in respect of the financial year ended 31 December 2014:				
Single-tiered interim 'special' dividend of 18 sen per share	-	-	18.00	500,383
Single-tiered dividend of 4 sen per share (2013: 6.00 sen per share)	4.00	111,292	6.00	166,831
	4.00	111,292	24.00	667,214

29 COMMITMENTS AND OPERATING LEASES

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

	Group and Company	
	2014	2013
	RM'000	RM'000
Property, plant and equipment:		
- Approved and contracted for	63,257,559	55,515,081
- Approved but not contracted for	14,452,618	12,988,262
	77,710,177	68,503,343

The capital commitments for the Group and Company are in respect of aircraft purchase and the construction of the new office building.The future commitments of aircraft purchase and construction of new office building are as follows:

	Group and Company	
	2014	2013
	RM'000	RM'000
Not later than 1 year	1,131,682	3,019,835
Later than 1 year and not later than 5 years	8,072,885	15,540,366
Later than 5 years	54,052,992	36,954,880
	63,257,559	55,515,081

29 COMMITMENTS AND OPERATING LEASES (CONTINUED)

(b) Non-cancellable operating leases

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

	Group and Company			
	2014		2013	
	Future minimum lease payments RM'000	Future minimum sublease receipts RM'000	Future minimum lease payments RM'000	Future minimum sublease receipts RM'000
Not later than 1 year	179,353	816,986	202,338	760,328
Later than 1 year and not later than 5 years	667,617	3,140,181	790,787	2,958,635
Later than 5 years	466,627	2,237,442	733,926	2,750,514
	1,313,597	6,194,609	1,727,051	6,469,477

Sublease receipts include lease receipts from both owned and leased aircraft receivable from Thai AirAsia Co. Ltd, PT Indonesia AirAsia, AirAsia Inc, Zest Airways Inc and AirAsia (India) Private Limited.

30 CONTINGENT LIABILITIES

At 31 December 2014 the Group and Company had contingent liabilities amounting to RM10 million (2013: RM20.7 million) relating to a fine imposed by the Malaysian Competition Commission, against which the Company intends to appeal to the Competition Appeal Tribunal. Having considered legal advice from the external legal counsel, the Directors are of the opinion that the possibility of outflow is not probable.

31 SEGMENTAL INFORMATION

Segmental information is as shown in the income statements, balance sheets and relevant notes as the Group's sole business segment is the provision of air transportation services. Management has determined the operating segment based on management reports that are reviewed and used to make strategic decisions by the Group Chief Executive Officer who is identified as the chief operating decision maker.

The Group's operations are conducted predominantly in Malaysia.

32 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

The related parties of the Company and their relationships at 31 December 2014 are as follows:

Related companies	Relationship
AirAsia Go Holiday Sdn Bhd	Subsidiary
AirAsia (Mauritius) Limited	Subsidiary
AirAsia Investment Limited	Subsidiary
Koolred Sdn Bhd	Subsidiary
AirAsia Global Shared Services Sdn Bhd	Subsidiary
Asia Aviation Capital Ltd	Subsidiary
Think Big Digital Sdn Bhd	Associate
PT Indonesia AirAsia	Associate of a subsidiary
AirAsia Inc	Associate of a subsidiary
Thai AirAsia Co. Ltd	Associate of a subsidiary
AirAsia Japan Co. Ltd	Associate of a subsidiary
AirAsia (India) Private Limited	Associate of a subsidiary
Zest Airways Inc	Subsidiary of an associate
AAE Travel Pte Ltd	Joint venture of a subsidiary
Asian Aviation Centre of Excellence Sdn Bhd	Joint venture
AirAsia X Berhad	Company with common directors and shareholders
Tune Money Sdn Bhd	Common directors
Tune Insurance Malaysia Berhad	Company with common directors and shareholders
Queens Park Rangers Holdings Ltd	Company with common directors and shareholders
Tune Box Aviation Sdn Bhd	Company with common directors and shareholders
Thai AirAsia X Co. Ltd	Company with common directors and shareholders
PT Indonesia AirAsia Extra	Company with 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 32(d) below.

Related party transactions also include transactions with entities that are controlled, jointly controlled or significantly influenced directly or indirectly by any key management personnel or their close family members, where applicable.

32 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
(a) Income:				
Aircraft operating lease income for owned and leased aircraft				
- Thai AirAsia Co. Ltd	374,529	333,618	374,529	333,618
- PT Indonesia AirAsia	324,247	257,045	324,247	257,045
- AirAsia Inc	34,447	30,435	34,447	30,435
- AirAsia Japan Co. Ltd	-	41,973	-	41,973
- Zest Airways Inc	46,400	2,770	46,400	2,770
- AirAsia (India) Private Limited	14,782	-	14,782	-
Gain on disposal of aircraft to Thai AirAsia Co. Ltd	11,377	23,367	-	-
Services and fees charged to AirAsia X Berhad	16,106	15,376	16,106	15,376
Fees charged to associates providing commercial air transport services	61,108	54,571	61,108	54,571
Commission on travel insurance for passengers charged to Tune Insurance Malaysia Berhad	12,985	15,217	12,985	15,217
(b) Recharges:				
Recharges of expenses to				
- Thai AirAsia Co. Ltd	102,456	66,241	102,456	66,241
- PT Indonesia AirAsia	356,240	306,196	356,240	306,196
- AirAsia Inc	31,341	10,267	31,341	10,267
- Zest Aiways Inc	20,706	-	20,706	-
Recharges of expenses by				
- Thai AirAsia Co. Ltd	(14,304)	(11,494)	(14,304)	(11,494)

32 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
(c) Other charges/(expenses):				
Maintenance reserve fund charged to				
- PT Indonesia Airasia	147,839	142,640	147,839	142,640
- Thai AirAsia Co. Ltd	141,866	145,631	141,866	145,631
- AirAsia Inc	8,884	13,638	8,884	13,638
- AirAsia Japan Co. Ltd	-	13,185	-	13,185
- Zest Airways Inc	22,136	580	22,136	580
- AirAsia (India) Private Limited	2,079	-	2,079	-
Interest charges to				
- PT Indonesia AirAsia	34,010	12,758	34,010	12,758
- AirAsia Inc	24,312	5,357	24,312	5,357
Provision of sponsorship to Queens Park Rangers Holdings Ltd	(9,003)	(7,063)	(9,003)	(7,063)
Charter air travel services charged by AirAsia X Berhad	(8,827)	-	(8,827)	-
In-flight entertainment system and solutions costs charged by Tune Box Aviation Sdn Bhd	(12,242)	-	(12,242)	-
(d) Key management compensation:				
- basic salaries, bonus and allowances	20,523	18,046	19,509	17,007
- defined contribution plan	2,503	2,052	2,362	1,927
	23,026	20,098	21,871	18,934

Included in the key management compensation are Executive Directors' remuneration as disclosed in Note 2 to the financial statements.

32 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
(e) Receivables:				
Subsidiaries				
- AirAsia (Mauritius) Limited	-	-	40,911	88,641
- AirAsia Investment Limited	-	-	83,249	74,034
- Koolred Sdn Bhd	-	-	-	14,985
- AirAsia Global Shared Services Sdn Bhd	-	-	15,812	13,298
- AirAsia Go Holiday Sdn Bhd	-	-	31,358	-
- Others	-	-	2,623	162
Amounts due from subsidiaries	-	-	173,953	191,120
Joint ventures				
- Asian Aviation Centre of Excellence Sdn Bhd	33,770	9,461	33,770	9,461
- AAE Travel Pte Ltd	17,418	22,272	662	-
- Think Big Digital Sdn Bhd	-	1,970	-	1,970
Amounts due from joint ventures	51,188	33,703	34,432	11,431
Associates				
- Thai AirAsia Co. Ltd	11,525	62,208	10,966	13,851
- PT Indonesia AirAsia	1,411,097	850,246	1,410,431	849,590
- AirAsia Inc	948,260	366,280	860,487	285,623
- AirAsia (India) Private Limited	77,001	664	75,984	664
- Zest Airways Inc	2,650	18,527	-	18,208
- Think Big Digital Sdn Bhd	4,200	-	4,200	-
- Others	598	-	594	-
Amounts due from associates	2,455,331	1,297,925	2,362,662	1,167,936
Related parties				
- Tune Money Sdn Bhd	-	1,401	-	1,401
- Caterhamjet Global Ltd	454	1,532	454	1,532
- Others	2,725	3,180	2,690	3,180
Amounts due from related parties	3,179	6,113	3,144	6,113

32 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
(f) Payables:				
Subsidiary				
- AirAsia Go Holiday Sdn Bhd	-	-	-	10,185
Joint venture				
- AAE Travel Pte Ltd	-	-	-	151
Associates				
- Thai AirAsia Co. Ltd	83,545	60,859	64,965	60,859
- Zest Airways Inc	55,110	-	55,110	-
- Others	-	467	-	467
Amounts due to associates	138,655	61,326	120,075	61,326
Related parties				
- AirAsia X Berhad	13,979	15,145	13,979	15,145
- Thai AirAsia X Co. Ltd	6,116	-	6,116	-
- PT Indonesia AirAsia Extra	4,598	-	4,598	-
Amounts due to related parties	24,693	15,145	24,693	15,145

33 FINANCIAL INSTRUMENTS

(a) Financial instruments by category

	Loans and receivables RM'mil	Assets at fair value through the profit and loss RM'mil	Available-for-sale RM'mil	Total RM'mil
Group				
31 December 2014				
Assets as per balance sheet				
Other investments	-	-	385	385
Receivables excluding prepayments	520	-	-	520
Amounts due from associates	2,455	-	-	2,455
Amounts due from joint ventures	51	-	-	51
Amounts due from related parties	3	-	-	3
Derivative financial instruments	-	668	-	668
Deposits, cash and bank balances	1,338	-	-	1,338
Total	4,367	668	385	5,420

	Liabilities at fair value through the profit and loss RM'mil	Other financial liabilities at amortised cost RM'mil	Total RM'mil
Liabilities as per balance sheet			
Borrowings (excluding finance lease liabilities)	-	11,933	11,933
Finance lease liabilities	-	795	795
Derivative financial instruments	720	-	720
Trade and other payables	-	773	773
Amounts due to associates	-	139	139
Amounts due to related parties	-	25	25
Total	720	13,665	14,385

33 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments by category (continued)

	Loans and receivables RM'mil	Assets at fair value through the profit and loss RM'mil	Available-for-sale RM'mil	Total RM'mil
Group				
31 December 2013				
Assets as per balance sheet				
Other investments	-	-	572	572
Receivables excluding prepayments	607	-	-	607
Amounts due from associates	1,298	-	-	1,298
Amounts due from joint ventures	34	-	-	34
Amounts due from related parties	6	-	-	6
Derivative financial instruments	-	239	-	239
Deposits, cash and bank balances	1,380	-	-	1,380
Total	3,325	239	572	4,136

	Liabilities at fair value through the profit and loss RM'mil	Other financial liabilities at amortised cost RM'mil	Total RM'mil
Liabilities as per balance sheet			
Borrowings (excluding finance lease liabilities)	-	9,360	9,360
Finance lease liabilities	-	811	811
Derivative financial instruments	281	-	281
Trade and other payables	-	745	745
Amount due to an associate	-	61	61
Amount due to a related party	-	15	15
Total	281	10,992	11,273

33 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments by category (continued)

	Loans and receivables RM'mil	Assets at fair value through the profit and loss RM'mil	Available-for-sale RM'mil	Total RM'mil
Company				
31 December 2014				
Assets as per balance sheet				
Other investments	-	-	385	385
Receivables excluding prepayments	456	-	-	456
Amounts due from subsidiaries	174	-	-	174
Amounts due from associates	2,363	-	-	2,363
Amounts due from joint ventures	34	-	-	34
Amounts due from related parties	3	-	-	3
Derivative financial instruments	-	668	-	668
Deposits, cash and bank balances	1,319	-	-	1,319
Total	4,349	668	385	5,402

	Liabilities at fair value through the profit and loss RM'mil	Other financial liabilities at amortised cost RM'mil	Total RM'mil
Liabilities as per balance sheet			
Borrowings (excluding finance lease liabilities)	-	11,933	11,933
Finance lease liabilities	-	795	795
Derivative financial instruments	720	-	720
Trade and other payables	-	782	782
Amounts due to associates	-	120	120
Amounts due to related parties	-	25	25
Total	720	13,655	14,375

33 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments by category (continued)

	Loans and receivables RM'mil	Assets at fair value through the profit and loss RM'mil	Available-for-sale RM'mil	Total RM'mil
Company				
31 December 2013				
Assets as per balance sheet				
Other investments	-	-	562	562
Receivables excluding prepayments	573	-	-	573
Amounts due from subsidiaries	191	-	-	191
Amounts due from associates	1,168	-	-	1,168
Amounts due from joint ventures	11	-	-	11
Amounts due from related parties	6	-	-	6
Derivative financial instruments	-	239	-	239
Deposits, cash and bank balances	1,307	-	-	1,307
Total	3,256	239	562	4,057

	Liabilities at fair value through the profit and loss RM'mil	Other financial liabilities at amortised cost RM'mil	Total RM'mil
Liabilities as per balance sheet			
Borrowings (excluding finance lease liabilities)	-	9,360	9,360
Finance lease liabilities	-	811	811
Derivative financial instruments	281	-	281
Trade and other payables	-	660	660
Amount due to a subsidiary	-	10	10
Amount due to an associate	-	61	61
Amount due to a joint venture	-	1	1
Amount due to a related party	-	15	15
Total	281	10,918	11,199

33 FINANCIAL INSTRUMENTS (CONTINUED)

(a) 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:

	Group	
	2014	**2013**
	RM'mil	**RM'mil**
Counterparties without external credit rating		
Group 1	1	13
Group 2	149	84
Total unimpaired trade receivables	150	97
Cash at bank and short term bank deposits		
AAA to A-	1,323	1,370
BBB to B3	15	10
	1,338	1,380
Derivative financial assets		
AA+ to A+	55	43
A to BBB-	334	196
No rating	279	-
	668	239
Loans to related parties		
Group 2	2,510	1,237

Group 1 – New customers/related parties (Less than 6 months)
Group 2 – Existing customers/related parties (more than 6 months) with no defaults in the past.
Group 3 – Existing customers/related parties (more than 6 months) with some defaults in the past.

All defaults were fully recovered.

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

34 FINANCIAL RISK MANAGEMENT POLICIES

The Group and Company is exposed to market risk (including fuel price risk, interest rate risk and foreign currency risk), credit risk and liquidity risk. The Group and Company uses financial instruments such as fuel swaps, interest rate swaps and caps, and foreign currency forwards to mitigate its financial risks.

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

The Group and Company also seeks 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, 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 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 and seek to hedge their fuel requirements using fuel swaps (Note 18). As at 31 December 2014 there were no existing trades that would impact the post-tax profit for the year and equity. If a barrel of jet fuel at 31 December 2014 had been USD5 higher/lower with all other variables held constant, the impact on the post-tax profit and equity for the year are as follows:

	Group and Company			
	2014		2013	
	+USD5	-USD5	+USD5	-USD5
	RM'mil	RM'mil	RM'mil	RM'mil
Impact on post tax profits	-	-	-	-
Impact on other comprehensive income	53	(53)	1	(1)

(ii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is that risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

Interest rate exposure arises from the Group's and Company's floating rate borrowings and is managed by entering into derivative financial instruments. Derivative financial instruments are used, as far as possible and where appropriate, to generate the desired fixed interest rate profile. Surplus funds are placed with reputable financial institutions.

34 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

The Group and Company manages its cash flow interest rate risk by entering into a number of immediate interest rate swap contracts and cross currency swap contracts that effectively converts its existing long-term floating rate debt facilities into fixed rate debt (Note 18).

If interest rate on USD denominated borrowings at 31 December 2014 had been 60 basis points higher/lower with all other variables held constant, the impact on the post-tax profit for the year and equity arising from the cash flow interest rate risk would be minimal when considered with the hedging of the floating rate loans (Note 18).

If interest rate on USD denominated borrowings at 31 December 2014 had been 60 basis points higher/lower with all other variables held constant, the impact on the post-tax profit for the financial year and equity, as a result of an increase/decrease in the fair value of the interest rate derivative financial instruments under cash flow hedges are tabulated below. The impact on post tax profits arises only from derivative held for trading, and the impact to other comprehensive income arises from derivative designated as hedging instruments:

	Group and Company			
	2014		2013	
	+60bps	-60bps	+60bps	-60bps
	RM'mil	RM'mil	RM'mil	RM'mil
Impact on post tax profits	15	(15)	21	(21)
Impact on other comprehensive income	71	(75)	80	(87)

The remaining terms of the outstanding interest rate derivative contracts of the Group and Company at 31 December 2014, which are all denominated in USD, are as follows:

	2014	2013
	RM'mil	RM'mil
Later than 1 year but less than 5 years:		
Interest rate caps	137	-
Interest rate swaps	688	584
Later than 5 years:		
Interest rate caps	201	358
Interest rate swaps	2,673	2,883
Cross currency interest rate swaps	476	152
	4,175	3,977

34 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(a) Market risk (continued)

(iii) Foreign currency risk

The Group and Company is 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.

51% (2013: 54%) of USD denominated borrowings are hedged by long dated foreign exchange forward contracts (Note 18).

If RM had weakened/strengthened by 5% against the USD as at 31 December 2014 with all other variables held constant, post-tax profit for the financial year would have been RM339.3 million (2013: RM242.3 million) lower/higher. Similarly, the impact on other comprehensive income would have been RM23.8 million (2013: RM18.5 million) higher/lower due to the cash flow hedging in USD.

If RM had weakened/strengthened by 5% against the RMB as at 31 December 2014 with all other variables held constant, post-tax profit for the financial year would have been RM49.6 million (2013: RM42.4 million) lower/higher.

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

The Group's currency exposure is as follows:

At 31 December 2014	USD	AUD	SGD	RMB and HKD	Others
	RM'mil	RM'mil	RM'mil	RM'mil	RM'mil
Financial assets					
Receivables	212	7	9	39	57
Amounts due from associates	2,451	-	-	-	-
Amounts due from joint ventures	-	-	17	-	-
Derivative financial instruments	668	-	-	-	-
Amount due from a related party	3	-	-	-	-
Deposits, cash and bank balances	76	8	15	1,031	28
	3,410	15	41	1,070	85
Financial liabilities					
Trade and other payables	131	22	39	18	39
Amount due to associates	139	-	-	-	-
Amounts due to related parties	11	-	-	-	-
Borrowings	10,100	-	202	-	140
Derivative financial instruments	720	-	-	-	-
	11,101	22	241	18	179
Net exposure	(7,691)	(7)	(200)	1,052	(94)

34 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(a) Market risk (continued)

(iii) Foreign currency risk (continued)

The Group's currency exposure is as follows: (continued)

At 31 December 2013	USD RM'mil	AUD RM'mil	SGD RM'mil	RMB and HKD RM'mil	Others RM'mil
Financial assets					
Receivables	161	9	53	9	224
Amounts due from associates	1,298	-	-	-	-
Amounts due from joint ventures	10	-	22	-	-
Derivative financial instruments	239	-	-	-	-
Amount due from a related party	4	-	-	-	-
Deposits, cash and bank balances	188	26	27	923	72
	1,900	35	102	932	296
Financial liabilities					
Trade and other payables	187	4	22	39	41
Amount due to an associate	61	-	-	-	-
Borrowings	8,821	-	210	-	137
Derivative financial instruments	281	-	-	-	-
	9,350	4	232	39	178
Net exposure	(7,450)	31	(130)	893	118

34 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(a) Market risk (continued)

(iii) Foreign currency risk (continued)

The Company's currency exposure is as follows:

At 31 December 2014	USD RM'mil	AUD RM'mil	SGD RM'mil	RMB and HKD RM'mil	Others RM'mil
Financial assets					
Receivables	154	7	9	39	57
Amounts due from subsidiaries	125	-	-	-	-
Amounts due from associates	2,358	-	-	-	-
Amounts due from joint ventures	-	-	1	-	-
Amount due from related parties	3	-	-	-	-
Derivative financial instruments	668	-	-	-	-
Deposits, cash and bank balances	59	8	15	1,031	28
	3,367	15	25	1,070	85
Financial liabilities					
Trade and other payables	144	22	39	18	39
Amount due to an associate	120	-	-	-	-
Amounts due to related parties	11	-	-	-	-
Borrowings	10,100	-	202	-	140
Derivative financial instruments	720	-	-	-	-
	11,095	22	241	18	179
Net exposure	(7,728)	(7)	(216)	1,052	(94)

34 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(a) Market risk (continued)

(iii) Foreign currency risk (continued)

The Company's currency exposure is as follows: (continued)

At 31 December 2013	USD RM'mil	AUD RM'mil	SGD RM'mil	RMB and HKD RM'mil	Others RM'mil
Financial assets					
Receivables	127	9	53	9	224
Amounts due from subsidiaries	178	-	-	-	-
Amounts due from associates	1,168	-	-	-	-
Amounts due from joint ventures	10	-	-	-	-
Amount due from related parties	4	-	-	-	-
Derivative financial instruments	239	-	-	-	-
Deposits, cash and bank balances	118	26	26	923	72
	1,844	35	79	932	296
Financial liabilities					
Trade and other payables	162	4	1	39	41
Amounts due to joint ventures	1	-	-	-	-
Amount due to an associate	61	-	-	-	-
Borrowings	8,821	-	210	-	137
Derivative financial instruments	281	-	-	-	-
	9,326	4	211	39	178
Net exposure	(7,482)	31	(132)	893	118

34 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(b) Credit risk

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

The Group's and Company's exposure to credit risks or the risk of counterparties defaulting arises mainly from various deposits and bank balances, receivables and derivative financial instruments. As the Group and Company does not hold collateral, the maximum exposure to credit risks is represented by the total carrying amount of these financial assets in the balance sheet.

Credit risks are controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised by monitoring receivables regularly. In addition, credit risks are also controlled as majority of the Group's and Company's deposits and bank balances and derivative financial instruments are placed or transacted 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 has 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.

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

	Less than 1 year RM'mil	1 – 2 years RM'mil	2 – 5 years RM'mil	Over 5 years RM'mil
Group				
At 31 December 2014				
Term loans	1,830	1,520	4,753	4,448
Finance lease liabilities	120	121	380	396
Commodity Murabahah Finance	85	85	254	469
Revolving credit	765	-	-	-
Trade and other payables	773	-	-	-
Amounts due to associates	55	-	-	84
Amounts due to related parties	25	-	-	-
	3,653	1,726	5,387	5,397

34 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(c) Liquidity and cash flow risk (continued)

	Less than 1 year RM'mil	1 – 2 years RM'mil	2 – 5 years RM'mil	Over 5 years RM'mil
Group				
At 31 December 2013				
Term loans	1,212	1,208	3,999	4,120
Finance lease liabilities	112	112	367	473
Commodity Murabahah Finance	59	58	168	322
Revolving credit	167	-	-	-
Trade and other payables	745	-	-	-
Amount due to an associate	1	-	-	61
Amount due to a related party	15	-	-	-
	2,311	1,378	4,534	4,976

	Less than 1 year RM'mil	1 – 2 years RM'mil	2 – 5 years RM'mil	Over 5 years RM'mil
Company				
At 31 December 2014				
Term loans	1,830	1,520	4,753	4,448
Finance lease liabilities	120	121	380	396
Commodity Murabahah Finance	85	85	254	469
Revolving credit	765	-	-	-
Trade and other payables	782	-	-	-
Amounts due to associates	55	-	-	65
Amounts due to related parties	25	-	-	-
	3,662	1,726	5,387	5,378

34 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(c) Liquidity and cash flow risk (continued)

	Less than 1 year RM'mil	1 – 2 years RM'mil	2 – 5 years RM'mil	Over 5 years RM'mil
Company				
At 31 December 2013				
Term loans	1,212	1,208	3,999	4,120
Finance lease liabilities	112	112	367	473
Commodity Murabahah Finance	59	58	168	322
Revolving credit	167	-	-	-
Trade and other payables	660	-	-	-
Amount due to joint ventures	1	-	-	-
Amount due to associates	1	-	-	61
Amount due to a related party	15	-	-	-
	2,227	1,378	4,534	4,976

The table below analyses the Group's and Company's derivative financial instruments for which contractual maturities are essential for an understanding of the timing of the cash flows into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RM'mil	1 – 2 years RM'mil	2 – 5 years RM'mil	Over 5 years RM'mil
Group and Company				
At 31 December 2014				
Net-settled derivatives				
Trading	28	20	27	3
Hedging	529	55	60	5
Gross-settled derivatives				
Trading – outflow	-	-	-	-
Trading – inflow	-	-	-	-

34 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(c) Liquidity and cash flow risk (continued)

	Less than 1 year RM'mil	1 – 2 years RM'mil	2 – 5 years RM'mil	Over 5 years RM'mil
Group and Company				
At 31 December 2013				
Net-settled derivatives				
Trading	29	25	31	2
Hedging	68	57	70	3
Gross-settled derivatives				
Trading – outflow	47	-	-	-
Trading – inflow	(46)	-	-	-

(d) Capital risk management

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

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

The Group's and Company's overall strategy remains unchanged from 2013.

Consistent with others in the industry, the Group and Company monitors capital utilisation on the basis of the gearing ratio. This ratio is calculated as total debts divided by total capital. Total debts are calculated as total borrowings (including "short term and long term borrowings" as shown in the Group's and Company's balance sheet). Total capital is calculated as the sum of "equity attributable to equity holders of the Group and Company" as shown in the balance sheet and net debts.

34 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(d) Capital risk management (continued)

The gearing ratio as at 31 December 2014 and 31 December 2013 was as follows:

	Group		Company	
	2014	2013	2014	2013
	RM'mil	RM'mil	RM'mil	RM'mil
Total borrowings (Note 25)	12,728	10,171	12,728	10,171
Less: Cash and cash equivalents	(768)	(1,195)	(750)	(1,121)
Net debt	11,960	8,976	11,978	9,050
Total equity attributable to equity holders of the Group and Company	4,555	5,001	4,221	4,694
	16,515	13,977	16,199	13,744
Gearing ratio	72.4%	64.2%	73.9%	65.8%

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2014 and 31 December 2013.

(e) Fair value measurement

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

Determination of fair value and fair value hierarchy

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

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

34 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(e) Fair value measurement (continued)

Determination of fair value and fair value hierarchy (continued)

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

	Level 1 RM'mil	Level 2 RM'mil	Level 3 RM'mil	Total RM'mil
Group				
31 December 2014				
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	62	-	62
Derivatives used for hedging	-	606	-	606
Available-for-sale financial assets				
- Other investments	385	-	-	385
	385	668	-	1,053
Liabilities				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	76	-	76
Derivatives used for hedging	-	644	-	644
	-	720	-	720
31 December 2013				
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	37	-	37
Derivatives used for hedging	-	202	-	202
Available-for-sale financial assets				
- Other investments	562	-	10	572
	562	239	10	811
Liabilities				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	86	-	86
Derivatives used for hedging	-	195	-	195
	-	281	-	281

34 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(e) Fair value measurement (continued)

Determination of fair value and fair value hierarchy (continued)

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

	Level 1 RM'mil	Level 2 RM'mil	Level 3 RM'mil	Total RM'mil
Company				
31 December 2014				
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	62	-	62
Derivatives used for hedging	-	606	-	606
Available-for-sale financial assets				
- Other investments	385	-	-	385
	385	668	-	1,053
Liabilities				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	76	-	76
Derivatives used for hedging	-	644	-	644
	-	720	-	720
31 December 2013				
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	37	-	37
Derivatives used for hedging	-	202	-	202
Available-for-sale financial assets				
- Other investments	562	-	-	562
	562	239	-	801
Liabilities				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	86	-	86
Derivatives used for hedging	-	195	-	195
	-	281	-	281

34 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(e) Fair value measurement (continued)

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

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

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- The fair value of fuel swap contracts is determined using forward fuel price at the balance sheet date, with the resulting value discounted back to present value.

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

35 UNCONSOLIDATED STRUCTURED ENTITIES

The Company has set up Merah 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 A320 aircraft financed under the facility.

The SPC are orphan trust companies in which the Company has no equity interest. The SPC do not incur any losses or earn any income during the financial year ended 31 December 2014. The aircraft and the corresponding term loans and finance costs associated with the SPC have been recognised by the Group and Company upon the purchase of the aircraft.

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

35 UNCONSOLIDATED STRUCTURED ENTITIES (CONTINUED)

The details of the Merah entities are as follows:

Name	Country of incorporation	Purpose
Merah Satu Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tiga Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Empat Sdn Bhd	Malaysia	Aircraft financing special purpose company
Merah Lima Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Enam Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tujuh Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Sembilan 9M-AFX Sdn Bhd	Malaysia	Aircraft financing special purpose company
Merah Sepuluh Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Sebelas Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duabelas Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tigabelas Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Empatbelas Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Enambelas Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Lapanbelas Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duapuluh Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duapuluhsatu Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duapuluhtiga Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duapuluhlima Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duapuluhtujuh Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duapuluhlapan Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duapuluhsembilan Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tigapuluh Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tigapuluhdua Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tigapuluhempat Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tigapuluhenam Limited	Labuan, Malaysia	Aircraft financing special purpose company

36 SUBSEQUENT EVENT

On 16 February 2015, the Company, through its wholly-owned subsidiary, AAE, entered into a Share Purchase Agreement with Expedia Inc. and Expedia Southeast Asia Pte. Ltd. to divest 6,144,280 ordinary shares of SGD1.00 each in AAE Travel, for a consideration of USD93.75 million (approximately RM347 million). The sale was completed on 10 March 2015, resulting in a gain on disposal of approximately RM321 million. Subsequent to the divestment, the Company's equity stake in AAE Travel was reduced to 25% and the investment in AAE Travel will be reclassified from an investment in joint venture to an investment in associate.

37 RECLASSIFICATION OF COMPARATIVES

In the financial year ended 31 December 2014, the presentation of the income statement was changed to better reflect the performance of the Group and the Company as follows:

	Group			**Company**		
	As previously reported 31.12.2013	**Effects of reclassification**	**As restated 31.12.2013**	**As previously reported 31.12.2013**	**Effects of reclassification**	**As restated 31.12.2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
<u>Income statement</u>						
Other gains/(loss) - net	92,689	(92,689)	-	92,689	(92,689)	-
Finance income	64,208	48,112	112,320	64,192	48,112	112,304
Foreign exchange losses	(397,795)	44,577	(353,218)	(397,795)	44,577	(353,218)

38 SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES LISTING REQUIREMENT

The following analysis of realised and unrealised retained profits at the legal entity level is prepared in accordance with the Guidance on Special Matter No.1 – Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants. This disclosure is based on the format prescribed by Bursa Malaysia Securities Berhad.

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Total retained earnings of AirAsia Berhad and its subsidiaries:				
- Realised	2,906,177	2,358,327	2,633,804	2,114,139
- Unrealised	(91,609)	512,256	(91,712)	506,431
	2,814,568	2,870,583	2,542,092	2,620,570
Total share of accumulated gains from associated companies:				
- Realised	3,521	33,228	-	-
Total share of accumulated gains from joint ventures				
- Realised	79,946	22,680	-	-
Total retained earnings as per consolidated financial statements	2,898,035	2,926,491	2,542,092	2,620,570

The disclosure of realised and unrealised profits above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be applied for any other purposes.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Datuk Kamarudin Bin Meranun and Aireen Omar, being two of the Directors of AirAsia Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 25 to 120 are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at 31 December 2014 and of the results and the cash flows of the Group and Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965.

The information set out in Note 38 to the financial statements have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

In accordance with a resolution of the Board of Directors dated 22 April 2015.

DATUK KAMARUDIN BIN MERANUN
DIRECTOR

AIREEN OMAR
DIRECTOR

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Rozman Bin Omar, the Officer primarily responsible for the financial management of AirAsia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 25 to 120 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.

ROZMAN BIN OMAR

Subscribed and solemnly declared by the abovenamed Rozman Bin Omar at Kuala Lumpur in Malaysia on 22 April 2015, before me.

COMMISSIONER FOR OATHS

COMMISSIONER FOR OATHS
No. W 530
TAN SEOK KETT
MALAYSIA
Lot 350, 3rd Floor, Wisma MPL,
Jalan Raja Chulan,
50200 Kuala Lumpur.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AIRASIA BERHAD (INCORPORATED IN MALAYSIA) (COMPANY NO. 284669 W)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of AirAsia Berhad on pages 25 to 120, which comprise the balance sheets as at 31 December 2014 of the Group and of the Company, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 37.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2014 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 9 to the financial statements.

c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 38 on page 121 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysia Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

IRVIN GEORGE LUIS MENEZES
(No. 2932/06/16 (J))
Chartered Accountant

Kuala Lumpur
22 April 2015

ANALYSIS OF SHAREHOLDINGS

AS AT 17 APRIL 2015

DISTRIBUTION OF SHAREHOLDINGS

Class of shares : Ordinary shares of RM0.10 each ("Shares")
Voting rights : One vote per ordinary share

Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	114	0.47	1,619	0.00
100 – 1,000	7,012	28.96	5,942,680	0.21
1,001 – 10,000	13,438	55.49	56,931,411	2.05
10,001 – 100,000	2,847	11.76	84,663,564	3.04
100,001 to less than 5% of issued shares	803	3.31	2,153,256,906	77.37
5% and above of issued shares	2	0.01	482,177,900	17.33
	24,216	100.00	2,782,974,080	100.00

SUBSTANTIAL SHAREHOLDERS

The direct and indirect shareholdings of the shareholders holding more than 5% in AirAsia Berhad ("AirAsia") based on the Register of Substantial Shareholders are as follows:-

	Direct		Indirect	
Name	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
Tune Air Sdn Bhd ("TASB")	531,212,082 [1]	19.09	-	-
Tan Sri Dr. Anthony Francis Fernandes	1,600,000 [2]	0.06	531,212,082 [3]	19.09
Datuk Kamarudin Bin Meranun	2,000,000 [2]	0.07	531,212,082 [3]	19.09
Employees Provident Fund Board	187,677,900 [4]	6.74	25,721,100 [5]	0.92
Wellington Management Company LLP	155,613,678 [6]	5.59	-	-
Wellington Management International, Ltd	164,758,160 [7]	5.92	-	-
Wellington Management Group LLP	-	-	388,811,771 [8]	13.97
Wellington Group Holdings LLP	-	-	388,811,771 [8]	13.97
Wellington Investment Advisors Holdings LLP	-	-	388,811,771 [8]	13.97
Wellington Management Global Holdings, Ltd	-	-	233,198,093 [8]	8.38

NOTES:

(1) Shares held under own name, HSBC Nominees (Tempatan) Sdn. Bhd., Amsec Nominees (Tempatan) Sdn. Bhd., Kenanga Capital Sdn. Bhd., MIDF Amanah Investment Nominees (Tempatan) Sdn. Bhd., Cimsec Nominees (Tempatan) Sdn. Bhd., Citigroup Nominees (Tempatan) Sdn. Bhd and RHB Nominees (Tempatan) Sdn. Bhd.

(2) Shares held under HSBC Nominees (Tempatan) Sdn. Bhd.

(3) Deemed interested by virtue of Section 6A of the Companies Act, 1965 ("the Act") through a shareholding of more than 15% in TASB.

(4) Shares held under own name (1,500,000 shares) and Citigroup Nominees (Tempatan) Sdn. Bhd. (186,177,900 shares).

(5) Shares held under Citigroup Nominees (Tempatan) Sdn. Bhd.

(6) Shares held under Cartaban Nominees (Asing) Sdn. Bhd., HSBC Nominees (Asing) Sdn. Bhd., JP Morgan Chase Bank N.A., Mellon Bank N.A. and RBC Dexia Investor Services.

(7) Shares held under Cartaban Nominees (Asing) Sdn. Bhd., Danske Bank A/S, Citigroup Nominees (Asing) Sdn. Bhd., HSBC Nominees (Asing) Sdn. Bhd., JP Morgan Chase Bank N.A., Mellon Bank N.A. and RBC Dexia Investor Services.

(8) Wellington Management Company LLP is a direct controlled undertaking of Wellington Investment Advisors Holdings LLP, which, in turn, is a direct controlled undertaking of Wellington Group Holdings LLP, which, in turn, is a direct controlled undertaking of Wellington Management Group LLP.

Wellington Management International, Ltd is a direct controlled undertaking of Wellington Management Global Holdings, Ltd., which, in turn, is a direct controlled undertaking of Wellington Investment Advisors Holdings LLP, which, in turn, is a direct controlled undertaking of Wellington Group Holdings LLP, which, in turn, is a direct controlled undertaking of Wellington Management Group LLP.

Wellington Management Singapore Pte Ltd (37,877,123 shares) is a direct controlled undertaking of Wellington Management Global Holdings, Ltd., which, in turn, is a direct controlled undertaking of Wellington Investment Advisors Holdings LLP, which, in turn, is a direct controlled undertaking of Wellington Group Holdings LLP, which, in turn, is a direct controlled undertaking of Wellington Management Group LLP.

Wellington Management Hong Kong Ltd (30,562,810 shares) is a direct controlled undertaking of Wellington Management Global Holdings, Ltd., which, in turn, is a direct controlled undertaking of Wellington Investment Advisors Holdings LLP, which, in turn, is a direct controlled undertaking of Wellington Group Holdings LLP, which, in turn, is a direct controlled undertaking of Wellington Management Group LLP.

DIRECTORS' SHAREHOLDINGS

The interests of the Directors of AirAsia in the Shares and options over shares in the Company and its related corporations based on the Company's Register of Directors' Shareholdings are as follows:-

	Direct		Indirect	
	No. of Shares Held	% of Issued Shares	No. of Shares held	% of Issued Shares
Tan Sri Dr. Anthony Francis Fernandes	1,600,000 (1)	0.06	531,212,082 (2)	19.09
Datuk Kamarudin Bin Meranun	2,000,000 (1)	0.07	531,212,082 (2)	19.09
Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	105,000 (3)	-*	-	-
Dato' Fam Lee Ee	-	-	-	-
Aireen Omar	-	-	-	-
Robert Aaron Milton	100,000 (4)	-*	-	-
Amit Bhatia	-	-	-	-
Uthaya Kumar A/L K Vivekananda	-	-	-	-

NOTES:

* Negligible.

(1) Shares held under HSBC Nominees (Tempatan) Sdn. Bhd.

(2) Deemed interested by virtue of Section 6A of the Act through a shareholding of more than 15% in TASB.

(3) Shares held under Cimsec Nominees (Tempatan) Sdn. Bhd. and RHB Capital Nominees (Tempatan) Sdn. Bhd.

(4) Shares held under HDM Nominees (Asing) Sdn. Bhd.

LIST OF TOP 30 LARGEST SHAREHOLDERS

	Name of Shareholders	No. of Shares Held	% of Issued Share Capital
1.	HSBC Nominees (Tempatan) Sdn. Bhd. *Credit Suisse HK for Tune Air Sdn. Bhd.*	296,000,000	10.64
2.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Employees Provident Fund Board*	186,177,900	6.69
3.	HSBC Nominees (Asing) Sdn. Bhd. *NTGS LDN for Skagen Kon-Tiki Verdipapirfond*	108,497,800	3.90
4.	Cimsec Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Tune Air Sdn. Bhd. (EDG&GCM)*	92,422,203	3.32
5.	CIMB Group Nominees (Tempatan) Sdn. Bhd. *CIMB Bank Berhad (EDP 2)*	69,084,000	2.48
6.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account-Bank Julius Baer & Co Ltd for Tune Air Sdn. Bhd. (CB SG)*	65,500,000	2.35
7.	HSBC Nominees (Asing) Sdn. Bhd. *Exempt An for The Bank of New York Mellon (Mellon Acct)*	54,763,450	1.97
8.	Cartaban Nominees (Asing) Sdn. Bhd. *SSBT Fund HFLR for The Hartford Capital Appreciation Fund*	45,597,300	1.64
9.	Cartaban Nominees (Asing) Sdn. Bhd. *SSBT Fund HG05 for The New Economy Fund*	45,583,400	1.64
10.	Amanahraya Trustees Berhad *Skim Amanah Saham Bumiputera*	44,498,500	1.60
11.	HSBC Nominees (Asing) Sdn. Bhd. *HSBC BK Plc for Saudi Arabian Monetary Agency*	43,131,100	1.55
12.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. *SSBT Fund Y72J for Litman Gregory Masters International Fund*	41,593,794	1.49
13.	Kenanga Capital Sdn. Bhd. *Pledged securities account for Tune Air Sdn. Bhd.*	38,205,310	1.37
14.	CIMB Group Nominees (Tempatan) Sdn. Bhd. *Exempt An for Khazanah Nasional Berhad (VCAM)*	37,000,000	1.33
15.	Cartaban Nominees (Asing) Sdn. Bhd. *Exempt An for State Street Bank & Trust Company (West CLT OD67)*	31,908,800	1.15

LIST OF TOP 30 LARGEST SHAREHOLDERS (CONTINUED)

	Name of Shareholders	No. of Shares Held	% of Issued Share Capital
16.	HSBC Nominees (Asing) Sdn. Bhd. *Exempt An for JPMorgan Chase Bank, National Association (U.K.)*	31,690,317	1.14
17.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Exempt An for AIA Bhd.*	30,908,300	1.11
18.	HSBC Nominees (Asing) Sdn. Bhd. *HSBC-FS P for HSBC Pooled Asia Pacific EX Japan Equity Fund*	27,698,500	1.00
19.	Cartaban Nominees (Asing) Sdn. Bhd. *SSBT Fund HFJ1 for Hartford Capital Appreciation HLS Fund*	26,590,800	0.96
20.	Citigroup Nominees (Asing) Sdn. Bhd. *CBNY for Dimensional Emerging Markets Value Fund*	26,192,000	0.94
21.	Cimsec Nominees (Tempatan) Sdn. Bhd. *CIMB Bank for Tune Air Sdn. Bhd. (M1566A)*	25,000,000	0.90
22.	Cartaban Nominees (Asing) Sdn. Bhd. *SSBT Fund HG22 for SMALLCAP World Fund, Inc.*	24,750,000	0.89
23.	HSBC Nominees (Asing) Sdn. Bhd. *NTGS LDN for Skagen VEKST Verdipapirfond*	24,244,100	0.87
24.	HSBC Nominees (Asing) Sdn. Bhd. *BBH and Co Boston for Emerging Markets Opportunities Portfolio (WTC CTF)*	23,340,964	0.84
25.	HSBC Nominees (Asing) Sdn. Bhd. *BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund*	21,896,548	0.79
26.	HSBC Nominees (Asing) Sdn. Bhd. *Exempt An for JPMorgan Chase Bank, National Association (Australia)*	21,890,770	0.79
27.	Cartaban Nominees (Asing) Sdn. Bhd. *GIC Private Limited for Government of Singapore (C)*	19,384,500	0.70
28.	Cartaban Nominees (Asing) Sdn. Bhd. *Exempt An for RBC Investor Services Trust (Clients Account)*	19,335,860	0.69
29.	HSBC Nominees (Asing) Sdn. Bhd. *Exempt An for JPMorgan Chase Bank, National Association (U.S.A.)*	18,712,115	0.67
30.	HSBC Nominees (Asing) Sdn. Bhd. *Exempt An for JPMorgan Chase Bank, National Association (Rep of China)*	18,116,700	0.65

LIST OF PROPERTIES HELD

Owner of building	Postal address/ location of building	Description/ existing use of building	Tenure/date of expiry of lease	Build-up area	Approximate age of building	Audited net book value as at 31 December 2014 (RM'000)
AirAsia Berhad	Taxiway Charlie, KLIA (part of PT39 KLIA, Sepang) *See Note 1*	Non permanent structure/aircraft maintenance hangar	*See Note 2*	2,400 sqm	11 years and 5 months	1,605

(1) On the fitness of occupation of the hangar, it is the subject of a year-to-year "Kelulusan Permit Bangunan Sementara" issued by the Majlis Daerah Sepang.

(2) The land area occupied is approximately 2,400 square meters. The land is owned by Malaysia Airports (Sepang) Sdn. Bhd. ("MAB") and the Company has an automatic renewal of tenancy on a month to month basis. Revaluation of properties has not been carried out on any of the above properties to date.

SALES OFFICES & STATIONS

BRUNEI DARUSSALAM

BANDAR SERI BEGAWAN

- Unit 4, Departure Hall
  Brunei International Airport
  Jalan Lapangan Terbang Antarabangsa
  Bandar Seri Begawan BB2513

CAMBODIA

PHNOM PENH

- Phnom Penh Airport
  17 Mezzanine Floor
  Arrival Domestic Terminal
- 179 Street Sisowath
  Sangkat Phsar Kandal 1
  Khan Daun Penh
  12204 Phnom Penh
- Ground Floor, #132
  Street Samdach Sothearos

CHINA

MACAU

- Macau International Airport Taipa
  Office 20, Mezzanine Level
  Passenger Terminal

GUANGDONG

- Century Holiday International Travel
  Service (Shenzhen) Co Ltd
  XY-10 Junting Hotel, 2085 Eastern Road
  Luo Hu, Shenzhen 518001
- Century Holiday International Travel
  Service (Guangzhou) Co Ltd
  First Floor, No 8 Zhong Shan 3 Road
  Guangzhou 510000
- Century Holiday International Travel
  Service (Guangzhou) Co Ltd
  Shop 105-2, No 50 Ti Yu Road West
  Tian He District, Guangzhou

BEIJING

- Century Holiday International Travel
  Service (Beijing) Co Ltd
  No 163A Yi Floor, No 6 Chaowai Street
  Chao Yang District, Beijing 100022

CHENGDU

- Century Holiday International Travel
  Service (ChengDu) Co Ltd
  No 172-5 Binjang East Road
  Jinjang District, Chengdu

SHANGHAI

- Century Holiday International Travel
  Service (Shanghai) Co Ltd
  No 739, Changde Road
  Jing'an District, Shanghai

YUNNAN

- Century Holiday International Travel
  Service (Kunming) Co Ltd
  No1108 Huancheng South Road
  Kunming, Yunnan

HANGZHOU

- Hangzhou Nota Travel Service Co Ltd
  Room 201, Huaxing Century Building
  No 317 Wantang Road, Hangzhou

INDONESIA

BANDA ACEH

- Sultan Iskandar Muda International
  Airport, Jl Banda Aceh Blang Bintang
  Kode Pos 23372
  Nangroe Aceh Daroesalam

DENPASAR, BALI

- Terminal Keberangkatan Domestik Lantai 1
  Bandara Internasional Ngurah Rai – Denpasar
  Badung – Bali 80361
- Sun Boutique Hotel
  Jl Sunset Road No 23, Bali

BALIKPAPAN

- Mezzanine Floor –
  Sultan Aji Muhammad Sulaiman
  Jl Marsma R. Iswahyudi
  Sepinggan, Balikpapan

BANDUNG

- Husein Sastranegara Airport
  Jl Pajajaran No 156, Bandung
  Jawa Barat 40173
- Hotel Grand Serella
  Jl L.L.R.E. Martadinata (RIAU) No 56
  Bandung, Jawa Barat 40271

JAKARTA

- Soekarno – Hatta International Airport
  Terminal 3 – Cengkareng / Jakarta
  Jawa Barat
- Jl Boulevard Raya, Blok LA 4
  No 10 Kelapa Gading
  14200 Jakarta Utara
- Komp Rukan Dharmawangsa
  No 43 Jl Dharmawangsa VI
  Jakarta Selatan
- Sarinah Plaza (LG level)
  No 11 Jl Mh Thamrin
  Jakarta Pusat
- Office Management Building
  Jl Marsekal Suryadharma (M1)
  No 1 Kel Selapajang Jaya
  Kec. Neglasari Kota Tanggerang
- Counter Railink Station Medan
  Jl Stasiun No 1 Zona A
  No Ruangan A-7 Lantai 2
  City Railway Station (CRS), Medan 20111

LOMBOK

- Lombok International Airport
  Departure Hall
  Bypass Tanak Awu Praya Lombok

MAKASSAR

- Sultan Hasanuddin International Airport
  Departure Terminal
  Makassar, South Sulawesi

MEDAN

- Ticketing Sales Lounge
  Arrival International Lt. 1
  Kuala Namu International Airport, Medan
- Garuda Plaza Hotel, Lobby Level
  Jl Sisingamanga Raja No 18
  Medan – Sumatera Utara 20213

PADANG

- Minangkabau International Airport
  Jl Mr Sultan Muhammad Rasyid
  Padang Pariaman, Sumatera Barat 25585

PALEMBANG

- Sultan Mahmud Badaruddin II
  International Airport
  Jl Tanjung Api-api No 1
  Palembang 30155

PEKANBARU

- Bandara Sultan Syarif Kasim II
  Simpang Tiga, Pekanbaru
  Riau 28452

PONTIANAK

- Supadio International Airport
  Jl Arteri Supadio, Pontianak
  Kalimantan Barat

SEMARANG

- Ahmad Yani International Airport
  Jl Puad A. Yani Semarang, Jawa Tengah

SOLO

- Adisumarmo International Airport,
  Surakarta 57108

SURABAYA

- Juanda International Airport
  Terminals 1 & 2
  Sidoarjo – Jawa Timur 60261
- Grand Circle Tunjungan Plaza 3 Lt. 1
  Jl Basuki Rahmat 08-12
  Surabaya – Jawa Timur 60261

YOGYAKARTA

- PT Indonesia Airasia Bandara Adi Sutjipto
  Jl Solo Km 9 Maguwoharjo Depok
  Sleman, Yogyakarta
- Jl HOS Cokroaminoto No 119 C
  Yogyakarta

MALAYSIA

JOHOR

- Tune Hotel, Danga Bay, Johor Bahru
  Lot PTB 22819, Jalan Skudai
  Mukim Bandar Johor Bahru
  80200 Johor Bahru
- Senai International Airport
  Lot S7, 81250 Johor Bahru
- No 26 Jalan Meriam, 84000 Muar
- No 7, Jalan Bestari 1/5
  Taman Nusa Bestari
  79100 Bandar Nusajaya
- Kluang Mall, Lot GK-01
  Ground Floor, Jalan Rambutan
  Bandar Kluang, 86000 Kluang

KEDAH

- Lapangan Terbang Sultan Abdul Halim
  Aras 1, 06550 Kepala Batas
  Alor Setar
- Langkawi International Airport
  Padang Mat Sirat
  07100 Langkawi
- No 68-B Ground Floor, Jalan Ibrahim
  08000 Sungai Petani

KUALA LUMPUR

- KL Sentral, Lot 4, Level 2
  Stesen Sentral Kuala Lumpur
  50470 Kuala Lumpur
- Plaza Berjaya, Lot G 027B, Ground Floor
  Podium Block, 12 Jalan Imbi
  55100 Kuala Lumpur
- No 71 Jalan Metro Perdana Barat
  1 Taman Usahawan Kepong
  52100 Kuala Lumpur
- Wisma Paradise, Ground Floor
  No 63 Jalan Ampang
  50450 Kuala Lumpur

KELANTAN

- Lapangan Terbang Sultan Ismail Petra
  Pengkalan Chepa, 16100 Kota Bharu

PERAK

- Pi Hotel, No 2, Ground Floor, The Host
  Jalan Veerasamy, 30000 Ipoh

TERENGGANU

- Sultan Mahmud Airport
  Level 1, Terminal Building
  21300 Kuala Terengganu

LABUAN

- Labuan Airport Terminal, Level 1
  87008 Wilayah Persekutuan Labuan

NEGERI SEMBILAN

- No 11, Jalan Era Square 2
  Era Square, 70200 Seremban

PENANG

- Penang International Airport
  Bayan Lepas, 11900 Penang
- Ground Floor, Kim Mansion
  332 Chulia Street, 10200 Penang
- No 723 L-G, Jln Sungai Dua
  11700 Penang
- A-G-07 Jalan Todak 4
  Sunway Business Park
  Seberang Perai, 13700 Penang

SABAH

- Sandakan Airport
  Lots 1&2, First Floor
  Airport Main Terminal Building
  90000 Sandakan
- Tawau Airport Building
  FL4, First Floor, Jalan Apas-Balung
  91100 Tawau
- Istana Monaco Hotel
  TB228, Lot 5, Ground Floor
  Fajar Complex, Jalan Bunga
  91000 Tawau
- Wisma Sabah
  Lot G24, Ground Floor
  Jln Tun Razak, 88000 Kota Kinabalu
- Kota Kinabalu International Airport
  Ground Floor, Terminal 2
  Old Airport Road, Tanjung Aru
  88100 Kota Kinabalu
- Plaza USIA Building
  Jalan Teratai, MDLD 7084
  91100 Lahad Datu

SARAWAK

- Bintulu Airport, GL02, Ground Floor
  97000 Bintulu
- Miri Airport, Ground Floor, Lot G08
  Public Concourse, Terminal Building
  98000 Miri
- Lot 946, Jalan Parry, 98000 Miri
- Wisma Ho Ho Lim, 291 Sub Lot 4
  Ground Floor, Jalan Abell
  93100 Kuching
- Sibu Airport, GFLO1, Ground Floor
  96000 Sibu
- No 36 Jalan Keranji, Ground Floor
  96000 Sibu
- Parkcity Commercial Sq
  Phase 5, Lot 4034, Ground Floor
  Jln Tun Ahmad Zaidi, 97000 Bintulu
- Synergy Square
  (Matang Jaya Commercial Centre)
  Lot 6813, Ground Floor, Jalan Matang Jaya
  93050 Kuching
- Kuching International Airport
  Lot L1L C15, Ground Floor
  Arrival Level, Kuching

SELANGOR

- SkyPark Lapangan Terbang
  Sultan Abdul Aziz Shah Airport
  G2 Ground Floor, 47200 Subang
- Kuala Lumpur International Airport
  Jalan KLIA S3, Southern Support Zone
  64000 Sepang
- AirAsia Sales Office, klia2
  LS2-3-03, Departure Level
  Public Concourse, Sepang
- Mydin Mall USJ 1
  Lot-35, Persiaran Subang Permai USJ1
  47500 Subang Jaya
- Plaza Metro Kajang
  Lot S141, Second Floor, Section 7
  Jalan Tun Abdul Aziz, 43000 Kajang
- Wisma Thrifty
  Lot 3B, Ground Floor
  No 19 Jalan Barat (opposite PJ Hilton)
  46200 Petaling Jaya

MYANMAR

YANGON

- Yangon International Airport
- No 37, Level 1, Room-111
  La Pyae Wun Plaza, Alanpya Pagoda Road
  Dagon Township, Yangon

MANDALAY

- No 3, 26 (B) Road
  (between 78th and 79th Street), Mandalay

PHILIPPINES

CAGAYAN DE ORO

- Laguindingan International Airport
  Brgy Moog, Laguindingan
  Misamis Oriental
- DIMDI, J.R. Borja St, Cagayan de Oro City

CLARK

- Tune Hotel, Don Juico Avenue
  Angeles City, Pampanga

CEBU

- West Wing Domestic Area
  Mactan Cebu Int'l Airport, Pusok
  Lapu Lapu City
- Third Floor Service Lane, Elizabeth Mall
  N. Bacalso Ave. Cebu City

MANILA

- NAIA Terminal 4, Domestic Road
  Pasay City
- G/F Colonnande Residences
  132 C Palanca Street, Legaspi Village
  Makati City
- Unit 126 South Parking Building
  SM Mall of Asia Complex
  JW Diokno Boulevard, Pasay City
- Unit 108 SM City North Edsa – The Block
  SM City Complex, North Edsa, Pag-Asa 1
  Quezon City

DAVAO

- Francisco Bangoy International Airport
  Buhangin, Davao City
- 2/L Victoria Plaza, JP Laurel Avenue
  Davao City

KALIBO

- 1880 D Maagma St, Kalibo, Aklan

TAGBILARAN

- Talibon Commercial Center 1
  Talibon, Bohol
- Airport Building, Second Floor
  Airport Road, Tagbilaran City, Bohol

PUERTO PRINCESA

- Bgy Bancao-Bancao, Airport Compound
  Puerto Princesa City

TACLOBAN

- DZR Airport, San Jose Tacloban City

SINGAPORE

- Singapore Changi Airport, Terminal 1
  Rows 13 & 14, Departure Level 2

SRI LANKA

COLOMBO

- Setmil Aviation (Pvt) Ltd, Ground Floor
  Setmil Maritime Centre
  256 Srimath Ramanathan Mawatha
  Colombo 15

THAILAND

BANGKOK

- 127 Tanao Road, Phra Nakorn
  Bangkok 10200
- Suvarnabhumi International Airport
  Room A1-062 Ground Floor, Concourse A
  Bangna-Trad Road, Racha Teva, Bang Pli
  Samutprakarn 10540
- Tesco Lotus – Bangkapi, Second Floor
  3109 Ladpro Road, Bangkapi
  Bangkok 10240
- Tesco Lotus – Rama 1, Third Floor
  831 Rama 1 Road, Wangmai, Pathumwan
  Bangkok 10330
- Tesco Lotus – Rangsit, Second Floor
  392/4, Moo 2, Phaholyothin Road
  Thanyaburi, Pathumthani 12130
- Tesco Lotus – Sukhumvit 50, First Floor
  1710 Sukhumvit Road, Klong Toey
  Bangkok 10110
- Tesco Lotus – Lad Prao, Second Floor
  1190 Phahonyothin Road, Jompol
  Jatujak, Bangkok 1090

CHIANG MAI
- Chiangmai International Airport
  60 First Floor, Tambol Sutep
  Amphur Muang, Chiang Mai 50200
- 416 Thaphae Road, Chiang Mai
- Tesco Lotus – Chiang Mai Kamtieng
  Second Floor, 19 Kamtieng Road
  Patan Sub District, Muang District
  Chiang Mai 50340

CHIANG RAI
- Chiang Rai International Airport
  2305/2 404 Moo 10, Tambol Bandu
  Amphur Muang, Chiang Rai 57100

HAT YAI
- Hat Yai International Airport
  125 Moo 3 Klongla, Klonghoikong
  Songkhla 90115
- Tesco Lotus – Hat Yai, First Floor
  1142, Kanchanawit Road, Hat Yai
  Songkhla 90115

KRABI
- Krabi International Airport Room No 133
  Moo 5, Petchakasem Rd
  Nuaklong Sub District,
  Nuaklong District, Krabi 81130

NAKHON PHANOM
- Nakhon Phanom Airport Level 1
  40 M.6 Nittayo Road, Photak District
  Nakhon Phanom 48000

NAKORN SI THAMMARAT
- Nakorn Si Thammarat Airport
  Muang District
  Nakorn Si Thammarat

NARATHIWAT
- Narathiwat Airport, 330 Moo 5
  Tambol Kok-Kian, Amphur Muang
  Narathiwat 96000

PHUKET
- Phuket International Airport
  312 Third Floor, Tumbol Maikao
  Amphur Thalang, Phuket 83110
- Unit 9, Laflora Patong Area
  No 39, 39/1 Thaveewong Rd
  Patong, Kratoo, Phuket
- Tesco Lotus – Phuket, Second Floor
  104 Chalermprakiat Road
  Rasada Sub District, Muang District
  Phuket 83000

SURAT THANI
- Surat Thani International Airport
  73 Moo 3, Tambol Huatuey
  Amphur Punpin, Surat Thani

TRANG
- Trang Airport House No 170
  Village No 12, Trang-Paliean Road
  Koklor Sub-District
  Mueang Trang District, Trang 92000

UBON RATCHATHANI
- Ubon Ratchathani Airport
  297 Ubon Ratchathani Airport
  Thepyotee Road, Amphur Nai Muang
  Ubon Ratchathani 34000

UDON THANI
- Udon Thani International Airport
  224 Moo 1, Tambol Makkhang
  Amphur Muang, Udon Thani 41000

PATTAYA
- Tesco Lotus – South Pattaya, Second Floor
  408/2 Moo 12, South Pattaya
  Sukhumvit Rd, Nongprue
  Banglamung, Chonburi 20150

VIETNAM

HANOI
- Noi Bai Airport, Terminal 1
  International Departure Hall
  Third Floor, Hanoi
- 55 Nam Ngu, Cua Nam Ward
  Hoan Kiem District, Hanoi

HO CHI MINH CITY
- Tan Son Nhat International Airport
  Room #1.4.19, Ho Chi Minh City
- 84B Bui Vien, District 1, Ho Chi Minh City

CALL CENTRES

Australia
1300 760 330

China
+86 512 8555 7711

India
1860 500 8000

Indonesia
+62 21 2927 0999
+62 804 1333 333

Japan
0120 963 516

Jeddah
+966 800 844 9458
+966 800 850 0001
(For guests using Zain as
their telco service provider)

Hong Kong
+852 3013 5060

Macau
+853 6262 6352

Malaysia
600 85 8888
(AirAsia X Premium Line,
chargeable at RM1.95 per minute)

Philippines
+63 2 742 2742

Singapore
+65 6307 7688
(AirAsia X Premium Line)

South Korea
00798 1420 69940

Taiwan
+886 2 8793 3532

Thailand
+66 2 515 9999

GLOSSARY

AirAsia Berhad	"The Company" or "AirAsia".
Aircraft at end of period	Number of aircraft owned or on lease arrangements of over one month's duration at the end of the period.
Aircraft utilisation	Average number of block hours per day per aircraft operated.
Available Seat Kilometres (ASK)	Total seats flown multiplied by the number of kilometres flown.
Average fare	Passenger seat sales, surcharges and fees divided by number of passengers.
Block hours	Hours of service for aircraft, measured from the time that the aircraft leaves the terminal at the departure airport to the time that it arrives at the terminal at the destination airport.
Capacity	The number of seats flown.
Cost per ASK (CASK)	Revenue less operating profit divided by available seat kilometres.
Cost per ASK, excluding fuel (CASK ex fuel)	Revenue less operating profit and aircraft fuel expenses, divided by available seat kilometres.
Load factor	Number of passengers as a percentage of capacity.
Passengers carried	Number of earned seats flown. Earned seats comprises seats sold to passengers (including no-shows), seats provided for promotional purposes and seats provided to staff for business travel.
Revenue per ASK (RASK)	Revenue divided by available seat kilometres.
Revenue Passenger Kilometres (RPK)	Number of passengers multiplied by the number of kilometres those passengers have flown.
Stage	A one-way revenue flight.

FORM OF PROXY

AIRASIA BERHAD
(Company No.: 284669-W)
Incorporated in Malaysia

I/We ______________________________ NRIC No./or Co. No.: ______________
(FULL NAME IN BLOCK LETTERS) (COMPULSORY)

of ____ being a
(ADDRESS)

member of AIRASIA BERHAD ("the Company") hereby appoint ______________________________
(FULL NAME IN BLOCK LETTERS)

NRIC No.: ______________ of ______________________________
(COMPULSORY) (ADDRESS)

and/or ______________________________ NRIC No.: ______________ of
(FULL NAME IN BLOCK LETTERS) (COMPULSORY)

____
(ADDRESS)

as my / our proxy(ies) to vote in my / our name and on my / our behalf at the Twenty Second Annual General Meeting of the Company to be held on Wednesday, 3 June 2015 at 10.00 a.m. and at any adjournment of such meeting and to vote as indicated below:

RESOLUTIONS	DESCRIPTION	FOR	AGAINST
Ordinary No. 1	**Ordinary Business** Receive the Audited Financial Statements and Reports		
No. 2	Declaration of First and Final Single Tier Dividend		
No. 3	Approval of Directors' Fees for the financial year ended 31 December 2014		
No. 4	Approval of Directors' Fees with effect from the financial year ending 31 December 2015		
No. 5	Re-election of Tan Sri Dr. Anthony Francis Fernandes		
No. 6	Re-election of Datuk Kamarudin Bin Meranun		
No. 7	Re-election of Mr. Amit Bhatia		
No. 8	Re-election of Mr. Uthaya Kumar A/L K Vivekananda		
No. 9	Re-appointment of Auditors		
No. 10	**Special Business** Proposal for Dato' Fam Lee Ee to continue as Senior Independent Non-Executive Director of the Company		
No. 11	Authority to allot shares pursuant to Section 132D of the Companies Act, 1965		
No. 12	Proposed renewal of existing shareholders' mandate and new shareholders' mandate for Recurrent Related Party Transactions		

(Please indicate with an "X" in the spaces provided how you wish your votes to be cast. If you do not do so, the proxy will vote or abstain from voting as he thinks fit)

No. of shares held:	
CDS Account No.:	
The proportion of my/our holding to be represented by my/our proxies are as follows:	First Proxy : ________% Second Proxy : ________%
Date:	

____
Signature of Shareholder/Common Seal

Notes to Form of Proxy

a. Pursuant to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 and Article 43(1) of the Company's Articles of Association, only those Foreigners (as defined in the Articles) who hold shares up to the current prescribed foreign ownership limit of 45.0% of the total issued and paid-up capital, on a first-in-time basis based on the Record of Depositors to be used for the forthcoming Annual General Meeting, shall be entitled to vote. A proxy appointed by a Foreigner not entitled to vote, will similarly not be entitled to vote. Consequently, all such disenfranchised voting rights shall be automatically vested in the Chairman of the forthcoming Annual General Meeting.

b. A member must be registered in the Record of Depositors at 5.00 p.m. on 27 May 2015 ("General Meeting Record of Depositors") in order to attend and vote at the Meeting. A depositor shall not be regarded as a Member entitled to attend the Meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors. Any changes in the entries on the Record of Depositors after the abovementioned date and time shall be disregarded in determining the rights of any person to attend and vote at the Meeting.

c. A member entitled to attend and vote is entitled to appoint a proxy (or in the case of a corporation, to appoint a representative), to attend and vote in his stead. There shall be no restriction as to the qualification of the proxy(ies).

d. The Proxy Form in the case of an individual shall be signed by the appointor or his attorney, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.

e. Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.

f. Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

g. The Proxy Form or other instruments of appointment shall not be treated as valid unless deposited at the Registered Office of the Company at B-13-15, Level 13, Menara Prima Tower B, Jalan PJU 1/39, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time set for holding the meeting. **Faxed copies of the duly executed form of proxy are not acceptable.**

Fold here

stamp

COMPANY SECRETARY
AirAsia Berhad (Company No. 284669-W)
B-13-15, Level 13
Menara Prima Tower B
Jalan PJU 1/39, Dataran Prima
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Fold here

airasia.com

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