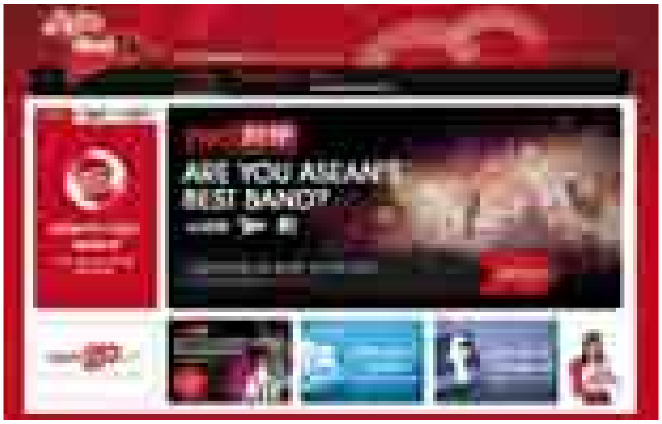


Our ancillary services

Baggage Supersize	AirAsia Courier
AirAsia Cafe (in-flight F&B)	CIMB AirAsia Savers account
Merchandise and duty free (including AirAsia Megastore)	Membership of Junior Jet Club
AirAsia Insure (travel insurance)	AirAsiaGo.com (holiday-booking portal)
Pick a Seat	AirAsia Credit Card
E-Gift Voucher	Airspace advertising
Charter flights	AirAsia RedTix (ticket-booking portal for sporting events, concerts, musicals, theatre performances and more)

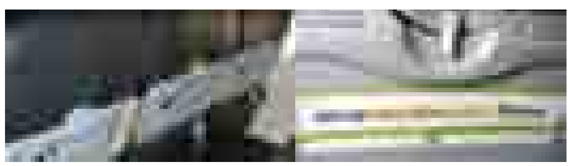
The other exciting development in ancillary income is expected to come from non-traditional sources. We are fast becoming a one-stop superstore for guests to not only book their flights but hotels, ground transportation, leisure activities and tours via our AirAsiaGo.com. We extend to our guests the convenience to tap into our pool of partners worldwide and enjoy the added benefits it offers.

Then there is the AirAsia Megastore, through which we offer products for sale at the click of a mouse. Other hip offerings in 2010 include AirAsia RedTix, a ticket booking portal for sporting events, concerts, musicals, theatre and other events. We believe our guests will find this portal useful, convenient and, often exclusive. The portal will be the passport to fun for both AirAsia sponsored events as well as general offerings that are of interest to our guests.

It doesn't end here. Also in the wings is our inaugural loyalty programme, through which our loyal guests can benefit from an array of new flight and non-flight ancillary initiatives.

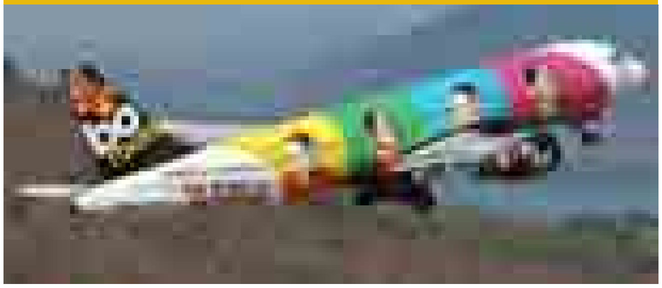
The success in generating revenue from ancillary products and services lies in harnessing the power of AirAsia's e-business strategy and web-based Customer Relationship Management. These cost effective and state-of-the-art systems help us to better customise the value proposition of our ancillary products.

We are also building our own integrated supply chain system for ancillary business whereby the chain will be fed directly from suppliers to consumers. This will provide better pricing and optimal bundling whereby only the perfect inventories will be on-board our aircraft and ready to be delivered based on destination. Our web site, which is the largest e-commerce site in the region, will be at the heart of our ancillary income strategy – open for business 24 hours a day for 365 days a year (and 366 in a leap year!), accessible to anyone with an Internet connection, and piled with exciting offerings that will increase our brand experience for our guests.



Our People Make It Possible

As we celebrated our eighth anniversary in 2009, we looked back with pride at how AirAsia's people, who are its greatest asset, have once again proved they are the best in the business.



Staff Numbers (as at 31 December 2009)

	Malaysia	Thailand	Indonesia
Management & Others	2,781	1,233	796
Flight Attendants (including FA Management)	1,162	269	219
Pilots (including Pilot Management)	650	204	174
Total	**4,593**	**1,706**	**1,189**

2009 was a year of both consolidation and growth. Given AirAsia's phenomenal expansion over the last eight years, it has been challenging to ensure that new staff members quickly become familiar with our culture, values and history. Having grown so big, maintaining effective two-way communication has become paramount.

A highlight of 2009 was the AirAsia Values rollout under the banner of AirAsia Allstars (AirAsia employees). The rollout was widespread – covering all locations where AirAsia employees work. During the rollout, representatives from the corporate office conducted presentations, events and feedback sessions using specially prepared booklets, videos and other collaterals.

Talking about our brand was a high priority in the sessions – what it is, why is it important, how to grow and protect it, and how to avoid diluting or trivialising it. For a company that is fast becoming one of the strongest and best-loved regional brands, this is of the utmost importance.

We also continued to run our cadet pilot training programme, which last year allowed 39 young Malaysians to achieve their goal of becoming pilots with AirAsia. Meanwhile, we made excellent progress with our programme to train young men and women to become technicians and engineers of international standard.

Our AirAsia Academy continues to be the jewel in our crown. It trained over 15,000 people in 2009, helping the company to maintain and raise its standards, as well as becoming a training institution of choice for a number of other aviation-related businesses.

We also acknowledge past and present people especially our previous Chairman Dato' Pahamin Abdul Rajab and our current Chief Operating Officer Bo Lingam. In a salute to their professional excellence, AirAsia dedicated one aircraft to each with special liveries bearing images of two individuals who have contributed immensely to the growth of AirAsia and the propagation of AirAsia's culture.

As we celebrated our eighth anniversary in 2009, we looked back with pride at how AirAsia's people, who are its greatest asset, have once again proved they are the best in the business. By their own efforts, they are helping to create one of the world's coolest and most dynamic aviation success stories.

ALL FOR ONE ONE FOR ALL

We are many things, but together we are one AirAsia – unified by one dream

What AirAsia culture stands for

CARING
PASSIONATE
FULL OF INTEGRITY
FUN
SAFETY CONSCIOUS
HARD WORKING

CARING
Put our hearts into it and everything is possible. Do the right thing and treat others the way we want to be treated. It's all about being sensitive to others

PASSIONATE
When we do something, stamp it with our own personality and be proud of it

FULL OF INTEGRITY
Doing things professionally, staying ahead in innovation and being a team player are key ingredients in achieving our goals together and turning challenges into opportunities.

FUN
Create a work place that is fun and happy so that coming to work is a more enjoying and rewarding experience for all!

SAFETY CONSCIOUS
Low fares and high quality is an unbeatable product – lets keep it that way and ensure the safety of our valued guests. Think "safety first", "safety always"

HARD WORKING
It's you that makes the difference. We recognize you, invest in you and you share the success

Who are we?

ALWAYS ASEAN

How we do it

Allstars go the extra mile to give **GREAT SERVICE** to our guests

Allstars bring **FUN** into our work

Allstars are born **FRIENDLY**

Allstars strive on **AIRASIA CULTURE**

The journey's only just begun. We look forward to having you on board all the way...

Go Team, Go Allstars, Go AirAsia

AirAsia Allstars
ALL FOR ONE ★ ONE FOR ALL
EST 2001

Our Credo

Corporate Social Responsibility

1

No corporation can live apart from the community it serves. This fundamental principle defines AirAsia's approach to Corporate Social Responsibility ("CSR") At AirAsia, we are of the firm conviction that CSR is much, much more than what it is sometimes perceived to be.

Our perspective is simple: We share the values of the communities in which we live, operate and with whom we do business. We celebrate with them in times of joy, and we extend a helping hand in times of tragedy or disaster. We practice the traditions and values that guide their daily lives. We engage them through our multiple interactive platforms every day, addressing their concerns, resolving their complaints and dedicating ourselves to earning their trust. We consider it a duty – a calling, even – that we conduct ourselves as a corporation in a manner befitting this trust placed in us. And being a truly ASEAN airline, we consistently adhere to these standards throughout the diverse and vibrant region in which we have our footprint.

One example is our workplace. We are a meritocracy. Staff are hired and promoted based on their ability and capabilities. Gender, creed, age or ethnicity – none of these enter into the calculation. We believe our guests expect us to be thoroughly professional in our duties – and we strive to exceed their expectations. We believe our communities expect us to treat our staff equally, without regard to their race, religion, age or gender. And we share those values.

Community

Beyond the confines of our workplace, AirAsia is firmly committed to helping communities in times of turbulence. And given that we are in the aviation industry, we often find that we are uniquely positioned to do so.

A case in point: On 30th September 2009, an earthquake measuring 7.6 on the Richter scale struck West Sumatra, Indonesia. The provincial capital, Padang, was almost completely destroyed and more than 1,100 people were killed. The community was plunged into utter desolation; it was a time of deep sorrow and heartbreak. Our staff were among those who saw their homes destroyed, but continued to work at their stations at the airport to help our guests seeking to fly out.

That was just the beginning. AirAsia put on a special "charity flight" from Jakarta to Padang, offering seats for free to families of the victims. Within 20 minutes, all 142 seats were snapped up. We also provided 1.5 million tons of free cargo space to ferry relief supplies to the earthquake-hit area.

The helping hand was also extended from Malaysia to Padang. Eventually, AirAsia ferried – free of charge – more than 56 tonnes of goods, including food, medical equipment and clothing, Among the relief agencies and NGOs that sent goods and volunteers via AirAsia were Mercy Malaysia (1 tonne), Malaysian Relief Agencies (3 tonnes of goods & 15 seats for volunteers), Sime Darby (28 tonnes), Yayasan AMAL Malaysia (600kg), AMAN Malaysia (2.4 tonnes) and Malaysian Red Crescent (1 tonne).

It was not the first time AirAsia demonstrated its commitment to the communities it serves. In 2008, similar relief efforts were undertaken when an earthquake struck Sichuan province in China and when Cyclone Nargis left a trail of devastation in its wake in Myanmar.

But CSR and community service are not just about rushing to help when tragedy strikes. They are also about making dreams come true, helping provide a sliver of joy that pierces the cloud of darkness in an individual's heart.

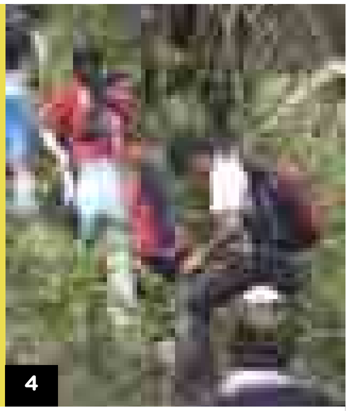
One such occasion was when AirAsia collaborated with Children Wish Society to help Nur Hidayah Aziz, a 17-year-old girl suffering from terminal leukemia to fulfill her dreams. She had made a wish to travel to the holy city of Mecca before the cancer took her life. However due to her condition, doctors advised against travelling the long distance.

Nur Hidayah had another wish – to visit for the last time, Sabah, the state she was born in but didn't get to experience because her father was transferred to the peninsula when she was still young.

2

3

1. Padang relief team
2. AllStars Gold Coast Airport Marathon.
3. Junior Jet Club visit to Pusat Sains Negara, Mont Kiara
4. Junior Jet Club hash run
5. Safety Awareness Workshop for AirAsia ladies in Akido self-defence skills.
6. Allstars visit to the Sepilok Orang Utan Rehabilitation Centre, Sabah.
7. Spa Day for staff.



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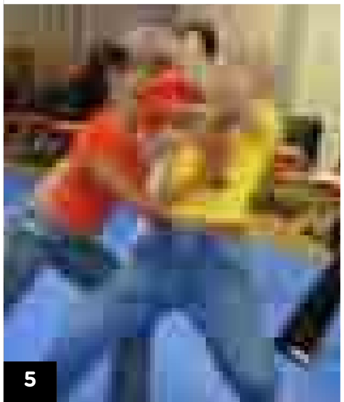

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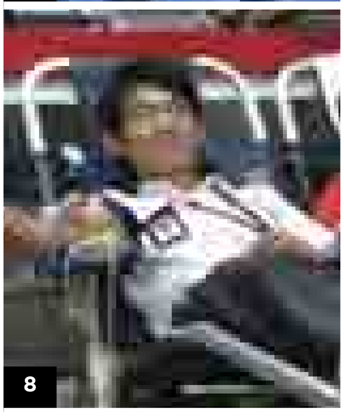

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8. AllStars Blood Donation Drive
9. AirAsia No Smoking Day.
10. AllStars Borneo International Marathon
11. Red Outdoor Club mountain climbing trip to Mount Rinjani, Lombok Indonesia.
12. Red Outdoor Club mountain climbing trip to Mount Kinabalu, Sabah.
13. Nur Hidayah Aziz (leukemia patient) and her mother.

Corporate Social Responsibility

AirAsia was able to fulfill her second dream. We flew her and her mother from Kuala Lumpur to Kota Kinabalu over the Christmas weekend where she had an enjoyable time – got up close with a baby Orang Utan, snorkelled at the Tunku Abdul Rahman Marine Park, joined a traditional dance at a seafood restaurant and returned to Kuala Lumpur happy. She has since passed away.

Environment

AirAsia's goal is to ensure that its operations are as ef cient as possible, both in the air and on the ground, to find ways to minimise its environmental impact and to lead the way in shaping a greener future for aviation. We do this through:

1. **Investment in the Latest Technology and Efficient Use of Aircraft**
   AirAsia's policy is to grow its fleet using the most modern aircraft – the Airbus A320 aircraft, whilst retiring older Boeing B737 aircraft. The new aircraft are more ef cient to operate and more fuel ef cient and we realise substantial savings with the group-wide operation of a single model aircraft.

   AirAsia flies direct, or "point to point", and does not offer any connecting services. A direct service between two points will produce lower emissions than two flights via a hub ("hub and spoke" system). AirAsia's business model means that it is considerably more environmentally ef cient than a traditional network carrier. On average each of AirAsia's Airbus A320 aircraft carries 22 more passengers and AirAsia estimates that the typical legacy airline operating an Airbus A320 aircraft would burn 15% more fuel per passenger, compared to AirAsia.

2. **Short turnarounds**
   AirAsia's business model is designed to achieve high aircraft utilisation. Key to this is minimising the turnaround time (measured as the time between the aircraft arriving at the gate and pushing back for departure). Our benchmark turnaround time is 25 minutes. During a turnaround, the crews secure and prepare the aircraft for the next flight before boarding passengers and their baggage. This process includes safety checks, cleaning the aircraft cabin and on most occasions, refuelling. By adhering to this standard, to service the same number of passengers through the day, AirAsia requires fewer gates and other airport infrastructure compared to the typical legacy airlines.

3. **Minimal Use of Ground Equipment and Simple Airport Infrastructure**
   AirAsia has simple airport infrastructure requirements. As a short-haul point to point airline with one class of service, AirAsia has no need for segregated check-in areas or for complex baggage handling systems and facilities to transfer passengers between flights. Wherever possible, AirAsia works with airports to adapt and develop existing facilities to minimise airport capital expenditure and reduce environmental impact. We encourage our passengers to use our self service check-in options, which helps reduce the need for expensive airport infrastructure. Our policy is to use the most ef cient and simple ground equipment in order to facilitate reduced turnaround times. As such, we prefer, where possible, not to use air bridges.

4. **Minimal waste**
   AirAsia's no frills service is designed to reduce waste in all areas. AirAsia is a ticketless airline and has a policy of operating a near paperless of ce. What paper waste there is, is disposed of through our "Red Heart, Green Mind" recycling programme.

5. **Excess baggage fees**
   AirAsia charges for excess baggage, thus encouraging our guests to fly as light as possible. Increasing these fees not only adds revenue to the airline, but also serves as a strong disincentive to bringing on board heavy luggage. Reducing the weight on board aircraft helps increase fuel ef ciency and maximizes environmental considerations in other aspects of operation as well.

AIRBUS

A320 Family Operational Excellence Award 2009

Cardtrend.com

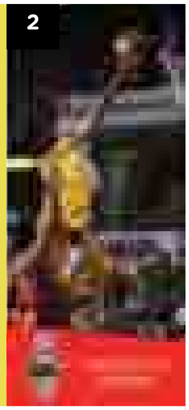
AirAsia.com

Corporate Social Responsibility


1

Sports

1. Fairuz Fauzy in Team MOFAZ Fortec Motorsport car.
2. AirAsia is the of cial airline partner of the ASEAN Basketball League.
3. MotoGP riders Elly Idzlianizar Ilias and Mohd Zulfahmi Khairuddin.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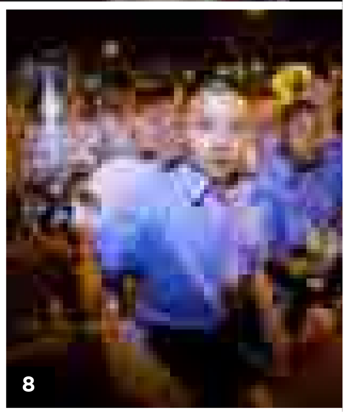
Thailand

4. Children from Nakhon Si Thammarat flown to Bangkok.
5. Releasing little sharks from Siam Ocean World back to the sea in Phuket.
6. Children from Narathiwat flown to Bangkok to watch Disney On Ice.
7. Under privileged children from Chiang Mai flown to Phuket to experience the sea.
8. Children from Chiang Rai flown to Bangkok to join Father's Day celebration.

Indonesia

9. Pesta Bloggers, Jakarta.
10. Generation 21 – Inspiring Asia Pacific Young Leaders.


7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Major Milestones 2009

January - March

13 Jan AirAsia and AirAsia X introduce Supersize Baggage Policy, offering guests up to 50% savings.

20 Jan Thai AirAsia launches daily flights Bangkok-Bali and Bangkok-Guangzhou.

10 Feb AirAsia hits record sales, selling 279,000 seats in a single day – possibly the largest single-day's sales in aviation history.

17 Feb AirAsia launches Pick A Seat for all flights, and free Web Check In across the entire AirAsia and AirAsia X network.

20 Feb AirAsia receives the Hornbill Tourism Award for the air transportation category.

23 Feb Official signing ceremony with Barclays Capital for funding of 15 Airbus A320 aircraft.

1 Mar AirAsia reinstates flights to Macau from Kota Kinabalu and Kuching, and increases Kuala Lumpur-Macau flights to four times a day.

3 Mar Dato' Sri Dr Tony Fernandes receives the Laureate Award in the Commercial Air Transport category from Aviation Week.

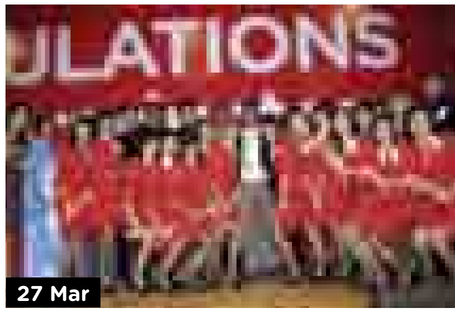
10 Mar Bandung is established as a hub.

11 Mar AirAsia X launches its Kuala Lumpur-London route and European cargo operations.

24 Mar Indonesia AirAsia launches direct daily flights between Singapore and Jakarta, Bandung, Yogyakarta and Bali.

27 Mar 100 flight attendant trainees graduate from the AirAsia Academy.


23 Feb



27 Mar


9 Jul


8 Aug


12 Oct

April - June

1 Apr AirAsia receives the World's Best Low Cost Airline award from Skytrax.

2 Apr AirAsia X launches flights Kuala Lumpur-Tianjin.

9 Apr AirAsia launches CIMB Bank AirAsia Savers Account, a new ancillary product initiative.

28 Apr AirAsia and Scicom announce establishment of a world-class, state-of-the-art contact centre.

1 May AirAsia increases Kuala-Lumpur-Guilin flights to daily direct flights.

8 May AirAsia receives A320 Family Operational Excellence Award from Airbus.

13 May AirAsia announces sponsorship of The Saturdays, a British all-girl pop band.

13 May American Express (Amex) launches tie-up with AirAsia, for its card holders to purchase AirAsia flights trough internet, call centre and sales counters.

1 Jun AirAsia launches flights Penang-Singapore and Langkawi-Singapore and an eighth daily flight Kuala Lumpur-Singapore.

4 Jun AirAsia celebrates 1st ASEAN Crew Complement Graduation Ceremony.

24 Jun AirAsia abolishes administration fee.

26 Jun AirAsia and AirAsia X becomes official sponsor of Oakland Raiders NFL.

July - September

1 Jul AirAsia X launches flights Kuala Lumpur-Taipei.

9 Jul AirAsia launches Redbox, the world's first low-cost courier.

17 Jul Indonesia AirAsia launches daily flights Bali-Perth.

29 Jul AirAsia partners with Tune Talk to boost revenue via in-flight Tune Talk sim card.

31 Jul AirAsia launches flights Penang-Hong Kong. Penang is established as a hub.

8 Aug AirAsia celebrates ASEAN Day with a three-city hop onboard an Airbus A320 aircraft in ASEAN livery.

15 Aug AirAsia launches daily flights Kuala Lumpur-Colombo.

19 Aug Indonesia AirAsia launches second daily flights Bali-Perth. Surabaya is established as a hub.

1 Sep AirAsia launches second daily flight Kuala Lumpur-Trichy.

4 Sep AirAsia partners with Malaysian racing team MOFAZ Fortec Motorsport.

9 Sep AirAsia launches daily flights Brunei-Kota Kinabalu, Singapore-Miri and Singapore-Tawau.

18 Sep Indonesia AirAsia launches flights Jakarta-Ho Chi Minh City.

25 Sep Thai AirAsia celebrates Bangkok-Taipei inaugural flight.

28 Apr

13 May

4 Jun

28 Oct

9 Dec

October - December

4 & 5 Oct AirAsia activates campaign and provides charity flights to help victims of the Padang earthquake.

5 Oct AirAsia provides free seats and cargo space to bring aid to Padang quake victims.

8 Oct Dato' Sri Dr Tony Fernandes is named Travel Personality of the Year and AirAsia is named Best Asian Low-Cost Carrier at the 2009 Annual TTG Travel Awards.

9 Oct AirAsia becomes of cial airline partner of the ASEAN Basketball League.

9 Oct AirAsia launches 3 new Indian routes to Kolkata, Kochi and Trivandrum from Kuala Lumpur.

12 Oct AirAsia Malaysia 125cc MotoGP Team introduces its two riders: Elly and Mohd Zulfahmi

12 Oct AirAsia launches 'Have you flown AirAsia?' brand campaign.

13 Oct Dato' Sri Dr Tony Fernandes receives the 2009 Frost & Sullivan Excellence in Leadership Award.

20 Oct AirAsia X launches flights Kuala Lumpur-Chengdu.

28 Oct Centre for Asia Pacific Aviation names AirAsia and AirAsia X as joint winners of the Airline of the Year award. Dato' Sri Dr Tony Fernandes receives the CAPA Legend Award and enters the Aviation Hall of Fame.

11 Nov AirAsia launches "1 Million Free Seat" promotional campaign setting a new international sales record with 402,222 seats snapped up in the 24-hour period after the launch and broke this record when another 489,000 seats were snapped up in the second 24-hour period of campaign.

18 Nov AirAsia unveils AirAsia-Lat livery plane and limited edition line of Lat merchandise.

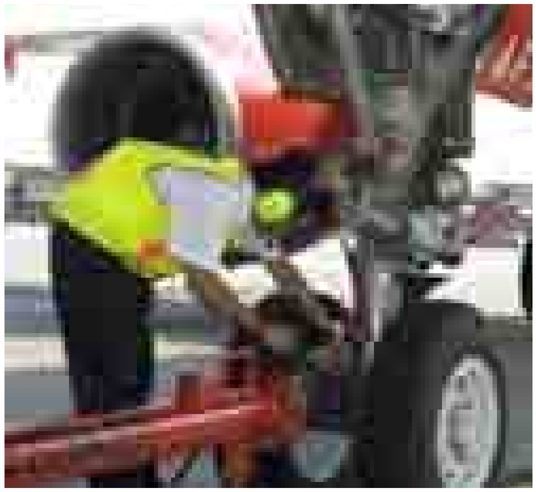
20 Nov Dato' Sri Dr Tony Fernandes receives the Orient Aviation Person of the Year for 2009 award.

23 Nov AirAsia X launches flights Kuala Lumpur-Abu Dhabi.

27 Nov Dato' Sri Dr Tony Fernandes receives the Airline CEO of the Year Award for 2009 from Jane's Transport Finance magazine.

9 Dec AirAsia wins the Brand of the Year award at Media's Agency of the Year (AOY) Awards.

Our Safety Commitment



Corporate Safety Commitment

AirAsia has committed itself to a programme of reducing risks and hazards normally associated with our industry through a Safety Management System. This commitment is extended to ensure the full integration of a safety culture, safety policy and safety objectives in a proactive approach to aviation safety. In short, our Safety Management System is not just an add-on but a core part of our business process. It is the way we do business.

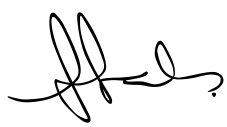
The critical safety functions of senior management are in the areas of strategy and leadership. Senior management will provide a vision for safety management and provide adequate resources to achieve this level of safety.

A Safety Management System relies on the development of a reporting culture by all employees. A just reporting system forms the framework around which the Safety Management System is built. It is a vehicle for ensuring that hazards and safety deficiencies are brought to the attention of those who have the authority to make changes. 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 staff member will be asked to compromise our safety standards to 'get the job done'. The Safety Management System approach ensures that authority and accountability co-exist.

Training of employees to ensure they can perform their tasks in a safe and efficient manner is an essential ingredient of AirAsia's Safety Management System. It is management's responsibility to make available and carry out this training, and it is the employee's responsibility to follow safe working practices.

Ultimate responsibility for safety in the company rests with me as the Chief Executive Officer/Accountable Manager. 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 implementing the safety management system in his or her area of responsibility, and will be held accountable to ensure that all reasonable steps are taken to prevent incidents and accidents. Each of us will be concerned for the safety of others in our organisation.

Our business will be strengthened by making safety excellence an integral part of all our aviation activities. Safety is a core value of this company, and we believe in providing our employees and guests with safe environment. All employees must comply with this policy.



Dato' Sri Dr Tony Fernandes
Group Chief Executive Officer
13 June 2008

STRUCTURED FINANCE

Providing Financing Solutions For Your Projects Worldwide

2010 — GE Capital Aviation Services — PREMIER AIRCRAFT LEASING (EXIM) 1 LIMITED — 2 B777-300, 3 B737-800 — US Ex-Im Bond — Joint Bookrunner & Joint Structuring Agent

2010 — 2 A320-200 — ECA Financing — Arranger & Agent

2010 — AEGEAN — 1 A320-200 — ECA Financing — Arranger & Agent

2010 — QATAR AVIATION LEASE COMPANY — 1 B777-200LR — Leased to QATAR AIRWAYS القطرية — Commercial Financing — Sole Arranger

2010 — FINNAIR — 1 A330-300 — ECA Financing — Arranger & Agent

2010 — 2 B737-800 — Ex-Im Bank Financing — Arranger & Agent

2010 — 1 A330-300 — Leased to Iberworld ECA Financing — Arranger & Agent

2010 — ASIANA AIRLINES — 1 B777-300ER — US Ex-Im Bank Financing — Arranger & Agent

2010 — Vietnam Airlines — 1 A321-200 — ECA & Commercial Financing — Arranger & Agent

2009-2010 — KLM — 5 ERJ190 — JOLCO — Overall Arranger

2009-2010 — AIRFRANCE — 2 A380-800 — Conditional Sale Financing — Joint Arranger — 1 A320-200 — French Structured Lease — Sole Arranger & Agent

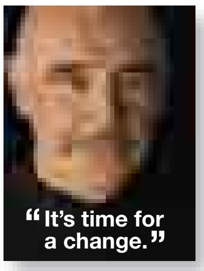
2009 — QANTAS — 1 A330-200, 1 A330-300 — Refinancing — Mandated Lead Arranger & Agent

2009 — Emirates — 3 B777-300ER — AMAL Limited — US Ex-Im Public guaranteed bond — Joint Bookrunner & Joint Structuring Agent

2009 — AVIATION CAPITAL GROUP — 3 A320-200 — ECA Financing — Joint Arranger — 3 B737-800 — San Clemente Leasing LLC — US Ex-Im Public guaranteed Bond — Joint Bookrunner & Joint Structuring Agent

2009 — easyJet — 7 A320-200 — Commercial Financing — Global Arranger, Agent & Joint Underwriter

2009 — Rolls-Royce — USD 184m — Term Loan Financing in favor of OMEGA 5 related to a pool of 14 Trent engines — Joint Mandated Lead Manager & Agent



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Our Safety Commitment

Safety Policy Statement

Safety is the first 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 this 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 at all times that safety is paramount.
b) Clearly define for all staff their accountabilities and responsibilities for the development and delivery of aviation safety strategy 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 minimize 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 strategy, policy 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 impact upon the safety of our operations meet appropriate safety standards.
h) Actively develop and improve our safety processes to conform to world class standards and comply with and, wherever possible, exceed legislative and regulatory requirements and standards.
i) Foster and encourage the maximum level of reporting and transparency with non-punitive safety/hazard reporting and having a just culture in the airline.

Dato' Sri Dr Tony Fernandes
Group Chief Executive Officer
26 November 2008


B/E Aerospace would like to wish
AirAsia continued success in
2010 and beyond
Ingenuity.
Redefine the passenger experience.

Awards and Accolades 2009

Brand of the Year – by Media's Agency of the Year Award 2009, Singapore. AirAsia was awarded the accolade for its constant innovations and bold ideas in branding campaigns and advertisements to achieve marketing success.

World's Best Low Cost Airline – awarded to AirAsia by SkyTrax based on the final results of the Annual World Airline Survey by Skytrax, which polled more than 16.2 million respondents of diverse nationalities, evaluating passenger satisfaction for an airline's products and service standards.

Hall of Fame – awarded to YBhg. Dato' Sri Dr Tony Fernandes by Malaysia's Most Valuable Brands (MMVB).

Orient Aviation Person of the Year – awarded to YBhg. Dato' Sri Dr Tony Fernandes by Orient Aviation for successfully leading AirAsia, which has in only eight years grown to become the world's best low-cost airline and Asia's largest.

Airline CEO of the Year – awarded to YBhg. Dato' Sri Dr Tony Fernandes by Jane's Transport Finance, London.

Aircraft Debt Deal of the Year – Asia by Jane's Transport Finance for its successful funding of 15 A320 aircraft under the ECA-backed financing.

Frost & Sullivan Excellence in Leadership Award – awarded to YBhg. Dato' Sri Dr Tony Fernandes.

Best Islamic Loan Deal – awarded to AirAsia by The Asset for its successful funding of seven A320 aircraft under the French Single Investor Ijarah.

Hornbill Tourism Award 2009 – Air Transportation Category – by Sarawak Ministry of Urban Development and Tourism. This award marks significant recognition from the local tourism industry of AirAsia's contribution to local tourism.

Best Asian Low-Cost Carrier – awarded by TTG Travel for the best in service, network and schedules; best in dealing with travel agents; and for having the best sales and marketing team

Travel Personality of the Year – awarded to YBhg. Dato' Sri Dr Tony Fernandes by TTG Travel.

Laureate Award in the Commercial Air Transport Category – awarded to YBhg. Dato' Sri Dr Tony Fernandes by Aviation Week, a US-based global aviation publisher.

Airline Of The Year – awarded to AirAsia & AirAsia X by Centre for Asia Pacific Aviation (CAPA).

Legend Aviation Hall of Fame – awarded to YBhg. Dato' Sri Dr Tony Fernandes by Centre for Asia Pacific Aviation (CAPA).

The Most Outstanding Islamic Financial Product – awarded to AirAsia by KLIFF Islamic Finance Awards 2009.

A320 Family Operational Excellence Award – awarded to AirAsia by Airbus in recognition of its service record with the single aisle aircraft type.

EXPERIENCED
stress-tested management team

We have a team of creative, passionate, hard-working and loyal staff who come up with the ideas that make us grow and the solutions to the challenges thrown our way.

7,488
LOYAL
staff across Malaysia, Thailand and Indonesia

FROST & SULLIVAN

Excellence in Leadership Award 2009

Statement on Corporate Governance

The Board of Directors of AirAsia is committed in ensuring the highest standards of corporate governance are applied throughout the Group. The Board considers that it has complied throughout the year under review with the principles and best practices as set out in the Malaysian Code on Corporate Governance (“the Code”). The following sections explain how the Company applies the principles and supporting principles of the Code.

A. Directors

Roles and Responsibilities of the Board

The Board has assumed the following to ensure the effectiveness of the Board and to discharge its duties and responsibilities:-

- Reviewing and adopting a strategic plan for the Company;
- Identifying principal risks and to ensure implementation of appropriate system to manage these risks;
- Overseeing and evaluating the conduct of the Company’s business;
- Succession planning;
- Developing and implementing an investor relations program; and
- Reviewing adequacy and integrity of the Company’s internal controls.

Board Balance and Meetings

The Board of Directors consists of eight (8) Members, the details are given on pages 12 to 16. One (1) of the Board Member is the Non-Executive Chairman, two (2) are Executive Directors and five (5) are Non-Executive Directors. Four (4) of the Non-Executive Directors fulfil the criteria of independence as defined in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”). The high proportion of Independent Non-Executive Directors (more than one-third) provides for effective check and balance in the functioning of the Board.

The roles of Chairman and Group Chief Executive Officer (“Group CEO”) are separate with a clear division of responsibility between them.

The size, balance and composition of the Board supports 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, guests and other stakeholders.

The Non-Executive Directors bring wide and varied commercial experience to Board and Committee 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 12 to 16. The Board requires that all Non-Executive Directors are independent in character and judgement.

YOU CAN COUNT ON US

After more than *36 years* of reliable and excellent service, we remain dedicated to serve with RELIABILITY, COMMITMENT and INTEGRITY.

We congratulate AirAsia's status as the leading low fare airline in the world. We aim to continue to be their key partner in providing competitive and reliable insurance services that will benefit AirAsia, their Guests and Shareholders in years to come.

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8th Floor, Menara Multi-Purpose, Capital Square, 8, Jalan Munshi Abdullah,
50100 Kuala Lumpur. P. O. Box 10122, 50704 Kuala Lumpur.
Tel: 603- 2034 9888 Fax: 603- 2694 5758/9, 603- 2721 2088, 603- 2692 4716

www.mpib.com.my

Statement on Corporate Governance

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. During the financial year ended 31 December, 2009, the Board of Directors held a total of nine (9) meetings and the details of Directors' attendances are set out below:

Name	No. of Meetings Attended
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	9
Dato' Sri Dr Anthony Francis Fernandes	9
Dato' Kamarudin bin Meranun	9
Conor Mc Carthy	7
Dato' Leong Sonny @ Leong Khee Seong	9
Dato' Fam Lee Ee	8
Datuk Alias bin Ali	6 Note 1
Dato' Mohamed Khadar bin Merican	9

Note 1: Datuk Alias Bin Ali could not attend two meetings for the year as he was away on pilgrimage.

Supply of Information

Five (5) days prior to the Board Meetings, all Directors will receive the agenda and a set of Board papers containing information for deliberation at the Board Meetings. This is to accord suf cient 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 Directors include progress reports on business operations; detailed information on business propositions and corporate proposals including where relevant, supporting documents such as risk evaluations and professional advice from solicitors or advisers. In order to maintain confidentiality, meeting papers on issues or corporate proposals which are deemed material and price-sensitive would be handed out to Directors at the Board meeting. 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 of ce of the Company.

As a Group practice, 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 period for trading in AirAsia Berhad shares, in accordance with the black-out periods stated in Chapter 14 on Dealings in Securities of the Bursa Malaysia's Main Market Listing Requirements.

Appointments to the Board

The Group has implemented procedures for the nomination and election of Directors via the Nomination Committee. 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 Program prescribed by Bursa Malaysia.

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 Board 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.

We are proud and honoured to be associated with AirAsia as its domestic Cargo-GSA for Malaysia.

METROPORT

METROPORT AIR SERVICES SDN BHD (350904-D)
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Persiaran Kewajipan, USJ 1
47610 UEP Subang Jaya
Selangor Darul Ehsan, Malaysia.
email: ak.gsa@mymetroport.com
Tel: +603-8024 9088 Fax: +603-8024 1389

Statement on Corporate Governance

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

Name	Programme
Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	• Securities Commission-Bursa Malaysia Corporate Governance Week.
Dato' Sri Dr Anthony Francis Fernandes	• Asean 101 Leadership Forum; • Global Entrepreneurs Congress 2009; • EPU Tourism Brainstorming Workshop; and • On-going private briefings on financial markets by AirAsia's key bankers.
Dato' Kamarudin bin Meranun	• GABEM-Gagasan Badan Ekonomi Melayu; • EPU Tourism Brainstorming Workshop; and • On-going private briefings on financial markets by AirAsia's key bankers.
Dato' Leong Sonny @ Leong Khee Seong	• FRS 139 Financial Instruments by Messrs PricewaterhouseCoopers. • Forum on FRS 139 Financial Instruments: Recognition And Measurement by Bursa Malaysia.
Dato' Fam Lee Ee	• FRS 139 Financial Instruments by Messrs PricewaterhouseCoopers. • Fifth Annual Director's Duties, Liabilities & Governance Reform by Marcus Evans
Conor Mc Carthy	• Raymond James Growth Airlines Seminar
Datuk Alias Bin Ali	• FRS 139 Financial Instruments by Messrs PricewaterhouseCoopers. • Fifth Annual Director's Duties, Liabilities & Governance Reform by Marcus Evans.
Dato' Mohamed Khadar Bin Merican	• FRS 139 Financial Instruments by Messrs PricewaterhouseCoopers. • "How I see the World" – by Bank Negara Malaysia • World Capital Markets Symposium. • Latest on Media Outlook by Messrs PricewaterhouseCoopers. • Business & Brand Leadership: A New Approach to Success for Asian Business by Mr. Martin Roll of Venture Republic Pte Ltd. • The Economic Crisis of 2008/2009: Precipitator, Impact and Response by Charles River Centre. • Broadband Changes Everything by Charles River Centre.

All Directors were also updated by the Company Secretary on changes to the relevant guidelines on the regulatory and statutory requirements.

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") and that all Directors shall retire once in every three years, and are 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 subject 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 **Audit Committee** comprises four Independent Non-Executive Directors.

Further information on the composition, terms of reference and other information relating to the Audit Committee are set out on pages 77 to 80 of this Annual Report.

The **Nomination Committee** comprises three Non-Executive Directors, two of whom are independent namely:

Chairman	Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar *(Non-Executive Director)*
Members	Datuk Alias bin Ali *(Independent Non-Executive Director)*
	Dato' Fam Lee Ee *(Independent Non-Executive Director)*

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

- 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 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 committees of the Board and the contribution of each individual Director.

The **Remuneration Committee** comprises three Independent Non-Executive Directors namely:

Chairman	Datuk Alias bin Ali *(Independent Non-Executive Director)*
Members	Dato' Leong Sonny @ Leong Khee Seong *(Independent Non-Executive Director)*
	Dato' Fam Lee Ee *(Independent Non-Executive Director)*

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

- To review and to consider the remuneration of Executive Directors which is in accordance with the skill, experience and expertise they possess and make recommendation to the Board on the remuneration packages of Executive Directors.
- To provide an objective and independent assessment of the benefits grated to the Executive Directors.
- To conduct continued assessment of individual Executive Directors to ensure that remuneration is directly related to corporate and individual performance.

The **Safety Review Board** 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, namely:

Chairman	Mr. Conor Mc Carthy *(Non-Executive Director)*
Member	Dato' Mohamed Khadar bin Merican *(Independent Non-Executive Director)*

and the other members include relevant operations safety and security specialists from AirAsia and from our af liates in Thailand and Indonesia. A report is provided to Board each Quarter.

The **Employee Share Option Scheme ("ESOS")** Committee comprises of the Group CEO, the Deputy Group Chief Executive Of cer ("Deputy Group CEO'), the Group Regional Head Finance and the Company's External Legal Advisor. The ESOS Committee was established to administer the ESOS of the Group 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.

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 recommended by the Board for final approval by shareholders of the Company at the AGM.

Statement on Corporate Governance

2. Basic salary
The basic salary for each Executive Director is recommended by the Remuneration Committee 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.

4. Benefits-in-kind
Other customary benefits (such as private medical care, car allowance, travel coupons, etc.) are made available as appropriate.

5. Service contract
Both the Group CEO and Deputy Group CEO, have a three-year service contract with AirAsia.

6. Directors' share options
There was no movement in Directors' share options during the year ended 31 December 2009.

Details of the Directors' remuneration are set out in Note 5 of the Audited Financial Statements on pages 109 to 110 of this Annual Report.

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 Accounts 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.

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

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

DAYIN MITRA CONGRATULATES AIRASIA

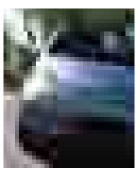
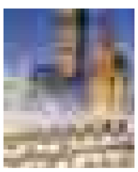
AS THE LEADING LOW FARE AIRLINE IN THE WORLD

DAYIN MITRA

General Insurance

the preferred company for ...

PROTECTION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Statement on Corporate Governance

At the AGM, the Group 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.

Corporate Disclosure Policy

AirAsia Berhad observed the continuing disclosure obligation imposed upon a listed issuer by Bursa Malaysia. A Corporate Disclosure Policy 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 regulation of Bursa Malaysia.

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

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 Main Market Listing Requirements of Bursa Malaysia.

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 Audit Committee 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 Audit Committee to review regularly the effectiveness of the system of internal control as required by the Code. A report on the Audit Committee and its terms of reference is presented on pages 77 to 80 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 shareholder 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 of Internal Control is set out in pages 82 to 83.

Relationship with the External Auditors

The Board, through the Audit Committee, has maintained appropriate, formal and transparent relationship with the external auditors. The Audit Committee 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 Audit Committee on matters that may require their attention.

This statement is made in accordance with a resolution of the Board of Directors of AirAsia dated 27th April, 2010.

Audit Committee Report

The Board of Directors of AirAsia Berhad is pleased to present the report on the Audit Committee of the Board for the year ended 31 December 2009.

The Audit Committee ("the Committee") ensures the Group continues to apply high and appropriate standards of corporate governance. The Committee is pleased to report that the Company is in compliance with the revised Malaysian Code on Corporate Governance released by the Securities Commission on 1 October 2007. The Company complies with the key amendments in the following respects:

i) all of the Committee members are non-executive directors;
ii) an existing internal audit function which reports directly to the Committee;
iii) continuous disclosure of the internal audit function in the annual reports; and
iv) the Committee meets with the internal and external auditors at least twice a year without the presence of management.

Composition of the Committee and Meetings

During the financial year ended 31 December, 2009, the Committee held a total of nine (9) meetings. The members of the Committee together with their attendance are set out below:

Name	Directorship	No. of Meetings Attended
Datuk Leong Khee Seong *(Chairman of the Committee)*	Independent Non-Executive Director	9
Dato' Fam Lee Ee	Independent Non-Executive Director	9
Datuk Alias Bin Ali	Independent Non-Executive Director	7 Note 1
Dato' Mohamed Khadar Bin Merican	Independent Non-Executive Director	9

Note 1: Datuk Alias Bin Ali could not attend two meetings for the year as he was away on pilgrimage.

The Committee is governed by its Terms of Reference as stipulated below:

Terms of Reference of the Audit Committee

A. Membership

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 1st 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 1st Schedule of the Accountants Act 1967; or

iii) fulfils such other requirements as prescribed or approved by the Exchange.

Audit Committee Report

The appointment terminates when a member ceases to be a Director. No alternate director can be appointed as a member of the Committee.

Members of the Committee shall elect an Independent Director on the Committee as Chairman.

If a member of the Committee resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced below three, the Board shall, within three months appoint such number of new members as may be required to make up the minimum of three members.

The terms of of ce and performance of the Committee and each of its members shall be reviewed by the Board at least once every three years.

B. Roles Responsibility

- To consider the appointment of the external auditor, the audit fees, any questions of resignation or dismissal of the external auditor;
- To submit a copy of written representation or submission of external auditors' resignation to the Exchange;
- 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;
- To provide a line of communication between the Board and the external auditors;
- To review the quarterly and year-end financial statements of the Group and Company, focusing particularly on:
  - any change in accounting policies and practices;
  - significant adjustments arising from the audit;
  - litigation that could affect the results materially;
  - the going concern assumption; and
  - compliance with accounting standards and other legal requirements.
- 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 review the external auditor's management letter and management's response;
- To do the following, in relation to the internal audit function:
  - mandate the internal audit function to report directly to the Committee;
  - review the adequacy of the scope, functions, competency and resources of the internal audit function, 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 the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
  - review any appraisal or assessment of the performance of members of the internal audit function;
  - approve any appointment or termination of senior staff members of the internal audit function;
  - take cognisance of resignations of internal audit staff and provide the staff an opportunity to submit reasons for resigning; and
  - ensure information pertaining to the internal audit function are disclosed in the annual reports of the Company.
- Review the adequacy and integrity of the Company's system of internal controls and management information systems, including systems to ensure compliance with applicable laws, regulations, rules, directives and guidelines;
- To consider any related party transactions within the Company or Group;
- To consider compliance with the Company's conflict of interest and insider trading policies;
- To consider the major findings of internal investigations and management's response;
- To consider any other matters as directed by the Board;
- To review the risk management framework of the Group and Company to ensure the existence of effective risk management policies to monitor and manage all financial and non-financial risks; and
- To review the Company's procedures for detecting fraud and whistle blowing and ensure that

arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or any other matters (in compliance with provisions made in the Companies Act, 1965).

C. Authority and powers of the Audit Committee

In carrying out its duties, an 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 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 both, 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 of directors has not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements of Bursa Malaysia, 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 such additional meetings 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 Regional Head of Finance and the Head of Internal Audit of the Group and Company shall normally attend the meetings to assist in the 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.

e) The Company Secretary shall act as Secretary of the Committee and shall be responsible, with the concurrence of the Chairman, for drawing up and circulating the agenda and the notice of meetings together with the supporting explanatory documentation to members prior to each meeting.

f) The Secretary of the Committee shall be entrusted to record all proceedings and minutes of all meetings of the Committee.

g) In addition to the availability of detailed minutes of the Audit Committee Meetings to all Board members, the Committee at each Board Meeting will report a summary of significant matters resolutions.

The above terms of reference were revised and approved by the board of directors of AirAsia Berhad on 27 day of February, 2008.

Summary of Activities

A summary of the activities performed by the Committee during the financial year ended 31 December 2009 is set out below.

Risk Management

- Reviewed the adequacy of the risk management system for identifying, evaluating, monitoring and managing the Group's risks. The Committee called for an update in the risk assessment of the Group in order that the Company's Risk Profile remains current and relevant.
- Reviewed the adequacy and effectiveness of the systems of internal controls through the evaluation of work performed by external and internal auditors and through discussion and representation by the management

Audit Committee Report

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

External Audit

- The Committee reviewed PricewaterhouseCoopers ("PwC") overall work plan and recommended to the Board their remuneration and terms of engagement as external auditors and 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 Group External Auditor.
- Reviewed updates on the introduction of International Financial Reporting Standards and how they will impact the Company and has monitored progress in meeting the new reporting 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 for the financial year ended 31 December 2009.

Financial Reporting

- Reviewed and deliberated on the Quarterly Financial Announcements and Annual 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.

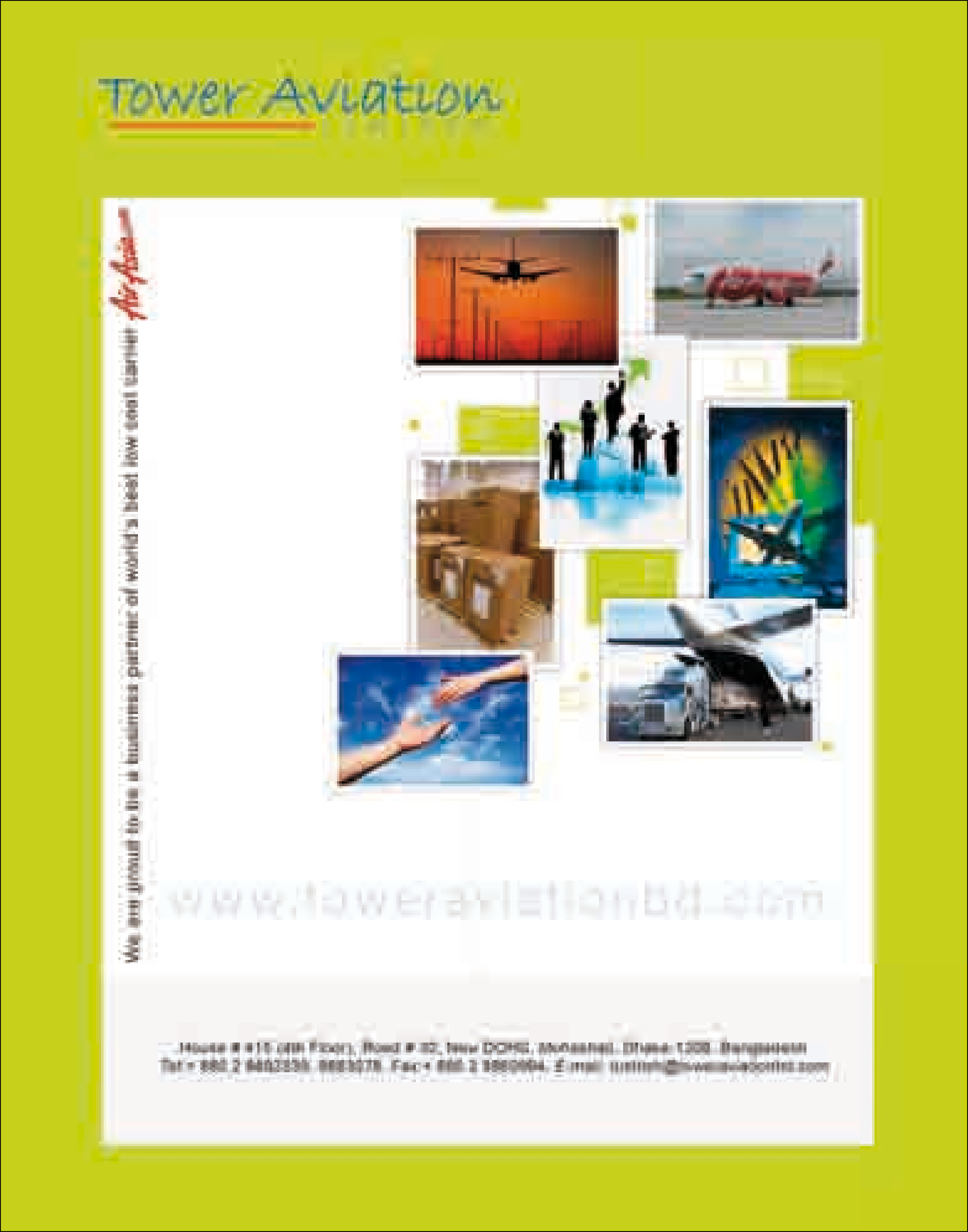
Internal Audit Function

The internal audit function is undertaken by the Internal Audit Department (IAD) of AirAsia Group, which is an independent department that reports directly to the Committee. The IAD maintains its impartiality, proficiency and due professional care by having its plans and reports directly under the purview of the Committee. The function has also an approved Charter that provides for its independence and reflects the roles, responsibilities, accountability and scope of work of the department.

The Company has an adequately resourced internal audit function to assist the Board in maintaining an effective system of internal control and the overall governance practices within the Company. The audits and reviews conducted by internal audit are defined in an annual audit plan that was reviewed and approved by the Committee at the beginning of each financial year. The plan was derived from a risk assessment process which considers the risks within each department and the extent that it would have an impact on the Company.

The Internal Audit function is being performed in-house, save for IT areas where it is being done via co-sourcing with a third party advisory firm. During the year, the Internal Audit has completed and issued audit reports for 30 assignments comprising corporate and operational areas at stations. The total operational costs of the Internal Audit department for 2009 was RM1,264,203.67.

The audit conducted in 2009 covers a wide range of operational areas within the Group. Findings from the internal audit undertaken are forwarded to the management for attention and necessary corrective actions. The management is responsible to ensure that corrective actions are implemented within the required time frame.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We are proud to be a business partner of world's best low cost carrier AirAsia
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Statement on Internal Control

The Board remains committed to complying with the Malaysian Code of Corporate Governance which "… requires listed companies to maintain a sound system of internal control to safeguard shareholders' investment and the Company's assets" and Bursa Malaysia's Listing Requirements Paragraph 15.27 (b) which requires the Board to make a statement about the state of internal control of the listed issuer as a group. The Board is pleased to issue the following statement of internal control for the financial year ended 31 December 2009.

Board Accountability

The Company 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 Company has established and maintains an internal control environment that incorporates various control mechanisms at different levels throughout the Company. The Board of Directors 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 or loss.

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 internal controls to enhance operational controls and enhance risk management. Indeed, the first level of assurance comes from business operations which perform the day to day risk management activity. The Board is informed of major control issues encompassing internal controls, regulatory compliance and risk taking.

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 subject to regular review by the Board of Directors. Where exceptions were noted, they were not material in the context of this report and corrective actions have been taken.

Integrating Risk Management with Internal Controls

The Group continues to rely on the enterprise-wide 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 Company 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 and associated companies have been performed and management action plans to monitor and mitigate risks have been prepared. All risk management reports are presented and deliberated by the Audit Committee.

The Board relies significantly on the Company's internal auditors to carry out audits of the various operating units based on a risk-based audit plan approved each year by the Audit Committee.

Business Continuity Management

Business continuity management is regarded an integral part of the Group's risk management process. The Group continues to cooperate with Malaysia Airports Holdings Berhad to formulate detailed strategies and operational requirements to recover operations in the event of a disaster.

Control Structure And Environment

The key elements of the Group's internal control system are described below:

- Clearly defined delegation of responsibilities to Board Committees within the definition of terms of reference and organisation structures.

- The Audit Committee, chaired by an independent non-executive director reviews the internal controls system and findings of the internal auditors and external auditors.

- The Internal Audit Department, which is an independent function that reports to the Audit Committee, is responsible for undertaking regular and systematic review of the internal controls with significant summary reports on the effectiveness and weaknesses of internal controls. 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 Audit Committee.

- The conducts of internal audit work is governed by the Internal Audit Charter, which is approved by the Audit Committee. The Audit Committee 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 Audit Committee also reviews and considers matters relating to internal controls as highlighted by the external auditors in the course of their statutory audit of the Company's financial statements.

- The internal audit function reviews the Group's activities based on the risk profiles of the respective business entities identified in accordance with the Group's risk management framework. The progress of implementation of the agreed actions is monitored by Internal Audit through follow-up reviews

- Policies and procedures of core business processes are documented in a series of in Standard Operating 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 Group Chief Executive Of cer.

- 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.

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

- 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 mitigation action plans

The statement does not include 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 Main Market Listing Requirements of Bursa Malaysia:

1. Utilisation of Proceeds from Corporate Exercise of the Private Placement of New Ordinary Shares of Par Value RM0.10 Each in Airasia ("Private Placement")

The Private Placement with the listing of 380 million new Ordinary Shares of RM0.10 each on the Main Market of Bursa Malaysia on 25 September 2009 had raised proceeds of RM505.4 million. As at 31 December 2009, the proceeds had been fully utilised and the the breakdown of the utilisation of proceeds is detailed as below:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Deviation Amount RM'000
Repayment of bank borrowings	68,760	66,200	2,560 3.72%
General corporate and working capital	428,140	435,804	(7,664) (1.79%)
Expenses for the Private Placement	8,500	3,396	5,104 60.04%
Total	**505,400**	**505,400**	**-**

2. Share Buy-Back

The Company does not have a scheme to buy-back its own shares.

3. Options, Warrants or Convertible Securities Exercised

The Company did not issue any warrants or convertible securities during the financial year ended 31 December, 2009. The AirAsia ESOS came into effect on 1 September 2004. During the financial year, the validity of this ESOS scheme was extended to 6 June 2014. The details of the ESOS exercised are disclosed in page 133 to 134 of the financial statements.

4. American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") Programme

The Company did not sponsor any ADR or GDR programme during the financial year ended 31 December, 2009.

5. 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, 2009.

6. Non-Audit Fees

The amount of non-audit fees incurred for services rendered to the Group by the external auditors and their af liated companies for the financial year ended 31 December, 2009 are as follows:

	RM
Tax advisory	45,000
Support services	6,000
Total	**51,000**

7. Variation In Results

There were no profit estimations, forecasts or projections made or released by the Company during the financial year ended 31 December 2009.

8. Profit Guarantee

During the financial year ended 31 December, 2009, the Group and the Company did not give any profit guarantee.

9. Material Contracts Involving Directors' and Major Shareholders'

There were no material contracts entered into by the Company and its subsidiaries involving directors and major shareholders' interests still subsisting at the financial year ended 31 December, 2009.

Successfully completed an equity placement raising

RM505.4 MILLION

Financial Statements

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Since our IPO in 2004, the growth has been tremendous, from our initial fleet size of 24 to 90 in the span of 5 years. We survived the aftermaths of the September 11 attacks, outbreak of flu, Asian tsunami, Bali bombings and sharp increases in fuel prices in 2008.

KLIFF 2009

The Most Outstanding Islamic Financial Product 2009

Directors' Report

The Directors hereby submit their annual report to the members together with the audited f nancial statements of the Group and Company for the f nancial year ended 31 December 2009.

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 12 to the f nancial statements. There was no signif cant change in the nature of these activities during the f nancial year.

Financial Results

	Group RM'000	Company RM'000
Net prof t for the f nancial year	506,267	501,999

Dividends

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

The Directors do not recommend the payment of any dividend for the f nancial year ended 31 December 2009.

Reserves and Provisions

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

Issuance of Shares

During the f nancial year, the Company increased its issued and paid-up ordinary share capital from RM237,420,958 to RM275,774,458 by way of issuance of 380,000,000 ordinary shares of RM0.10 each pursuant to the sale of shares at RM1.33 per share by way of book-building and issuance of 3,535,000 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 book-building and exercise of ESOS of RM467,400,000 and RM3,464,300 respectively has been credited to the Share Premium account.

The new ordinary shares issued during the f nancial 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 share capital of the Company during the f nancial year.

Employee Share Option Scheme ("ESOS")

The Company implemented an ESOS on 1 September 2004. The ESOS is governed by the by-laws which were approved by the shareholders on 7 June 2004 and is ef ective 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.

Details of the ESOS are set out in Note 29 to the f nancial statements.

The Company has been granted an exemption by the Companies Commission of Malaysia, the information of which has been separately f led, from having to disclose the list of option holders and their holdings, except for eligible employees (inclusive of Executive Directors) with share options allocation of 350,000 and above. The employees who have been granted options of more than 350,000 shares are Dato' Sri Dr Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun, details of which are disclosed in the section on Directors' Interests in Shares below.

Directors

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

Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar
Dato' Sri Dr Anthony Francis Fernandes
Dato' Kamarudin Bin Meranun
Conor Mc Carthy
Dato' Leong Sonny @ Leong Khee Seong
Dato' Fam Lee Ee
Datuk Alias Bin Ali
Dato' Mohamed Khadar Bin Merican

Directors' Benefits

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than the Company's Employee Share Option Scheme (see Note 5 to the financial statements).

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than Directors' remuneration disclosed in Note 5 to the financial statements) 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 34 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 and its related corporations are as follows:

	Number of ordinary shares of RM0.10 each			
	At 1.1.2009	**Acquired**	**Disposed**	**At 31.12.2009**
The Company				
Direct interests				
Dato' Sri Dr Anthony Francis Fernandes	2,627,010	-	-	2,627,010
Dato' Kamarudin Bin Meranun	1,692,900	-	-	1,692,900
Conor Mc Carthy	27,511,303	-	(6,628,400)	20,822,903**
Dato' Leong Sonny @ Leong Khee Seong	100,000	-	-	100,000
Dato' Fam Lee Ee	200,000	-	-	200,000
Indirect interests				
Dato' Sri Dr Anthony Francis Fernandes*	729,458,382	-	-	729,458,382
Dato' Kamarudin Bin Meranun*	729,458,382	-	-	729,458,382

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

** 100,000 shares held in personal name and 20,782,903 shares held under HSBC Nominees (Asing) Sdn Bhd.

Directors' Report *(continued)*

	Number of options over ordinary shares of RM0.10 each			
	At 1.1.2009	**Granted**	**Exercised**	**At 31.12.2009**
The Company				
Dato' Sri Dr Anthony Francis Fernandes	600,000	-	-	600,000
Dato' Kamarudin Bin Meranun	600,000	-	-	600,000

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

Statutory Information On The Financial Statements

Before the income statements and balance sheets 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.

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 27 April 2010

Dato' Sri Dr Anthony Francis Fernandes
Director

Dato' Kamarudin Bin Meranun
Director

Income Statements

For The Financial Year Ended 31 December 2009

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Revenue	4	3,132,901	2,854,970	3,072,049	2,815,262
Operating expenses					
- Staf costs	5	(306,002)	(236,793)	(304,551)	(235,773)
- Depreciation of property, plant and equipment	11	(447,644)	(346,954)	(447,637)	(346,946)
- Aircraft fuel expenses		(927,795)	(1,389,841)	(927,795)	(1,389,841)
- Maintenance, overhaul, user charges and other related expenses		(410,583)	(307,205)	(410,583)	(307,205)
- Aircraft operating lease expenses		(107,251)	(92,649)	(107,251)	(92,649)
- Travel and tour operating expenses		(53,524)	(37,945)	-	-
- Gain/(loss) on unwinding of derivatives		22,457	(678,503)	22,457	(678,503)
- Provision for loss on unwinding of derivatives	25	-	(151,713)	-	(151,713)
- Other operating expenses	6	(92,188)	(46,570)	(90,543)	(44,627)
Other income	7	102,383	81,545	102,383	81,545
Operating prof t/(loss)		912,754	(351,658)	908,529	(350,450)
Finance income	8	84,505	35,245	84,462	35,245
Finance costs	8	(374,971)	(552,785)	(374,971)	(552,782)
Prof t/(loss) before taxation		622,288	(869,198)	618,020	(867,987)
Taxation					
- Current taxation	9	(11,186)	(3,769)	(11,186)	(3,769)
- Deferred taxation	9	(104,835)	376,404	(104,835)	376,404
		(116,021)	372,635	(116,021)	372,635
Net prof t/(loss) for the f nancial year		506,267	(496,563)	501,999	(495,352)
Earnings/(loss) per share (sen)					
- Basic	10	20.6	(21.1)		
- Diluted	10	20.6	(21.1)		

The notes on pages 97 to 143 form part of these f nancial statements.

Balance Sheets

As at 31 December 2009

	Note	Group 2009 RM'000	Group 2008 RM'000	Company 2009 RM'000	Company 2008 RM'000
Non-Current Assets					
Property, plant and equipment	11	7,942,188	6,594,299	7,941,293	6,593,414
Investment in subsidiaries	12	-	-	22,194	22,194
Investment in associates	14	29	29	29	29
Other investments	15	26,704	26,715	26,704	26,715
Goodwill	16	8,738	8,738	-	-
Deferred tax assets	17	751,274	856,109	751,274	856,109
Receivables and prepayments	18	23,593	24,258	23,593	24,258
Amount due from a jointly controlled entity	19	171,885	-	171,885	-
Amount due from an associate	20	253,037	-	253,037	-
		9,177,448	7,510,148	9,190,009	7,522,719
Current Assets					
Inventories	21	20,864	20,684	20,316	20,137
Receivables and prepayments	18	721,082	689,381	719,608	687,476
Deposits on aircraft purchase		330,978	334,628	330,978	334,628
Amounts due from subsidiaries	22	-	-	197,626	192,614
Amount due from a jointly controlled entity	19	194,503	309,683	-	120,181
Amounts due from associates	20	203,930	387,647	203,930	387,647
Amount due from a related company	22	3,303	-	3,303	-
Deposits, cash and bank balances	23	746,312	153,762	745,345	154,446
		2,220,972	1,895,785	2,221,106	1,897,129
Less: Current Liabilities					
Trade and other payables	24	872,990	774,250	861,847	770,787
Sales in advance		283,224	255,517	272,333	244,931
Provision for loss on unwinding of derivatives	25	-	151,713	-	151,713
Amounts due to subsidiaries	26	-	-	29,055	18,022
Amount due to an associate	20	3,382	4,359	3,382	4,359
Amount due to a related company	26	-	3,634	-	3,634
Hire-purchase payables	27	56	77	56	77
Borrowings	28	540,212	538,934	540,212	538,934
Current tax liabilities		9,824	4,216	9,824	4,216
		1,709,688	1,732,700	1,716,709	1,736,673
Net Current Assets		511,284	163,085	504,397	160,456

The notes on pages 97 to 143 form part of these f nancial statements.

Balance Sheets *(continued)*

As at 31 December 2009

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Non-Current Liabilities					
Hire-purchase payables	27	16	72	16	72
Borrowings	28	7,067,696	6,067,625	7,067,696	6,067,625
		7,067,712	6,067,697	7,067,712	6,067,697
		2,621,020	1,605,536	2,626,694	1,615,478
Capital And Reserves					
Share capital	29	275,774	237,421	275,774	237,421
Share premium		1,206,216	735,352	1,206,216	735,352
Foreign exchange reserve		592	592	-	-
Retained earnings	30	1,138,438	632,171	1,144,704	642,705
Shareholders' equity		2,621,020	1,605,536	2,626,694	1,615,478

The notes on pages 97 to 143 form part of these f nancial statements.

Statements of Changes in Equity

For The Financial Year Ended 31 December 2009

		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	Retained earnings RM'000	Total RM'000	Minority interests RM'000	Total equity RM'000
Group									
At 1 January 2008		2,371,541	237,154	732,737	592	1,128,734	2,099,217	-	2,099,217
Net loss for the f nancial year		-	-	-	-	(496,563)	(496,563)	-	(496,563)
Issuance of ordinary shares - pursuant to the Employee Share Option Scheme ('ESOS')	29	2,669	267	2,615	-	-	2,882	-	2,882
At 31 December 2008		2,374,210	237,421	735,352	592	632,171	1,605,536	-	1,605,536
Net prof t for the f nancial year		-	-	-	-	506,267	506,267	-	506,267
Issuance of ordinary shares									
- issue of shares	29	380,000	38,000	467,400	-	-	505,400	-	505,400
- pursuant to the Employee Share Option Scheme ('ESOS')	29	3,535	353	3,464	-	-	3,817	-	3,817
At 31 December 2009		2,757,745	275,774	1,206,216	592	1,138,438	2,621,020	-	2,621,020

Statements of Changes in Equity *(continued)*

For The Financial Year Ended 31 December 2009

		Issued and fully paid ordinary shares of RM0.10 each		Non-distributable	Distributable	
	Note	**Number of shares '000**	**Nominal value RM'000**	**Share premium RM'000**	**Retained earnings RM'000**	**Total RM'000**
Company						
At 1 January 2008		2,371,541	237,154	732,737	1,138,057	2,107,948
Net loss for the f nancial period		-	-	-	(495,352)	(495,352)
Issuance of shares						
- pursuant to the Employee Share Option Scheme ('ESOS')	29	2,669	267	2,615	-	2,882
At 31 December 2008		2,374,210	237,421	735,352	642,705	1,615,478
Net prof t for the f nancial year		-	-	-	501,999	501,999
Issuance of shares						
- issue of shares	29	380,000	38,000	467,400	-	505,400
- pursuant to the Employee Share Option Scheme ('ESOS')	29	3,535	353	3,464	-	3,817
At 31 December 2009		2,757,745	275,774	1,206,216	1,144,704	2,626,694

The notes on pages 97 to 143 form part of these f nancial statements.

Cash Flow Statements

For The Financial Year Ended 31 December 2009

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash Flows From Operating Activities				
Prof t/(loss) before taxation	622,288	(869,198)	618,020	(867,987)
Adjustments:				
Property, plant and equipment				
- Depreciation	447,644	346,954	447,637	346,946
- Write of	388	29	388	37
- Gain on disposals	(30,696)	(15,554)	(30,696)	(15,554)
Loss on disposal of other investments	-	4,217	-	4,217
Amortisation of long term prepayments	9,645	10,261	9,645	10,261
Amortisation of other investments	11	13	11	13
Write-of of receivables	-	737	-	737
Provision for loss on unwinding of derivatives	-	151,713	-	151,713
Net unrealised foreign exchange (gain)/loss	(39,742)	227,994	(39,742)	227,994
Interest expense	371,153	297,533	371,153	297,533
Interest income	(6,300)	(20,990)	(6,257)	(20,990)
	1,374,391	133,709	1,370,159	134,920
Changes in working capital:				
Inventories	(180)	(3,117)	(179)	(3,118)
Receivables and prepayments	(28,438)	(148,520)	(28,869)	(145,076)
Trade and other payables	77,701	390,480	69,716	352,006
Intercompany balances	(166,457)	(565,117)	(155,435)	(526,529)
Cash generated from/(used in) Operations	1,257,017	(192,565)	1,255,392	(187,797)
Interest paid	(322,407)	(239,755)	(322,407)	(239,755)
Utilisation of provision for loss on unwinding of derivatives	(151,713)	-	(151,713)	-
Interest received	6,300	20,990	6,257	20,990
Tax paid	(5,578)	(4,731)	(5,578)	(4,731)
Net cash from/(used in) operating activities	783,619	(416,061)	781,951	(411,293)

The notes on pages 97 to 143 form part of these f nancial statements.

Cash Flow Statements (continued)

For The Financial Year Ended 31 December 2009

	Note	Group		Company	
		2009	**2008**	**2009**	**2008**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Cash Flows from Investing Activities					
Property, plant and equipment					
- Additions		(1,947,763)	(2,623,001)	(1,947,746)	(2,622,980)
- Proceeds from disposals		182,538	50,043	182,538	50,043
Deposits on lease of aircraft		(12,243)	(7,448)	(12,243)	(7,448)
Long term prepayments		-	(48,197)	-	(48,197)
Proceeds from disposal of other investments		-	26,675	-	26,675
Net cash used in investing activities		(1,777,468)	(2,601,928)	(1,777,451)	(2,601,907)
Cash Flows From Financing Activities					
Proceeds from allotment of shares		509,217	2,882	509,217	2,882
Hire-purchase instalments paid		(77)	(77)	(77)	(77)
Proceeds from borrowings		1,670,390	3,044,531	1,670,390	3,044,531
Repayment of borrowings		(593,131)	(300,780)	(593,131)	(300,780)
Deposits pledged as securities		5,112	2,019	5,112	2,019
Net cash from f nancing activities		1,591,511	2,748,575	1,591,511	2,748,575
Net Increase/(Decrease) for the Financial Year		597,662	(269,414)	596,011	(264,625)
Cash and Cash Equivalents at Beginning of the Financial Year		120,803	390,217	121,487	386,112
Cash and Cash Equivalents at End of the Financial Year	23	718,465	120,803	717,498	121,487

The notes on pages 97 to 143 form part of these f nancial statements.

Notes to the Financial Statements

31 December 2009

1 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 12 to the f nancial statements. There was no signif cant change in the nature of these activities during the f nancial year.

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

25-5, Block H
Jalan PJU1/37, 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

2 Summary of Significant Accounting Policies

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

(a) Basis of preparation of the financial statements

The f nancial statements of the Group and the Company have been prepared in accordance with Financial Reporting Standards ('FRSs'), the Malaysian Accounting Standards Board ('MASB') approved accounting standards in Malaysia for Entities Other than Private Entities and comply with the provisions of the Companies Act, 1965.

The f nancial statements of the Group and Company have been prepared under the historical cost convention except as disclosed below.

The preparation of f nancial statements in conformity with FRSs, the MASB approved accounting standards in Malaysia for Entities Other than Private Entities, requires the use of certain critical accounting estimates and assumptions that af ect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the f nancial statements, and the reported amounts of the revenue and expenses during the reported f nancial year. It also requires Directors to exercise their judgement in the process of applying the Group's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may dif er.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are signif cant to the Group's and the Company's f nancial statements are disclosed in Note 3 to the f nancial statements.

(i) Standards, amendments to published standards and interpretations that are applicable to the Group and Company and are effective

There are no new accounting standards, amendments to published standards and interpretations to existing standards ef ective for the Group and Company's f nancial year ended 31 December 2009 and applicable to the Group and Company.

Notes to the Financial Statements (continued)

31 December 2009

2 Summary of Significant Accounting Policies (continued)

a) Basis of preparation of the financial statements (continued)

(ii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and Company but not yet effective and have not been early adopted

- The revised FRS 3 "Business Combinations" (effective prospectively from 1 July 2010
- FRS 7 "Financial Instruments: Disclosures" (effective from 1 January 2010)
- FRS 8 "Operating Segments" (effective from 1 July 2009)
- The revised FRS 101 "Presentation of Financial Statements" (effective from 1 January 2010)
- The revised FRS 127 "Consolidated and Separate Financial Statements" (effective prospectively from 1 July 2010)
- The amendment to FRS 1 and FRS 127 "Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate" (ef ective from 1 January 2010)
- FRS 139 "Financial Instruments: Recognition and Measurement" (effective from 1 January 2010)
- IC Interpretation 9 "Reassessment of Embedded Derivatives" (effective from 1 January 2010)
- The amendments to FRS 132 "Financial instruments: Presentation" (effective 1 January 2010)
- IC Interpretation 10 "Interim Financial Reporting and Impairment" (effective from 1 January 2010)
- IC Interpretation 13 "Customer Loyalty Programmes" (effective from 1 January 2010)

The Group and Company will apply these new standards, amendments to standards and interpretations when ef ective. The Group and Company have applied the transitional provision in the following standards which exempts entities from disclosing the possible impact arising from the initial application of the standard on the f nancial statements of the Group and Company.

- FRS 139 "Financial Instruments: Recognition and Measurement"
- FRS 7 "Financial Instruments: Disclosures"

(iii) Standards, amendments to published standards and interpretations to existing standards that are not yet effective and are not relevant to the Group and Company

- FRS 1 "First-time Adoption of Financial Reporting Standards" (effective from 1 January 2010)
- The amendment to FRS 2 "Share-based Payment: Vesting Conditions and Cancellations" (ef ective from 1 January 2010)
- FRS 4 Insurance Contracts (effective from 1 January 2010)
- FRS 123 "Borrowing Costs" (effective from 1 January 2010)
- IC Interpretation 11 "FRS 2 Group and Treasury Share Transactions" (effective from 1 January 2010)
- IC Interpretation 12 "Service Concession Arrangements" (effective from 1 July 2010)
- IC Interpretation 14 "FRS 119 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (ef ective from 1 January 2010)
- IC Interpretation 15 "Agreements for Construction of Real Estates" (effective from 1 July 2010)
- IC Interpretation 16 "Hedges of a Net Investment in a Foreign Operation" (effective from 1 July 2010)
- IC Interpretation 17 "Distribution of Non-cash Assets to Owners" (effective from 1 July 2010)

2 Summary of Significant Accounting Policies (continued)

(b) Group accounting

(i) Subsidiaries

Subsidiaries are those corporations or other entities (including special purpose entities) in which the Group has power to exercise control over the f nancial and operating policies so as to obtain benef ts from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and ef ect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated using the purchase method of accounting. Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are excluded from consolidation from the date that control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identif able assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identif able net assets acquired at the date of acquisition is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of net assets of the subsidiary acquired, the dif erence is recognised directly in the consolidated income statement (see Note 2(c) on goodwill).

Minority interests represent that portion of the prof t or loss and net assets of subsidiaries attributable to equity interest that are not owned, directly or indirectly through the subsidiaries, by the parent. It is measured at the minorities' share of the fair values of the subsidiaries' identif able assets and liabilities at the acquisition date and the minorities' share of changes in subsidiaries' equity since that date. Separate disclosure is made of minority interests.

Intragroup transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

The gain or loss on disposal of a subsidiary is the dif erence between the net disposal proceeds and the Group's share of the subsidiary's net assets as of the date of disposal, including the cumulative amount of any exchange dif erences that relate to that subsidiary which were previously recognised in equity, and is recognised in the consolidated income statement.

(ii) Jointly controlled entities

Jointly controlled entities are corporations, partnerships or other entities over which there is contractually agreed sharing of control by the Group with one or more parties where the strategic f nancial and operation decisions relating to the entity requires unanimous consent of the parties sharing control.

The Group's interest in jointly controlled entities is accounted for in the consolidated f nancial statements using the equity method of accounting as described in Note 2(b)(iii).

The Group's share of its jointly controlled entities' post-acquisition prof ts or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised within reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investments. When the Group's share of losses in jointly controlled entities equals or exceeds its interest in the jointly controlled entities, including any other long-term interests that, in substance, form part of the Group's net investment in those entities, the Group discontinues recognising its share of further losses.

Notes to the Financial Statements *(continued)*

31 December 2009

2 Summary of Significant Accounting Policies (continued)

(b) Group accounting (continued)

(iii) Associates

Associates are corporations, partnerships or other entities in which the Group exercises significant influence but which it does not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Equity accounting is discontinued when the Group ceases to have significant influence over the associates. The Group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss (see Note 2(c)).

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised within reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investments. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other long-term interests that, in substance, form part of the Group's net investment in the associate, the Group discontinues recognising its share of further losses.

After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the Group 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 the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, in applying the equity method, appropriate adjustments are made to the financial statements of the associates to ensure consistency of accounting policies with those of the Group.

(c) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries over the Group's share of the fair value of the identifiable net assets including contingent liabilities of subsidiaries at the date of acquisition.

Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested for impairment at least annually, or when events or circumstances occur indicating that an impairment may exist. Impairment of goodwill is charged to the consolidated income statement as and when it arises. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity disposed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each cash-generating unit or a group of cash-generating units represents the lowest level within the Group at which goodwill is monitored for internal management purposes and which are expected to benefit from the synergies of the combination.

Goodwill on acquisition of jointly controlled entities and associates is included in the investments in jointly controlled entities and associates respectively. Such goodwill is tested for impairment as part of the overall investment amount.

2 Summary of Significant Accounting Policies (continued)

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using the straight-line method to write-of the cost of the assets to their residual values over their estimated useful lives. The useful lives for this purpose are:

Aircraft	
- engines	7 or 25 years
- airframe	7 or 25 years
- service potential	7 or 13 years
Aircraft spares	10 years
Aircraft f xtures and f ttings	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
Of ce equipment, furniture and f ttings	5 years
Of ce renovation	5 years
Simulator equipment	25 years
Operating plant and ground equipment	5 years
Kitchen equipment	5 years
In flight equipment	5 years
Training equipment	5 years

Assets not yet in operation are stated at cost and are not depreciated until the assets are ready for their intended use.

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 f nancial year ended 31 December 2009, the estimated residual value for aircraft airframes and engines is 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 each balance sheet date, the Group assesses whether there is any indication of impairment. If such an indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2(f) on impairment of assets.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the income statement.

Advance payments and option payments made in respect of aircraft purchase commitments and options to acquire aircraft where the balance is expected to be funded by mortgage f nancing are recorded at cost. On acquisition of the related aircraft, these payments are included as part of the cost of aircraft and are depreciated from that date.

Notes to the Financial Statements *(continued)*

31 December 2009

2 Summary of Significant Accounting Policies (continued)

(e) Investments

Investments in subsidiaries, jointly controlled entities and associates are stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount (see Note 2(f)).

Investments in other non-current investments are shown at cost and an allowance for diminution in value is made, where in the opinion of the Directors, there is a decline other than temporary in the value of such investments. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the period in which the decline is identif ed.

On disposal of an investment, the dif erence between net disposal proceeds and its carrying amount is charged/credited to the income statement.

(f) Impairment of assets

Assets that have an indef nite 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. Property, plant and equipment and other non-current assets, including intangible assets with def nite useful lives, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there is separately identif able cash flows (cash-generating units). Assets other than goodwill that suf ered an impairment are reviewed for possible reversal at each reporting date.

Any impairment loss arising is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

(g) Maintenance and overhaul

Owned aircraft

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

Leased aircraft

Where the Group has a commitment to maintain aircraft held under operating leases, provision is made during the lease term for the rectif cation obligations contained within the lease agreements. The provisions are based on estimated future costs of major airframe, certain engine maintenance checks and one-of 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 f nancial year.

2 Summary of Significant Accounting Policies (continued)

(h) Leases

Finance leases

Leases of property, plant and equipment where the Group assumes substantially all the benef ts and risks of ownership are classif ed as f nance leases.

Finance leases are capitalised at the estimated present value of the underlying lease payments at the date of inception. Each lease payment is allocated between the liability and f nance charges so as to achieve a periodic constant rate of interest on the balance outstanding. The corresponding rental obligations, net of f nance charges, are included in payables. The interest element of the f nance charge is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under f nance lease contracts are depreciated over the estimated useful life of the asset, in accordance with the annual rates stated in Note 2(d) 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 signif cant portion of the risks and rewards of ownership are retained by the lessor are classif ed as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to the income statement on a straight-line basis over the lease period.

Assets leased out by the Company 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. Rental income (net of any incentives given to lessees) is recognised on a straight line basis over the lease term.

(i) Inventories

Inventories comprising spares and 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 estimated costs to completion and applicable variable selling expenses. In arriving at net realisable value, due allowance is made for all damaged, obsolete and slow-moving items.

(j) Receivables

Receivables are carried at invoiced amount less an allowance for doubtful debts based on a general and specif c review of all outstanding amounts at the f nancial year end. Bad debts are written of during the f nancial year in which they are identif ed.

(k) 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.

(l) 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.

Notes to the Financial Statements *(continued)*

31 December 2009

2 Summary of Significant Accounting Policies (continued)

(m) Share capital

(i) Classification

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

Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

(ii) Share issue costs

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

(iii) Dividends to shareholders of the Company

Dividends are recognised as a liability in the period in which they are declared.

(n) Borrowings

Borrowings are initially recognised based on the proceeds received, net of transaction costs incurred. The finance costs, which represent the difference between the net proceeds and the total amount of the payments of these borrowings, are allocated to periods over the term of the borrowings at a constant rate on the carrying amount and are charged to the income statement.

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 statement.

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.

(o) Income taxes

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and includes all taxes based upon the taxable profits, including withholding taxes payable by foreign subsidiaries, jointly controlled entities or associates.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

Deferred tax assets are recognised for the carryforward of unused tax losses and tax credits (including investment tax allowances) to the extent that it is probable that taxable profits will be available against which the unutilised tax losses and unused tax credits can be utilised.

Deferred tax is recognised on temporary differences arising on investments in subsidiaries, jointly controlled entities and associates except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group's share of income taxes of jointly controlled entities and associates are included in the Group's share of results of jointly controlled entities and associates.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

2 Summary of Significant Accounting Policies (continued)

(p) Employee benefits

(i) Short term employee benefits

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

(ii) Defined contribution plan

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

(iii) Share based payments

FRS 2 – Share-based Payment requires recognition of share-based payment transactions including the value of share options in the f nancial statements. There is no impact on the f nancial statements of the Group following the prospective application of FRS 2 in 2006 as all the share options of the Company were fully vested prior to the ef ective date of the standard.

(q) Revenue recognition

Scheduled passenger flight and chartered flight income are recognised upon the rendering of transportation services and where applicable, are stated net of discounts. The value of seats sold for which services have not been rendered is included in current liabilities as sales in advance. Revenue from aircraft rentals is recorded on a straight-line basis over the term of the lease.

Revenue includes fuel surcharge, insurance surcharge, administrative fees, excess baggage and baggage handling fees. Cargo, freight and other related revenue are recognised upon the completion of services rendered and where applicable, are stated net of discounts. Income from the provision of tour operations (both inbound and outbound) and travel agency services is recognised upon services being rendered and where applicable, are stated net of discounts.

Interest and rental income are recognised on an accruals basis.

(r) Foreign currencies

(i) Functional and presentation currency

Items included in the f nancial 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 f nancial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Notes to the Financial Statements *(continued)*

31 December 2009

2 Summary of Significant Accounting Policies (continued)

(r) Foreign currencies (continued)

(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:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

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

(s) Contingent liabilities

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

In the acquisition of subsidiaries by the Group under a business combination, the contingent liabilities assumed are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests.

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

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

2 Summary of Significant Accounting Policies (continued)

(t) Financial instruments

(i) Description

A f nancial instrument is any contract that gives rise to both a f nancial asset of one enterprise and a f nancial liability or equity instrument of another enterprise.

A f nancial asset is any asset that is cash, a contractual right to receive cash or another f nancial asset from another enterprise, a contractual right to exchange f nancial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A f nancial liability is any liability that is a contractual obligation to deliver cash or another f nancial asset to another enterprise, or to exchange f nancial instruments with another enterprise under conditions that are potentially unfavourable.

(ii) Financial instruments recognised on the balance sheet

The particular recognition and measurement method for f nancial instruments recognised on the balance sheet is disclosed in the individual accounting policy note associated with each item.

(iii) Financial instruments not recognised on the balance sheet

The Group is a party to f nancial instruments that comprise fuel option contracts, foreign currency forward contracts and interest rate swap contracts.

These instruments are not recognised in the f nancial statements on inception except to the extent of cash payments on option premiums for fuel option contracts which are recorded in deposits.

Fuel option and swap contracts

The Group is a party to contracts to protect the Group from volatile movements in fuel prices. Gains and losses arising from fuel option and swap contracts are recognised in the income statement only upon settlement by delivery of fuel or on termination of fuel option and swap contracts.

Foreign currency forward contracts

The Group enters into foreign currency forward contracts to protect the Group from movements in exchange rates by establishing the rate at which a foreign currency asset or liability will be settled.

Exchange gains and losses on such contracts are recognised in the income statement when settled.

Interest rate swap and interest rate cap contracts

The Group enters into interest rate swap and interest rate cap contracts to protect the Group from unfavourable movement in interest rates via interest dif erential paid or received on an interest rate swap contract, which is recognised as a component of interest income or expense over the period of the contract. Gains and losses on early termination of interest rate swaps are taken to the income statement.

(iv) Fair value estimation for disclosure purposes

The face values for non-derivative f nancial assets, less any estimated credit adjustments and f nancial liabilities with a maturity period of less than one year are assumed to approximate their fair values.

Notes to the Financial Statements *(continued)*

31 December 2009

3 Critical Accounting Estimates and Judgments

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

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

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

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

Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives and residual values of aircraft frames and engines as disclosed in Note 2(d), would increase the recorded depreciation 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) Recoverability of intercompany balances

The Group has investments in Thai AirAsia Co. Ltd and PT Indonesia AirAsia, both of which provide air transportation services, as disclosed in Notes 13 and 14 to the financial statements respectively. As at the balance sheet date, the amounts owing by these related parties amount to RM366.4 million (2008: RM309.7 million) and RM445.8 million (2008: RM378.5 million) respectively. No allowances for doubtful debts have been provided for these balances as the Directors are of the view that these related parties would have sufficient future funds to repay these debts, based on the projected cash flows of these entities.

4 Revenue

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Passenger seat sales	2,138,011	1,594,203	2,138,011	1,595,492
Aircraft operating lease income	320,332	179,285	320,332	179,285
Surcharges and fees	261,193	810,670	261,193	810,670
Travel and tour operations	60,852	40,997	-	-
Other revenue	352,513	229,815	352,513	229,815
	3,132,901	2,854,970	3,072,049	2,815,262

Other revenue includes excess baggage, baggage handling fee, freight and cancellation, documentation fees amounting to RM304.0 million (2008: RM189.0 million) for the Group and Company.

5 Staff Costs

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Wages, salaries, bonus and allowances	279,707	219,406	278,379	218,494
Def ned contribution retirement plan	26,295	17,387	26,172	17,279
	306,002	236,793	304,551	235,773

Included in staf costs is Executive Directors' remuneration which is analysed as follows:

	Group and Company	
	2009	2008
	RM'0 00	RM'000
Executive Directors		
- basic salaries, bonus and allowances	8,640	4,440
- def ned contribution plan	1,037	533
Non-executive Directors		
- fees	983	983
	10,660	5,956

Notes to the Financial Statements *(continued)*

31 December 2009

5 Staff Costs (continued)

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

	Executive		Non-executive	
	2009	**2008**	**2009**	**2008**
Range of remuneration				
Up to RM50,000	-	-	-	-
RM50,001 to RM100,000	-	-	-	1
RM100,001 to RM150,000	-	-	3	3
RM150,001 to RM200,000	-	-	3	3
RM2,000,000 to RM4,000,000	-	2	-	-
RM4,000,001 to RM5,000,000	1	-	-	-
RM5,000,001 to RM6,000,000	1	-	-	-

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

Grant date	Expiry date	Exercise prices RM/share	At 1.1.2009 '000	Exercised '000	Lapsed '000	At 31.12.2009 '000
1 September 2004	6 June 2014	1.08	1,200	-	-	1,200

	2009 '000	2008 '000
Number of share options vested at balance sheet date	1,200	1,200

During the f nancial year, the ESOS exercise period was extended for a further 5 years from 6 June 2009 to 6 June 2014.

6 Other Operating Expenses

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

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment				
- Write of	388	29	388	37
Rental of land and building	4,181	3,167	4,157	3,142
Auditors' remuneration	466	486	438	455
Write-of of receivables	-	737	-	737
Rental of equipment	1,475	530	1,475	530
Amortisation of long term prepayments	9,645	10,261	9,645	10,261
Amortisation of other investments	11	13	11	13
Loss on disposal of other investments	-	4,217	-	4,217
Net foreign exchange (gain)/loss				
- Realised	(49,020)	2,314	(49,968)	2,314
- Unrealised	36,168	(21,277)	36,168	(21,277)

7 Other Income

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Gain on disposals of property, plant and equipment	30,696	15,554	30,696	15,554
Others	71,687	65,991	71,687	65,991
	102,383	81,545	102,383	81,545

Notes to the Financial Statements *(continued)*

31 December 2009

8 Finance Income/(Costs)

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Finance income:				
Foreign exchange gain on borrowings				
- Realised	2,295	14,255	2,295	14,255
- Unrealised	75,910	-	75,910	-
Interest income				
- deposits with licensed banks	1,009	1,687	1,009	1,687
- short term deposits with fund management companies	627	5,435	627	5,435
- other interest income	4,664	13,868	4,621	13,868
	84,505	35,245	84,462	35,245
Finance costs:				
Unrealised foreign exchange loss on borrowings	-	(249,271)	-	(249,271)
Interest expense				
- bank borrowings	(371,141)	(297,521)	(371,141)	(297,521)
- hire-purchase payables	(12)	(12)	(12)	(12)
Bank facilities and other charges	(3,818)	(5,981)	(3,818)	(5,978)
	(374,971)	(552,785)	(374,971)	(552,782)
Net f nance costs	(290,466)	(517,540)	(290,509)	(517,537)

9 Taxation

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Current taxation				
- Malaysian tax	12,301	2,179	12,301	2,179
- Foreign tax	1,805	1,590	1,805	1,590
Overprovision of income tax in prior years	(2,920)	-	(2,920)	-
Deferred taxation (Note 17)	104,835	(376,404)	104,835	(376,404)
	116,021	(372,635)	116,021	(372,635)
Current taxation				
- Current f nancial year	14,106	3,769	14,106	3,769
- Overprovision of income tax in prior years	(2,920)	-	(2,920)	-
Deferred taxation				
- Origination and reversal of temporary dif erences	121,581	(164,179)	121,581	(164,179)
- Tax incentives	(16,746)	(212,225)	(16,746)	(212,225)
	116,021	(372,635)	116,021	(372,635)

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

The explanation of the relationship between taxation and prof t/(loss) before taxation is as follows:

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Prof t/(loss) before taxation	622,288	(869,198)	618,020	(867,987)
Tax calculated at Malaysian tax rate of 25 % (2008: 26%)	155,572	(225,991)	154,505	(225,677)
Tax ef ects of:				
- expenses not deductible for tax purposes	2,559	66,973	3,626	66,659
- income not subject to tax	(23,268)	(2,237)	(23,268)	(2,237)
- temporary dif erences not recognised within the pioneer period	824	845	824	845
- tax incentives	(16,746)	(212,225)	(16,746)	(212,225)
- over provision of income tax in prior years	(2,920)	-	(2,920)	-
Taxation	116,021	(372,635)	116,021	(372,635)

Notes to the Financial Statements *(continued)*

31 December 2009

10 Earnings/(Loss) Per Share

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the net prof t/(loss) for the f nancial year by the weighted average number of ordinary shares in issue during the f nancial year.

	Group	
	2009	**2008**
Prof t/(loss) for the f nancial year (RM'000)	506,267	(496,563)
Weighted average number of ordinary shares in issue ('000)	2,456,443	2,358,313
Earnings/(loss) per share (sen)	20.6	(21.1)

(b) Diluted earnings/(loss) per share

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

The Group has dilutive potential ordinary shares from share options granted to employees.

In assessing the dilution in earnings/(loss) per share arising from the issue of share options, certain computations are performed to determine the number of shares that could have been acquired at market price. This computation serves to determine the "bonus" element to the ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to net prof t/(loss) for the f nancial year in the calculation of the diluted earnings/(loss) per share from the issue of the share options.

	Group	
	2009	**2008**
Prof t/(loss) for the f nancial year (RM'000)	506,267	(496,563)
Weighted average number of ordinary shares in issue ('000)	2,456,443	2,358,313
Adjustment for ESOS ('000)	-	3,388
Weighted average number of ordinary shares for diluted earnings per share	2,456,443	2,361,701
Diluted earnings/(loss) per share (sen)	20.6	N/A

As the diluted earnings/(loss) per share computation is anti-dilutive, the diluted earnings/(loss) per share is assumed to be similar to the basic earnings/(loss) per share.

11 Property, Plant and Equipment

	At 1 January 2009 RM'000	Additions RM'000	Reclassi-fication RM'000	Write off RM'000	Disposals RM'000	Depreciation charge RM'000	At 31 December 2009 RM'000
Group							
Net book value							
Aircraft engines, airframe and service potential	6,337,262	1,894,583	(102)	-	(151,810)	(403,826)	7,676,107
Aircraft spares	100,820	33,491	-	-	-	(15,617)	118,694
Aircraft f xtures and f ttings	36,784	3,290	-	-	-	(11,732)	28,342
Buildings	13,982	-	24,528	-	-	(520)	37,990
Motor vehicles	5,194	2,149	-	-	-	(2,382)	4,961
Of ce equipment, furniture and f ttings	10,208	5,662	83	-	-	(4,745)	11,208
Of ce renovation	2,814	1,609	-	-	-	(1,553)	2,870
Simulator equipment	49,740	168	-	-	-	(2,238)	47,670
Operating plant and ground equipment	11,772	3,998	102	(388)	(32)	(4,463)	10,989
Kitchen equipment	194	-	-	-	-	-	194
In flight equipment	308	216	-	-	-	(101)	423
Training equipment	620	2,021	-	-	-	(467)	2,174
Assets not yet in operation	24,601	576	(24,611)	-	-	-	566
	6,594,299	1,947,763	-	(388)	(151,842)	(447,644)	7,942,188

	Cost RM'000	Accumulated depreciation RM'000	Net book value RM'000
Group			
At 31 December 2009			
Aircraft engines, airframe and service potential	8,628,583	(952,476)	7,676,107
Aircraft spares	168,037	(49,343)	118,694
Aircraft f xtures and f ttings	65,602	(37,260)	28,342
Buildings	40,362	(2,372)	37,990
Motor vehicles	14,337	(9,376)	4,961
Of ce equipment, furniture and f ttings	37,126	(25,918)	11,208
Of ce renovation	9,197	(6,327)	2,870
Simulator equipment	55,930	(8,260)	47,670
Operating plant and ground equipment	25,136	(14,147)	10,989
Kitchen equipment	202	(8)	194
In flight equipment	559	(136)	423
Training equipment	2,733	(559)	2,174
Assets not yet in operation	566	-	566
	9,048,370	(1,106,182)	7,942,188

Notes to the Financial Statements (continued)

31 December 2009

11 Property, Plant and Equipment (continued)

	At 1 January 2008 RM'000	Additions RM'000	Write off RM'000	Disposals RM'000	Depreciation charge RM'000	At 31 December 2008 RM'000
Group						
Net book value						
Aircraft engines, airframe and service potential	4,153,322	2,527,299	-	(34,489)	(308,870)	6,337,262
Aircraft spares	67,555	45,492	-	-	(12,227)	100,820
Aircraft f xtures and f ttings	25,941	21,467	(6)	-	(10,618)	36,784
Buildings	14,386	116	-	-	(520)	13,982
Motor vehicles	6,686	585	(1)	-	(2,076)	5,194
Of ce equipment, furniture and f ttings	10,708	4,233	(19)	-	(4,714)	10,208
Of ce renovation	3,374	749	-	-	(1,309)	2,814
Simulator equipment	51,504	462	-	-	(2,226)	49,740
Operating plant and ground equipment	9,602	6,432	(3)	-	(4,259)	11,772
Kitchen equipment	202	-	-	-	(8)	194
In flight equipment	-	343	-	-	(35)	308
Training equipment	-	712	-	-	(92)	620
Assets not yet in operation	9,490	15,111	-	-	-	24,601
	4,352,770	2,623,001	(29)	(34,489)	(346,954)	6,594,299

	Cost RM'000	Accumulated depreciation RM'000	Net book value RM'000
Group			
At 31 December 2008			
Aircraft engines, airframe and service potential	6,933,414	(596,152)	6,337,262
Aircraft spares	134,546	(33,726)	100,820
Aircraft f xtures and f ttings	62,312	(25,528)	36,784
Buildings	15,834	(1,852)	13,982
Motor vehicles	11,610	(6,416)	5,194
Of ce equipment, furniture and f ttings	31,389	(21,181)	10,208
Of ce renovation	7,588	(4,774)	2,814
Simulator equipment	55,762	(6,022)	49,740
Operating plant and ground equipment	21,489	(9,717)	11,772
Kitchen equipment	299	(105)	194
In flight equipment	343	(35)	308
Training equipment	712	(92)	620
Assets not yet in operation	24,601	-	24,601
	7,299,899	(705,600)	6,594,299

11 Property, Plant and Equipment (continued)

	At 1 January 2009 RM'000	Additions RM'000	Reclassi-fication RM'000	Write off RM'000	Disposals RM'000	Depreciation charge RM'000	At 31 December 2009 RM'000
Company							
Net book value							
Aircraft engines, airframe and service potential	6,337,262	1,894,583	(102)	-	(151,810)	(403,826)	7,676,107
Aircraft spares	100,820	33,491	-	-	-	(15,617)	118,694
Aircraft f xtures and f ttings	36,784	3,290	-	-	-	(11,732)	28,342
Buildings	13,982	-	24,528	-	-	(520)	37,990
Motor vehicles	4,589	2,149	-	-	-	(2,382)	4,356
Of ce equipment, furniture and f ttings	10,122	5,645	83	-	-	(4,738)	11,112
Of ce renovation	2,814	1,609	-	-	-	(1,553)	2,870
Simulator equipment	49,740	168	-	-	-	(2,238)	47,670
Operating plant and ground equipment	11,772	3,998	102	(388)	(32)	(4,463)	10,989
Inflight equipment	308	216	-	-	-	(101)	423
Training equipment	620	2,021	-	-	-	(467)	2,174
Assets not yet in operation	24,601	576	(24,611)	-	-	-	566
	6,593,414	1,947,746	-	(388)	(151,842)	(447,637)	7,941,293

	Cost RM'000	Accumulated depreciation RM'000	Net book value RM'000
Company			
At 31 December 2009			
Aircraft engines, airframe and service potential	8,628,583	(952,476)	7,676,107
Aircraft spares	168,037	(49,343)	118,694
Aircraft f xtures and f ttings	65,602	(37,260)	28,342
Buildings	40,362	(2,372)	37,990
Motor vehicles	13,732	(9,376)	4,356
Of ce equipment, furniture and f ttings	37,031	(25,919)	11,112
Of ce renovation	9,197	(6,327)	2,870
Simulator equipment	55,930	(8,260)	47,670
Operating plant and ground equipment	25,136	(14,147)	10,989
In flight equipment	559	(136)	423
Training equipment	2,733	(559)	2,174
Assets not yet in operation	566	-	566
	9,047,468	(1,106,175)	7,941,293

Notes to the Financial Statements *(continued)*

31 December 2009

11 Property, Plant and Equipment (continued)

	At 1 January 2008 RM'000	Additions RM'000	Write off RM'000	Disposals RM'000	Depreciation charge RM'000	At 31 December 2008 RM'000
Company						
Net book value						
Aircraft engines, airframe and service potential	4,153,322	2,527,299	-	(34,489)	(308,870)	6,337,262
Aircraft spares	67,555	45,492		-	(12,227)	100,820
Aircraft f xtures and f ttings	25,941	21,467	(6)	-	(10,618)	36,784
Buildings	14,386	116	-	-	(520)	13,982
Motor vehicles	6,081	585	(1)	-	(2,076)	4,589
Of ce equipment, furniture and f ttings	10,651	4,212	(27)	-	(4,714)	10,122
Of ce renovation	3,374	749	-	-	(1,309)	2,814
Simulator equipment	51,504	462	-	-	(2,226)	49,740
Operating plant and ground equipment	9,602	6,432	(3)	-	(4,259)	11,772
Inflight equipment	-	343	-	-	(35)	308
Training equipment	-	712	-	-	(92)	620
Assets not yet in operation	9,490	15,111	-	-	-	24,601
	4,351,906	2,622,980	(37)	(34,489)	(346,946)	6,593,414

	Cost RM'000	Accumulated depreciation RM'000	Net book value RM'000
Company			
At 31 December 2008			
Aircraft engines, airframe and service potential	6,933,414	(596,152)	6,337,262
Aircraft spares	134,546	(33,726)	100,820
Aircraft f xtures and f ttings	62,312	(25,528)	36,784
Buildings	15,834	(1,852)	13,982
Motor vehicles	11,608	(7,019)	4,589
Of ce equipment, furniture and f ttings	31,303	(21,181)	10,122
Of ce renovation	7,588	(4,774)	2,814
Simulator equipment	55,762	(6,022)	49,740
Operating plant and ground equipment	21,489	(9,717)	11,772
In flight equipment	343	(35)	308
Training equipment	712	(92)	620
Assets not yet in operation	24,601	-	24,601
	7,299,512	(706,098)	6,953,414

11 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	
	2009 RM'000	2008 RM'000
Net book value of owned aircraft sub-leased out	2,458,972	1,392,929
Aircraft pledged as security for borrowings (Note 28)	7,643,739	6,247,372
Simulator pledged as security for borrowings (Note 28)	43,409	45,444
Motor vehicles on hire-purchase	76	166

The benef cial ownership and operational control of certain aircraft pledged as security for borrowings rests with the Company when the aircraft is delivered to the Company.

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

12 Investment in Subsidiaries

	Company	
	2009 RM'000	2008 RM'000
Unquoted investments, at cost	22,194	22,194

The details of the subsidiaries are as follows:

Name	Country of incorporation	Group's effective equity interest 2009 %	Group's effective equity interest 2008 %	Principal activities
Directly held by the Company				
Crunchtime Culinary Services Sdn Bhd ("Crunchtime")	Malaysia	100.0	100.0	Provision of inflight meals, currently dormant
AA International Ltd ("AAIL")	Malaysia	100.0	100.0	Investment holding
AirAsia Go Holiday Sdn Bhd	Malaysia	100.0	100.0	Tour operating business
AirAsia (Mauritius) Limited ("AirAsia Mauritius")*	Malaysia	100.0	100.0	Providing aircraft leasing facilities to Thai AirAsia Co. Ltd
Airspace Communications Sdn Bhd ("Airspace")	Malaysia	100.0	100.0	Media owner with publishing division, currently dormant
AirAsia (B) Sdn Bhd*	Negara Brunei Darussalam	100.0	100.0	Providing air transportation services, currently dormant
AirAsia Corporate Services Limited^	Malaysia	100.0	100.0	Facilitate business transactions for AirAsia Group with non-resident goods and service providers, currently dormant

Notes to the Financial Statements (continued)

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12 Investment in Subsidiaries (continued)

Name	Country of incorporation	Group's effective equity interest 2009 %	2008 %	Principal activities
Directly held by the Company				
Aras Sejagat Sdn Bhd^	Malaysia	100.0	100.0	Special purpose vehicle for f nancing arrangements required by AirAsia
Asia Air Limited	United Kingdom	100.0	-	To provide and promote AirAsia's in-flight food to the European market
Held by AAIL				
AirAsia (Hong Kong) Limited ("AirAsia HK")*	Hong Kong	100.0	100.0	Dormant
AA Capital Ltd	Malaysia	100.0	100.0	Dormant

* *Not audited by PricewaterhouseCoopers, Malaysia*

^ *Not required to be audited*

13 Investment in a Jointly Controlled Entity

	Group 2009 RM'000	Group 2008 RM'000
Represented by:		
Unquoted investment, at cost	12,054	12,054
Group's share of post acquisition reserves	(12,054)	(12,054)
	-	-

The details of the jointly controlled entity are as follows:

Name	Country of incorporation	Group's effective equity interest 2009 %	2008 %	Principal activities
Held by AAIL				
Thai AirAsia Co. Ltd ("Thai AirAsia")	Thailand	48.9	48.9	Aerial transport of persons, things and posts

13 Investment in a Jointly Controlled Entity (continued)

The Group's share of the results of the jointly controlled entity, which has not been equity accounted for, is as follows:

	2009 RM'000	2008 RM'000
Revenue	456,505	439,317
Expenses	(496,065)	(604,817)
Loss before taxation	(39,560)	(165,500)
Taxation	-	-
Net loss for the f nancial year	(39,560)	(165,500)

The Group's share of assets and liabilities of the jointly controlled entity is as follows:

	2009 RM'000	2008 RM'000
Non-current assets	14,112	29,180
Current assets	89,028	53,581
Current liabilities	(355,097)	(295,158)
Share of net liabilities of the jointly controlled entity	(251,957)	(212,397)

The Group discontinued recognition of its share of further losses made by Thai AirAsia as the Group's interest in the jointly controlled entity has been reduced to zero and the Group has not incurred any obligations or guaranteed any obligations in respect of the jointly controlled entity. As at 31 December 2009, the unrecognised amount of the Group's share of losses of Thai AirAsia which has not been equity accounted for amounted to RM240.6 million (2008: RM201.0 million).

14 Investment in Associates

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Unquoted investment, at cost	4,141	4,141	29	29
Group's share of post acquisition losses	(4,112)	(4,112)	-	-
	29	29	29	29

Notes to the Financial Statements *(continued)*

31 December 2009

14 Investment In Associates (continued)

The details of the associates are as follows:

Name	Country of incorporation	Group's effective equity interest 2009 %	2008 %	Principal activities
AirAsia Philippines Inc	Philippines	39.9	39.9	Providing air transportation Services, currently dormant
AirAsia Pte Ltd ("AAPL")	Singapore	48.9	48.9	Dormant
Asian Contact Centres Sdn. Bhd.	Malaysia	50.0	-	Providing end-to-end solutions for customers contact management and contact centre
Held by AAIL				
PT Indonesia AirAsia ("IAA")	Indonesia	48.9	48.9	Commercial air transport service
AirAsia Go Holiday Co. Ltd	Thailand	49.0	49.0	Tour operating business, currently dormant

The Group's share of the results of associates, which has not been equity accounted for, is as follows:

	2009 RM'000	2008 RM'000
Revenue	308,204	235,813
Expenses	(356,293)	(357,480)
Loss before taxation	(48,089)	(121,667)
Taxation	-	-
Net loss for the f nancial year	(48,089)	(121,667)

The Group's share of assets and liabilities of the associates is as follows:

	2009 RM'000	2008 RM'000
Non-current assets	16,570	9,204
Current assets	63,342	31,399
Current liabilities	(260,582)	(173,184)
Non-current liabilities	(31,526)	(31,526)
Share of net liabilities of associates	(212,196)	(164,107)

The Group discontinued recognition of its share of further losses made by Thai Crunch Time and IAA as the Group's interest in these associates has been reduced to zero and the Group has not incurred any obligations or guaranteed any obligations in respect of the associates. As at 31 December 2009, the unrecognised amount of the Group's share of losses of Thai Crunch Time and IAA which has not been equity accounted for amounted to RM0.1 million (2008: RM0.1 million) and RM234.0 million (2008: RM185.9 million) respectively.

15 Other Investments

	Group and Company	
	2009	2008
	RM'000	RM'000
Non-current:		
Recreational golf club membership	37	48
Investment in AirAsia X Sdn Bhd ("AAX")	26,667	26,667
	26,704	26,715

During the f nancial period ended 31 December 2007, the Company subscribed for 26,666,667 redeemable convertible preference shares Series 1 ("RCPS") of RM1.00 each at par in AirAsia X Sdn Bhd.

16 Goodwill

	Group
	RM'000
Cost/net book value	
At 31 December 2008/31 December 2009	8,738

The Group undertakes an annual test for impairment of its goodwill. The carrying amount of goodwill is allocated to the Group's cash generating unit, i.e. primarily the investment in a subsidiary, AAIL. No impairment loss was required for the carrying amount of goodwill assessed as at 31 December 2009 as the recoverable amount is in excess of the carrying amount.

Key assumptions used in the value-in-use calculations

The recoverable amount of the cash-generating unit including goodwill is determined based on the value-in-use calculation. This value-in-use calculation applies a discounted cash flow model using cash flow projections covering a f ve-year period for the subsidiary's business operations. The projections reflect the subsidiary's expectation of revenue growth, operating costs and margins of its investment based on past experience and current assessment of market share, expectation of market growth and industry growth.

For purposes of the value-in-use calculation, a discount rate of 10% per annum has been applied. The discount rate reflects an independent market rate applicable to the operations of the cash generating unit.

Impact of possible change in key assumptions

Sensitivity analysis shows that no impairment loss is required for the carrying amount of goodwill, including where realistic variations are applied to key assumptions.

Notes to the Financial Statements *(continued)*

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17 Deferred Taxation

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

	Group and Company	
	2009	**2008**
	RM'000	**RM'000**
Deferred tax assets	751,274	856,109

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

	Group and Company	
	2009	**2008**
	RM'000	**RM'000**
At start of year	856,109	479,705
(Charged)/credited to income statement (Note 9)		
- Property, plant and equipment	(58,874)	101,839
- Tax incentives	16,746	212,225
- Tax losses	(24,779)	24,412
- Provisions	(37,928)	37,928
	(104,835)	376,404
At end of year	751,274	856,109
Deferred tax assets (before of setting)		
Tax incentives	825,897	809,151
Tax losses	9,171	33,950
Provisions	-	37,928
	835,068	881,029
Of setting	(83,794)	(24,920)
Deferred tax assets (after of setting)	751,274	856,109
Deferred tax liabilities (before of setting)		
Property, plant and equipment	(83,794)	(24,920)
Of setting	83,794	24,920
Deferred tax liabilities (after of setting)	-	-

As disclosed in Note 3 to the f nancial statements in respect of critical accounting estimates and judgments, the deferred tax assets are recognized on the basis of the Company's previous history of recording prof ts, and to the extent that it is probable that future taxable prof ts will be available against which temporary dif erences can be utilised. Estimating the future taxable prof ts involves signif cant 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.

17 Deferred Taxation (continued)

The Ministry of Finance has previously 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 2004 to 30 June 2009, to be set of against 70% of 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. The exemption expired in the current f nancial year and the Company is in the process of applying for an extension of the IA.

18 Receivables and Prepayments

	Group		Company	
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
Non-current:				
Long term prepayments	23,593	24,258	23,593	24,258
Current:				
Trade receivables	70,520	47,952	70,530	47,374
Less: Allowance for doubtful debts	(1,994)	(1,994)	(1,994)	(1,994)
	68,526	45,958	68,536	45,380
Other receivables	114,161	135,141	113,870	134,327
Less: Allowance for doubtful debts	(1,072)	(1,072)	(1,072)	(1,072)
	113,089	134,069	112,798	133,255
Prepayments	250,997	107,735	250,408	107,671
Deposits	288,470	401,619	287,866	401,170
	721,082	689,381	719,608	687,476

The currency exposure prof le of receivables and deposits (excluding prepayments) is as follows:

	Group		Company	
	2009 RM'000	**2008 RM'000**	**2009 RM'000**	**2008 RM'000**
RM	118,805	122,918	117,920	121,013
USD	343,374	458,643	343,374	458,707
Others	7,906	85	7,906	85
	470,085	581,646	469,200	579,805

Included in long term prepayments is prepaid lease rental. The prepaid lease rental is charged to the income statement over the term of the lease of the low cost carrier terminal building.

Included in deposits are cash collateral for derivatives and deposits to lessors for maintenance of aircraft amounting to RM192.8million (2008: RM364.8 million) for the Group and Company.

Notes to the Financial Statements *(continued)*

31 December 2009

19 Amount Due from a Jointly Controlled Entity

The amount due from Thai AirAsia Co. Ltd, the jointly controlled entity, is denominated in US Dollar, unsecured, interest free and has no f xed terms of repayment, except for an amount of RM171,885,000 (2008:RM Nil) which is repayable after 12 months.

Subsequent to the f nancial year end, the amount due from a jointly controlled entity would be charged an interest rate equivalent to the Company's borrowing rate.

The analysis of the movements in the amount due from a jointly controlled entity for the f nancial year ended 31 December 2009 is as follows:

	Group 2009 RM'000
Balance as at 1 January	309,683
Recharges and other expenses	385,238
Receipts and settlements	(312,459)
Foreign exchange loss on translation	(16,074)
Balance as at 31 December	366,388

20 Amounts Due from/(to) Associates

The amounts due from/(to) associates are unsecured, interest free and have no f xed terms of repayment, except for an amount of RM253,037,000 (2008:RM Nil) which is repayable after 12 months.

Subsequent to the f nancial year end, the amount due from associates would be charged an interest rate equivalent to the Company's borrowing rate.

The analysis of the movements in the amounts due from associates for the f nancial year ended 31 December 2009 is as follows:

	Group 2009 RM'000
Balance as at 1 January	387,647
Recharges and other expenses	490,403
Receipts and settlements	(404,639)
Foreign exchange loss on translation	(16,444)
Balance as at 31 December	456,967

20 Amounts Due from/(to) Associates (continued)

The currency exposure prof le of the amounts due from/(to) associates is as follows:

	Group and Company	
	2009 RM'000	2008 RM'000
Amounts due from associates		
- USD	445,776	378,526
- Philippine Peso ("PHP")	11,191	9,121
	456,967	387,647
Amount due to an associate		
- Singapore Dollar ("SGD")	(3,382)	(4,359)

21 Inventories

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Spares and consumables	18,050	17,622	18,050	17,622
In flight merchandise and others	2,814	3,062	2,266	2,515
	20,864	20,684	20,316	20,137

22 Amounts Due from Subsidiaries and a Related Company

The amounts due from subsidiaries are unsecured, interest free and have no f xed terms of repayment.

The amount due from a related company is denominated in Ringgit Malaysia, unsecured, interest free and has no f xed terms of repayment.

23 Cash and Cash Equivalents

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Cash and bank balances	254,207	72,625	253,240	73,309
Deposits with licensed banks	391,478	81,137	391,478	81,137
Short-term deposits with fund management companies	100,627	-	100,627	-
Deposits, cash and bank balances	746,312	153,762	745,345	154,446
Deposits pledged as securities	(27,847)	(32,959)	(27,847)	(32,959)
	718,465	120,803	717,498	121,487

Notes to the Financial Statements *(continued)*

31 December 2009

23 Cash and Cash Equivalents (continued)

The currency exposure prof le of deposits, cash and bank balances is as follows:

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
RM	526,688	78,399	525,721	79,083
USD	121,107	59,787	121,107	59,787
SGD	37,246	5,551	37,246	5,551
Chinese Yuan ("CNY")	21,143	3,467	21,143	3,467
Thai Baht ("THB")	20,591	79	20,591	79
Brunei Dollar ("BND")	8,047	1,498	8,047	1,498
Indonesian Rupiah ("IDR")	1,785	1,744	1,785	1,744
Hong Kong Dollar ("HKD")	1,843	217	1,843	217
EURO	778	10	778	10
Others	7,084	3,010	7,084	3,010
	746,312	153,762	745,345	154,446

The deposits with licensed banks are pledged as security for banking facilities granted to the Company.

The weighted average ef ective interest rates of deposits at the balance sheet dates are as follows:

	Group		Company	
	2009	2008	2009	2008
	%	%	%	%
Deposits with licensed banks	2.95	3.27	2.95	3.27
Short-term deposits with fund management companies	2.54	-	2.54	-

24 Trade and Other Payables

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Trade payables	90,433	108,109	81,545	104,646
Accrual for fuel	114,660	57,939	114,660	57,939
Aircraft maintenance accruals	261,448	199,520	261,448	199,520
Other payables and accruals	406,449	408,682	404,194	408,682
	872,990	774,250	861,847	770,787

24 Trade and Other Payables (continued)

The currency exposure prof le of trade and other payables is as follows:

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
RM	817,010	553,512	805,867	550,049
USD	44,415	219,009	44,415	219,009
Others	11,565	1,729	11,565	1,729
	872,990	774,250	861,847	770,787

25 Provision For Loss On Unwinding Of Derivatives

As disclosed in the summary of signif cant accounting policies, the Group enters into interest rate swap contracts to protect the Group against upward movements in interest rates. Payments relating to these periodic cash settled contracts are recognised as a component of interest income or expense over the period of the contracts. Gains and losses on early termination of interest rate swaps are taken to the income statement.

During the previous f nancial year ended 31 December 2008, the Company had terminated a number of its interest rate swap contracts in view of the sharp decline in both short-term and long-term interest rates. However, in view of continuing uncertainties in the global economy, the Group had evaluated and made arrangements to further terminate some of its swap positions. A provision has been recognised at the end of the previous f nancial year for the expected amount of loss on the termination in respect of these contracts.

Subsequent to the previous f nancial year end, the Group terminated the said swap contracts and the provision for loss on unwinding of derivatives was substantially utilised.

The movements during the f nancial year in the amount recognised in the f nancial statements are as follows:

	Group and Company	
	2009	2008
	RM'000	RM'000
At 1 January	151,713	-
Charged to income statement	-	151,713
Utilised during the f nancial year	(151,713)	-
At 31 December	-	151,713

26 Amounts Due to Subsidiaries and a Related Company

The amounts due to subsidiaries and a related company are denominated in Ringgit Malaysia, unsecured, interest free and have no f xed terms of repayment.

Notes to the Financial Statements *(continued)*

31 December 2009

27 Hire-Purchase Payables

This represents future instalments under hire-purchase agreements, repayable as follows:

	Group and Company	
	2009 RM'000	2008 RM'000
Minimum payments:		
- Not later than 1 year	66	90
- Later than 1 year and not later than 5 years	19	84
	85	174
Less: Future f nance charges	(13)	(25)
Present value of liabilities	72	149
Present value of liabilities:		
- Not later than 1 year	56	77
- Later than 1 year and not later than 5 years	16	72
	72	149

Finance lease liabilities are ef ectively secured as the rights to the leased assets revert to the lessors in the event of default.

As at 31 December 2009, the ef ective interest rate applicable to the lease liabilities was 3.46% (2008: 3.33%) per annum for the Group and Company. The entire balance is denominated in Ringgit Malaysia.

28 Borrowings

	Group and Company		
	Weighted average rate of finance %	2009 RM'000	2008 RM'000
Current:			
Term loans	4.15	429,575	432,570
Revolving credit facilities	4.10	48,000	46,995
Finance lease liabilities	5.48	53,877	51,224
Commodity Murabaha Finance	3.99	8,760	8,145
		540,212	538,934
Non-current:			
Term loans	4.15	5,507,796	4,430,364
Finance lease liabilities	5.48	1,031,313	1,099,319
Commodity Murabaha Finance	3.99	108,587	117,942
Sukuk	4.85	420,000	420,000
		7,067,696	6,067,625
Total borrowings		7,607,908	6,606,559

The Group's long term borrowings are repayable as follows:

	Group and Company	
	2009 RM'000	2008 RM'000
Not later than 1 year	540,212	538,934
Later than 1 year and not later than 5 years	2,557,423	2,053,281
Later than 5 years	4,510,273	4,014,344
	7,607,908	6,606,559

The currency exposure prof le of borrowings is as follows:

RM	585,347	593,081
USD	6,972,039	5,865,631
EURO	50,522	147,847
	7,607,908	6,606,559

Notes to the Financial Statements *(continued)*

31 December 2009

28 Borrowings (continued)

The above term loans, f nance lease liabilities (Ijarah) and Commodity Murabaha Finance are for the purchase of A320-200 aircraft, spare engines and simulators.

The repayment terms of term loans and f nance lease liabilities 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

(c) Assignment of airframe and engine warranties of each aircraft

The Commodity Murabaha Finance is secured by a second priority charge over the aircraft.

The purpose of the Sukuk is to fund the Company's capital expenditure and working capital. The Sukuk is secured by the following:

(i) An unconditional and irrevocable bank guarantee provided by f nancial institutions, and;

(ii) An assignment over the proceeds of the Ijarah Service Reserve Account opened by the Company pursuant to the exercise.

29 Share Capital

	Group and Company	
	2009	**2008**
	RM'000	**RM'000**
Authorised:		
Ordinary shares of RM0.10 each:		
At beginning and end of the f nancial year	500,000	500,000
Issued and fully paid up:		
Ordinary shares of RM0.10 each:		
At beginning of the f nancial year	237,421	237,154
Issued during the f nancial year	38,353	267
At end of the f nancial year	275,774	237,421

During the f nancial year, the Company increased its issued and paid-up ordinary share capital from RM237,420,958 to RM275,774,458 by way of issuance of 380,000,000 ordinary shares of RM0.10 each pursuant to the sale of shares at RM1.33 per share by way of book-building and issuance of 3,535,000 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 book-building and exercise of ESOS of RM467,400,000 and RM3,464,300 respectively has been credited to the Share Premium account.

The new ordinary shares issued during the f nancial 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 f nancial year.

29 Share Capital (continued)

Employee Share Option Scheme ("ESOS")

The Company implemented an ESOS on 1 September 2004. The ESOS is governed by the by-laws which were approved by the shareholders on 7 June 2004 and is ef ective for a period of 5 years from the date of approval.

The main features of the ESOS are as follows:

(a) The maximum number of ordinary shares, which may be allotted pursuant to the exercise of options under the Scheme, shall not exceed ten per cent (10.0%) of the issued and paid-up share capital of the Company at any point in time during the duration of the Scheme.

(b) The Option Committee may from time to time decide the conditions of eligibility to be fulf lled by an Eligible Person in order to participate in the Scheme.

(c) The aggregate number of shares to be of ered to any Eligible Person who has fulf lled the eligibility criteria for the time being by way of options in accordance with the Scheme shall be at the discretion of the Option Committee. The Option Committee may consider circumstances such as the Eligible Person's scope of responsibilities, performance in the Group, rank or job grade, the number of years of service that the Eligible Person has rendered to the Group, the Group's retention policy and whether the Eligible Person is serving under an employment contract for a f xed duration or otherwise. The Option Committee's decision shall be f nal and binding.

(d) The maximum number of shares allocated to Executive Directors, Non-Executive Directors and senior management by way of options shall in aggregate not exceed f fty per cent (50.0%) of the total number of shares (or such other percentage as may be permitted by the relevant regulatory authorities from time to time) available under the Scheme.

(e) The subscription price, in respect of options granted prior to the date of listing in Bursa Malaysia, shall be RM1.08 per share.

(f) The options granted are exercisable one year beginning from the date of grant.

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

The Company granted 93,240,000 options at an exercise price of RM1.08 per share under the ESOS scheme on 1 September 2004, which expired on 6 June 2009. During the f nancial year, the validity of this ESOS scheme was extended to 6 June 2014.

At 31 December 2009, options to subscribe for 26,460,900 (2008: 31,528,900) ordinary shares of RM0.10 each at the exercise price of RM1.08 per share remain unexercised. These options granted do not confer any right to participate in any share issue of any other company.

Notes to the Financial Statements *(continued)*

31 December 2009

29 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 1.1.2009 '000	Granted '000	Exercised '000	Lapsed '000	At 31.12.2009 '000
1 September 2004	6 June 2014	1.08	31,529	-	(3,535)	(1,533)	26,461

	2009 '000	2008 '000
Number of share options vested at balance sheet date	26,461	31,529

Details relating to options exercised during the f nancial 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
April 2009 to June 2009	0.97 – 1.35	1.08	1,389
August 2009 to September 2009	1.14 – 1.45	1.08	1,719
October 2009 to December 2009	1.28 – 1.39	1.08	427
			3,535

	2009 RM'000	2008 RM'000
Ordinary share capital at par	353	267
Share premium	3,464	2,615
Proceeds received on exercise of share options	3,817	2,882
Fair value at exercise date of shares issued	4,580	3,918

30 Retained Earnings

Under the single-tier tax system introduced by the Finance Act, 2007 which came into ef ect 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.

Companies with Section 108 credits as at 31 December 2008 may continue to pay franked dividends until the Section 108 credits are exhausted or 31 December 2013, whichever is earlier, unless they opt to disregard the Section 108 credits to pay single-tier dividends under the special transitional provisions of the Finance Act, 2007.

As at 31 December 2009, the Company has suf cient Section 108 tax credits to pay approximately RM19.0 million (2008: RM19.0 million) of its retained earnings of the Company as franked dividends. The extent of the retained earnings not covered at that date amounted to RM1,125.7 million (2008: RM623.7 million). The tax credits under Section 108(6) of the Act are subject to the agreement by the Inland Revenue Board.

In addition, the Company has tax exempt income as at 31 December 2009 amounting to approximately RM0.5 million (2008: RM0.5 million) available for distribution as tax exempt dividends to shareholders. This tax exempt income is subject to the agreement by the Inland Revenue Board.

31 Commitments

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

	Group and Company	
	2009	**2008**
	RM'000	**RM'000**
Property, plant and equipment:		
Approved and contracted for	16,234,759	17,684,836
Approved but not contracted for	8,492,282	8,581,247
	24,727,041	26,266,083
Property, plant and equipment:		
Share of a jointly controlled entity's capital commitments	10,805	3,365
Share of an associate's capital commitments	8,505	4,754

The capital commitments for the Group and Company are in respect of aircraft purchase and options to purchase aircraft.

Notes to the Financial Statements *(continued)*

31 December 2009

31 Commitments (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			
	2009		2008	
	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	100,389	350,835	55,355	259,350
Later than 1 year and not later than 5 years	203,491	640,280	100,629	500,251
Later than 5 years	260,486	-	-	-
	564,366	991,115	155,984	759,601

Sublease receipts include lease receipts from both owned and leased aircraft.

32 Contingent Liabilities

Thai AirAsia Co. Ltd ("TAA"), a jointly controlled entity of the Group, has contingent liabilities relating to guarantees issued by banks in respect of the company's pilot trainees loans in accordance with the pilot professional course amounting to RM5.0 million (31.12.2008: RM5.0 million) which will be terminated when the student pilot earns a commercial pilot license and is assigned as co-pilot, or whenever the pilot trainee can completely settle all outstanding debt with the bank. However, TAA can fully reclaim the said liabilities from the pilot trainees' guarantors as the guarantees have been pledged with TAA.

33 Segmental Information

Segmental information is not presented as there are no signif cant business segments other than the provision of air transportation services. The Group's operations are conducted predominantly in Malaysia.

34 Significant Related Party Transactions

The related party transactions of the Company comprise mainly transactions between the Company and its subsidiaries, jointly controlled entity and associates. Details of these related companies are shown in Notes 12, 13 and 14 to the f nancial statements.

All related party transactions were carried out on terms and conditions attainable in transactions with unrelated parties.

Key management personnel are categorised as head or senior management of cers of key operating divisions within the Group and Company. The key management compensation is disclosed in Note 34(e) below.

Related party transactions also include transaction with entities that are controlled, jointly controlled or signif cantly influenced directly or indirectly by any key management personnel or their close family members, where applicable.

34 Significant Related Party Transactions (continued)

	Group		Company	
	2009	**2008**	**2009**	**2008**
	RM'000	**RM'000**	**RM'000**	**RM'000**
(a) Income:				
Aircraft operating lease income for owned and leased aircraft				
- Thai AirAsia	175,035	122,935	175,035	122,935
- Indonesia AirAsia	145,297	56,350	145,297	56,350
Services charged to AirAsia X Sdn Bhd, a company with common Directors and shareholders	57,028	16,811	57,028	16,811
(b) Recharges:				
Maintenance and overhaul charges				
- Thai AirAsia	27,809	51,102	27,809	51,102
- Indonesia AirAsia	26,895	43,865	26,895	43,865
Loss on unwinding of derivatives				
- Thai AirAsia	43,414	221,724	43,414	211,724
- Indonesia AirAsia	46,330	206,707	46,330	206,707
(c) Receivables:				
- AirAsia Mauritius	-	-	194,503	189,502
- AirAsia International Limited	-	-	3,123	3,112
- Thai AirAsia	366,388	309,683	171,885	120,181
- Indonesia AirAsia	445,776	378,526	445,776	378,526
- AirAsia Philippines	11,191	9,121	11,191	9,121
- AirAsia X Sdn Bhd	3,303	-	3,303	-
(d) Payables:				
- AirAsia Go Holiday Sdn Bhd	-	-	27,922	16,889
- Crunchtime Culinary Services Sdn Bhd	-	-	1,133	1,133
- AirAsia Pte Limited	3,382	4,359	3,382	4,359
- AirAsia X Sdn Bhd	-	3,634	-	3,634
(e) Key Management Compensation:				
- basic salaries, bonus and allowances	13,617	10,155	13,617	10,155
- def ned contribution plan	1,455	1,219	1,455	1,219
	15,072	11,374	15,072	11,374

Included in the key management compensation are Executive Directors' remuneration as disclosed in Note 5.

Notes to the Financial Statements *(continued)*

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35 Financial Risk Management Policies

The Group's financial risk management policy seeks to ensure that the financial resources that are available for the development of the Group's businesses are constantly monitored and managed vis-a-vis its ongoing exposure to fuel price, interest rate, foreign currency, credit, liquidity and cash flow risks. The Group operates within defined guidelines that are approved and reviewed periodically by the Board to minimise the effects of such volatility on its financial performance.

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

(a) Fuel price risk

The Group is exposed to jet fuel price risk arising from the fluctuations in the prices of jet fuel. It seeks to hedge its fuel requirements and implements various fuel management strategies in order to address the risk of rising fuel prices.

(b) Interest rate risk

In view of the substantial borrowings taken to finance the acquisition of aircraft, the Group's income and operating cash flows are also influenced by changes in market interest rates. Interest rate exposure arises from the Group's borrowings and deposits and is managed by maintaining a prudent mix of fixed and floating rate debt and 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 at the most favourable interest rates.

The Group had previously entered into a number of immediate and forward starting interest rate swap contracts and cross currency swap contracts that effectively converted its existing and future long-term floating rate debt facilities into fixed rate debts. However, loans of approximately 2.7% of total long term debt are not currently covered by such swaps and have therefore remained at floating rates linked to the London Inter Bank Offer Rate ("LIBOR").

During the financial year, the Company has terminated a number of its interest rate swap contracts in view of the sharp decline in both short-term and long-term interest rates.

At the same time, the Group has re-entered into new hedges via interest rate swaps and interest rate caps at lower rates. Some of the interest rate swaps have been embedded into the relevant aircraft loans to provide fixed rate facilities.

The remaining terms of the outstanding interest rate derivative contracts of the Company at 31 December 2009, which are denominated in US Dollars, are as follows:

	2009 RM'000 equivalent	2008 RM'000 equivalent
Later than 5 years:		
Interest rate caps	768,188	-
Interest rate swaps	3,409,159	5,205,199
Cross currency interest rate swaps	213,413	245,939
	4,390,760	5,451,138

35 Financial Risk Management Policies (continued)

(b) Interest rate risk (continued)

The net exposure of financial assets and liabilities of the Group and Company to interest rate cash flow risk (after taking into account the effects of interest rate swaps described above) and the periods in which the borrowings mature or reprice (whichever is earlier) are as follows:

Financial Instruments	Functional currency/ currency exposure	Effective interest at balance sheet date % per annum	Total carrying amount RM'000	Floating interest rate RM'000	Fixed interest rate: 1 year or less RM'000	> 1-2 years RM'000	> 2-3 years RM'000	> 3-4 years RM'000	> 4-5 years RM'000	More than 5 years RM'000
Group and Company										
31 December 2009										
Deposits with licensed bank	RM/RM	2.95	391,478	-	391,478	-	-	-	-	-
Deposits with fund management companies	RM/RM	2.54	100,627	-	100,627	-	-	-	-	-
Term loans	RM/USD	4.15	(5,937,371)	(105,393)	(422,690)	(432,527)	(447,997)	(458,119)	(474,759)	(3,595,886)
Finance lease	RM/USD	5.48	(1,085,190)	-	(53,877)	(57,405)	(61,036)	(65,161)	(69,428)	(778,283)
Commodity Murabaha Finance	RM/USD	3.99	(117,347)	-	(8,760)	(9,067)	(9,566)	(10,094)	(10,650)	(69,210)
Sukuk	RM/RM	4.85	(420,000)	-	-	-	-	(420,000)	-	-
Revolving credit	RM/USD	4.10	(48,000)	-	(48,000)	-	-	-	-	-
Hire-purchase payables	RM/RM	3.46	(72)	-	(56)	(16)	-	-	-	-
			(7,115,875)	(105,393)	(41,278)	(499,015)	(518,599)	(953,374)	(554,837)	(4,443,379)
31 December 2008										
Deposits with licensed bank	RM/RM	3.27	81,137	-	81,137	-	-	-	-	-
Term loans	RM/USD	5.11	(4,947,068)	(232,706)	(312,398)	(331,383)	(335,578)	(346,688)	(351,769)	(3,036,546)
Finance lease	RM/USD	6.09	(1,150,543)	-	(51,224)	(54,579)	(58,153)	(61,830)	(66,009)	(858,748)
Commodity Murabaha Finance	RM/USD	3.54	(126,087)	-	(8,145)	(8,593)	(9,067)	(9,566)	(10,094)	(80,622)
Sukuk	RM/RM	4.85	(420,000)	-	-	-	-	-	(420,000)	-
Revolving credit	RM/USD	4.58	(46,995)	-	(46,995)	-	-	-	-	-
Hire-purchase payables	RM/RM	3.33	(149)	-	(77)	(72)	-	-	-	-
			(6,609,705)	(232,706)	(337,702)	(394,627)	(402,798)	(418,084)	(847,872)	(3,975,916)

Notes to the Financial Statements *(continued)*

31 December 2009

35 Financial Risk Management Policies (continued)

(c) Foreign currency risk

The Group has subsidiaries and associates operating in foreign countries which generate revenue and incur costs denominated in foreign currencies. The main currency exposures of the Group and Company are primarily in USD, Thai Baht and Indonesian Rupiah. The Group has a natural hedge to the extent that payments for foreign currency payables are matched against receivables denominated in the same foreign currency or whenever possible by intragroup arrangements and settlements.

The Company enters into forward foreign currency exchange contracts to limit its exposure on foreign currency receivables and payables. At 31 December 2009, the settlement dates on open forward contracts are in accordance with the loan instalment repayment dates. The foreign currency amounts to be received and contractual exchange rates of the Company's outstanding contracts were as follows:

Hedge item	Currency to be received	Currency to be paid	Notional amount RM'000 equivalent	Contractual rate
As at 31 December 2009	USD	MYR	4,467,600	3.000-3.369
As at 31 December 2008	USD	MYR	4,179,010	3.000-3.369

The net unrecognised and unrealised gains at 31 December 2009 on open contracts which hedge future payments on term loans amounted to RM81.99 million (2008: unrecognised and unrealised losses RM78.9 million).The full extent of crystallisation of any favourable or unfavourable variances can only be ascertained upon realisation of each settlement over the period of the long-term hedge contracts.

(d) Credit risk

The Group's exposure to credit risks or the risk of counterparties defaulting arises mainly from various deposits and bank balances, receivables and derivative f nancial instruments. The maximum exposure to credit risks is represented by the total carrying amount of these f nancial 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 the majority of the Group's deposits and bank balances and derivative f nancial instruments are placed or transacted with major f nancial institutions and reputable parties. The Directors are of the view that the possibility of non-performance by the majority of these f nancial institutions is remote on the basis of their f nancial strength and support of their respective governments.

The Group generally has no concentration of credit risk arising from trade receivables.

(e) Liquidity and cash flow risks

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

36 Fair Values of Financial Instruments for Disclosure Purposes

On balance sheet financial instruments

The fair value of a f nancial instrument is assumed to be the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction.

Quoted market prices, when available, are used as a measure of fair values. However, for a signif cant portion of the Group's and Company's f nancial instruments, quoted market prices do not exist. For such f nancial instruments, fair values presented are estimates derived using the net present value or other valuation techniques. These techniques involve uncertainties and are signif cantly af ected by the assumptions used and judgements made regarding risk characteristics of various f nancial instruments, discount rates, estimates of future cash flows and other factors. Changes in assumptions could signif cantly af ect these estimates and the resulting fair values.

The carrying values of f nancial assets and f nancial liabilities of the Group and Company at the balance sheet date approximated their fair values, except as set out below:

	2009		2008	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Group and Company				
Amount due from a jointly controlled entity (non-current portion)	171,885	162,370	-	-
Amount due from an associate (non-current portion)	253,037	240,988	-	-
Borrowings (non-current portion)	7,067,696	5,459,275	6,067,625	4,410,843
Hire-purchase payables (non-current portion)	16	15	72	69

Derivative financial instruments

The fair value of derivative f nancial instruments as at the balance sheet date is as follows:

(a) Fuel derivative contracts

	Maturity period	Barrels	Fair value RM'000
Group and Company			
2009			
Fuel option contracts	1.1.2010 – 30.6.2010	750,000	71
Fuel swap contracts	1.1.2010 – 31.3.2010	150,000	1,877
2008			
Fuel option contracts	1.1.2009 – 30.6.2010	11,430,000	(37,669)

Notes to the Financial Statements *(continued)*

31 December 2009

36 Fair Values of Financial Instruments for Disclosure Purposes (continued)

(b) Other derivatives

	2009		2008	
	Notional amount RM'000 equivalent	**Fair value RM'000**	**Notional amount RM'000 equivalent**	**Fair value RM'000**
Interest rate caps	768,188	14,370	-	-
Interest rate swaps	3,409,159	(275,923)	5,205,199	(844,786)
Cross currency interest rate swaps	213,413	12,918	245,939	(6,419)
Foreign currency forward contracts	4,467,600	81,990	4,719,010	(78,953)

The fair value of interest rate caps and interest rate swaps are calculated as the present value of the estimated future cash flows discounted at prevailing rates. The fair value of foreign exchange forward and fuel option contracts are determined using forward exchange rates or prices based on the relevant forward price curve on the balance sheet date. In assessing the fair value of the derivatives and f nancial instruments, the Group makes assumptions that are based on market conditions existing at each balance sheet date. These instruments are not recognised in the f nancial statements on inception. However, any gain or loss arising from each underlying transaction or settlement of the relevant contracts governing those underlying transactions or settlements are measured and recognised in the f nancial statements based on the current market rates at that date.

37 Reclassification

Certain comparative f gures have been reclassif ed to conform with the current year's presentation for purposes of fairer presentation, as follows:

	As previously reported RM'000	**Reclassification RM'000**	**As restated RM'000**
Income statements for the year ended 31.12.2008			
Group			
Revenue	2,634,688	220,282	2,854,970
Other income	301,827	(220,282)	81,545
Company			
Revenue	2,635,977	179,285	2,815,262
Other income	260,830	(179,285)	81,545

The reclassif cation is in respect of aircraft operating lease income and income from tour operations (both inbound and outbound) and travel agency services which were previously included within other income, and which have now been included within revenue, as it better reflects the Group's operations.

37 Reclassification (continued)

	As previously reported RM'000	Reclassification RM'000	As restated RM'000
Balance sheets as at 31.12.2008			
Group			
Assets			
Non-current			
Receivables and prepayment	103,341	(79,083)	24,258
Current			
Receivables and prepayment	694,432	(5,051)	689,381
Liabilities			
Non-current			
Borrowings	6,146,708	(79,083)	6,067,625
Current			
Borrowings	543,985	(5,051)	538,934
Company			
Assets			
Non-current			
Receivables and prepayment	103,341	(79,083)	24,258
Current			
Receivables and prepayment	692,527	(5,051)	687,476
Liabilities			
Non-current			
Borrowings	6,146,708	(79,083)	6,067,625
Current			
Borrowings	543,985	(5,051)	538,934

The reclassif cation is in respect of premiums paid for certain loans which were previously included within receivables and prepayments, and which have now been included within borrowings, as allowed under the relevant accounting standards.

38 Approval of Financial Statements

The f nancial statements have been approved for issue in accordance with a resolution of the Board of Directors on 27 April 2010.

Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, Dato' Sri Dr Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun, being two of the Directors of AirAsia Berhad, state that, in the opinion of the Directors, the f nancial statements set out on pages 86 to 143 are drawn up so as to give a true and fair view of the state of af airs of the Group and Company as at 31 December 2009 and of the results and the cash flows of the Group and Company for the f nancial year ended on that date in accordance with the provisions of the Companies Act, 1965 and the FRSs, the MASB approved accounting standards in Malaysia for Entities Other than Private Entities.

In accordance with a resolution of the Board of Directors dated 27 April 2010

Dato' Sri Dr Anthony Francis Fernandes
Director
30 April 2010

Dato' Kamarudin Bin Meranun
Director

Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, Rozman Bin Omar, the Of cer primarily responsible for the f nancial management of AirAsia Berhad, do solemnly and sincerely declare that the f nancial statements set out on pages 86 to 143 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 Petaling Jaya in Malaysia on 30 April 2010 before me.

PESURUHJAYA SUMPAH
B 299
K. CHERIAN ABRAHAM
COMMISSIONER FOR OATHS
MALAYSIA
1-5, Block F1, Jalan PJU 1/42,
Dataran Prima, 47301 Petaling Jaya
Selangor Darul Ehsan

Commissioner for Oaths

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, which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 86 to 143.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with MASB approved accounting standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 and fair presentation of the financial statements 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 have been properly drawn up in accordance with MASB approved accounting standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2009 and of their financial performance and cash flows for the financial year then ended.

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 12 to the financial statements.

Independent Auditors' Report *(continued)*

To the Members of Airasia Berhad (Incorporated in Malaysia) (Company No. 284669 W)

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 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

Sridharan Nair
(No. 2656/05/10 (J))
Chartered Accountant

Kuala Lumpur
30 April 2010

Analysis of Shareholdings

as at 23rd April 2010

Distribution of Shareholdings

Class of shares: Ordinary shares of RM0.10 each ("Shares")

Voting rights: One vote per ordinary shares

Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	57	0.27	1,297	0.00
100 – 1,000	5,933	27.94	5,448,948	0.20
1,001 – 10,000	12,585	59.27	54,032,048	1.96
10,001 – 100,000	2,206	10.39	62,680,180	2.27
100,001 to less than 5% of issued shares	448	2.11	1,592,301,759	57.71
5% and above of issued shares	4	0.02	1,044,358,348	37.86
	21,233	100.00	2,758,822,580	100.00

Substantial Shareholders

The direct and indirect shareholdings of the shareholders holding more than 5% in AirAsia based on the Register of Substantial Shareholders are as follows:

	Direct		Indirect	
	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
Tune Air Sdn Bhd	729,458,382	26.44	-	-
Dato' Sri Dr Anthony Francis Fernandes	2,627,010	0.10	729,458,382[1]	26.44
Dato' Kamarudin bin Meranun	1,692,900	0.06	729,458,382[1]	26.44
Employees Provident Fund Board	170,913,400	6.20	14,294,600	0.52
Genesis Smaller Companies	184,208,552[2]	6.68	-	-
The Nomad Investment Partnership LP Cayman	138,400,000[2]	5.02	-	-
Wellington Management Company, LLP	193,385,310[3]	7.01	-	-

[1] Deemed interested by virtue of Section 6A of the Companies Act, 1965 through a shareholding of more than 15% in Tune Air Sdn Bhd ("TASB").

[2] Shares held under HSBC Nominees (Asing) Sdn Bhd

[3] Shares held under Cartaban Nominees (Asing) Sdn Bhd, HSBC Nominees (Asing) Sdn Bhd, JP Morgan Chase Bank, N.A., Master Trust Bank of Japan, Ltd., Mellon Bank NA, RBC Dexia Investor Services Trust

Analysis of Shareholdings (continued)

as at 23rd April 2010

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
Dato' Sri Dr Anthony Francis Fernandes	2,627,010	0.10	729,458,382[1]	26.44
Dato' Kamarudin bin Meranun	1,692,900	0.06	729,458,382[1]	26.44
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	-	-	-	-
Conor Mc Carthy	100,000	-*	16,252,403[2]	0.59
Dato' Leong Sonny @ Leong Khee Seong	100,000	-*	-	-
Dato' Fam Lee Ee	100,000	-*	-	-
Datuk Alias bin Ali	-	-	-	-
Dato' Mohamed Khadar bin Merican	-	-	-	-

Notes

* Negligible.

[1] Deemed interested by virtue of Section 6A of the Act, through a shareholding of more than 15% in TASB

[2] Shares held under HSBC Nominees (Asing) Sdn Bhd Exempt AN for Credit Suisse (SG BR-TST-Asing)

The interests of Directors in options over unissued ordinary shares of RM0.10 each of the Company:

	Price Per Option Share	No. of Option Shares
Dato' Sri Dr Anthony Francis Fernandes	RM1.08	600,000
Dato' Kamarudin bin Meranun	RM1.08	600,000

The options held over ordinary shares in the Company were granted on 1 September 2004 pursuant to the Company's Employee Share Option Scheme ("ESOS") 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. This was in accordance with the terms of the ESOS By-Laws. The ESOS extension was not subject to any regulatory or shareholders approval.

None of the Directors have any interests in the shares or options of the subsidiaries of the Company other than as disclosed above.

Thirty (30) Largest Shareholders

	Name of Shareholders	No. of Shares Held	% of Issued Share Capital
1.	Tune Air Sdn Bhd	552,336,396	20.02
2.	HSBC Nominees (Asing) Sdn Bhd *BBH (LUX) SCA for Genesis Smaller Companies*	184,208,552	6.68
3.	Employees Provident Fund Board	169,413,400	6.14
4.	HSBC Nominees (Asing) Sdn Bhd *TNTC for The Nomad Investment Partnership LP Cayman*	138,400,000	5.02
5.	Cartaban Nominees (Asing) Sdn Bhd *SSBT Fund HG05 for the New Economy Fund*	108,730,000	3.94
6.	Lembaga Tabung Haji	78,423,430	2.84
7.	Mayban Nominees (Tempatan) Sdn Bhd *Kuwait Finance House (Malaysia) Berhad for Tune Air Sdn Bhd (Tony Fernandes)*	71,000,000	2.57
8.	ECML Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tune Air Sdn Bhd (001)*	70,921,986	2.57
9.	HSBC Nominees (Asing) Sdn Bhd *Exempt an for JPMorgan Chase Bank, National Association (U.S.A.)*	67,298,300	2.44
10.	Cartaban Nominees (Asing) Sdn Bhd *SSBT Fund HG22 for Smallcap World Fund, Inc*	64,000,000	2.32
11.	Cartaban Nominees (Asing) Sdn Bhd *Exempt an for Credit Suisse Securities (Europe) Limited (Non Treaty CLT)*	54,722,800	1.98
12.	HSBC Nominees (Asing) Sdn Bhd *NTGS LDN for Skagen Kon-Tiki Verdipapirfond*	51,131,000	1.85
13.	HSBC Nominees (Asing) Sdn Bhd *Exempt an for BSI SA (BSI BK SG-NR)*	42,100,000	1.53
14.	HSBC Nominees (Asing) Sdn Bhd *Exempt an for JPMorgan Chase Bank, National Association (Norges BK Lend)*	40,127,900	1.45
15.	CIMSEC Nominees (Tempatan) Sdn Bhd *CIMB for Zaharen Bin Zakaria (PB)*	36,166,600	1.31
16.	HSBC Nominees (Asing) Sdn Bhd *Exempt an for JPMorgan Chase Bank, National Association (U.K.)*	33,170,100	1.20
17.	Citigroup Nominees (Asing) Sdn Bhd *CBLDN for Kuwait Investment Authority*	29,020,600	1.05
18.	HSBC Nominees (Asing) Sdn Bhd *Exempt an for JPMorgan Chase Bank, National Association (Saudi Arabia)*	21,838,700	0.79
19.	Kenanga Nominees (Tempatan) Sdn Bhd *Kenanga Capital Sdn Bhd for Tune Air Sdn Bhd*	21,200,000	0.77
20.	HSBC Nominees (Asing) Sdn Bhd *Exempt an for Morgan Stanley & Co. Incorporated (Client)*	19,780,600	0.72
21.	HSBC Nominees (Asing) Sdn Bhd *RBS Coutts Zur for Alliance Global Mutual Fund Ltd*	17,011,500	0.62
22.	ECM Libra Investment Bank Berhad *IVT-001 for ECM Libra Investment Bank Berhad (Account 1)*	16,881,700	0.61
23.	Cartaban Nominees (Asing) Sdn Bhd *SSBT Fund TRYB for Teacher Retirement System of Texas*	16,576,800	0.60
24.	ValueCAP Sdn Bhd	15,827,400	0.57
25.	HSBC Nominees (Asing) Sdn Bhd *BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund*	15,653,448	0.57
26.	HSBC Nominees (Asing) Sdn Bhd *Exempt an for Credit Suisse (Sg Br-Tst-Asing)*	14,988,903	0.54
27.	Cartaban Nominees (Asing) Sdn Bhd *State Street for Ishares MSCI Emerging Markets Index Fund*	14,936,100	0.54
28.	SBB Nominees (Tempatan) Sdn Bhd *Kumpulan Wang Persaraan (Diperbadankan)*	14,337,400	0.52
29.	EB Nominees (Tempatan) Sendirian Berhad *Pledged Securities Account for Tune Air Sdn Bhd (KLM)*	14,000,000	0.51
30.	Mayban Nominees (Tempatan) Sdn Bhd *Mayban Trustees Berhad for Public ITTIKAL Fund (N14011970240)*	13,944,700	0.51

List of Properties Held

Save as disclosed below, as at 31 December 2009. Neither the Company nor any of its subsidiaries owned any land or building:

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 31 December 2009 (RM'000)
AirAsia Berhad	Taxiway Charlie, KLIA (part of PT 39 KLIA, Sepang) *See note 1*	Non permanent structure/aircraft maintenance hangar	*See note 2*	2,400 sqm	6 years & 5 months	1,844
AirAsia Berhad	AirAsia Academy, Lot PT 25B, Southern Support Zone, KLIA 64000 Sepang, Selangor	AirAsia Simulator Complex	30 years from 20 September 2004 to 19 September 2034	4,997sqm	5 years	11,618
AirAsia Berhad	AirAsia Academy, Lot PT 25A, Southern Support Zone, KLIA 64000 Sepang, Selangor	AirAsia Academy, Engineering and In-Flight Warehouse	30 years from 01st May 2007 to 30th April 2037	6,225 sqm – Academy 5,225 sqm – Engineering/ In-Flight Warehouse	2 years	24,528

Notes:

(1) On the f tness of occupation of the hangar, it is the subject of a year-to-year"Kelulusan Permit Bangunan Sementara" issued by the Majlis Daerah Sepang. The permit has been renewed and will expire on December 31, 2010.

(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.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Seventeenth Annual General Meeting of AirAsia Berhad (284669-W) ("the Company") will be held at AirAsia Academy, Lot PT25B, Jalan KLIA S5, Southern Support Zone, Kuala Lumpur International Airport, 64000 Sepang, Selangor Darul Ehsan, Malaysia on Thursday, 24 June 2010 at 10.00 a.m. for the following purposes:

As Ordinary Business

1. To receive and consider the Audited Financial Statements together with the Reports of the Directors and Auditors thereon for the f nancial year ended 31 December 2009. (Resolution 1)

2. To approve Directors' Fees of RM967,000 for the f nancial year ended 31 December 2009. (Resolution 2)

3. To re-elect the following Directors who retire pursuant to Article 124 of the Company's Articles of Association:
   a) Mr. Conor Mc Carthy (Resolution 3)
   b) Dato' Fam Lee Ee (Resolution 4)
   c) Dato' Mohamed Khadar Bin Merican (Resolution 5)

4. To consider and, if thought f t, pass the following resolution pursuant to Section 129 of the Companies Act, 1965:
   "THAT Dato' Leong Sonny @ Leong Khee Seong, retiring in accordance with Section 129 of the Companies Act, 1965, be and is hereby re-appointed as a Director of the Company to hold of ce until the next Annual General Meeting" (Resolution 6)

5. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to f x their remuneration. (Resolution 7)

AS SPECIAL BUSINESS

To consider and if thought f t, to pass, with or without modif cations, the following Resolution:

6. **Ordinary Resolution – Authority to Allot Shares Pursuant to Section 132D of the Companies Act, 1965**
   "THAT pursuant to Section 132D of the Companies Act, 1965 and subject to the approval of relevant authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem f t provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and also empowered to obtain approval for the listing of and quotation for the additional shares so issued on the Main Market of Bursa Malaysia Securities Berhad AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." (Resolution 8)

Other Ordinary Business

7. To transact any other business of which due notice shall have been given.

By Order of the Board

Jasmindar Kaur A/P Sarban Singh (MAICSA 7002687)
Company Secretary

Selangor Darul Ehsan
31 May 2010

Notice of Annual General Meeting *(continued)*

Notes on Appointment 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 def ned 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 f rst-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 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. A proxy need not be a member of the Company.

c. 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 of cer or attorney duly authorised.

d. Where a member appoints two proxies, the appointment shall be invalid unless he specif es the proportion of his shareholdings to be represented by each proxy.

e. Where a member of the Company is an authorised nominee as def ned under the Central Depositories Act, it may appoint at least one but not more than two (2) proxies in respect of each securities account it holds to which ordinary shares in the Company are credited.

f. The Proxy Form or other instruments of appointment shall not be treated as valid unless deposited at the Registered Of ce of the Company at 25-5, Block H, Jalan PJU 1/37, 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**.

Explanatory Note on Special Business

Authority to allot shares pursuant to Section 132D of the Companies Act, 1965 (Resolution 8)

Ordinary Resolution 8 has been proposed for the purpose of renewing the general mandate for issuance of shares by the Company under Section 132D of the Companies Act, 1965 (hereinafter referred to as the "General Mandate"). Ordinary Resolution 8, if passed, will give the Directors of the Company authority to issue ordinary shares in the Company at their discretion without having to f rst convene another General Meeting. The General Mandate will, unless revoked or varied by the Company in a General Meeting, expire at the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is earlier.

A similar mandate was granted by the shareholders at the Sixteenth Annual General Meeting of the Company (hereinafter referred to as the "16th AGM Mandate"). Since then, the Company has placed out 380,000,000 new Ordinary Shares at an issue price of RM1.33 each, which raised a total of RM505,400,000 and which shares were all listed on the Main Market of Bursa Malaysia Securities Berhad on 25th September 2009 (hereinafter referred to as the "Private Placement"). Of the said 380,000,000 shares issued under the Private Placement, 69,252,400 thereof were issued pursuant to the 16th AGM Mandate, translating into RM92,105,692 of the total proceeds raised. The remaining 310,747,600 shares were issued pursuant to that specif c mandate granted by shareholders at the Extraordinary General Meeting convened on 19th August 2009.

Therefore of the total 10.0% of issued share capital mandated by the 16th AGM Mandate, approximately three-tenths (3/10) thereof has been used to facilitate the Private Placement whilst the balance of approximately seven-tenths (7/10) of the mandate was set aside to fulf ll obligations under the Company's employees' share options scheme (ESOS). That portion set aside for the ESOS has not been utilised as at the date hereof.

Details and status of the utilisation of proceeds from the Private Placement are set out in the "Additional Compliance Information" in page 84 of this Annual Report.

The General Mandate, if granted, will enable the Company to fulf ll its obligations under the ESOS in an expedient manner as well as provide flexibility to the Company for any future fund raising activities, including but not limited to further placing of shares for the purposes of funding future investment project(s), repayment of bank borrowing, working capital and/or acquisition(s) and thereby reducing administrative time and costs associated with the convening of additional shareholders meeting(s).

Statement Accompanying Notice of Annual General Meeting

For The Year Ended 31 December 2009

Directors Standing for Re-Election at the Seventeenth Annual General Meeting of the Company

The Directors who are standing for re-election at the Seventeenth Annual General Meeting are as follows:

a) Pursuant to Article 124 of the Articles of Association of the Company:
   i) Mr. Conor Mc Carthy
   ii) Dato' Fam Lee Ee
   iii) Dato' Mohamed Khadar Bin Merican

b) Pursuant to Section 129 of the Companies Act, 1965:
   i) Dato' Leong Sonny @ Leong Khee Seong

The details of the above Directors standing for re-election are set out in the Prof le of Directors from pages 12 to 16 of this Annual Report. Their securities holdings in the Company are set out on page 147 to 149 of this Annual Report.

Glossary

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 aircraft operating lease income, less operating prof t plus non-recurring items, divided by available seat kilometres.
Cost per ASK, excluding fuel (CASK ex fuel)	Revenue less aircraft operating lease income, less operating prof t plus non-recurring items and aircraft fuel expenses, divided by available seat kilometres.
Load factor	Number of passengers as a percentage of number of seats flown. The load factor is not weighted for the ef ect of varying sector lengths.
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 staf for business travel.
Revenue per ASK (RASK)	Revenue less aircraft operating lease income divided by available seat kilometres.
Revenue Passenger Kilometres (RPK)	Number of passengers multiplied by the number of kilometres these 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./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.: ____________________
(FULL NAME IN BLOCK LETTERS) (COMPULSORY)

of ____
(ADDRESS)

as my/our proxy(ies) to vote in my / our name and on my / our behalf at the Seventeenth Annual General Meeting of the Company to be held on Thursday, 24 June, 2010 at 10.00 a.m. and at any adjournment of such meeting and to vote as indicated below:

Ordinary Resolution	Description	For	Against
No. 1	**Ordinary Business** Receive the Audited Financial Statements and Reports		
No. 2	Approval of Directors' Fees		
No. 3	Re-election of Mr. Conor Mc Carthy		
No. 4	Re-election of Dato' Fam Lee Ee		
No. 5	Re-election of Dato' Mohamed Khadar Bin Merican		
No. 6	Re-appointment of Dato' Leong Sonny @ Leong Khee Seong		
No. 7	Re-appointment of Auditors		
No. 8	**Special Business** Authority to allot shares pursuant to Section 132D of the Companies Act, 1965		

(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 f t)

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 def ned 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 f rst-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 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. A proxy need not be a member of the Company.

c. 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 of cer or attorney duly authorised.

d. Where a member appoints two proxies, the appointment shall be invalid unless he specif es the proportion of his shareholdings to be represented by each proxy.

e. Where a member of the Company is an authorised nominee as def ned under the Central Depositories Act, it may appoint at least one but not more than two (2) proxies in respect of each securities account it holds to which ordinary shares in the Company are credited.

f. The Proxy Form or other instruments of appointment shall not be treated as valid unless deposited at the Registered Of ce of the Company at 25-5, Block H, Jalan PJU 1/37, 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

Fold here

Proxy Form

STAMP

Company Secretary
AirAsia Berhad
(Company No. 284669-W)
25-5, Block H, Jalan PJU 1/37
Dataran Prima
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Fold here

HAVE YOU FLOWN THE WORLD'S BEST?

Thanks for embracing the AirAsia experience.

Skytrax World Airline Awards 2009
Best Low-Cost Airline

Jane's Transport Finance Awards 2009
Aircraft Debt Deal of the Year Asia
Airline CEO of the Year - Tony Fernandes

KLIFF Islamic Finance Awards 2009
The Most Outstanding Islamic Financial Product

The Asset 2009
Best Islamic Loan Deal

Aviation Week Laureate Awards 2009
Commerical Air Transport Category -
Tony Fernandes

CAPA Aviation Awards 2009
Airline of the Year
Legend, Aviation Hall of Fame - Tony Fernandes

Media's Agency of the Year Awards 2009
Brand of the Year

TTG Travel Awards 2009
Best Asian Low-Cost Carrier
Travel Personality of the Year - Tony Fernandes

Malaysia's Most Valuable Brands 2009
Hall of Fame - Tony Fernandes

Hornbill Tourism Award 2009
Air Transportation Category

Orient Aviation 2009
Person of the Year

AirAsia.com

Find out what others are saying at haveyouflownairasia.com

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TRULY ASEAN