07

FINANCIA
STATEME

Accountability

Reports and Financial Statements

Other Additional Information

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of AirAsia Group Berhad ("AAGB" or the "Company") presents this Corporate Governance Overview Statement to provide shareholders and investors with an overview of the corporate governance practices of the Company under the leadership of the Board for the financial year ended 2019 ("the Financial Year").

The Board of AAGB is committed to ensuring good corporate governance standards across the AirAsia group of companies ("the Group"). Save as disclosed otherwise, the Board takes guidance and considers it has complied with the statutory requirements, principles and best practices inclusive of the corporate governance principles, and recommendations set out in the Malaysian Code on Corporate Governance ("MCCG") released by the Securities Commission Malaysia, the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and the Companies Act 2016 during the Financial Year.

In building a sustainable ASEAN travel and financial platform company, the Board is mindful of its accountability towards its shareholders and various stakeholders. The Board and Senior Management are committed to providing effective leadership and promoting uncompromising ethical standards in the organisation, and towards ensuring excellence in its corporate governance standards and practices throughout the Company, to which the application of each recommended Practices set out in the MCCG and its explanations are disclosed in AAGB's Corporate Governance Report. The Corporate Governance Overview Statement should be read together with AAGB's Corporate Governance Report 2019 published on AAGB's website at https://ir.airasia.com/home_ir.html.

The Board presents this statement to provide an insight into the corporate governance practices of AAGB under the leadership of the Board with reference to the following principles –

(a) Board Leadership and Effectiveness;
(b) Effective Audit and Risk Management; and
(c) Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

Principle A: Board Leadership and Effectiveness

1. Board Responsibilities

The Board is responsible for governing, guiding and overseeing the overall management of the Group and retains full and effective control over the affairs of the Group. It reviews the Group's policies and strategies, enforces standards of accountability, actively oversees the conduct, management and business affairs of AAGB and monitors the Senior Managements' performance. The Board ensures the effective discharge of its fiduciary and leadership functions, as well as sustains long-term shareholder value while safeguarding the interests of all the stakeholders. It works closely with the Senior Management to ensure that the operations of AAGB are conducted prudently within the framework of relevant laws and regulations.

Directors have independent access to the advice and dedicated support services of the Company Secretaries (who are legally qualified to act as company secretary under the Companies Act 2016) to ensure effective functioning of the Board. The Directors may seek advice from Senior Management on issues pertaining to their respective jurisdiction, as well as independent professional advice in discharging their duties.

The Board recognises that having established and clearly defined roles and responsibilities of the Board and the Senior Management is important to strike a reasonable balance between the strategy foundation and policy-making on the one hand, and the conformance roles of executive supervision and accountability on the other.

Delegation of the Board's authority to the Senior Management is subject to defined limits of authority and monitoring by the Board. However, as the Board has the overall responsibility to manage and supervise the affairs of the Company in accordance with the law, there are matters, which are reserved for the Board's consideration as set out in the Board Charter.

There is a clear separation of the positions and roles between the Chairman ("Chairman") and the Chief Executive Officer ("CEO") to promote greater accountability to enhance check and balance. The positions of the Chairman and the CEO are held by two different individuals. The roles of the Chairman as well as the CEO are also described in the Board Charter at https://ir.airasia.com/misc/Board_Charter.pdf.

To assist the Board in discharging its duties and responsibilities in order to enhance business and corporate efficiency and effectiveness, the Board has in place a Governance Structure for the Group where specific powers of the Board are delegated to the relevant Committees and the CEO, as depicted on page 183 of the Annual Report.

BOARD

Our Board is collectively responsible for the effective oversight of the Company and its businesses by actively overseeing the conduct and direct the management of the business and affairs of AAGB towards enhancing business prosperity and corporate accountability with the ultimate objective of meeting the goals of the Company, realising long term shareholders value and safeguarding the interests of stakeholders.

The Board sets the risk appetite and determines the principal risks for the Company and takes the lead in areas such as safeguarding the reputation of the Company and its financial policy, as well as making sure to maintain a sound system of internal control and risk management.

AUDIT COMMITTEE ("AC")

The AC assists the Board in fulfilling its oversight functions in relation to internal controls and financial reporting of the Company. The AC provides the Board with assurance on the quality and reliability of the financial information reported by the Company whilst promoting efficiency and good governance practices to ensure the proper conduct and safeguarding of AAGB and its Group's assets.

NOMINATION AND REMUNERATION COMMITTEE ("NRC")

The NRC was established to assist the Board in discharging its responsibilities in the determination of the remuneration and compensation of the Directors and Senior Management of the Company. The NRC recommends to the Board the remuneration policy for the Non-Executive Directors and Senior Management of the Company (as defined in its terms of reference).

The NRC also reviews the Chairman's and CEO's Performance Scorecard, and recommends the rating of the scorecard to the Board for its approval and oversees the development of a succession management plan for the Chairman and CEO.

The NRC is also responsible for assessing the performance of the Board and Board Committees, as well as making recommendations on the nomination policy, succession planning framework, talent management, training programmes and any related matters for directors and senior management and to oversee succession planning for the Board Chairman and Directors.

RISK MANAGEMENT COMMITTEE ("RMC")

The RMC was established to oversee the risk management activities of Company and the Group. It supports the Board in fulfilling its responsibility for identifying significant risks and ensuring the implementation of appropriate systems to manage the overall risk exposure of the Group.

SAFETY REVIEW BOARD ("SRB")

The SRB provides oversight over the effective and efficient implementation of the Group's Safety Policy within the overall Group Safety Management System.

CHAIRMAN

The Chairman oversees the Board in the effective discharge of its role and to instil good corporate governance practices, leadership and effectiveness of the Board. To monitor the workings of the Board and the conduct of the Board meeting to ensure all relevant issues for the effective running of AAGB's business are on the agenda for the Board meetings.

The Chairman ensures that quality information to facilitate decision-making is delivered to Board members on a timely basis, to encourage all directors to play an active role in Board activities, including leading Board meetings and discussions and encourage active participation and allowing dissenting views to be freely expressed.

The Chairman manages the interface between Board and the Management and ensures that appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole, and to chair general meetings of shareholders.

CHIEF EXECUTIVE OFFICER

The CEO leads the management of the Company and provides direction for the implementation of the strategies and business plans as approved by the Board and the overall management of the business operations group-wide. The CEO also chairs the Senior Management Team which assists him in his management of AAGB, particularly in relation to strategic business development, high impact and high value investments, and cross business matters of the AAGB's Group.

SENIOR MANAGEMENT TEAM

The Board is assisted by the Senior Management Team of the Company which comprises senior employees holding the positions of CEO, CFO, Presidents (Airlines and RedBeat Ventures), Chief Legal Officer, Chief People & Culture Officer and Executive Director of AirAsia Investment Limited.

The Senior Management Team is tasked with the responsibility of managing of the Company's business and implementing the Board's strategies, policies and decisions. The relevant members of the Senior Management Team will also be invited to attend Board and/or Committees' meetings to advise and provide clarification as and when required on items in the agenda tabled to the Board and Committees.

2. Board Composition

The size, balance and composition of the Board support its role of driving the long-term direction and strategy of AAGB. A key function of the Board is to create value for shareholders and track the progress of each milestone that meets its business objectives. The Board also ensures that AAGB upholds a high level of corporate governance while meeting its other obligations to shareholders and other stakeholders.

AAGB has implemented procedures for the nomination and election of the Directors via the NRC. The NRC assesses candidates against the leadership skills, gender, digital savviness, entrepreneurial mindset, knowledge and experience required by AAGB. AAGB recognises the benefits of having a diverse Board. In line with its Board Diversity Policy, selection of candidates to join the Board is in part dependent on the pool of candidates with the necessary skills, knowledge and experience. The NRC will review the nominees for directorship and membership of Board Committees by going through their profiles and interviewing the nominees, following which the NRC will submit its recommendations to the Board.

The profile of each Director can be found on pages 46 to 52 of this Annual Report.

AAGB's diverse Board includes and makes good use of differences in skills, regional and industry experience, background, race, gender, ethnicity, age and other attributes of the Directors. The Board has a composition with a majority comprising independent and non-executive directors. While AAGB had only one woman director represented on the Board during the Financial Year, the Board and the NRC, are actively seeking new women directors to join the Company based on recommendations of existing Board members, Senior Management or major shareholders.

The Board has in place a policy which limits the tenure of Independent Non-Executive Directors to nine (9) years in line with MCCG. An Independent Director may remain as Independent Director after serving a cumulative term of nine (9) years, provided that the Board recommends this upon concrete justification and after seeking its shareholders' approval at a general meeting. Following the release of the MCCG, AAGB has adopted the two-tier voting process in its Constitution for retention of any Independent Directors who have served for more than 12 years in that capacity.

The Constitution of AAGB provides that at least one-third of the Directors are subject to retirement by rotation at each Annual General Meeting ("AGM"). In other words, each Director must retire from office once every three (3) years and is eligible to offer him/herself for re-election or re-appointment. The Constitution of AAGB also provides that a Director who is appointed during the year will be subject to re-election at the next AGM following their appointment.

The names of the Directors seeking for the re-election at the forthcoming AGM are disclosed in the Notice of AGM.

3. Our Board and its Committees

In order for the Board to operate efficiently and give the right level of attention and consideration to relevant matters, the Committees assist the Board in fulfilling its oversight functions. The Committees' agendas and schedules of items to be discussed at their meetings are prepared in accordance with the terms of reference of each Committee and take account other topical and ad-hoc matters. All Board Committees operate within their clearly defined terms of reference and operating procedures whereupon the Board receives reports of their proceedings and deliberations with their recommendations. In addition to the vertical lines of reporting, the Committees communicate and work together where required.

At the Committees' meetings, items are discussed and, as appropriate, endorsed, approved or recommended to the Board for approval. Following the Committees' meetings, the Chairman of each Committee provides the Board with a summary of the main decisions and discussion points, and the minutes of the Committees' meetings are presented to the Board for notation; hence, the non-committee members are kept up-to-date with the work undertaken by each Committee. The ultimate responsibility for decision making lies with the Board.

The members of the Board and Committees have discharged their roles and responsibilities in 2019, through their attendance at the meetings of the Company as set out in the table below:

Director	Designation	Board Attendance For 2019	Committees' Attendance For 2019			
			AC	NRC	RMC	SRB
Datuk Kamarudin bin Meranun	*Non-Independent Executive Chairman*	6/6				
Tan Sri Anthony Francis Fernandes	*Non-Independent Executive Director and Chief Executive Officer*	6/6				
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	*Non-Independent Non-Executive Director*	6/6	9/9	7/7	4/4	
Dato' Fam Lee Ee	*Senior Independent Non-Executive Director*	6/6	9/9	7/7	4/4	
Dato' Mohamed Khadar bin Merican	*Independent Non-Executive Director*	6/6	9/9		4/4	3/4
Stuart L Dean	*Independent Non-Executive Director*	6/6		6/7	4/4	4/4
Noor Neelofa binti Mohd Noor	*Independent Non-Executive Director*	5/6				0/4

Chairman Non-member

During the Financial Year, the Board met six (6) times inclusive of special Board meetings. All Directors attended at least fifty percent (50%) of the Board Meetings held during the Financial Year, with the majority having full attendance, and have complied with the MMLR of Bursa Malaysia in terms of attendance. This reflects the Board members' commitment and dedication in fulfilling their duties and responsibilities. The same Committees will assist the Board of AAGB in discharging its duties in the next financial year.

4. Board Effectiveness Evaluation

The Board, through its NRC, conducts the annual assessment on effectiveness of the Board, the Committees, the individual Directors and Committee members of the Company. During the Financial Year, the NRC conducted a digital performance evaluation of the Board and Committees and reviewed the summary results thereof and recommended the proposed improvement(s) to the Board for approval. Each member of the Board undertook an evaluation of the Board in terms of Board mix and composition, quality of information and decision making, and boardroom activities, and the NRC was satisfied that all the Directors have devoted sufficient time to discharge their responsibilities. The NRC was generally satisfied that the Committees comprised the right composition of members, provided useful recommendations in assisting the Board in its decision-making and consequently, the conduct of Board meetings were more efficient and effective. The members of the Committees have sufficient and relevant expertise in fulfilling their roles. The NRC also reviewed the confirmation of the Independent Directors Self-Assessment as per the requirement under the MMLR of Bursa Malaysia.

Once every three (3) years, an external consultant would be engaged to facilitate the NRC in providing an objective and candid evaluation. The NRC has discussed and considered several proposals on the appointment of an independent external consultant to conduct the annual Board Effectiveness Evaluation ("BEE") on the Board, its Committees, the individual Directors and the Committee members of the Company, in respect of their performance for the next financial year. The BEE would assess the performance and effectiveness of the Board and Committees, as well as that of individual Board and Committee members. In addition, it would review and assess the independence of the Independent Directors of AAGB.

5. Professional Development of Directors

In line with Paragraph 15.08 of MMLR, the Directors recognise the importance and value of continuous professional development in order to keep themselves abreast with the changes in the aviation and digital industry, as well as new statutory and regulatory requirements. During the Financial Year, the Directors attended and participated in training programmes, conferences and seminars that covered the areas of corporate governance, finance, global business developments and relevant industry updates, which enable them to discharge their duties effectively.

The details of training programmes, conferences and seminars attended by the Directors during the Financial Year are outlined below:

Name	Programmes
Datuk Kamarudin bin Meranun	• Global Entrepreneur Symposium 2019 at the International Islamic University of Malaysia on 24 September 2019. • Seminar Siswapreneur 2019 at Kolej Mawar, UiTM on 19 October 2019.
Tan Sri Anthony Francis Fernandes	• Obama Foundation Asia-Pacific Leaders Program Design Workshop, Hawai'i, 1 January 2019 to 7 January 2019. • MIT Asia Business Conference in Cambridge, Massachusetts on 2 March 2019. • Harvard Asia Business Conference Cambridge, Massachusetts, on 3 March 2019. • Money 20/20 Asia, Singapore, on 19 March 2019. • Milken Tokyo Symposium, Tokyo, on 25 March 2019. • 22nd Credit Suisse Asian Investment Conference, Hong Kong, on 26 March 2019. • Oracle Open World Asia 2019, Singapore, on 27 March 2019. • ABAC Luncheon Dialogue Meeting, Bangkok, on 4 April 2019. • ASEAN Secretariat Dialogue, Jakarta, on 9 April 2019. • 3rd Credit Suisse Asia Entrepreneurs Forum, Singapore, on 14 May 2019. • Rise Hong Kong on 9 July 2019. • Rakuten Optimism 2019, Yokohama, Japan, on 1 August 2019. • Cloud Training for Directors, Sepang, on 7 August 2019 (AirAsia in-house training). • Data Dashboard Training for Senior Management, Sepang, on 16 August 2019 (AirAsia in house training). • EPF Learning Campus 2019 Knowledge Fair, Kajang, on 9 October 2019. • ASEAN Business & Investment Summit Keynote, Bangkok, on 2 November 2019. • National Resilence College, Puspahanas, Putrajaya, on 10 December 2019. • Suhakam 2019 International Human Rights Day Forum, Bangsar South, on 10 December 2019. • MDEC 2019: MySkills, Bangsar South, on 10 December 2019. • Obama Foundation Leadership, Bangsar South, 11 December 2019 – 13 December 2019. • Kuala Lumpur Summit, KLCC, on 19 December 2019.

Name	Programmes
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	• Google – cyber security on 16 January 2019. • CG Advocacy Programme - Cyber Security in the Boardroom, Kuala Lumpur, on 27 June 2019. • ICDM - The Role Of The Nomination & Remuneration Committee In Human Capital Management, Kuala Lumpur, on 23 July 2019. • Cloud Training for Directors, Sepang, on 7 August 2019 (AirAsia in-house training). • ICDM – Breakfast Series – Companies of the Future – the Role for Boards, Kuala Lumpur, on 4 December 2019.
Dato' Fam Lee Ee	• Google – cyber security on 16 January 2019. • Malaysia-China Bilateral Cooperation Luncheon on 18 February 2019. • CG Advocacy Programme - Cyber Security in the Boardroom, Kuala Lumpur, on 27 June 2019. • Malaysia-China Outlook Forum organised by Star Media Group on 8 July 2019. • ICDM - The Role Of The Nomination & Remuneration Committee In Human Capital Management, Kuala Lumpur, on 23 July 2019. • Cloud Training for Directors, Sepang, on 7 August 2019 (AirAsia in-house training). • Malaysia-China Belt & Road Cooperation Forum 2019, Kuala Lumpur, on 8 August 2019. • Integriti – Inculcating Good Governance in Corporate Entity, Kuala Lumpur, on 1 November 2019. • Annual Joint Business Council Meeting of MCBC and CCPITTM in Zhenghou, Henan Province, on 1 November 2019.
Dato' Mohamed Khadar bin Merican	• Google – cyber security on 16 January 2019. • Oxford Institute of Retail Management, Said Business School, University of Oxford – retail seminar from 4 March 2019 to 8 March 2019. • CG Advocacy Programme - Cyber Security in the Boardroom, Kuala Lumpur, on 27 June 2019. • Cloud Training for Directors, Sepang, on 7 August 2019 (AirAsia in-house training). • Raymond A. Mason School of Business – Driving Retail Financial and Productivity Performance on 29 October 2019 and 30 October 2019. • Securities Commission Audit Oversight Board – Conversation with Audit Committees on 22 November 2019. • ICLIF Leadership and Governance Centre - Raising Defences: Section 17A, MACC Act on 10 December 2019.
Stuart L Dean	• BCSD Breakfast Talk on Sustainable Supply Chain ISO 20400 on 18 July 2019. • ICDM Learning and Development – Bursa Thought Leadership Series on 23 August 2019. • CIMB two-day Cooler Earth Sustainability Programme at KLCC on 1 October 2019 and 2 October 2019. • IMD Seminar for Digital Disruption • Axiata Sustainability Program
Noor Neelofa binti Mohd Noor	–

6. Remuneration

The following table shows the remuneration details of the Directors of AAGB and AAB during the Financial Year:

Director	Fees	Other Fees	Salaries	EPF	Bonuses	Total	Meeting, travelling and other allowances~
Datuk Kamarudin bin Meranun	–		7,860,000	3,106,950	18,031,250	28,998,200	–
Tan Sri Anthony Francis Fernandes	–		7,860,000	3,146,049	18,281,250	29,287,299	86,568
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	256,352^	60,000* 35,000** 55,000***	–		–	406,352	52,000
Dato' Fam Lee Ee	256,352^	60,000* 55,000** 35,000***	–		–	406,352	52,000
Dato' Mohamed Khadar bin Merican	256,352^	75,000* 35,000*** 35,000*^	–		–	401,352	44,000
Stuart L Dean	256,352^ 40,000^^	35,000** 55,000*^ 35,000***	–		–	421,352	40,000
Noor Neelofa binti Mohd Noor	256,352^	35,000*^	–		–	291,352	10,000

^ *Pro rated based on the basic Board fee per annum as approved by the shareholders at the respective Annual General Meeting;*
^^ *Basic board fee as a Director of AAB;*
* *Audit Committee fee as approved at the Second Annual General Meeting;*
** *Nomination & Remuneration Committee fee as approved at the Second Annual General Meeting;*
*** *Risk Management Committee fee as approved at the Second Annual General Meeting;*
*^ *Safety Review Committee fee as approved at the Second Annual General Meeting;*
~ *The meeting allowance shall be RM2,000 per meeting.*

7. Limits of Authority

AAGB has a Limits of Authority ("LOA") manual, which defines the decision-making limits of each level of Management within the Group. The LOA manual clearly outlines matters over which the Board reserves authority and those delegated to the Senior Management. These limits cover, amongst others, authority over payments, investments, capital and revenue expenditure spending limits, budget approvals and contract commitments, as well as authority over non-financial matters. The LOA manual provides a framework of authority and accountability within AAGB and facilitates decision-making at the appropriate level in the organisation's hierarchy.

8. Review and adopting a strategic plan

Every quarter, the Board and AC will review the operational and financial performance of AAGB as well as its subsidiaries, joint ventures and associates under the Group. Detailed reports on the airlines and non-airline investee companies within the Group are tabled for review and deliberation. The Board will assess their performance against budget and the corresponding quarter of the preceding year. Furthermore, the Group's budget and strategy meeting is chaired by the CEO of AAGB to chart the direction for the current and near-term period ahead. The CEO updates the Board quarterly on progress made in relation to the Group's business plans, including any changes and new initiatives.

9. Remuneration and Succession Planning

AAGB places a strong emphasis on the development and growth of its staff, fondly known as Allstars. This is evidenced by AAGB's continuous commitment in grooming successors across the Group, in the spirit of One AirAsia. There is a Group Talent Policy in place to identify and build a robust Group talent pipeline. Talent reviews are conducted with the Senior Management to map talent needs across the Group's different locations and to identify future leaders. The Group Talent function oversees structured talent entry and development initiatives, including leadership development programmes, coaching, cross-functional and cross-country assignments.

Principle B: Effective Audit and Risk Management

1. Audit Committee

The AC comprises two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. It is chaired by Dato' Mohamed Khadar bin Merican, who is an Independent Non-Executive Director and not the Chairman of the Board. AAGB has a policy which requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the AC. During the Financial Year, no member of the AC was a former key audit partner.

In the annual assessment on the suitability, objectivity and independence of the external auditors, the AC is guided by factors as prescribed under Paragraph 15.21 of the MMLR as well as AAGB's External Auditor Independence Policy.

The composition of the AC is reviewed annually to ensure that the Chairman and members of the AC are financially literate and are able to carry out their duties in accordance with the Terms of Reference of the AC. The AC members are expected to update their knowledge continuously and enhance their skills.

Based on the performance evaluation of the AC for the Financial Year, the Board is satisfied that the Chairman and members of the AC have discharged their responsibilities effectively.

The Audit Committee's report is set out on pages 191 to 194 of the Annual Report 2019.

2. Risk Management Committee

The RMC of the Company comprises four (4) Non-Executive Directors with a majority of Independent Directors. It is chaired by Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar, who is a Non-Independent Non-Executive Director.

The RMC enables the Board to undertake and evaluate key areas of risk exposures. The primary responsibilities of the RMC are as follows:

(a) To oversee and recommend the Enterprise Risk Management ("ERM") strategies, frameworks and policies of the Group;
(b) To implement and maintain sound ERM frameworks, which identify, assess, manage and monitor the Group's strategic, financial, operational and compliance risks; and
(c) To develop and inculcate a risk awareness culture within the Group.

In fulfilling its responsibilities in risk management, the RMC is assisted by the Risk Management Department ("RMD").

The Company has established a structured process for risk management and reporting within the ERM Framework as follows:

(a) The first line of defence is provided by Senior Management and business units, which are accountable for identifying and evaluating risks under their respective areas of responsibilities;
(b) The second line of defence is provided by the RMD and RMC which are responsible for facilitating and monitoring risk management process and reporting; and
(c) The third line of defence is provided by the Group Internal Audit Department which provides assurance on the effectiveness of the ERM framework.

A Management level risk committee ("MRC") was established in 2019 to increase participation by Senior Management in risk management processes. The MRC is tasked to review key risks of AAGB prior to submission to the RMC every quarter.

Based on the performance evaluation of the RMC for the Financial Year, the Board is satisfied that the Chairman and members of the RMC have discharged their responsibilities effectively.

The Statement on Risk Management and Internal Control is set out on pages 195 to 200 of the Annual Report 2019.

Principle C: Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

1. Effective Communication with Shareholders and Investors

AAGB is committed to communicating openly, regularly and effectively with shareholders and investors through platforms such as the corporate section of its website, the Annual Report, Financial Announcements and Key Operating Statistics and Announcements through Bursa Malaysia and AGMs. The Investor Relations page of its website is updated regularly to provide stakeholders with all relevant information on AAGB to enable them to make informed decisions.

AAGB has a dedicated Investor Relations team which supports the Senior Management in their active participation in investor relation activities, including road shows, conferences and quarterly investor briefings locally and globally with financial analysts, institutional investors and fund managers.

AAGB continues to fulfil its disclosure obligations as per Bursa Malaysia's Corporate Governance Guidelines. All disclosures of material corporate information are disseminated in an accurate, clear and timely manner via Bursa Malaysia announcements.

2. AGM

Given the size and geographical diversity of the Group's shareholders, the AGM is another important forum for interaction with this group of stakeholders. All shareholders will be notified of the meeting and provided with a copy of the Annual Report at least 28 days before the meeting. At the 2nd AGM of AAGB held on 27 June 2019, all members of the Board save for one member who had an urgent overseas assignment, were present to respond to questions raised by the shareholders or proxies. The voting process at the 1st and 2nd AGMs was conducted through an electronic poll voting system and scrutinised by an independent scrutineer. AAGB will continue to leverage technology to enhance the quality of its shareholder engagement and facilitate further participation by shareholders at AAGB's AGMs.

This Corporate Governance Overview Statement was approved by the Board of Directors of AAGB on 29 April 2020.

AUDIT COMMITTEE REPORT

This report outlines the activities of the Audit Committee ("the AC") of AirAsia Group Berhad ("AAGB") for the financial year ended 31 December 2019 ("the Financial Year").

This Report has been reviewed by the AC and approved by the Board of Directors ("the Board") of AAGB on 29 April 2020, for inclusion in this Annual Report.

The AC assists the Board in fulfilling its duties with respect to its oversight responsibilities over the AirAsia Group ("the Group"). The AC is committed to its role of ensuring the integrity of the financial reporting process; the management of risks and systems of internal controls, external and internal audit processes and compliance with legal and regulatory matters; and the review of related party transactions and other matters that may be specifically delegated to the AC by the Board. The AC's responsibility for the internal audit of the Group is fulfilled through reviews of the quarterly and other reports of the Group Internal Audit Department ("GIAD").

Composition of the Audit Committee

The AC has been established by the Board and comprises two Independent Non-Executive Directors and one Non-Independent Non-Executive Director. Members of the AC elect among themselves an Independent Director, who is not the Chairman of AAGB, as Chairman of the AC. The Terms of Reference of the AC are approved by the Board and complies with the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The composition of the AC complies with the requirements of paragraph 15.09(1)(c) of the MMLR and is set out in AAGB's Corporate Governance Overview Statement ("CGOS") on page 189. Members of the AC are subject to annual evaluations, and its composition is reviewed annually by the Board.

Training

The training attended by the members of the AC during the Financial Year is set out in CGOS on page 186 to 187.

Attendance of Meetings

A total of nine (9) meetings were held for the Financial Year. Members of the AC, together with details of their attendance at the AC meetings held during the year, are set out in the CGOS on page 185.

The AC met on a scheduled basis during the Financial Year, and as and when required. The AC is assisted by an independent GIAD in carrying out its functions. The Chief Executive Officer ("CEO"), President (Airlines), President (RedBeat Ventures), Group Chief Financial Officer ("GCFO"), Deputy Group Chief Financial Officer ("DGCFO"), Group Chief Operating Officer, Chief Financial Officer ("CFO"), Group Head of Internal Audit, Group Head of Legal of AAGB and CEO of AirAsia Berhad ("AAB") are invited to attend meetings to assist the AC in deliberations as and when necessary.

Summary of the work of the Audit Committee

The AC's duties and responsibilities are set out in its Terms of Reference, which are available at www.airasia.com.

In discharging its duties and responsibilities, the AC is guided by the AC Charter, which was approved by the Board and is aligned to the provisions of the MMLR of Bursa Malaysia, Malaysian Code on Corporate Governance ("MCCG"), and Corporate Governance Guide: Executive Summary.

During the Financial Year, the AC carried out the following activities in the discharge of its roles and responsibilities.

Internal Audit

- Mandated the GIAD to report directly to the AC.
- Reviewed the adequacy of the Internal Audit Charter ("IAC").
- Approved the IAC, which defines the purpose, authority, scope and responsibility of the Internal Audit function within the Group.
- Reviewed the scope, functions, budget, competency and resources of the GIAD, and that it had the necessary independence and authority to carry out its work professionally and with impartiality and expediency.
- Reviewed and approved the Internal Audit plan for the Group.
- Reviewed Internal Audit Reports and ensured that appropriate and prompt remedial actions were taken by the Management on lapses in controls or procedures identified by the GIAD.
- Reviewed the Internal Audit Reports relating to the AirAsia Group's affiliates.
- Monitored that all recommended actions by the GIAD were implemented in a timely manner.
- Reviewed the performance of the GIAD, including the internal assessment of the internal audit function.
- Undertook the performance appraisal of the Group Head, GIAD.
- Approved the appointment or termination of senior staff of the GIAD.
- Noted the resignations of the GIAD staff, together with the reasons for their resignations.
- Reviewed reports on ad-hoc investigations performed by the GIAD and monitored that appropriate actions were taken in relation to those investigations.
- Reviewed the results of the external assessment performed on the internal audit function.

External Audit

- Considered and recommended the appointment of the External Auditors and their audit fees.
- Monitored the External Auditor's performance and reviewed their independence and objectivity.
- Discussed with the External Auditor, before the audit commenced, the audit plan, which included the scope, methodology and timing of the audit, as well as the areas of audit emphasis for the year under review.
- Discussed the coordination with other external auditors in the Group.
- Reviewed major findings raised by the External Auditors and Management's responses, and monitored that all recommendations arising from the audit were properly implemented, including the status of the previous audit recommendations.
- Discussed matters arising from the interim and final audits with a view to further improve controls in the Group.
- Met with the External Auditors without the presence of the Management.
- Provided a line of communication between the Board and the External Auditors.
- Ensured that there is coordination between both Internal and External Auditors.
- Reviewed the extent of assistance and co-operation extended by the Group's employees to the External Auditors and ensured that all information required by the External Auditors were made available to them.
- Reviewed and monitored the provision of non-audit services by the External Auditors to ensure that these services do not compromise the independence of the External Auditors.
- Obtained from the Group's External Auditors a formal written statement delineating all relationships between the External Auditors and the Group, as required by International Standard on Auditing 260, modified as appropriate based on the Malaysian guidelines for auditor's independence, and obtained confirmation from them that they are, and have been, independent throughout the conduct of the audit engagement.
- Updated continuously by the External Auditors on changes in the Malaysian Financial Reporting Standards as well as the International Financial Reporting Standards to ensure that the Group is ready for implementation and to understand the implication, if any, on the Group's Financial Statements.

Financial Reporting

- Reviewed and recommended the quarterly and annual management accounts of the Group and AAGB for approval of the Board.
- Reviewed and recommended the Annual Financial Statements to Bursa Malaysia for the Group and AAGB for approval of the Board.
- Reviewed and recommended the Quarterly Financial Statements to Bursa Malaysia for the Group and AAGB for approval of the Board.

For purposes of the above, the AC considered changes in accounting policies and practices and the implementation of such changes, compliance with accounting standards and other legal and regulatory requirements, significant and unusual events, significant adjustments arising from the audit process, material litigation, the going concern assumption and where applicable, reviewed and ensured corporate disclosure policies and procedures of the Group (as they pertain to accounting, audit and financial matters) complied with the disclosure requirements of Bursa Malaysia.

Related Party Transactions

- Reviewed related party transactions and conflicts of interest situations to ensure that such transactions were undertaken on an arm's length basis and were in the best interest of the Group and AAGB and where appropriate, recommended to the Board for approval.
- Reviewed the process used to procure shareholders' mandate for recurrent related party transactions.

Investigations

- Considered major findings of internal investigations and Management's response.
- Reviewed AAGB's procedures for detecting fraud and whistleblowing.

Internal Controls

- By way of discussions with key Senior Management and through the review of the process undertaken by the GIAD and the External Auditors, evaluated the overall adequacy and effectiveness of:
  - the system of internal controls, including controls within information technology;
  - the Group's finance, accounting and audit organisations and personnel; and
  - the Group's policies and compliance procedures with respect to business practices.
- Reviewed the employee code of business practice, vendor code of business practice, the whistleblowing policy and the outcome of any cases investigated.

Annual Report

- Further information on the summary of the AC activities in discharging its functions and duties for the Financial Year and how it has met its responsibilities are provided in the Corporate Governance ("CG") Report in accordance with Practice 8.5 of the MCCG.

- The AC has reviewed the Statement of Risk Management and Internal Control and the Statement of Corporate Governance prior to their inclusion in the Group's Annual Report.

Annual Review of the Terms of Reference of the Audit Committee

- Reviewed and accessed the adequacy of the Terms of Reference of the AC annually, and where necessary, obtained the assistance of the Management, Group's External Auditors and external legal counsel, and recommended changes to the Board for approval.

INTERNAL AUDIT FUNCTION

The Group has a well-established in-house GIAD to assist the AC in carrying out its functions. The GIAD maintains its independence through reporting directly to the AC. The GIAD plans and provides supervision on internal audit services across all subsidiaries and associated companies in the Group, including the various Airline Operating Companies ("AOCs"). The internal audit teams in the respective AOCs have a reporting line to the Group Head, GIAD. The GIAD reviews and compiles their reports in the form of a Group Internal Audit Report to be submitted and presented to the AC for its review and deliberation.

The GIAD is guided by its IAC that provides independence and reflects the roles, responsibilities, accountability and scope of work of the department and aligned with the International Professional Practice Framework ("IPPF") on Internal Auditing issued by the Institute of Internal Auditors. The Group Head, GIAD reports functionally to the AC and administratively to the CEO of AAGB.

The principal responsibility of the GIAD is to undertake regular and systematic reviews of the systems of internal controls so as to provide reasonable assurance that the systems continue to operate efficiently and effectively. The GIAD adopts a risk-based audit methodology with reference to the five elements of the Committee of Sponsoring Organisations of the Treadway Commission ("COSO") i.e. control environment, risk assessment, control activity, information and communication as well as monitoring, to develop its audit plans by determining the priorities of the internal audit activities, consistent with the strategies of the Group. Based on risk assessments performed, greater focus and appropriate review intervals are set for higher risk activities, and material internal controls, including compliance with AAGB's policies, procedures and regulatory responsibilities.

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

On 22 January 2020, GIAD confirmed its organisational independence to the AC, where the Group Head, GIAD and all the internal auditors had signed the Annual Code of Ethics and Conflict of Interest Declaration for the Financial Year that they were and had been independent, objective and in compliance with the Code of Ethics and Conflict of Interest as per IPPF in carrying out their duties for the Financial Year.

The AC reviews and approves the GIAD and IADs in other AOCs human resource requirements to ensure the function is adequately resourced with competent and proficient internal auditors.

AUDIT COMMITTEE REPORT (CONT'D)

The total costs incurred by GIAD in discharging its functions and responsibilities in 2019 amounted to RM4,234,376 as compared to RM4,059,382 in 2018.

Further information on the resources and the name and qualification of the Group Head, GIAD are provided in the CG Report in accordance with Practice 10.2 of the MCCG.

INTERNAL AUDIT ACTIVITIES DURING THE FINANCIAL YEAR

The GIAD implements a risk-based methodology in establishing its strategic and annual audit plan, which determines the areas or units to be audited. During the Financial Year, the AC reviewed, challenged and approved the audit plans for the GIAD and the respective IADs. In doing so, the AC ensured, among others, consistency in the audit methodology deployed, as well as robustness in the audit planning process.

The GIAD continues its commitment to equip our internal auditors with adequate knowledge and proficiency. About RM52,568 was spent on training in the areas of auditing skills, technical skills and personal development. As at 31 December 2019, the average number of training days attended by each staff are five (5) days.

Further information on the resources, objectivity and independence of the Group Head, GIAD and internal auditors are provided in the CG Report in accordance with Practice 10.2 of the MCCG.

During the Financial Year, audit reviews were conducted based on the internal audit plan approved by the AC. The GIAD and IADs in other AOCs completed and reported on 156 audit assignments, including ad-hoc requests, which were requested by the Board, AC or Senior Management, and those which arose from reports pursuant to the Group's Whistleblowing Policy. The audits conducted covered a wide range of areas, which included key areas such as Engineering, Flight Operations, Business Continuity, Supply Chain, Customer Happiness, Route Revenue, BigPay, Teleport, Server and Network Security and AirAsia Mobile App.

The Group Head, GIAD together with the Head of Corporate and Station Audit, Head of Fraud and Investigation Unit and Head of IT Audit attended the AC meetings to brief the AC on audit results and significant matters raised in the detailed GIAD report, including findings provided by the respective IADs.

Internal audit reports detailing audit findings and recommendations are provided to Management who responds to the actions to be taken. Weekly follow up is done to monitor the progress of corrective actions until these are completed and closed off. The CEO of AAGB and CEO of AAB are updated on the current status of open action plans. The IADs submit audit reports to the AC every quarter on the status of audit plans, audit findings, and actions taken by Management on such findings. The IADs' reports and follow up actions are also presented to the relevant board committee and CEOs of the AOCs.

GIAD DIGITALISATION INITIATIVES

GIAD has embraced digitalisation aligned with the Group strategy with continuous improvement on the digitalisation initiatives and directions adopted in 2019.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

As part of our corporate governance and in line with best practices, AirAsia Group Berhad ("AAGB") is committed to maintaining a comprehensive and robust risk management and internal control system. The Board of Directors ("the Board") of AAGB is guided by the requirements set out within Paragraph 15.26 (b) of the Main Market Listing Requirements ("MMLR") issued by Bursa Malaysia Securities Berhad as well as the Malaysian Code on Corporate Governance 2017 released by the Securities Commission Malaysia. The following statement outlines the nature and scope of the Group's internal controls and risk management framework for the financial year ended 2019 ("Financial Year").

RESPONSIBILITIES OF THE BOARD

The Board is committed to implementing and maintaining a robust risk management and internal control environment and is responsible for the system of risk management and internal control. The Board acknowledges that the risk management and internal control systems are designed to manage and minimise risks as it may not be possible to totally eliminate the occurrence of unforeseeable circumstances or losses.

AUDIT COMMITTEE

The Audit Committee ("AC") monitors the adequacy and effectiveness of the system of internal controls through a review of the results of work performed by the Group Internal Audit Department ("GIAD") and External Auditors and discussions with Senior Management.

The AC, established by the Board in the year 2018, comprises two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. The AC Report is disclosed on pages 191 to 194 of this Annual Report.

The duties and responsibilities of the AC are set out in its Terms of Reference which is available on AAGB's corporate website at (https://ir.airasia.com/misc/terms-of-reference-of-audit-committees.pdf).

RISK MANAGEMENT COMMITTEE

The Board has delegated the governance of Group risk to the Risk Management Committee ("RMC"). The RMC was established in the year 2018 and comprises four (4) Non-Executive Directors with a majority of Independent Directors.

The RMC enables the Board to undertake and evaluate key areas of risk exposures. The primary responsibilities of the RMC are as follows:

- To oversee and recommend the Enterprise Risk Management ("ERM") strategies, frameworks and policies of the Group
- To implement and maintain sound ERM frameworks, which identify, assess, manage and monitor the Group's strategic, financial, operational and compliance risks
- To develop and inculcate a risk awareness culture within the Group

In fulfilling its responsibilities in risk management, the RMC is assisted by the Risk Management Department ("RMD").

MANAGEMENT

The Management team is responsible for ensuring that policies and procedures on risk and internal control are effectively implemented. The Management team is accountable for identifying and evaluating risks as well as monitoring the achievement of business goals and objectives within the risk appetite parameters approved by the Board.

RISK MANAGEMENT DEPARTMENT

The Risk Management framework is coordinated by the RMD. The RMD develops risk policies, sets minimum standards, provides guidance on risk related matters, coordinates risk management activities with other departments, as well as monitors the Group's risks. The RMD's principal roles and responsibilities are as follows:

- Review and update risk management methodologies, specifically those related to identification, measuring, controlling, monitoring and reporting of risks
- Provide risk management training and workshops
- Review risk profiles and mitigation plans of departments
- Identify and inform the RMC and Management of critical risks faced by the Group
- Monitor action plans for managing critical risks

GROUP INTERNAL AUDIT DEPARTMENT

The GIAD regularly reviews the Group's systems of internal controls and evaluates the adequacy and effectiveness of the controls, risk management and governance processes implemented by Management. It integrates a risk-based approach in determining the auditable areas and frequency of audits. The annual audit plan for the Group is reviewed and approved by the AC. GIAD is guided by its Internal Audit Charter that provides independence and reflects the roles, responsibilities, accountability and scope of work of the department. For any significant gaps identified in the governance processes, risk management processes and controls during the engagements, GIAD provides recommendations to Management to improve their design and effectiveness of controls where applicable. The GIAD's functions are disclosed in the AC Report on pages 193 to 194 of this Annual Report.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL (CONT'D)

ENTERPRISE RISK MANAGEMENT FRAMEWORK

The ERM framework standardises the process of identifying, evaluating and managing risks faced by the Group for the Financial Year.

The ERM framework covers the following key features:

- Roles and responsibilities of the RMC, RMD, Management and departments
- Guidance on risk management processes and associated methodologies and tools
- Guidance on risk register and controls assessments

The Group has established a structured process for risk management and reporting within the ERM framework as follows:

- The first line of defence is provided by Management and departments which are accountable for identifying and evaluating risks under their respective areas of responsibilities
- The second line of defence is provided by the RMD and RMC which are responsible for facilitating and monitoring risk management process and reporting
- The third line of defence is provided by the GIAD which provides assurance on the effectiveness of the ERM framework

A key component of the ERM framework is Business Continuity Management and the Group has established business continuity plans which enable it to respond effectively in the event of a crisis and to prevent significant disruption to operations.

RISK MANAGEMENT INITIATIVES IN 2019

During the Financial Year, the RMD focused on establishing structure and documentation for ERM across the Group, increasing Management participation in risk management, providing robust risk management education and awareness, and completing targeted business impact analyses and recovery plans testing.

A key initiative was the formation of a Management level risk committee ("MRC") to increase participation by Management in risk management processes. The MRC is tasked to review the key risks of the Group prior to submission to the RMC every quarter.

The RMD also identified and established Crisis Management Teams across the Group to respond to business continuity events and conducted business continuity plan exercises for key systems, functions and stations to minimise significant operational disruptions in the event of a crisis across the Group.

The Group's significant risks and mitigation actions are broadly categorised as follows:

RISK	MITIGATION
STRATEGIC RISK	
Political and Environmental Uncertainty – Political instability, market downturn, natural disasters, health epidemics or other events outside of the Group's control in countries that the Group operates could affect demand for flights or operations to destinations	The Group mitigates this risk through environmental scanning and information dissemination which include monthly market profit reviews and response e.g., launching of low-fare promotions in periods of low demand, fleet reallocation, and capacity management. The Group has also established Crisis Management Teams to respond to and reduce the impact of a crisis on the business.
Competition – Intense competition in the market arising from entry of new players in the market, expansion of competitors' network and fare wars	The Group mitigates this risk by strengthening its route network, expanding into greenfield markets to achieve "first entrant" incentives e.g., lower airport charges, and compete and secure market share by offering competitive fares on routes through dynamic pricing.

RISK	MITIGATION
Reputation and Branding – Reputational damage stemming from adverse media publicity or social networks that serve as platforms for airing consumer grievances or anti-organisation campaigns	The Group mitigates this risk by conducting an annual brand health assessment to enable strategic brand management through understanding market preferences and creating positioning/perception efforts to meet these preferences. The Group also runs a 24/7 Social Command Centre which practises real time monitoring of consumer sentiments stemming from social networks through social listening platforms and uses customer service tools to enable quicker action and response to customer issues in primary social media channels. A media monitoring service is also used to monitor and notify the Group of any targeted media coverage of AirAsia and a team is established to ensure necessary and effective response to mitigate potential reputational threats.
OPERATIONAL RISK	
System Outages – Outages of mission-critical systems required for continuity of flight operations and revenue channels which may result in significant losses	The Group mitigates this risk by developing, implementing and testing systems-specific backup and failovers to reduce the impact of systems outages and ensure that the business continues to run in the event of a critical system outage.
Value Chain Disruption – Failure in airport services such as airport fuelling systems, baggage handling systems or customs, immigration and quarantine processing may lead to significant delays and business disruption	The Group mitigates this risk by monitoring and communicating any potential service disruption to service providers to prevent or ensure minimal disruption to operations. The Group has also created and tested incident-specific business continuity plans for selected main hubs while partnering closely with airport operators and authorities.
Cyber Threats – Cyber security risk arising from heavy focus on online sales channels, guest feedback, help channels and other digital solutions	The Group has a dedicated security team focused on detecting, containing and remediating cyber threats. The Group adopts the ISO/IEC 27002 International Code of Practice for Information Security Controls into our processes, procedures and technology. Regular security assessments, penetration tests and source code reviews are performed on systems to ensure cyber resilience. The Group constantly assesses and implements various new technologies/tools to mitigate emerging threats.
Safety Threats – Increasing exposure to operational safety hazards and risks as the Group grows its routes, flights and passenger volume	The Group mitigates this risk by identifying, assessing and managing safety risks to an As Low As Reasonably Practicable (ALARP) level and implements necessary mitigation actions through a robust Safety Management System. The Safety Review Board ("SRB") oversees safety performance to ensure safety targets are met and that the highest safety and quality standards are upheld across the Group. Through the use of new digital tools, safety risk analysis and data capture has been made more efficient and accurate to improve risk identification and mitigation. The Group is also subject to routine mandatory audits by local civil aviation authorities which issue operating licenses to airline operating companies. In addition, all AirAsia Group airlines have completed the IATA Operational Safety Audit (IOSA), with certification obtained by Malaysia, Indonesia, and Philippines AirAsia, AirAsia X, and Thai AirAsia X.

RISK	MITIGATION
FINANCIAL RISK	
Fuel Price – A surge in fuel price would have a significant impact on the Group's profits with fuel making up one of the key cost components for operations	The Group mitigates this risk by actively monitoring and managing its exposure to fuel price volatility through hedging strategies.
Foreign Currency – Unexpected massive currency depreciation, in particular the Malaysian Ringgit to the US Dollar, will have a detrimental effect on the Group's cost of financing	The Group mitigates this risk by managing its exposure through hedging strategies and derivative products.
COMPLIANCE RISK	
Non-Compliance to Regulatory Requirements – Litigation risk arising from potential breach of local laws and regulations, contracts, industry guidelines and regulator/consumer authority requirements in multiple jurisdictions	The Group mitigates this risk by maintaining a high level of engagement with local regulators and authorities to ensure any new regulatory requirement is understood and swiftly adhered to. The Group also constantly monitors the local regulatory landscape for new or amended regulations affecting the Group.
Data Security & Privacy – Violation of data privacy laws and regulations and loss of customer confidence due to a data breach	The Group has established a data governance framework and data security & privacy working group to review existing policies and ensure compliance to laws, regulations and best practices.
SUSTAINABILITY RISK	
Sustainability Risk – Economic, environmental and social impact that, if not managed, may adversely affect the Group	The Group mitigates this risk via the establishment of a Sustainability Working Group Committee that helps to provide direction on the effective and efficient implementation of sustainability strategies. The Committee, which consists of departmental representatives is driven by the Group Sustainability Team to promote proactive participation in and awareness of global sustainability matters and making improvements to long-term sustainability plans. The Group Sustainability team also ensures compliance with environmental regulatory requirements, including managing the potential impact of environmental related schemes such as the Carbon Offsetting & Reduction Scheme for International Aviation (CORSIA).

INTERNAL CONTROL FRAMEWORK

The following key internal control structures (including the AC and the GIAD disclosed above) are in place to assist the Board to maintain a proper internal control system:

Board Governance

The Board has governance over the Group's operations. The Board is kept updated on the Group's activities and operations on a timely and regular basis through Board meetings with a formal agenda on matters for discussion. The Board of AAGB has established four (4) committees, namely the AC, RMC, Nomination and Remuneration Committee, and SRB, to assist it in executing its governance responsibilities. Further information on the various Board Committees is provided in the Corporate Governance Overview Statement from pages 182 to 190 of this Annual Report.

Senior Management Responsibilities

Regular management and operations meetings are conducted by Senior Management, which comprises the Chief Executive Officer ("CEO"), President (Airlines) and President (RedBeat Ventures) of AAGB, Chief Executive Officers of various airline and non-airline operating companies, and Heads of Department.

The Boards of our associated companies include our representatives. Information on the financial performance of our associated companies is provided regularly to the Management and Board of the Company via regular management reports and presentations at Board meetings.

In respect to the joint ventures entered into by the Group, the Management of the joint ventures, which consist of representatives from the Group and other joint venture partners, are responsible to oversee the administration, operation and performance of the joint ventures. Financial and operational reports of the joint ventures are provided regularly to the Management of the Company.

Segregation of Duties

Segregation of duties is embedded in the key business processes. The Group has in place a system to ensure there are adequate risk management, financial and operational policies and procedures.

Internal Policies and Procedures

Policies, procedures and processes governing AAGB's businesses and operations are documented and readily made available to employees across the Group on AAGB's intranet portal. These policies, procedures and processes are reviewed and updated by the business and functional units through a structured and standardised process of review. This is to ensure that appropriate management controls are in place to manage risks arising from changes in legal and regulatory requirements as well as the business and operational environment.

Financial Budgets

A detailed budgeting process has been established requiring all Heads of Department to prepare budgets and business plans annually for deliberation and approval by the Board. In addition, AAGB has a reporting system on actual performance against the approved budgets, which requires explanations for significant variances and plans by Management to address such variances.

People Management

The Group acknowledges that a robust risk management and internal control system is dependent on its employees applying responsibility, integrity and good judgement to their duties. As such, the Group has in place policies and procedures that govern its recruitment, appointment, performance management, compensation and reward mechanisms as well as policies and procedures that govern discipline, termination and dismissal of employees and ensures compliance of the same with all applicable laws and regulations.

Limits of Authority

The Group documented its Limits of Authority ("LOA") clearly defining the level of authority and responsibility in making operational and commercial business decisions. Approving authorities cover various levels of Management and the Board. The LOA is reviewed regularly and any amendments made must be tabled to and approved by the Board. The latest AAGB LOA was approved by the Board on 28 August 2019.

Insurance

The Group maintains adequate insurance and physical safeguards on assets to ensure these are sufficiently covered against any incident that could result in material losses. Specifically, the Group maintains the Group Aviation Insurance which provides coverage for the following:

- Aviation Hull and Spares All Risks and Liability
- Aviation Hull and Spares War and Allied Perils (Primary and Excess)
- Aircraft Hull and Spares Deductible
- Aviation War, Hijacking and other Perils Excess Liability (Excess AVN52)

Information Security

Information Security protects information (data), the systems it is housed in and the users of these systems from a wide range of threats, as well as safeguards the confidentiality, integrity and availability of information. Information security in the Group is achieved through a set of controls which includes policies, standards, procedures, guidelines, organisation structures and software control functions.

The Group acknowledges the importance of leveraging Information Technology ("IT") to promote effectiveness and efficiency of business operations. Heavy reliance on IT exposes us to emerging cyber security threats, hence Group Information Security Management is in place to manage cyber security risk. The Information Security Management programme includes:

- Evaluations of the adequacy of controls for new infrastructures and information systems
- Evaluations of emerging security technologies
- Adequacy of information asset protection within the Group
- Assurance of the adequacy of security controls by coordinating security reviews such as penetration testing and vulnerability assessment

Code of Conduct

AAGB has a Code of Conduct ("the Code") which governs the conduct of its employees, officers and directors. The Code sets out the standards and ethics that they are expected to adhere to. It highlights AAGB's expectations on their professional conduct which includes:

- The environment inside and outside of workplace
- The working culture
- Conflict of interest
- Confidentiality and disclosure of information
- Good practices and controls
- Duty and declaration

The Code also sets out the circumstances in which an employee, officer and director would be deemed to have breached the Code after due inquiry and disciplinary actions that can be taken against them if proven guilty.

Whistleblowing Policy

AAGB has in place an effective Whistleblowing Policy which provides a platform for employees or third parties to report instances of unethical behaviour, actual or suspected fraud or dishonesty, or a violation of AAGB's Code of Conduct. It provides protection for the whistle-blowers from any reprisals as a direct consequence of making such disclosures. It also covers the procedures for disclosure, investigations and the respective outcomes of such investigations. The Group expects its employees to act in AAGB's best interests and to maintain high principles and ethical values. The Group will not tolerate any irresponsible or unethical behaviour that would jeopardise its good standing and reputation.

As the custodian of the Whistleblowing Policy, GIAD has consistently conducted internal control, fraud and whistleblowing awareness briefings to all new hires through the Regional Orientation Programme conducted at least once a month in 2019 in collaboration with the People & Culture Department. GIAD also shares information and articles regarding whistleblowing and fraud through AAGB's internal sharing platform, Workplace, which is accessible to all employees.

Conclusion

The Board has received assurance from the CEO, President (Airlines), President (RedBeat Ventures) and Group Chief Financial Officer of AAGB that AAGB's risk management and internal control system are operating adequately and effectively in all material aspects. For areas which require improvement, action plans are being developed with implementation dates being monitored by the respective Heads of Department. The Board also receives quarterly updates on key risk management and internal control matters through its Board Committees. Based on assurance received from Management and updates from the Board Committees, the Board is of the view that the Group risk management and internal control systems were operating adequately and effectively during the Financial Year under review up to the date of approval of this statement.

The Group's associate companies are in the process of fully adopting AAGB's risk management and internal controls. The disclosure in this statement does not include the risk management and internal control practices of AAGB's material joint ventures.

Review of the Statement by External Auditors

As required by Paragraph 15.23 of the MMLR, the External Auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with the Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants. The AAPG 3 does not require the External Auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

This statement is in accordance with the resolution of the Board of Directors of AAGB on 6 July 2020.

ADDITIONAL COMPLIANCE INFORMATION

The information set out below is disclosed in compliance with the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia") for the financial year ended 31 December 2019 ("Financial Year") for AirAsia Group Berhad ("AAGB"):-

1. UTILISATION OF PROCEEDS FROM CORPORATE PROPOSAL

There were no corporate proposals during the Financial Year.

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

There were no material contracts entered into by AAGB and its subsidiaries involving directors' and major shareholders' interests still subsisting at the end of the Financial Year.

3. AUDIT AND NON-AUDIT FEES

AAGB

The audit and non-audit fees of AAGB and its Group as below are also disclosed in the Audited Financial Statements set out under Note 6 to the Financial Statements on page 260 of this Annual Report:-

Audit Fees	**Company RM'000**	**Group RM'000**
Audit fees paid to the External Auditors for the Financial Year	200	2,695

Non-Audit Fees	**Company RM'000**	**Group RM'000**
Non-audit fees paid to the External Auditors for the Financial Year in connection with advisory related work	15	514

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

At the Annual General Meeting ("AGM") of AAGB held on 27 June 2019, AAGB had obtained a mandate from its shareholders for AAGB and/or its subsidiaries to enter into recurrent related party transactions ("RRPTs") of a revenue or trading nature.

Pursuant to paragraph 10.09(2)(b) and paragraph 3.1.5 of Practice Note 12 of the MMLR, details of the recurrent related party transactions of a revenue or trading nature entered into during the Financial Year are as follows:

No.	Transacting Parties	Nature of RRPT	Class and relationship of the Related Parties	Actual value
Revenue/income				
1.	AirAsia X Berhad ("AAX") [Company No.: 200601014410 (734161-K)]	Provision of the following range of services by AirAsia Berhad [Company No.: 199301029930 (284669-W)] ("AAB") to AAX: (a) Commercial – Sales and distribution – Sales support – Direct channel – Branding and Creative • Protection of brand to ensure proper public perception is built • Manage communication imagery, sponsorships (e.g. sports and youth marketing) and commercial branding • Creative includes graphic designs supporting branding activities – Web team: Manage, plan, build and develop airasia.com website – Digital Marketing – Ancillary (b) Treasury – Fuel procurement – Fuel hedging (c) Revenue Assurance – Credit card fraud unit (d) Internal Audits (e) Group Inflight Ancilliary (f) Engineering (g) Customer Support	**Interested Directors and Major Shareholders** Tan Sri Anthony Francis Fernandes ("Tan Sri Tony") Datuk Kamarudin bin Meranun ("Datuk Kamarudin")	RM11,190,237
2.	AAX	Provision of the rights by AAGB to AAX as a licensee to operate scheduled air services under the trade name and livery of AirAsia	**Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin	RM0
3.	AAX	Provision of the following shared services by AirAsia SEA Sdn. Bhd. [Company. No.: 201301015339 (1045172-A)] ("AASEA") to AAX: (a) Finance and accounting support operation services; (b) People department support operation services; (c) Information and technology operation support services; and (d) Sourcing and procurement operation support services	**Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin	RM1,953,250
4.	AAX	Provision of ground handing services by Ground Team Red Sdn. Bhd. [Company No.: 200701042697 (800730-V)] to AAX at Kuala Lumpur International Airport 2 (klia2) and diversion airports at Penang and Langkawi (if required)	**Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin	RM16,333,018

No.	Transacting Parties	Nature of RRPT	Class and relationship of the Related Parties	Actual value
5.	AAX	Supply of in-flight entertainment system, hardware, software, content and updates by Rokki Sdn. Bhd. [Company No.: 201101006967 (935105-W)	**Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin	RM2,253,177
6.	AAX	Provision of operational services by AirAsia (Guangzhou) Aviation Service Limited (Registration No.: 91440101MA5ALG3R31) ["AirAsia (Guangzhou)"] to AAX in China	**Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin	CNY 10,775,599 (RM8,426,970)
7.	AAX	Sale of loyalty points under the BIG Loyalty Program by BIGLIFE Sdn. Bhd. [(Company No.: 201001040731 (924656-U) ("BIGLIFE") to AAX	**Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin	RM2,732,019
8.	PT Indonesia AirAsia Extra (Registration No.: 09.03.1.51.89121) ("IAAX")	Provision of the rights by AAB to IAAX as a licensee to operate scheduled air services under the trade name and livery of AirAsia	**Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin	RM0
9.	IAAX	Provision of price risk management through fuel hedging by AAB with hedging counterparties, on behalf of IAAX	**Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin	RM0
10.	IAAX	Provision of leasing of aircraft by Asia Aviation Capital Limited (Company No. LL11196) to IAAX	**Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin	USD 8,379,000 (RM34,718,431)
11.	IAAX	Provision of the following shared services by AASEA to IAAX: (a) Finance and accounting support operation services; (b) People department support operation; (c) Information and technology operation support services; (d) Sourcing and procurement operation support services; and (e) Innovation, commercial and technology services	**Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin	RM290,342
12.	Thai AirAsia X Co. Ltd. (Company No.: 0105556044936) ("TAAX")	Provision of the rights by AAB to TAAX as a licensee to operate scheduled air services under the trade name and livery of AirAsia	**Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin	USD 3,254,603 (RM13,485,465)
13.	TAAX	Provision of price risk management through fuel hedging by AAB with hedging counterparties, on behalf of TAAX	**Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin	RM72,000

No.	Transacting Parties	Nature of RRPT	Class and relationship of the Related Parties	Actual value
14.	TAAX	Provision of the following shared services by AASEA to TAAX: (a) Finance and accounting support operation services; (b) People department support operation services; (c) Information and technology operation support services; (d) Sourcing and procurement operation support services; and (e) Innovation, commercial and technology services	**Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin	RM700,550
15.	TAAX	Provision of operational services by AirAsia (Guangzhou) to TAAX in China	**Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin	CNY 3,158,899 (RM2,470,391)
16.	TAAX	Sale of loyalty points under the BIG Loyalty Program by BIGLIFE to TAAX	**Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin	RM1,521,846
17.	Tune Protect Group Berhad – [Company No.: 201101020320 (948454-K)] ("TPGB")	Provision of the right to access AAB's customer database by AAGB to TPGB to conduct marketing on TPGB's and/or third party insurance products and the provision of management services by TPGB to AAB's travel insurance business	**Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin	RM9,959
18.	TPGB	TPGB's subscription to advertising services in Rokki's portal	**Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin	RM50,000
19.	Tune Insurance Malaysia Berhad [Company No.: 197601004719 (30686-K)]	Provision of travel insurance to AAB's customers for journeys originated from Malaysia resulting in sales commission received by AAB	**Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin	RM3,888,420
Expenses				
20.	AAX	Provision of lounge services to the Company's passengers by subscribing to the AirAsia Premium Lounge operated by AAX	**Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin	RM1,149,285
21.	AAX	Purchase of AAX's cargo transportation capacity by Teleport Commerce Malaysia Sdn. Bhd. (formerly known as RedCargo Logistics Sdn. Bhd.) [Company No.: 201801009926 (1271940-D)] ("Teleport Commerce") on routes operated by AAX	**Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin	RM82,677,017

No.	Transacting Parties	Nature of RRPT	Class and relationship of the Related Parties	Actual value
22.	AAX	Redemption of loyalty points when Big members use the loyalty points accumulated under the Big Loyalty Program operated and managed by BIGLIFE for AAX's flights and other ancillary products and services	**Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin	RM8,726,760
23.	Notel Management Sdn. Bhd. (formerly known as Tune Hotels Management Sdn. Bhd.) [Company No.: 200601016858 (736610-U)] ("Notel Management")	Receipt of accommodation services for AAB and/or its affiliates and/or its guests at Tune Hotel Sepang (Aeropolis) by AAB from Notel Management at corporate rate	**Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin	RM2,743,195
24.	TAAX	Purchase of TAAX's cargo transportation capacity by Teleport Commerce on routes operated by TAAX	**Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin	RM0
25.	TAAX	Redemption of loyalty points when Big members use the loyalty points accumulated under the Big Loyalty Program operated and managed by BIGLIFE for TAAX's flights and other ancillary products and services	**Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin	RM13,575,113

The shareholdings of the interested Directors and interested Major Shareholders in the Company as at 30 June 2020 were are as follows:

	← Direct →		← Indirect →	
	No. of Shares	**%**	**No. of Shares**	**%**
Interested Directors				
Tan Sri Tony	1,600,000	0.05	* 1,075,485,082	32.18
Datuk Kamarudin	2,000,000	0.06	* 1,075,485,082	32.18
Interested Major Shareholder				
Tune Air Sdn. Bhd.	516,485,082	15.45	–	–
Tune Live Sdn. Bhd.	559,000,000	16.73		

Note:

* *Deemed interested via their interests in Tune Air Sdn. Bhd. and Tune Live Sdn. Bhd. being the Major Shareholders of AAGB pursuant to Section 8 of the Companies Act, 2016.*

Please refer to the note of Section 2.3 of the Circular to shareholders dated 30 April 2019 and 29 July 2020 respectively on the directorships and shareholdings of the interested Directors and interested Major Shareholders in the transacting parties.

DIRECTORS' REPORT

Directors' report

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

Principal activities

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries are described in Note 12 to the financial statements. There were no significant changes in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
(Loss)/profit net of tax	(283,223)	2,937,876
(Loss)/profit net of tax attributable to:		
Owners of the Company	(315,807)	2,937,876
Non-controlling interests	32,584	–
	(283,223)	2,937,876

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

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

Dividends

The dividends on ordinary shares paid by the Company since 31 December 2018 were as follows:

	RM'000
In respect of the financial year ended 31 December 2018,	
Second interim tax exempt single-tier dividend of 12 sen per ordinary share each on 3,341,974,082 ordinary shares, paid on 10 April 2019	401,037
In respect of the financial year ended 31 December 2019,	
Special tax exempt single-tier dividend of 90 sen per ordinary share each on 3,341,974,082 ordinary shares, paid on 29 August 2019	3,007,776
	3,408,813

The directors do not recommend the payment of any final dividend in respect of the current financial year.

Directors

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

Datuk Kamarudin bin Meranun*
Tan Sri Anthony Francis Fernandes*
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar
Dato' Fam Lee Ee
Stuart L Dean*
Dato' Mohamed Khadar bin Merican
Noor Neelofa binti Mohd Noor

* These directors are also directors of the Company's subsidiaries.

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

Aaron Ram Sarma
Agnes Maranan
Aireen Omar
Alejandro T. Yu
Anajuk Chareonwongsak
Anita Ler
Arifin Prasetyo
Augustus Ralph Marshall
Christine G. Yu
Christopher Davison
Christopher Paul Davison
Dendy Kurniawan
Dennis Paul
Dinesh Kumar
Domingo G. Castillo
Emmanuel C. Paras
Ernest D. Bernal
Frederick M. Arejola
Heru Susilo
How Kim Lian
Jackson Pek
Javed Anwar Malik
Jeremiah Brian Rabe
Joanna Binti Ibrahim
Joanne Chin
Joseph Omar A. Castillo
Kaw Kok Hui
Khaw Keng Wei
Kong Wei Lye
Lee Teck Loong (Spencer)
Loh Jin Yong
Lourdes L. Agbuya
Lu Kee Hong
Lui Yew Lee
Lye Kong Wei
Madan Mohan Kn
Magandra Dass Haridas
Mahisa Adhitya Rachman
Manjul Taneja
Manolito Alvarez Manalo
Marianne B. Hontiveros
Mitherpal Singh Sidhu
Monica Ann San Juan
Muhamad Hidayat Bin Rahim
Mun Hui Teh
Natacha
Navin Rajagopalan
Nguyen Thi Bich Lien
Nipun Anand
Omar Salim-Dhanani
Pattra Boosarawongse
Pawan Najunda Setty
Phua Sheau Wei
Piperdi
Rahul Agarwal
Ranjiv S/O Ramanathan
Ravi Shankar Mallavarapu
RD. Achmad Sadikin
Riad Asmat
Ricardo P. Isla
Roisin Dixon
Ronald B. Policarpio
Rozman Bin Omar
Rudy Effendi
Sabrina Kong Hung Cheong
Sami Joseph El Hadery
Seah Kok Khong
Sheila Marie B. Romero
Tassapon Bijleveld
Tay Tuan Leng
Teoh Hooi Ling
Tharumalingam A/L Kanagalingam
Tommy Lo Seen Chong
V. Loganathan S/O Velaitham
Veranita Yosephine
Wang Wenju
Wong Hee Cha
Wuri Septiawan
Yacoob Bin Ahmed

The directors and officers of the Group and of the Company are covered under a Directors' and Officers' Liability Insurance up to an aggregate limit of RM100,000,000 against any legal liability, if incurred by the directors and officers of the Group and of the Company in the discharge of their duties while holding office for the Company and its subsidiaries.

Directors' benefits

During and at the end of the financial year ended 31 December 2019, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 5(b) and Note 5(c) to the financial statements.

Directors' interests

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares			
	At 1.1.2019	**Acquired**	**Disposed**	**At 31.12.2019**
Direct interests in the Company				
Datuk Kamarudin bin Meranun[2]	2,000,000	–	–	2,000,000
Tan Sri Anthony Francis Fernandes[2]	1,600,000	–	–	1,600,000
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	29,500	960,000	–	989,500
Dato' Mohamed Khadar bin Merican	180,000	70,000	–	250,000
Stuart L Dean	40,000	–	–	40,000
Indirect interests in the Company				
Tan Sri Anthony Francis Fernandes[1]	1,075,485,082	–	–	1,075,485,082
Datuk Kamarudin Bin Meranun[1]	1,075,485,082	–	–	1,075,485,082

1 *By virtue of their interests in shares in the substantial shareholder of the Company, Tune Air Sdn. Bhd. [2] ("TASB") and Tune Live Sdn. Bhd. [3] ("TLSB"), Tan Sri Anthony Francis Fernandes and Datuk Kamarudin bin Meranun are deemed to have interests in the Company to the extent of TASB's and TLSB's interests therein, in accordance with Section 8 of the Companies Act 2016.*

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

3 *Shares held under own name, RHB Capital Nominees (Tempatan) Sdn. Bhd. and HSBC Nominees (Tempatan) Sdn. Bhd.*

Other than as disclosed above, none of the other directors in office at the end of the financial year held any interest in shares or debentures of the Company and its related corporations during the financial year.

Statutory information on the financial statements

(a) Before the income statements, statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

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

(ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) the amounts written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

(ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are aware of the COVID-19 pandemic, which may have an impact on certain values attributed to current assets and valuation methods adopted by the Group and the Company.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

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

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

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

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to substantially affect the results of the operations of the Group or of the Company for the financial year in which this report is made.

(g) Note 48 to the financial statements discussed the management steps to address the current impact of the COVID-19 pandemic. The Board of Directors is confident that based on the strategies and the funding plans, the Group will be in good stead to weather the current challenging environment.

Significant events

Details of significant events are disclosed in Note 44 to the financial statements.

Subsequent events

Details of subsequent events are disclosed in Note 45 to the financial statements.

Auditors

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

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

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

Signed on behalf of the Board in accordance with a resolution of the board of directors dated 6 July 2020.

Datuk Kamarudin bin Meranun

Tan Sri Anthony Francis Fernandes

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

We, Datuk Kamarudin bin Meranun and Tan Sri Anthony Francis Fernandes, being two of the Directors of AirAsia Group Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 206 to 337 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 6 July 2020.

Datuk Kamarudin bin Meranun

Tan Sri Anthony Francis Fernandes

STATUTORY DECLARATION

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

I, Tan Sri Anthony Francis Fernandes, being the Director primarily responsible for the financial management of AirAsia Group Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 206 to 337 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed Tan Sri Anthony Francis Fernandes
at Kuala Lumpur in Malaysia
on 6 July 2020

Tan Sri Anthony Francis Fernandes

Before me,

PESURUHJAYA SUMPAH
W530
TAN SEOK KETT
BC/T/301
1/1/2019-31/12/2021
MALAYSIA

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

Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AIRASIA GROUP BERHAD
(INCORPORATED IN MALAYSIA)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of AirAsia Group Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 138 to 257.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and other ethical responsibilities

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

Emphasis of Matter

Material Uncertainty Related to Going Concern

We draw attention to Note 2.1 and Note 48 to the financial statements, which indicate that the Group has a net loss of RM283 million for the financial year ended 31 December 2019 and the current liabilities exceeded its current assets by RM1,843 million. Further, in early 2020, the global economy, in particular the commercial airlines industry, faces uncertainty as a result of the unprecedented COVID-19 pandemic. The travel and border restrictions implemented by countries around the world has led to a significant fall in demand for air travel which impacted the Group's financial performance and cash flows. These events or conditions, along with other matters as set forth in Note 2.1 and Note 48 to the financial statements, indicate existence of material uncertainties that may cast significant doubt on the Group's and the Company's ability to continue as a going concern.

Nevertheless, with the recent progressive uplifting of restriction on interstate travel and domestic tourism activities within the operating countries, the Group has seen positive developments on its business operations as passenger seat booking trends, flight frequencies and load factors are gradually improving to cater for the increasing demand. The financial statements of the Group and the Company have been prepared on a going concern basis, the validity of which is dependent on successful recovery from the COVID-19 pandemic in conjunction with the actions undertaken by the government of the respective countries, favorable outcome of the ongoing discussions with the financial institutions and investors to obtain required funding and successful implementation of the management's plans for future actions in responding to the conditions above as disclosed in Note 2.1 and Note 48 to the financial statements.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. In addition to the matters described in the Material Uncertainty Related to Going Concern section, the key audit matters for the audit of the financial statements of the Group are described below. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Recognition of revenue from passenger seat sales and sales in advance

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

Revenue from passenger seat sales represent 77% of the total revenue of the Group for the year ended 31 December 2019.

The Group relies on an integrated information technology system (including the flight reservation system) in accounting for its passenger seat sales revenue. Such information system processes large volumes of data which are individually low value transactions.

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

The accounting for passenger seat sales involves manual posting of journal entries into general ledger based on the data provided by the flight reservation system.

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

Our response

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

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

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

- Performed data analytics to reconcile the revenue recognised in respect of passenger seats sales and the amount of sales in advance to the payments received from passengers;
- Performed procedures to corroborate the occurrence of revenue by tracing samples of revenue recognised to settlement reports from financial institutions;
- Tested the reconciliation of data between the flight reservation system and the general ledger to corroborate the completeness of revenue; and
- Performed cut-off procedures to determine if revenue from passenger seats sales are recorded in the correct accounting period.

Key Audit Matters (cont'd.)

Aircraft maintenance provisions

Refer to Note 3.3 and Note 28 to the financial statements.

As at 31 December 2019, aircraft maintenance provisions of the Group amounted to RM1,274 million.

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

A provision by its nature is more uncertain than most other items in the statement of financial position. The estimates of the outcome and financial effects are determined by the judgement of the management, supplemented by experience from similar transactions. Due to the magnitude of the provision and the significant judgment involved in estimating the cost to be incurred and timing of cash outflows, we consider this to be an area of audit focus.

Our response

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

- Read the lease agreements to determine the Group's contractual obligations in respect of aircraft maintenance;
- Evaluated the significant assumptions on cost to be incurred applied by the Group in estimating the aircraft maintenance provision costs by comparing these assumptions to past industry experience, supplemented by expectations of the future economic conditions; and
- Tested the accuracy of the computation of the aircraft maintenance provisions as at reporting date.

Derivative financial instruments

Refer to Note 20 to the financial statements.

As at 31 December 2019, the Group's derivative financial assets and liabilities amounted to RM439.2 million and RM200.3 million, respectively. Net gains and losses on effective cash flow hedges arising during the financial year were recognised in other comprehensive income. The gain or loss arising from ineffective hedge is recognised immediately in the income statement.

The Group enters into various derivative financial instruments as part of the Group's overall hedging strategy to manage its exposure to fuel price risk, foreign currency risk and interest rate risk. These instruments comprised forward foreign currency contracts, interest rate swaps, interest rate caps, cross-currency interest rate swaps, fuel options and fuel swap contracts.

Valuation models used to estimate the fair value of derivative financial instrument can be subjective in nature and involve various assumptions regarding future market conditions, such as risk free rates, interest rate volatility and forward rates. The use of different valuation techniques and assumptions could produce significantly different estimates of fair value and/or hedge effectiveness.

Due to the complexity involved and the magnitude of the balance, we consider the fair value measurement of derivative financial instruments to be an area of audit focus.

Our response

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

- Involved our valuation specialists in assessing the methodology and valuation models used to estimate the fair value of the derivative financial instruments. Our valuation specialists also evaluated the key inputs applied in the valuation model such as contractual cash flows, risk free rates, interest rate volatility and forward rates, by benchmarking them with external data; and
- Obtained third party confirmations to corroborate the existence of the derivative financial instruments.

Key Audit Matters (cont'd.)

Impairment assessment of intangible assets

Refer to Note 3.4 and Note 16 to the financial statements.

The Group is required to perform annual impairment test of cash generating units (CGUs) to which intangible assets have been allocated. The Group estimated the recoverable amount of its CGUs allocated based on fair value less costs to sell (FVLCTS). Estimating the FVLCTS of CGUs involves estimating the future cash inflows and outflows that will be derived from the CGUs, and discounting them at an appropriate rate.

Included in the Group's intangible assets as at 31 December 2019 are:

(a) goodwill amounted to RM103 million arising from step-up acquisition of BIGLIFE Sdn. Bhd.;

(b) goodwill arising from consolidation of PT Indonesia AirAsia ("IAA") amounted to RM38 million; and

(c) landing rights arising from consolidation of IAA and AirAsia Inc ("PAA") amounted to RM375 million and RM69 million, respectively.

We focused on the impairment assessment of the intangible assets due to the magnitude of the balance and the subjectivity involved. Specifically, we focused on the assumptions applied in respect of revenue growth, cost escalation rates, terminal value and discount rates.

Our response

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

- Obtained an understanding and assessed the management's internal control over the estimations of recoverable amounts of the CGU;
- Evaluated the assumptions applied on revenue growth, cost escalation rates, terminal value and discount rates by comparing these assumptions to industry analysis and future economic conditions;
- Analysed the sensitivity of the key assumptions by assessing the impact of changes to the recoverable amounts; and
- Evaluated the adequacy of the Group's disclosures of key assumptions used in estimations.

Impact of first time adoption of MFRS 16 Leases

Refer to Note 2.2 and Note 30 to the financial statements.

The Group has adopted MFRS 16 Leases effective 1 January 2019. The application of the new standard gives rise to a right-of-use ("ROU") asset of RM11,216 million, finance lease receivables of RM1,221 million and a corresponding increase in lease liabilities of RM12,460 million as at 31 December 2019.

The Group applied the modified retrospective approach for the transition accounting hence, the cumulative effect of adopting MFRS 16 has been recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

Significant judgment is required in the assumptions and estimates made in order to determine the ROU asset, finance lease receivable and lease liability, which includes determination of appropriate discount rate.

Due to the magnitude of the balance and significant judgment involved, we consider the adoption of MFRS 16 to be an area of audit focus.

Our response

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

- Read the lease agreements to evaluate the underlying contractual data used in determining assets and liabilities related to lease contract;
- Performed recalculation of the ROU asset, finance lease receivables and lease liabilities as at date of initial application and as at reporting date;
- Involved our valuation specialists in assessing the methodology used to estimate discount rate applied; and
- Evaluated the adequacy of the Group's disclosures of the impact of the new standard.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the annual report 2019, which is expected to be made available to us after the date of this auditors' report.

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 12 to the financial statements.

Other matters

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

Ernst & Young PLT

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

Nurida Salwa Binti Mohd Muhili
No. 03371/06/2022 J
Chartered Accountant

Kuala Lumpur, Malaysia
6 July 2020

INCOME STATEMENTS

For the financial year ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000 Restated	Company 2019 RM'000	Company 2018 RM'000
Revenue	4(a)	11,860,403	10,638,296	–	–
Other income	4(b)	648,826	1,193,276	3,011,253	3,128,025
Operating expenses					
– Staff costs	5(a)	(1,876,196)	(1,669,918)	(64,106)	(46,410)
– Depreciation of property, plant and equipment	11	(221,502)	(584,748)	–	–
– Depreciation of right-of-use assets	30	(1,241,749)	–	–	–
– Aircraft fuel expenses		(4,204,771)	(3,908,417)	–	–
– Maintenance and overhaul		(1,331,260)	(938,369)	–	–
– User charges	7	(1,758,689)	(1,491,528)	–	–
– Aircraft operating lease expenses		–	(1,155,680)	–	–
– Other operating expenses	6	(1,150,485)	(863,976)	(24,295)	(5,062)
Operating profit		724,577	1,218,936	2,922,852	3,076,553
Finance income	8(a)	119,990	63,333	18,733	3
Finance costs	8(b)	(775,733)	(474,761)	(2)	–
Net operating profit		68,834	807,508	2,941,583	3,076,556
Foreign exchange gains/(loss)	8(c)	105,973	126,833	(3,707)	(663)
Fair value losses on derivatives	8(d)	(247,593)	(200,173)	–	–
Impairment of investment in a joint venture	13	–	(5,596)	–	–
Impairment of other investment	15	–	(5,438)	–	–
Gain on disposal of investment in an associate	14	–	181,914	–	–
Remeasurement gain on retained interest in a former subsidiary	13	–	534,712	–	–
Share of results of joint ventures		–	11,083	–	–
Share of results of associates	39	(448,874)	(115,610)	–	–
(Loss)/profit before taxation		(521,660)	1,335,233	2,937,876	3,075,893
Taxation					
– Current taxation	9	(34,815)	(38,965)	–	–
– Deferred taxation	9	273,252	399,126	–	–
		238,437	360,161	–	–
Net (loss)/profit for the financial year		(283,223)	1,695,394	2,937,876	3,075,893
Net (loss)/profit for the financial year attributable to:					
– Owners of the Company		(315,807)	1,967,006		
– Non-controlling interests		32,584	(271,612)		
		(283,223)	1,695,394		
Earnings per share attributable to owners of the Company (sen)					
– Basic	10	(9.4)	58.9		
– Diluted	10	(9.4)	58.9		

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

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net (loss)/profit for the financial year		(283,223)	1,695,394	2,937,876	3,075,893
Other comprehensive income/(loss)					
Items that may be subsequently reclassified to profit or loss					
Cash flow hedges		498,597	(185,658)	–	–
Share of other comprehensive income of an associate	14	17,479	(55,682)	–	–
Foreign currency translation differences		(7,378)	(17,535)	–	–
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		508,698	(258,875)	–	–
Items that will not be subsequently reclassified to profit or loss					
Remeasurement gain on employee benefits liability, net of tax		2,299	11,294	–	–
Net movement on investment securities	15	82,052	(147,637)	121,650	(61,305)
Net other comprehensive income/(loss) that may not be reclassified to profit or loss in subsequent periods		84,351	(136,343)	121,650	(61,305)
Other comprehensive income/(loss) for the financial year, net of tax		593,049	(395,218)	121,650	(61,305)
Total comprehensive income for the financial year		309,826	1,300,176	3,059,526	3,014,588
Total comprehensive income attributable to:					
– Owners of the Company		275,329	1,565,632		
– Non-controlling interests		34,497	(265,456)		
		309,826	1,300,176		

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

STATEMENTS OF FINANCIAL POSITION
As at 31 December 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000 Restated	2019 RM'000	2018 RM'000
Non-current assets					
Property, plant and equipment	11	1,201,576	2,851,917	–	–
Right-of-use assets	30	11,215,954	–	–	–
Finance lease receivables	30	927,429	–	–	–
Investment in subsidiaries	12	–	–	8,258,716	8,055,838
Investment in joint ventures	13	–	583,854	–	–
Investment in associates	14	703,325	282,738	–	–
Investment securities	15	603,215	477,860	313,160	200,475
Intangible assets	16	635,024	615,413	–	–
Deferred tax assets	17	1,130,830	891,445	–	–
Receivables and prepayments	18	3,423,984	3,067,583	–	–
Deposits on aircraft purchase	19	252,293	578,002	–	–
Derivative financial instruments	20	208,725	383,111	–	–
		20,302,355	9,731,923	8,571,876	8,256,313
Current assets					
Inventories	21	146,086	106,326	–	–
Receivables and prepayments	18	1,133,011	1,394,970	2,724	47
Finance lease receivables	30	293,571	–	–	–
Deposits on aircraft purchase	19	344,036	398,215	–	–
Derivative financial instruments	20	230,479	267,311	–	–
Amount due from a subsidiary	22	–	–	286,873	250
Amounts due from associates	23	432,709	404,139	49,599	–
Amounts due from joint ventures	24	–	6,792	–	–
Amounts due from related parties	25	107,200	124,277	384	–
Tax recoverable		17,174	13,576	–	–
Deposits, cash and bank balances	26	2,588,097	3,326,921	41,126	1,357,538
Assets classified as held for sale	32	–	2,775,321	–	–
		5,292,363	8,817,848	380,706	1,357,835

	Note	Group 2019 RM'000	Group 2018 RM'000 Restated	Company 2019 RM'000	Company 2018 RM'000
Less: Current liabilities					
Trade and other payables	27	2,175,150	2,325,995	1,838	771
Aircraft maintenance provisions and liabilities	28	572,312	522,071	–	–
Sales in advance		1,182,155	1,128,447	–	–
Amounts due to subsidiaries	22	–	–	–	313,354
Amounts due to associates	23	151,812	32,228	8	–
Amounts due to a joint venture	24	–	11,032	–	–
Amounts due to related parties	25	260,354	103,078	–	–
Borrowings	29	342,152	423,163	–	–
Lease liabilities	30	2,271,662	–	–	–
Tax payables		52,895	4,741	–	–
Derivative financial instruments	20	126,977	465,277	–	–
Liabilities directly associated with the assets held for sale	32	–	1,834,326	–	–
		7,135,469	6,850,358	1,846	314,125
Net current (liabilities)/assets		(1,843,106)	1,967,490	378,860	1,043,710
Non-current liabilities					
Other payables	27	320,455	396,946	–	–
Aircraft maintenance provisions and liabilities	28	4,720,621	3,960,731	–	–
Deferred tax liabilities	17	84,279	59,905	–	–
Amounts due to associates	23	–	45,436	–	–
Borrowings	29	86,714	781,966	–	–
Lease liabilities	30	10,188,139	–	–	–
Derivative financial instruments	20	73,350	199,334	–	–
Provision for retirement benefits	31	74,951	69,830	–	–
		15,548,509	5,514,148	–	–
		2,910,740	6,185,265	8,950,736	9,300,023
Capital and reserves					
Share capital	33	8,023,268	8,023,268	8,023,268	8,023,268
Merger deficit	34	(5,507,594)	(5,507,594)	–	–
Foreign exchange reserve		171,137	178,515	–	–
Retained earnings	35	1,664,452	5,541,712	867,123	1,338,060
Other reserves	36	147,067	(451,447)	60,345	(61,305)
Total shareholders' fund		4,498,330	7,784,454	8,950,736	9,300,023
Non-controlling interests	12	(1,587,590)	(1,599,189)	–	–
Total equity		2,910,740	6,185,265	8,950,736	9,300,023

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

	Number of shares '000	Share capital RM'000 (Note 33)	Merger reserve/ (deficit) RM'000 (Note 34)	Foreign exchange reserve RM'000	Other reserves RM'000 (Note 36)	Retained earnings RM'000 (Note 35)	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		<------------------- Attributable to owners of the Company				------------------->			
		<------------------- Non-distributable			--------------->	Distributable			
At 1 January 2019									
As previously stated	3,341,974	8,023,268	(5,507,594)	178,515	(451,447)	5,541,712	7,784,454	(1,599,189)	6,185,265
Effects of changes in accounting policy (Note 2.2)	–	–	–	–	–	(152,640)	(152,640)	(22,898)	(175,538)
As restated	3,341,974	8,023,268	(5,507,594)	178,515	(451,447)	5,389,072	7,631,814	(1,622,087)	6,009,727
Net loss for the financial year	–	–	–	–	–	(315,807)	(315,807)	32,584	(283,223)
Other comprehensive (loss)/ income	–	–	–	(7,378)	598,514	–	591,136	1,913	593,049
Total comprehensive (loss)/ income	–	–	–	(7,378)	598,514	(315,807)	275,329	34,497	309,826
Transactions with owners:									
Dividends (Note 37)	–	–	–	–	–	(3,408,813)	(3,408,813)	–	(3,408,813)
At 31 December 2019	3,341,974	8,023,268	(5,507,594)	171,137	147,067	1,664,452	4,498,330	(1,587,590)	2,910,740
At 1 January 2018									
As previously stated	***	**	2,515,278	196,050	(67,608)	5,404,393	8,048,113	(1,338,033)	6,710,080
Effects of changes in accounting policy	–	–	–	–	–	(11,175)	(11,175)	1,565	(9,610)
As restated	***	**	2,515,278	196,050	(67,608)	5,393,218	8,036,938	(1,336,468)	6,700,470
Net profit/(loss) for the financial year	–	–	–	–	–	1,967,006	1,967,006	(271,612)	1,695,394
Other comprehensive loss	–	–	–	(17,535)	(383,839)	–	(401,374)	6,156	(395,218)
Total comprehensive (loss)/ income	–	–	–	(17,535)	(383,839)	1,967,006	1,565,632	(265,456)	1,300,176
Transactions with owners:									
Issuance of shares pursuant to internal reorganisation (Note 33)	3,341,974	8,023,268	(8,022,872)	–	–	–	396	–	396
Dividends (Note 37)	–	–	–	–	–	(1,737,827)	(1,737,827)	–	(1,737,827)
Acquisition of non-controlling interest in subsidiaries (Note 12)	–	–	–	–	–	(84,789)	(84,789)	6,839	(77,950)
Dilution of interest in a subsidiary (Note 12)	–	–	–	–	–	4,104	4,104	(4,104)	-
At 31 December 2018	3,341,974	8,023,268	(5,507,594)	178,515	(451,447)	5,541,712	7,784,454	(1,599,189)	6,185,265

*** Represents RM2.*
**** Represents 2 shares.*

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

STATEMENT OF CHANGES IN EQUITY
For the financial year ended 31 December 2019

	Number of shares '000	Share capital RM'000 (Note 33)	Fair value reserve RM'000 (Note 36)	(Accumulated losses)/ retained earnings RM'000 (Note 35)	Total equity RM'000
At 1 January 2018	***	**	–	(6)	(6)
Net profit for the financial year	–	–	–	3,075,893	3,075,893
Other comprehensive loss	–	–	(61,305)	–	(61,305)
Total comprehensive (loss)/income	–	–	(61,305)	3,075,887	3,014,582
Issuance of shares pursuant to internal reorganisation (Note 33)	3,341,974	8,023,268	–	–	8,023,268
Dividends (Note 37)	–	–	–	(1,737,827)	(1,737,827)
At 31 December 2018	3,341,974	8,023,268	(61,305)	1,338,060	9,300,023
Net profit for the financial year	–	–	–	2,937,876	2,937,876
Other comprehensive income	–	–	121,650	–	121,650
Total comprehensive income	3,341,974	8,023,268	60,345	4,275,936	12,359,549
Dividends (Note 37)	–	–	–	(3,408,813)	(3,408,813)
At 31 December 2019	3,341,974	8,023,268	60,345	867,123	8,950,736

** *Represents RM2.*
*** *Represents 2 shares.*

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

STATEMENTS OF CASH FLOW
For the financial year ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Cash flows from operating activities					
(Loss)/profit before taxation		(521,660)	1,335,233	2,937,876	3,075,893
Adjustments for:					
Property, plant and equipment					
– Depreciation	11	221,502	584,748	–	–
– Gain on disposals	4(b)	(101,544)	(298,816)	–	–
– Write off	11	879	31,836	–	–
Right-of-use assets					
– Depreciation	30	1,241,749	–	–	–
– Gain on derecognition	4(b)	(22,458)	–	–	–
Amortisation of intangible assets	16	471	611	–	–
Impairment of:					
– trade receivables	6	5,415	70,325	–	–
– related parties	6	–	28,133	–	–
– investment in a joint venture	13	–	5,596	–	–
– investment securities	15	–	5,438	–	–
Dividend income from:					
– investment securities	4(b)	(6,330)	(3,078)	(3,253)	–
– a subsidiary	4(b)	–	–	(3,007,776)	(3,128,025)
Share of results of					
– joint ventures		–	(11,083)	–	–
– associates	39	448,874	115,610	–	–
Gain on disposal of investment in:					
– a subsidiary	4(b)	–	(350,317)	–	–
– an associate	14	–	(181,914)	–	–
Gain on remeasurement of:					
– retained interest in a former subsidiary	13	–	(534,712)	–	–
Provision for retirement benefits		16,343	17,725	–	–
Aircraft maintenance provisions	28	608,692	539,728	–	–
Fair value losses on derivatives	8(d)	247,593	200,173	–	–
Net unrealised foreign exchange (gain)/loss		(125,146)	(138,704)	2,359	549
Interest expense	8(b)	272,640	474,761	–	–
Interest expense – Lease liabilities	8(b)	503,093	–	–	–
Interest income	8(a)	(58,588)	(63,333)	(18,733)	–
Interest income – Finance lease receivables	8(a)	(61,402)	–	–	–
		2,670,123	1,827,960	(89,527)	(51,583)
Changes in working capital:					
Inventories		(38,547)	(38,843)	–	–
Receivables and prepayments		154,254	(949,355)	(2,677)	(47)
Payables and provisions		(167,507)	39,074	1,067	765
Sales in advance		41,555	164,144	–	–
Amounts due from/to subsidiaries, associates, joint venture and related parties		15,918	(396,831)	(651,531)	50,775
Cash generated from/(used in) operations carried forward		2,675,796	646,149	(742,668)	(90)

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Cash flows from operating activities (cont'd.)					
Cash generated from/(used in) operations brought forward		2,675,796	646,149	(742,668)	(90)
Interest paid		(192,968)	(323,126)	–	–
Interest paid – Lease liabilities		(503,093)	–	–	–
Interest received		37,348	78,431	18,233	–
Interest received – Finance lease receivables		61,402	–	–	–
Taxes refunded/(paid)		9,741	(44,988)	–	–
Retirement benefits paid		(7,099)	(3,385)	–	–
Net cash from/(used in) operating activities		2,081,127	353,081	(724,435)	(90)
Cash flows from investing activities					
Property, plant and equipment					
– Additions		(295,686)	(1,123,720)	–	–
– Proceeds from disposals		4,799,035	9,815,005	–	–
Addition in intangible assets	16	(10,278)	(6,695)	–	–
Net cash inflow from partial disposal of interest in a subsidiary	13	–	352,695	–	–
Additional deposit for aircraft purchases		(39,287)	(41,426)	–	–
Refund of deposit for aircraft purchases		417,900	–	–	–
Proceeds from disposal of:					
– an associate	14	–	245,754	–	–
Net changes:					
– Deposits pledged as securities and restricted cash		(70,539)	(150)	–	–
– Deposits with licensed banks with maturity period of more than 3 months		8,625	(19,143)	–	–
– Investment securities		(8,821)	(41,405)	8,966	–
Dividend received from:					
– investment securities	4(b)	6,330	3,078	3,253	–
– subsidiary		–	–	3,007,776	3,128,025
– associates		–	167,918	–	–
Acquisition of:					
– subsidiaries net of cash acquired	12	(3,415)	–	–	(32,570)
– other investments		(34,482)	(26,217)	–	–
– non-controlling interest in subsidiaries	12	–	(77,944)	–	–
Additional subscription of shares in					
– subsidiaries	12	–	–	(202,878)	–
– associate	14	(280,482)	(175,246)	–	–
– joint venture	13	–	(23,200)	–	–
Loans to an associate		(165,376)	–	–	–
Receipt of principal portion of finance lease receivables		336,920	–	–	–
Net cash from investing activities		4,660,444	9,049,304	2,817,117	3,095,455

STATEMENTS OF CASH FLOW
For the financial year ended 31 December 2019 (CONT'D.)

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from financing activities					
Proceeds from borrowings		710,724	1,203,073	–	–
Repayment of borrowings#		(3,300,640)	(7,551,916)	–	–
Payment of principal portion of lease liabilities		(1,585,087)	–	–	–
Dividends paid to shareholders		(3,408,813)	(1,737,827)	(3,408,813)	(1,737,827)
Net cash used in financing activities		(7,583,816)	(8,086,670)	(3,408,813)	(1,737,827)
Net (decrease)/increase for the financial year		(842,245)	1,315,715	(1,316,131)	1,357,538
Currency translation differences		41,507	109,718	(281)	–
Cash and cash equivalents at beginning of the financial year		3,293,014	1,867,581	1,357,538	**
Cash and cash equivalents at end of the financial year		2,492,276	3,293,014	41,126	1,357,538

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

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and cash equivalents at end of the financial year		2,492,276	3,293,014	41,126	1,357,538
Add:					
Deposits pledged as securities and restricted cash		85,303	14,764	–	–
Deposits with licensed banks with maturity period of more than 3 months		10,518	19,143	–	–
Deposits, cash and bank balances at the end of the financial year	26	2,588,097	3,326,921	41,126	1,357,538

The deposits and restricted cash amounting to RM85,303,000 (2018: RM14,764,000) are pledged as securities for banking facilities granted to the Group.

Repayment of borrowings includes settlement of borrowings for aircraft that were disposed under sale and leaseback transactions as disclosed in Notes 44 (i) and 44 (ii).

** *Represents RM2.*

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2019

1. General information

AirAsia Group Berhad ("AAGB" or "the Company") is a public limited liability company incorporated and domiciled in Malaysia, and is listed on the Bursa Malaysia Securities Berhad.

On 16 April 2018, the Company completed the internal reorganisation by way of Members' Scheme of Arrangement under Section 366 of the Companies Act 2016 in Malaysia. This involves the exchange of 3,341,974,080 ordinary shares in AirAsia Berhad ("AAB") representing the entire issued and share capital of AAB with 3,341,974,080 new ordinary shares in the Company on the basis of 1 new Company share for every 1 existing AAB shares held. Accordingly, AAGB is the new holding company of AAB and its subsidiaries ("AAB Group") and assumed the listing status of AAB on the Main Market of Bursa Securities.

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

Unit 30-01, Level 30, Tower A,
Vertical Business Suite Avenue 3,
Bangsar South No. 8,
Jalan Kerinchi,
59200 Kuala Lumpur,
Wilayah Persekutuan,
Malaysia.

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

RedQ,
Jalan Pekeliling 5,
Lapangan Terbang Antarabangsa Kuala Lumpur (KLIA2),
64000 KLIA,
Selangor Darul Ehsan,
Malaysia.

The principal activity of the Company is that of investment holding company. The principal activities of the subsidiaries are described in Note 12. There were no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the board of directors in accordance with resolution of the directors on 6 July 2020.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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

2.1 Basis of preparation (cont'd.)

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

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

The conditions or events, along with other matters as disclosed in Note 48 indicate existence of material uncertainties that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. Nevertheless, the financial statements of the Group and the Company have been prepared on a going concern basis, as the Board of Directors is confident on the successful recovery of the COVID-19 pandemic in conjunction with the actions undertaken by the government of the respective countries, outcome of the ongoing discussions with the financial institutions and investors to obtain required funding and implementation of the management's plans for future actions as indicated in Note 48.

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

The Group has applied the following amendments for the first time for the financial year beginning on 1 January 2019:

- MFRS 16 *Leases*
- MFRS 9: *Financial Instruments – Prepayment Features with Negative Compensation (Amendments to MFRS 9)*
- MFRS 128 *Long-term Interests in Associates and Joint Ventures* (Amendments to MFRS 128)
- Annual Improvements to MFRS Standards 2015–2017 Cycle
- MFRS 119 *Employee benefits: Plan Amendment, Curtailment or Settlement* (Amendments to MFRS 119)
- IC Interpretation 23 Uncertainty over Income Tax Treatments

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

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

The adoption of these amendments did not have any material impact on the current period or any prior period except for the following:

MFRS 16 Leases

MFRS 16 supersedes MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

The Group adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying MFRS 117 and IC Interpretation 4 at the date of initial application.

Upon adoption of MFRS 16, the Group, as a lessee, applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2.10 for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

As a lessor, the Group is not required to make any adjustment on transition, except for the reassessment of existing operating subleases at the date of the initial application.

Group as a lessee

The Group recognised ROU assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The ROU assets were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The cumulative effect of first-time adoption of MFRS 16 was recognised as an adjustment to the opening balance of retained earnings at the date of initial application.

The Group also applied the available practical expedients wherein it:

- used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application; and
- excluded the initial direct costs from the measurement of the ROU asset at the date of initial application.

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

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

Group as a lessor

Under MFRS 16, the Group (acting as a sub-lessor) is required to assess the lease classification of a sublease with reference to the ROU asset, not the underlying asset. On transition, the Group reassessed the lease classification of a sublease contract previously classified as an operating lease under MFRS 117. The Group concluded that the sublease is a finance lease under MFRS 16 and the sublease contract was accounted for as a new finance lease entered into at the date of initial application. Accordingly, the Group derecognises the ROU asset related to the head lease, and recognises a receivable at an amount equal to the net investment in the sublease. The net impacts are presented as an adjustment to the opening balance of retained earnings at the date of initial application.

The effect of adoption MFRS 16 as at 1 January 2019 (increase/(decrease) is, as follows:

	Audited 31.12.2018 RM'000	MFRS 16 adjustments RM'000	After adoption of MFRS 16 RM'000
Statement of financial position			
Rights-of-use ("ROU") assets	–	8,243,124	8,243,124
Finance lease receivables	–	1,373,545	1,373,545
Lease liabilities	–	9,691,604	9,691,604
Investment in associates	282,738	(100,603)	182,135
Non-controlling interests	(1,599,189)	(22,898)	(1,622,087)
Retained earnings	5,541,712	(152,640)	5,389,072

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

Assets	**RM'000**
Operating lease commitments as at 31 December 2018	14,514,494
Weighted average incremental borrowing rate as at 1 January 2019	4.82%
Discounted operating lease commitments as at 1 January 2019	9,713,041
Less: Commitments relating to short-term lease	(21,437)
Lease liabilities as at 1 January 2019	9,691,604

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

2.3 Standards issued but not yet effective

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

Description	**Effective for annual periods beginning on or after**
Amendments to MFRS 3 *Business Combinations*	1 January 2020
Amendments to MFRS 101 *Presentation of Financial Statements*	1 January 2020
Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*	1 January 2020
Amendments to MFRS 9 *Financial Instruments*, MFRS 139 *Financial Instruments: Recognition and Measurement* and MFRS 7 *Financial Instruments: Disclosures*: Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets:* References to the Conceptual Framework in MFRS	1 January 2020
Amendments to MFRS 138 *Intangible Assets*: References to the Conceptual Framework in MFRS	1 January 2020
MFRS 17 *Insurance Contract*	1 January 2021
Amendments to MFRS 10 *Consolidated Financial Statements* and MFRS 128 *Investments in Associates and Joint Ventures*: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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

2.4 Basis of consolidation

2.4.1 Subsidiaries

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

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

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

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

2.4 Basis of consolidation

2.4.1 Subsidiaries

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

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

2.4.2 Transactions with non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from parent shareholders' equity. Transactions with non-controlling interests are accounted for using the entity concept method, whereby, transactions with non-controlling interests are accounted for as transactions with owners. On acquisition of non-controlling interests, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to non-controlling interests is recognised directly in equity.

2.4.3 Joint arrangements

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

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

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

2.4 Basis of consolidation (cont'd.)

2.4.3 Joint arrangements (cont'd.)

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

2.4.4 Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted using the equity method of accounting together with any long-term interests that, in substance, form part of the Group's net investment in the associate. In this regard, a receivable for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, an extension of the Group's investment in that associate. This does not include receivables for which adequate collateral exists. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

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

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

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

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

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

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

2.4 Basis of consolidation (cont'd.)

2.4.5 Reverse acquisition of an asset or a group of assets that does not constitute a business

At the time of reverse acquisition, the Group considers whether each reverse acquisition represents the reverse acquisition of a business or the reverse acquisition of an asset. Where the assets acquired and liabilities assumed do not constitute a business as defined under MFRS 3, the transaction is accounted as an asset acquisition.

In such cases, the Group identifies and recognises the individual identifiable assets acquired (including intangible assets) and liabilities assumed. The cost of acquisition is allocated to the individual identifiable assets and liabilities based upon their relative fair value at the date of purchase, and no goodwill or deferred tax is recognised.

The legal subsidiary is regarded as the accounting acquirer while the legal parent is regarded as the accounting acquiree. The accounting acquirer is deemed to have issued equity shares as purchase consideration for the assets and liabilities of the accounting acquiree using the accounting principles of MFRS 2. The fair value of issued equity shares is determined based on the market value of the accounting acquiree which is represented by the quoted and trade price of its shares right before the reverse acquisition. The difference between the purchase consideration and the fair value of identifiable assets acquired and liabilities assumed will be recognised in the income statement as acquisition cost arising from the reverse acquisition.

2.4.6 Internal reorganisation

Acquisition of entities under an internal reorganisation scheme does not result in any change in economic substance. Accordingly, the consolidated financial statements of the Company is a continuation of the acquired entities and is accounted for as follows:

(a) The results of entities are presented as if the internal reorganisation occurred from the beginning of the earliest period presented in the financial statements;

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

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

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

2.5 Property, plant and equipment

Property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Costs also include borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (refer to accounting policy Note 2.20 on borrowing costs).

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

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

The useful lives for this purpose are as follows:

Aircraft	
– engines, airframes and spare engines excluding service potential	25 years
– service potential of engines	8 or 10 years
– service potential of airframes	13 years
– service potential of spare engines	11 years
Aircraft spares	10 years
Aircraft fixtures and fittings	Useful life of aircraft or remaining lease term of aircraft, whichever is shorter
Buildings 28.75 years	
Motor vehicles	5 years
Office equipment, furniture and fittings	5 years
Office renovation	5 years
Simulator equipment	25 years
Operating plant and ground equipment	5 years
In-flight equipment	5 years
Training equipment	5 years

Service potential of 8 or 10 years represents the period over which the expected cost of the first major aircraft engine overhaul is depreciated. Subsequent to the engine overhaul, the actual cost incurred is capitalised and depreciated over the subsequent 8 years.

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

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

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

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

Residual values, where applicable, are reviewed annually against prevailing market rates at the balance sheet date for equivalent aged assets and depreciation rates are adjusted accordingly on a prospective basis. For the current financial year ended 31 December 2019, the estimated residual value for aircraft airframes and engines excluding service potential is 10% of their cost (2018: 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 airframes. 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.

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

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

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

2.6 Intangible assets

2.6.1 Goodwill

Goodwill arises from a business combination and represents the excess of the aggregate of fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed on the acquisition date. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in profit or loss.

Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at operating segment level.

The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

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

2.6 Intangible assets (cont'd.)

2.6.2 Other intangible assets

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

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

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

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

(i) Research and development – internally developed software

Research expenditure is recognised as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and,
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in subsequent period.

Capitalised development costs recognised as intangible assets are amortised from the point at which the asset is ready for use on a straight-line basis over its useful life which is 7 years.

(ii) Landing rights

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

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

2.7 Investments in subsidiaries, joint ventures and associates

In the Company's separate financial statements, investments in subsidiaries, joint ventures and associates are stated at cost less accumulated impairment losses.

Amounts due from associates of which the Company does not expect repayment in the foreseeable future are treated as part of the parent's net investment in associates. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount (see Note 2.8). On disposal of investments in subsidiaries, joint ventures and associates, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.8 Impairment of non-financial assets

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

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

2.9 Maintenance and overhaul

Owned aircraft

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

Leased aircraft

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

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

2.10 Leases

Accounting policies applied until 31 December 2018

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

Lessee

Finance leases

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

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

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

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

Operating leases

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

Sale and leaseback transactions

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

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

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

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

2.10 Leases (cont'd.)

Accounting policies applied until 31 December 2018 (cont'd.)

Lessor

Operating leases

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

Accounting policies applied from 1 January 2019

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

Group as a lessee

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

i) ROU assets

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

Aircraft	2 – 15 years
Land and building	2 – 20 years

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

The ROU assets are also subject to impairment. Refer to the accounting policies in Note 2.8 impairment of non-financial assets.

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

2.10 Leases (cont'd.)

Accounting policies applied from 1 January 2019 (cont'd.)

Group as a lessee (cont'd.)

ii) Lease liabilities

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

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

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

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

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

Group as a lessor

As a lessor, the Group determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee.

i) Finance leases

The Group classifies a lease as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group derecognises the underlying asset and recognises a receivable at an amount equal to the net investment in a finance lease. Net investment in a finance lease is measured at an amount equal to the sum of the present value of lease payments from lessee and the unguaranteed residual value of the underlying asset. Initial direct costs are also included in the initial measurement of the net investment. The net investments is subject to MFRS 9 impairment (refer to Note 2.12.4) on impairment of financial assets. In addition, the Group reviews regularly the estimated unguaranteed residual value.

Lease income is recognised over the term of the lease using the net investment method so as to reflect a constant periodic rate of return. The Group revises the lease income allocation if there is a reduction in the estimated unguaranteed residual value.

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

2.10 Leases (cont'd.)

Accounting policies applied from 1 January 2019 (cont'd.)

Group as a lessor (cont'd.)

ii) Operating leases

The Group classifies a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group recognises lease payments received under operating lease as lease income on a straight-line basis over the lease term.

iii) Sublease classification

Until the financial year ended 31 December 2018, when the Group was an intermediate lessor, the subleases were classified as finance or operating leases by reference to the underlying assets.

From 1 January 2019, when the Group is an intermediate lessor, it assesses the lease classification of a sublease with reference to the ROU asset arising from the head lease, not with reference to the underlying asset. If a head lease is short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

The Group as an intermediate lessor accounts for the sublease as follows:

- If the sublease is classified as an operating lease, the original lessee continues to account for the lease liability and ROU asset on the head lease.
- If the sublease is classified as a finance lease, the original lessee derecognises the ROU asset on the head lease at the sublease commencement date and continues to account for the original lease liability. The original lessee, as the sublessor, recognises a net investment in the sublease and evaluates it for impairment.

Sale and leaseback transactions

Under a sale and leaseback transaction, the transfer is assessed to be a sale in accordance with MFRS 15. It is expected that all sale and leaseback transactions will meet these requirements, however these will need to be assessed on a lease-by-lease basis. If the transfer of the asset is a sale, the seller-lessee will:

- Derecognise the underlying asset; and
- Recognise the gain or loss, if any, that relates to the rights transferred to the buyer-lessor and adjusted for off-market terms.

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

2.11 Inventories

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

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

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

2.12 Financial assets

2.12.1 Classification

The Group and the Company classify their financial assets in the following categories; fair value through profit or loss, fair value through other comprehensive income and amortised cost.

Financial assets at fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described below are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument (see Note 2.15). On initial recognition, the Group and the Company may irrevocably designate a financial asset which may otherwise have met requirements of amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are equity securities which are not held for trading but more for strategic investments or debt securities where contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets. The classification as financial assets at fair value through other comprehensive income is an irrevocable election made on initial recognition.

Amortised costs

Financial assets classified as amortised costs are assets with contractual cash flows and contractual terms to give rise to the cashflows that are solely payments of principal and interest on principal outstanding. They were included in current assets, except for maturities greater than 12 months after the end of the reporting period. These were classified as non-current assets. The Group's financial assets at amortised costs comprise 'receivables', 'amounts due from associates, joint ventures and related parties', 'deposits on aircraft purchase' and 'deposits, cash and bank balances' in the statements of financial position.

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

2.12 Financial assets (cont'd.)

2.12.2 Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company become a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

2.12.3 Subsequent measurement – gains and losses

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets.

(i) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised costs using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets where the effective interest rate is applied to the amortised cost.

(ii) Fair value through other comprehensive income

(a) Debt investments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investments, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The debt investment is not designated as at fair value through profit or loss. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets where the effective interest rate is applied to the amortised cost.

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

2.12 Financial assets (cont'd.)

2.12.3 Subsequent measurement – gains and losses (cont'd.)

(ii) Fair value through other comprehensive income (cont'd.)

(b) Equity investment

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment by investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

(iii) Fair value through profit or loss

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains and losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (Note 2.12.4)

2.12.4 Subsequent measurement – impairment of financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balances and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12 month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12 month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

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

2.12 Financial assets (cont'd.)

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

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

2.13 Financial liabilities

2.13.1 Classification and measurement

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

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

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

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

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

2.14 Offsetting financial instruments

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

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

2.15 Derivatives and hedge accounting

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

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

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

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

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

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

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

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

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 20. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'fair value (losses)/gains on derivatives' (Note 8(d)).

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

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

2.15 Derivatives and hedge accounting (cont'd.)

Cash flow hedge (cont'd.)

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

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'fair value (losses)/gains on derivatives' (Note 8(d)).

2.16 Cash and cash equivalents

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

2.17 Provisions

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

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

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

2.18 Share capital

2.18.1 Classification

Ordinary shares with discretionary dividends are classified as equity.

2.18.2 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.

2.18.3 Dividends distribution

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

2.19 Treasury shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

2.20 Borrowings and borrowing costs

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

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

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

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

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

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

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

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

2.21 Current and deferred income tax

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

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

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

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

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

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

2.22 Employee benefits

2.22.1 Short term employee benefits

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

2.22.2 Defined contribution retirement plan

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

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

2.22 Employee benefits (cont'd.)

2.22.3 Defined benefit plan

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

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

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

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

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

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

2.23 Revenue and other income

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

An entity transfers control of a good or service over time and, therefore satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

(a) The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;

(b) The entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time in accordance with MFRS 15, an entity satisfies the performance at a point in time.

2.23.1 Passenger revenue

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

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

2.23 Revenue and other income (cont'd.)

2.23.2 Aircraft operating leases

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

2.23.3 Freight services

Freight revenue is a distinct performance obligation and recognised upon the completion of services rendered net of discounts.

2.23.4 Rental income and brand license

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

2.23.5 Interest income

Interest income is recognised using the effective interest method.

2.23.6 Sale of loyalty points

The Group operates a frequent flyer programme where members accumulate points for purchases made which entitle them to discounts on future purchases. Revenue from the award points is recognised as deferred revenue (included in trade and other payables) upon issuing the points, and recognised upon redemption of loyalty points by members. The amount of revenue recognised is computed based on the number of points redeemed and the redemption value of each point which is calculated on a weighted average basis. Award points issued before 1 June 2019 will expire by 36 months upon date of issuance and points issued after 1 June 2019 will expire 24 months upon date of issuance. Revenue associated with the sale of points to merchant partners under the customer loyalty programme is recognised when the obligation is completed.

Included in trade and other payables is the deferred breakage. Breakage represents the estimated loyalty points that are not expected to be redeemed by members. The amount of revenue recognised related to deferred breakage is based on the number of loyalty points redeemed in a period in relation to the total number expected to be redeemed, which factors in the Group estimate for the breakage. Breakage is estimated by management based on the terms and conditions of membership and historical accumulation and redemption patterns, as adjusted for changes to any terms and conditions that may affect members' redemption practices.

2.24 Foreign currencies

2.24.1 Functional and presentation currency

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

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

2.24 Foreign currencies (cont'd.)

2.24.2 Transactions and balances

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

Foreign exchange gains and losses arising from operations, borrowings (after effects of effective hedges) and amount due from associates and joint ventures are presented in aggregate after net operating profit in the income statements.

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

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

2.24.3 Group companies

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

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
– income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
– all resulting exchange differences are recognised as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income.

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

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

2.25 Trade payables

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

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

2.26 Contingent assets and liabilities

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

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

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

2.27 Segment reporting

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

2.28 Maintenance reserve funds

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

3. Critical accounting estimates and judgments

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

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

3.1 Estimated useful lives and residual values of aircraft airframes and engines

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

Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives and residual values of aircraft airframes and engines as disclosed in Note 2.5, would increase the recorded depreciation charge and decrease the carrying amount of property, plant and equipment. A reduction in 5% in the residual value of aircraft airframes and engines would increase the depreciation charge for the financial year ended 31 December 2019 by RM814,315 (2018: RM10,277,000) and decrease the carrying amount of property, plant and equipment as at 31 December 2019 by RM6,744,163 (2018: RM66,189,000) for the Group.

3.2 Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Estimating the future taxable profits involves significant assumptions, especially in respect of regulatory approvals for prospective routes, aircraft delivery, fares, load factor, fuel price, maintenance costs and currency movements. These assumptions have been built based on past performance and adjusted for non-recurring circumstances and a reasonable growth rate.

Certain assumptions and estimates concerning the future used to estimate the future taxable profits are impacted by the subsequent events as disclosed in Note 45. However, the Group is unable to reliably determine the quantum of the impact based on the information currently available.

3.3 Provision for aircraft maintenance and overhaul costs

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

A provision by its nature is more uncertain than most other items in the statement of financial position. The estimates of the outcome and financial effects are determined by the judgement of the management, supplemented by experience from similar transactions. Any revision in assumptions and estimations that causes a material effect to the provision would be adjusted prospectively in the financial statements.

3. Critical accounting estimates and judgments (cont'd.)

3.4 Impairment assessment of intangible assets

Goodwill, landing rights and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value in use and the fair value less costs of disposal of the cash generating units to which goodwill and landing rights are allocated.

When value in use and the fair value less costs of disposal calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying value, the key assumptions applied in the impairment assessment of goodwill and landing rights and sensitivity analysis to changes in the assumptions are given in Note 16.

Certain assumptions and estimates concerning the future used to compute the fair value less cost of disposal or the value in use of assets are impacted by the subsequent events as disclosed in Note 45 to the financial statements. However, the Group is unable to reliably determine the quantum of the impact based on the information currently available.

3.5 Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

4. Revenue and other income

(a) Revenue

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Passenger revenue				
– seat sales	9,179,443	7,656,780	–	–
– others	2,073,576	1,840,494	–	–
Freight services	479,794	292,121	–	–
Aircraft operating lease income	127,590	848,901	–	–
	11,860,403	10,638,296	–	–

Other passenger revenue includes ancillary income such as baggage fees, assigned seats, cancellations, documentation and other fees, and on-board sale of meals and merchandise.

4. Revenue and other income (cont'd.)

(a) Revenue (cont'd.)

Aircraft operating lease income

From 1 January 2019, upon adoption of MFRS 16, the Group has recognised finance income for various leases under finance lease (previously classified as operating leases under MFRS 117) and accordingly no longer presents aircraft operating lease income for these leases. Having applied the modified retrospective approach to the implementation of MFRS 16, the Group has continued to present the comparative financial information, for which there were aircraft operating lease income under operating leases (assessed under MFRS 117) as at 31 December 2018.

Further information relating to subleasing arrangement is set out on Note 30.

The details of the operating lease income are as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Thai AirAsia Co. Ltd.	17,121	456,348	–	–
AirAsia Japan Co., Ltd.	–	32,772	–	–
Third-parties	110,469	359,781	–	–
	127,590	848,901	–	–

Revenue by reportable geographical segment is as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Malaysia	7,646,388	7,845,383	–	–
Philippines	2,196,422	1,602,142	–	–
Indonesia	2,017,593	1,190,771	–	–
	11,860,403	10,638,296	–	–

4. Revenue and other income (cont'd.)

(b) Other income

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Gain on disposal of property, plant and equipment	101,544	298,816	–	–
Gain on disposal of investment in a subsidiary	–	350,317	–	–
Gain on recognition of finance lease receivables	22,458	–	–	–
Fees charged to associates providing commercial air transport services	73,584	74,291	–	–
Fees charged to related parties providing commercial air transport services	35,866	40,235	–	–
Dividend income from a subsidiary	–	–	3,007,776	3,128,025
Dividend income from investment in securities	6,331	3,078	3,253	–
Aircraft wet lease income	–	76,928	–	–
Non-airline income	200,462	35,116	–	–
Others	208,581	314,495	224	–
	648,826	1,193,276	3,011,253	3,128,025

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

5. Staff costs and directors' remuneration

(a) Staff costs

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Salaries, bonus, allowances and other employee benefits	1,742,566	1,545,983	57,735	41,437
Defined contribution retirement plan	133,630	123,935	6,371	4,973
	1,876,196	1,669,918	64,106	46,410

Included in staff costs are Executive Directors' remuneration for the Group and the Company as disclosed in the Note 5 (b) below.

5. Staff costs and directors' remuneration (cont'd.)

(b) Directors' remuneration

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Executive Directors				
– salaries, bonus, allowances and other employee benefits	52,119	44,050	52,119	41,437
– defined contribution plan	6,253	5,286	6,253	4,973
	58,372	49,336	58,372	46,410
Non-Executive Directors				
– fees	2,125	1,933	2,085	1,145
	60,497	51,269	60,457	47,555

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

	Executive		Non-executive	
	2019	2018	2019	2018
Range of remuneration (RM)				
0 to 50,000	–	–	–	–
150,001 to 200,000	–	–	–	1
200,001 to 250,000	–	–	–	2
250,001 to 300,000	–	–	–	2
301,000 to 350,000	–	–	1	–
400,001 to 450,000	–	–	2	–
450,001 to 500,000	–	–	2	–
500,001 to 550,000	–	–	–	–
24,550,001 to 24,600,000	–	1	–	–
24,750,001 to 24,800,000	–	1	–	–
25,850,001 to 25,900,000	–	–	–	–
26,200,001 to 26,250,000	–	–	–	–
28,950,001 to 29,000,000	1	–	–	–
29,350,001 to 29,400,000	1	–	–	–

(c) Key Management Personnel

Key management personnel are categorised as senior management officers of the Group and the Company.

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Salaries, bonus, allowances and other employee benefits	59,610	51,967	52,119	41,437
Defined contribution plan	7,029	6,018	6,253	4,973
	66,639	57,985	58,372	46,410

Included in the key management compensation are Executive Directors' remuneration for the years 2018 and 2019 which were approved by the Nomination and Remuneration Committee during the current year.

6. Other operating expenses

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

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Impairment of:				
– Amount due from related parties (Note 25)	–	28,133	–	–
– Trade receivables (Note 18)	5,415	70,325	–	–
Rental of buildings	20,359	53,008	–	–
Auditors' remuneration				
– audit fees	2,695	2,227	200	150
– non-audit fees	514	2,163	15	15
Rental of equipment	1,078	1,714	–	–
Advertising costs	146,818	151,429	58	–

7. User charges

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

8. Finance income/(costs), foreign exchange gains/(losses) and fair value (losses)/gains on derivatives

(a) Finance income

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Interest income from:				
– deposits, cash and bank balances with licensed banks	38,800	36,395	18,233	–
– amounts due from associates	11,426	–	500	–
– finance lease receivables	61,402	–	–	–
Impact of discounting effect on financial instruments	8,362	26,938	–	–
Others	–	–	–	3
	119,990	63,333	18,733	3

8. Finance income/(costs), foreign exchange gains/(losses) and fair value (losses)/gains on derivatives (cont'd.)

(b) Finance costs

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Interest expense				
– bank borrowings	(157,839)	(331,276)	–	–
– lease liabilities	(503,093)	–	–	–
Impact of discounting effect on financial instruments	(101,753)	(119,425)	–	–
Bank facilities and other charges	(13,048)	(24,060)	(2)	–
	(775,733)	(474,761)	(2)	–

(c) Foreign exchange gains/(losses)

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Borrowings:				
– foreign exchange gains/(losses)	23,837	(35,521)	–	–
– fair value movement recycled from cash flow hedge reserve	(1,863)	(25,007)	–	–
Operations	(29,343)	192,913	(334)	(663)
Amounts due to/(from) subsidiaries	–	–	(2,260)	–
Amounts due to/(from) associates and joint ventures	113,342	(5,552)	(1,113)	–
	105,973	126,833	(3,707)	(663)

(d) Fair value (losses)/gains on derivatives

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Gains/(losses) from fuel hedging contracts	6,693	(41,198)	–	–
Losses from foreign currency hedging contracts	(198,648)	(169,565)	–	–
(Losses)/gains from interest rate hedging contracts	(55,638)	10,590	–	–
	(247,593)	(200,173)	–	–

Following the completion of the sales and leaseback transaction as discussed in Note 44, the aircraft borrowings related to the disposed aircraft have been settled. As such, the related hedging reserve for the said aircraft borrowings have been recycled to income statements.

Fair value change of derivatives consists of fair value changes due to movement in mark-to-market ("MTM") position on outstanding hedging contracts that did not qualify for hedge accounting.

9. Taxation

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Current taxation				
– Malaysian tax	16,528	21,924	–	–
– foreign tax	18,287	17,041	–	–
Deferred taxation (Note 17)	(273,252)	(399,126)	–	–
	(238,437)	(360,161)	–	–
Current taxation				
– current financial year	29,801	24,097	–	–
– underprovision of income tax in respect of previous years	5,014	14,868	–	–
	34,815	38,965	–	–
Deferred taxation				
– origination and reversal of temporary differences	(238,373)	(393,878)	–	–
– overprovision of deferred tax in respect of previous years	(34,879)	(5,248)	–	–
	(273,252)	(399,126)	–	–
	(238,437)	(360,161)	–	–

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

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
(Loss)/profit before taxation	(521,660)	1,335,233	2,937,876	3,075,893
Tax calculated at Malaysian tax rate of 24% (2018: 24%)	(125,198)	320,456	705,090	738,214
Tax effects of:				
– expenses not deductible for tax purposes	275,532	171,404	16,776	12,512
– income not subject to tax	(30,164)	(325,828)	(721,866)	(750,726)
– associates' results reported net of tax	107,730	27,746	–	–
– joint venture's result reported net of tax	–	(2,660)	–	–
– different tax rates in other countries	(66,378)	(73,140)	–	–
– underprovision of income tax in respect of previous years	5,014	14,868	–	–
– deferred tax assets not recognised on investment tax allowance and tax losses	247,680	63,309	–	–
– (over)/underprovision of deferred tax in respect of previous years	(34,879)	(5,248)	–	–
– deferred tax asset derecognised/(recognised) on investment tax allowance ("ITA")*	161,433	283,007	–	–
– reversal of deferred tax liabilities*	(779,207)	(834,075)	–	–
Taxation	(238,437)	(360,161)	–	–

* *Relates to deferred tax asset derecognised on ITA due to the clawback of ITA and reversal of deferred tax liabilities as a result of the sale and leaseback transactions as detailed in Notes 44 (i) and 44 (ii).*

10. Earnings per share

Basic (loss)/earnings per share is calculated by dividing the net (loss)/profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group 2019	Group 2018
Net (loss)/profit for the financial year attributable to owners of the Company (RM'000)	(315,807)	1,967,006
Weighted average number of ordinary shares in issue ('000)	3,341,974	3,341,974
Basic and diluted (loss)/earnings per share (sen)	(9.4)	58.9

The Group does not have in issue any financial instruments on other contracts that may entitle its holder to ordinary shares and therefore, dilutive to its basic earnings per share.

11. Property, plant and equipment

	At 1 January 2019 RM'000	Additions RM'000	Disposals[2] RM'000	Write off RM'000	Reclassi– fication RM'000	Depreciation charge RM'000	Exchange differences RM'000	At 31 December 2019 RM'000
Group								
Carrying amount								
Aircraft engines, airframes and service potential	2,276,580	28,935	(1,897,736)	–	–	(113,290)	(1,741)	292,748
Aircraft spares	189,012	77,190	(953)	–	–	(39,409)	2,786	228,626
Aircraft fixtures and fittings	50,888	31,439	(753)	–	631	(17,118)	125	65,212
Freehold land	–	53,031	–	–	–	–	(1,768)	51,263
Buildings	151,658	117,994	–	–	8,814	(9,272)	(3,743)	265,451
Motor vehicles	6,953	4,740	–	–	–	(2,565)	17	9,145
Office equipment, furniture and fittings	57,249	55,422	(5,174)	(879)	1,899	(27,337)	1,587	82,767
Office renovation	16,162	14,184	(552)	–	76	(7,278)	174	22,766
Simulator equipment	672	–	–	–	–	(38)	–	634
Operating plant and ground equipment	14,123	4,471	–	–	–	(4,812)	(353)	13,429
In-flight equipment	1,179	845	–	–	–	(383)	9	1,650
Training equipment	939	–	–	–	(938)	–	–	1
Work in progress[1]	86,502	94,545	–	–	(10,482)	–	(2,681)	167,884
	2,851,917	482,796	(1,905,168)	(879)	–	(221,502)	(5,588)	1,201,576

1 *Work in progress completed during the financial year were reclassified to respective asset classes.*
2 *Includes disposal of 14 aircraft of RM1.2 billion pursuant to the sale and leaseback to Castlelake LP and Aircastle Limited as disclosed in Notes 44 (ii).*

11. Property, plant and equipment (cont'd.)

	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment loss RM'000	Carrying amount RM'000
Group (cont'd.)				
At 31 December 2019				
Aircraft engines, airframes and service potential	631,059	(120,648)	(217,663)	292,748
Aircraft spares	454,732	(226,106)	–	228,626
Aircraft fixtures and fittings	155,725	(90,513)	–	65,212
Freehold land	51,263	–	–	51,263
Buildings	287,538	(22,087)	–	265,451
Motor vehicles	24,644	(15,499)	–	9,145
Office equipment, furniture and fittings	250,078	(142,371)	(24,940)	82,767
Office renovation	59,122	(36,356)	–	22,766
Simulator equipment	964	(330)	–	634
Operating plant and ground equipment	54,515	(41,086)	–	13,429
In-flight equipment	3,964	(2,314)	–	1,650
Training equipment	4,419	(4,418)	–	1
Work in progress	167,884	–	–	167,884
	2,145,907	(701,728)	(242,603)	1,201,576

	At 1 January 2018 RM'000	Additions RM'000	Disposals[2] RM'000	Write off RM'000	Disposal of a subsidiary RM'000 (Note 13)	Reclassi– fication RM'000	Depreciation charge RM'000	Exchange differences RM'000	At 31 December 2018 RM'000
Group (cont'd.)									
Carrying amount									
Aircraft engines, airframes and service potential	11,749,452	1,102,975	(7,286,899)	(26,204)	–	(2,762,824)	(472,506)	(27,414)	2,276,580
Aircraft spares	185,009	53,628	(6,397)	–	(1)	2,288	(44,028)	(1,487)	189,012
Aircraft fixtures and fittings	73,044	22,226	(9,368)	–	–	(12,266)	(22,618)	(130)	50,888
Buildings	153,928	3,818	–	–	–	–	(6,088)	–	151,658
Motor vehicles	16,515	3,550	96	–	(10,222)	–	(2,894)	(92)	6,953
Office equipment, furniture and fittings	50,591	31,170	(583)	(202)	(1,114)	371	(23,387)	403	57,249
Office renovation	14,285	10,218	–	–	(683)	191	(7,827)	(22)	16,162
Simulator equipment	711	–	–	–	–	–	(39)	–	672
Operating plant and ground equipment	18,314	8,048	(152)	–	(5,751)	(702)	(5,077)	(557)	14,123
In-flight equipment	553	908	–	–	–	–	(284)	2	1,179
Training equipment	1	938	–	–	–	–	–	–	939
Work in progress[1]	41,119	53,712	–	(5,430)	(162)	(2,379)	–	(358)	86,502
	12,303,522	1,291,191	(7,303,303)	(31,836)	(17,933)	(2,775,321)	(584,748)	(29,655)	2,851,917

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

[2] *Includes disposal of 75 aircraft and 14 spare engines of RM6.9 billion pursuant to the divestment of aircraft leasing operations in 2018.*

11. Property, plant and equipment (cont'd.)

	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment loss RM'000	Carrying amount RM'000
Group (cont'd.)				
At 31 December 2018				
Aircraft engines, airframes and service potential	3,395,187	(1,118,607)	–	2,276,580
Aircraft spares	464,191	(271,452)	(3,727)	189,012
Aircraft fixtures and fittings	142,741	(91,853)	–	50,888
Buildings	164,473	(12,815)	–	151,658
Motor vehicles	23,490	(16,537)	–	6,953
Office equipment, furniture and fittings	218,622	(136,433)	(24,940)	57,249
Office renovation	50,983	(34,821)	–	16,162
Simulator equipment	964	(292)	–	672
Operating plant and ground equipment	50,652	(36,529)	–	14,123
In-flight equipment	3,135	(1,956)	–	1,179
Training equipment	5,357	(4,418)	–	939
Work in progress	86,502	–	–	86,502
	4,606,297	(1,725,713)	(28,667)	2,851,917

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

	Group 2019 RM'000	Group 2018 RM'000
Carrying amount of owned aircraft sub-leased to associates	–	364,854
Aircraft pledged as security for borrowings	228,539	4,639,953
Freehold land and building pledged as security for borrowings	159,820	–
Total property, plant and equipment sub-leased to associates or pledged as security for borrowings	388,359	5,004,807

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

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

The freehold land and certain buildings of the Group with net carrying amount of RM51,263,000 and RM108,557,000 respectively (2018: RM Nil) have been pledged as security for borrowings granted to the Group.

12. Investment in subsidiaries

	Company	
	2019	2018
	RM'000	RM'000
Unquoted investments, at cost		
At 1 January	8,055,838	–
Additions during the year	202,878	8,055,838
At 31 December	8,258,716	8,055,838

Additional investments during the financial year ended 31 December 2019

(a) During the year, the Company further injected a total of RM190.3 million into RedBeat Ventures Sdn. Bhd. ("RBV") for an additional 190,290,000 ordinary shares at RM1 each.

(b) On 16 October 2019, the Company has made a deemed investment of RM12.6 million in AirAsia Com Travel Sdn. Bhd. (formerly known as Touristly Travel Sdn. Bhd.).

Additional investments in prior year

(a) On 16 April 2018, the Company completed the internal reorganisation by way of a scheme of arrangement. As a result, AAB became a wholly-owned subsidiary of the Company, in which the cost of investment in AAB is recorded based on the net book value of AAB Group of RM8,023 million as at the completion date.

(b) In the previous financial year, the Company purchased shares in AirAsia Investment Ltd. and RedBeat Ventures Sdn. Bhd. ("RBV") for RM20 million and RM2 respectively from its wholly owned subsidiary, AAB.

(c) On 14 September 2018, the Company incorporated a subsidiary, AirAsia SEA Ltd. (formerly known as AirAsia Group (IHQ) Ltd.) ("AASEAL") in Thailand with a total issued capital of THB20 million (approximately RM2.6 million) comprising 200,000 shares of which 199,997 are held by the Company. The principal activity of AASEAL is to provide consultation and services on behalf of the Company to the subsidiaries/associates of the Company.

(d) On 3 October 2018, the Company subscribed to an additional 10,000,000 ordinary shares in RBV, representing 100% equity interest in RBV for a total cash consideration of RM10 million.

12. Investment in subsidiaries (cont'd.)

Details of the subsidiaries are as follows:

Name of entity	Country of incorporation	Group's effective equity interest 2019 %	2018 %	Principal activities
Directly held by the Company				
AirAsia Berhad ("AAB")	Malaysia	100	100	Commercial air transport services
RedBeat Ventures Sdn. Bhd. ("RBV")	Malaysia	100	100	Investment holding
AirAsia SEA Ltd. (formerly known as AirAsia Group (IHQ) Ltd.)	Thailand	99.99	99.99	Management services
AirAsia Investment Ltd. ("AAIL")	Malaysia	100	100	Investment holding
Held by AAB				
AirAsia Go Holiday Sdn. Bhd. ("AGH")	Malaysia	100	100	Tour operating business
AirAsia (Mauritius) Limited[f]	Mauritius	100	100	Providing aircraft leasing, facilities to Thai AirAsia, Co Ltd.
AirAsia Corporate Services Limited	Malaysia	100	100	Facilitate business transactions for AirAsia Group with non-resident goods and service providers
RedBeat Tech Academy Sdn. Bhd. (formerly known as Koolred Sdn. Bhd.)	Malaysia	100	100	Investment holding
AirAsia SEA Sdn. Bhd.	Malaysia	100	100	To provide shared services and outsourcing for its affiliates
Asia Aviation Capital Limited ("AAC")	Malaysia	100	100	Providing aircraft leasing facilities
MadCience Consulting Sdn. Bhd.	Malaysia	100	100	Provision of central depository services for its affiliates
T & Co Coffee Sdn. Bhd. ("T&Co")	Malaysia	–**	100	Trading in coffee and tea related products
Santan Cafe Sdn. Bhd.	Malaysia	–**	100	Provision of inflight meal products
Big Pay Pte. Ltd. ("BPPL")[+]	Singapore	–**	89.29	Investment holding
AirAsia Technology Centre India Private Limited ("AATCIPL")	India	100	100	Consultancy and services in the areas of information, technology design, development and implementation

12. Investment in subsidiaries (cont'd.)

Name of entity	Country of incorporation	Group's effective equity interest 2019 %	2018 %	Principal activities
Held by AAB (cont'd.)				
AirAsia Global Notes Limited	Labuan	–@	100	Dealings in capital market
AirAsia Corporate Charter Sdn. Bhd.	Malaysia	100	100	Charter and private unscheduled business jet operator
AirAsia Pte. Ltd. ("AAPL")+	Singapore	100**	–	Airline operation services
Held by RBV				
BIGLIFE Sdn. Bhd. ("BIG")	Malaysia	80	80	Financial services and managing customer loyalty points
BPPL+	Singapore	89.29**	–	Investment holding
T&Co	Malaysia	100**	–	Trading in coffee and tea related products
Rokki Sdn. Bhd.	Malaysia	100	100	Trading of multimedia content and equipment
RedTix Sdn. Bhd.	Malaysia	75	75	Event ticketing business
Teleport Commerce Malaysia Sdn. Bhd. (formerly known as RedCargo Logistic Sdn. Bhd.) ("TCM")	Malaysia	–**	100	Logistics business
Travel360 Sdn. Bhd.	Malaysia	–**	100	Inflight magazine content
Shop365 Sdn. Bhd.	Malaysia	–**	100	Inflight shop
RedBeat Ventures Inc	United States	100	100	Dormant
RedBeat Capital 1, LLC	United States	100	–	Dormant
Teleport Everywhere Pte. Ltd. ("TES")	Singapore	100	–	Investment holding
AirAsia Com Travel Sdn. Bhd. Travel Sdn. Bhd. (formerly known as as Touristly Travel Sdn. Bhd.) ("AA.Com")	Malaysia	100*	–	Tour and travel services

12. Investment in subsidiaries (cont'd.)

Name of entity	Country of incorporation	Group's effective equity interest 2019 %	2018 %	Principal activities
Held by RBV (cont'd.)				
AirAsia Technology Centre Singapore Pte. Ltd. (formerly known as AAC1 Pte. Ltd.) ("AATCS")+	Singapore	100**	–	Research and experimental development on IT, development of software for cybersecurity
Format Media Sdn. Bhd.	Malaysia	100	–	Provision of media content services
Held by AAIL				
AirAsia Inc ("PAA")+	Philippines	40	40	Commercial air transport services
AirAsia Pte. Ltd. ("AAPL")+	Singapore	–**	100	Airline operation services
AirAsia (Guangzhou) Aviation Service Ltd. Company[f]	China	100	100	Aviation and commercial services
PT AirAsia Indonesia TBK ("AAID")+^	Indonesia	49.3	49.3	Investment holding
Held by PAA				
Philippines AirAsia Inc ("PAAI")+	Philippines	39.5	39.5	Commercial air transport services
Asiawide Airways Inc+	Philippines	40	40	Dormant
Held by AAID				
PT Indonesia AirAsia ("IAA")+	Indonesia	49.1	49.1	Commercial air transport services
Held by IAA				
PT Garda Tawang Reksa Indonesia ("GTRI")[f]	Indonesia	32.9	32.9	Provision of airport relatedservices
Held by AGH				
AirAsia Exp Pte. Ltd. ("AAE")+	Singapore	100	100	Investment holding
Held by T&Co				
T&Co Cafe Sdn. Bhd.	Malaysia	100	100	Food and beverages
Santan Cafe Sdn. Bhd.	Malaysia	100**	–	Provision of inflight meal products

12. Investment in subsidiaries (cont'd.)

Name of entity	Country of incorporation	Group's effective equity interest 2019 %	2018 %	Principal activities
Held by AAC				
Asia Aviation Capital Private Limited ("AACPL")⁺	Singapore	100	100	Providing supporting services to air transport
Rouge Aircraft 1 Limited	Labuan	100	100	Providing supporting services to air transport
Merah Aviation Asset Holding Limited ("Merah Aviation")	Ireland	–	100	Owning, leasing and/or financing of aircraft
Held by AACPL				
Asia Aviation Capital Ireland Limited ("AACIL")⁺	Ireland	100	100	Providing supporting services to air transport
AirAsia Technology Centre Singapore Pte. Ltd. (formerly known as AAC1 Pte. Ltd.) ("AATCS")⁺	Singapore	–**	100	Research and experimental development on IT, development of software for cybersecurity
Freightchains Technologies Pte. Ltd.⁺	Singapore	–**	100	Research and development arm of TCM
AAC3 Pte. Ltd. ("AAC3")⁺	Singapore	100	100	Providing supporting services to air transport
AAC4 Pte. Ltd. ("AAC4")⁺	Singapore	100	100	Providing supporting services to air transport
AAC5 Pte. Ltd. ("AAC5")	Singapore	–@	100	Providing supporting services to air transport
Held by AACIL				
Clifden Aviation 1 Limited ("CA1")	Ireland	100	100	Providing supporting services to air transport
Clifden Aviation 2 Limited ("CA2")	Ireland	100	100	Providing supporting services to air transport
Clifden Aviation 3 Limited ("CA3")	Ireland	100	100	Providing supporting services to air transport
Clifden Aviation 4 Limited ("CA4")	Ireland	100	100	Providing supporting services to air transport
Clifden Aviation 5 Limited ("CA5")	Ireland	–@	100	Providing supporting services to air transport
Clifden Aviation 6 Limited ("CA6")	Ireland	–@	100	Providing supporting services to air transport

12. Investment in subsidiaries (cont'd.)

Name of entity	Country of incorporation	Group's effective equity interest 2019 %	2018 %	Principal activities
Held by BIG				
BIGLIFE Digital Singapore Pte. Ltd.[f]	Singapore	100	100	Marketing and development of loyalty program
BIGLIFE (Thailand) Co Ltd. (formerly known as Tune Money Co Ltd.)[f]	Thailand	49	49	Marketing arm of BIG
PT BIGLIFE Digital Indonesia (formerly known as PT Tune Money Ltd.)[f]	Indonesia	100	100	Marketing arm of BIG
BIGLIFE Hong Kong Co Ltd.[f]	Hong Kong	100	100	Marketing arm of BIG
BIG Loyalty India Pvt Ltd.[+]	India	100	100	Marketing arm of BIG
BIG Loyalty Guangzhou Co Ltd.[f]	China	100	100	Marketing arm of BIG
BIGLIFE Philippines Inc[f]	Philippines	100	–	Marketing arm of BIG
BIGLIFE Digital Sdn. Bhd.	Malaysia	100	–	Marketing arm of BIG
BIGLIFE Japan Co., Ltd.[f]	Japan	100	–	Marketing arm of BIG
BIGLIFE Vietnam Inc[f]	Vietnam	100	–	Marketing arm of BIG
Held by Rokki				
Rokki Avionics Sdn. Bhd.	Malaysia	100	100	Trading of multimedia content and equipment
Held by BPPL				
BigPay Malaysia Sdn. Bhd. ("BigPay")	Malaysia	89.29	89.29	Provision of financial and other related services
BigPay Singapore Pte. Ltd.[+]	Singapore	89.29	89.29	Provision of financial services including but not limited to e-money products
BigPay (Thailand) Ltd.[+]	Thailand	89.29	–	Provision of financial and other related services

12. Investment in subsidiaries (cont'd.)

Name of entity	Country of incorporation	Group's effective equity interest 2019 %	2018 %	Principal activities
Held by Redtix				
Rokki Media Holdings Sdn. Bhd.	Malaysia	75	75	Dormant
Held by TES				
TCM	Malaysia	100**	–	Logistics business
Teleport Commerce In Private Limited	India	67	–	Logistics business
Held by TCM				
Teleport Social Sdn. Bhd. (formerly known as RedBox Logistics Sdn. Bhd.)	Malaysia	100	100	Facilitation of logistics and payment services for cross border e-commerce
Freightchains Technologies Pte. Ltd.+	Singapore	100**	–	Research and development arm of TCM
Held by AA.com				
Travel360 Sdn. Bhd.	Malaysia	100**	–	Inflight magazine content
Shop365 Sdn. Bhd.	Malaysia	100**	–	Inflight shop

+ Audited by a member of Ernst & Young Global.
f Audited by a firm other than Ernst & Young.
^ Listed on the Indonesia Stock Exchange.
@ Struck off during the year.
* Became a wholly owned subsidiary upon acquisition of additional equity interest during the year.
** Transferred within the Group.

Acquisition of additional interest in AA.Com

On 4 March 2019, RBV completed the acquisition of 629,130 ordinary shares in aggregate from Netrove Ventures Corporation, Jeffrey Saw Meng Lai and Wong Chin Kit. Following the acquisition, the Company's indirect shareholdings in AA.Com through RBV increased from 50% to 74.6% resulting in AA.Com becoming an indirect subsidiary of the Company.

On 31 May 2019, RBV acquired the remaining shares in AA.Com from Aaron Sarma for a cash consideration of RM1,858,967. Following the acquisition, AA.Com is a wholly-owned subsidiary of RBV.

12. Investment in subsidiaries (cont'd.)

Details of asset, liabilities and net cash outflow arising from acquisition of additional interest in AA.Com are as follows:

	Fair value 2019 RM'000
Property, plant and equipment	22
Cash and bank balances	42
Receivables	363
Payables	(6,774)
Net identifiable liabilities acquired	(6,347)
Goodwill on acquisition (Note 16)	9,804
Net assets acquired	3,457

	Group RM'000
Purchase consideration for acquisition of additional interest	3,457
Fair value of previously held interest	–*
Less: Cash and cash equivalents of subsidiary acquired	(42)
Net cash outflow on acquisition of subsidiary	3,415

* The fair value is nil as the subsidiary was still dormant as at date of acquisition.

Acquisition of subsidiaries during the financial year ended 31 December 2019

On 6 March 2019, AAC acquired entire issued and paid-up share capital of the following companies:

a) Merah Aviation Asset Holding Two Limited
b) Merah Aviation Asset Holding Three Limited
c) Merah Aviation Asset Holding Four Limited
d) Merah Aviation Asset Holding Five Limited

comprising of 1 ordinary shares for each entity for cash USD1 (or equivalent to RM4.0895). However, the entities are not reflected in the list of subsidiaries above as pursuant to the completion of sales and leaseback transactions as disclosed in Note 44 (i), the above entities have been disposed.

12. Investment in subsidiaries (cont'd.)

Incorporation of subsidiaries during the financial year ended 31 December 2019

During the year, the Group incorporated the following subsidiaries for a total paid up ordinary share capital of RM1,265,619:

	2019 RM
BIGLIFE Philippines Inc	806,000
Big Pay (Thailand) Ltd.	255,416
Teleport Everywhere Pte. Ltd.	418
BIGLIFE Japan Co., Ltd.	*
BIGLIFE Vietnam Inc	203,780
Format Media Sdn. Bhd.	1
RedBeat Capital 1, LLC	4
	1,265,619

* *Denotes JPY1 (equivalent to RM0.03)*

2018

Acquisition of non-controlling interest in subsidiaries in prior year

(a) During the previous financial year, AAB had entered into an agreement with Datuk Douglas Cheng Heng Lee and Datin Charlene Yeo Ming Ling to purchase 220,468 shares in T & Co Coffee Sdn. Bhd. ("T & Co"), representing the remaining 20% non-controlling equity interest in T&Co, for a total cash consideration of RM380,000. Pursuant to this acquisition, the Group's effective interest in T&Co has increased from 80% to 100%. This acquisition does not have any material impact to the financial statements of the Group.

(b) On 8 October 2018, AAIL completed the acquisition of 164,768,300 shares in PT Indonesia AirAsia Tbk ("AAID") from PT Rimau Multi Investama, representing 1.6% equity interest in AAID, for a total cash consideration of USD4.6 million (approximately RM17.9 million). Pursuant to this acquisition, the Group's effective interest in AAID has increased from 47.7% to 49.3% and the financial effects of this transaction, amounting to RM20.1 million, is debited to retained earnings as disclosed in the consolidated statement of changes in equity.

(c) During the previous financial year, RBV had entered into a share sale agreement with Yickal Holdings Limited to purchase 888,001 shares in BIG, representing 10% equity interest in BIG, for a total cash consideration of USD12.9 million (equivalent to RM54.1 million). Pursuant to this acquisition, the Group's effective interest in BIG has increased from 69.3% to 80% and the financial effects of this transaction, amounting to RM57.7 million, was debited to retained earnings as disclosed in the consolidated statement of changes in equity.

(d) During the previous financial year, AAB had entered into an agreement with Sami Joseph El Hadery to purchase 204,000 shares in Rokki, representing the remaining 17% non-controlling equity interest in Rokki, for a total cash consideration of RM5.5 million. Pursuant to this acquisition, the Group's effective interest in Rokki has increased from 83% to 100% and the financial effects of this transaction, amounting to RM6.9 million, was debited to retained earnings as disclosed in the consolidated statement of changes in equity.

12. Investment in subsidiaries (cont'd.)

2018 (cont'd.)

Dilution of interest in BPPL resulting in no loss of control in prior year

On 14 August 2018, BPPL allotted new shares for nil consideration to AAB and Christopher Paul Davison and Navin Rajagopalan (both known as the "Founders") pursuant to the agreed Investment Agreement by AAB with the Founders. The allotment of shares resulted in a dilution of AAB's shareholding in BPPL from 100% to 89.29%. The financial effects of this transaction, amounting to RM4.1 million, is credited to retained earnings as disclosed in the consolidated statement of changes in equity.

Acquisition of Rouge Aircraft 1 Limited in prior year

On 20 December 2018, AAC, a wholly owned subsidiary of the Company, executed a Share Sale and Purchase Agreement with CDB Aviation Lease Finance DAC for the acquisition of 1,000 ordinary shares, being the entire equity interest of Rouge Aircraft 1 Limited (formerly known as GY Aviation Lease Labuan 1 Limited) for a total cash consideration of USD1,000 (equivalent to RM4,186), satisfied in cash, for the restructuring of the lease of an Airbus A320-251N aircraft.

Rouge Aircraft 1 Limited does not have any assets or liabilities at the date of acquisition.

Incorporation of subsidiaries in prior year

During the previous financial year, the Group incorporated the following subsidiaries for a total paid up ordinary share capital of RM3,668,808:

	2018 RM
AirAsia Group (IHQ) Ltd. ("AAIHQ")	2,580,025
BIG Loyalty Guangzhou Co Ltd.	1,081,659
BIG Loyalty India Pvt Ltd.	5,800
AAC5	414
CA5	414
CA6	414
AATCIPL	59
Merah Aviation	4
RedBeat Ventures Inc	4
BigPay Singapore Pte. Ltd.	3
RedCargo Logistics Sdn. Bhd. ("RCL")	2
RedBox Logistics Sdn. Bhd. ("RBL")	2
RBV	2
Santan Cafe Sdn. Bhd.	2
Shop365 Sdn. Bhd.	2
Travel360 Sdn. Bhd.	2
	3,668,808

12. Investment in subsidiaries (cont'd.)

Material partly-owned subsidiaries

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

Proportion of equity interest held by non-controlling interests:

Name of entity	Country of incorporation	Group's effective equity interest 2019	2018
IAA	Indonesia	49.1	49.1
PAA	Philippines	40.0	40.0

	Group 2019 RM'000	2018 RM'000
Accumulated balances of material non-controlling interests:		
IAA	(386,154)	(370,589)
PAA	(1,176,679)	(1,216,630)
Other individually immaterial subsidiaries	(24,757)	(11,970)
	(1,587,590)	(1,599,189)
(Loss)/profit allocated to material non-controlling interests:		
IAA	546	(127,221)
PAA	48,446	(131,278)
Other individually immaterial subsidiaries	(14,493)	(6,957)
	34,498	(265,456)

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

12. Investment in subsidiaries (cont'd.)

Material partly-owned subsidiaries (cont'd.)

Summarised income statements as at 31 December are as follows:

	2019		2018	
	IAA RM'000	**PAA RM'000**	**IAA RM'000**	**PAA RM'000**
Revenue	2,021,407	2,196,422	1,190,771	1,602,142
Depreciation and amortisation	(310,484)	(275,439)	(50,464)	(20,973)
Interest income	1,033	60	838	30
Interest expense	(99,676)	(100,469)	(23,519)	(16,161)
Profit/(loss) before taxation	25,133	88,538	(302,423)	(224,386)
Tax (expense)/credit	(28,463)	(7,242)	45,359	–
Net (loss)/profit for the financial year	(3,330)	81,296	(257,064)	(224,386)
Other comprehensive income/(loss)	4,402	(553)	7,612	5,589
Total comprehensive income/(loss)	1,072	80,743	(249,452)	(218,797)
Attributable to non-controlling interests	546	48,446	(127,221)	(131,278)

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

	2019		2018	
	IAA RM'000	**PAA RM'000**	**IAA RM'000**	**PAA RM'000**
Non-current assets	1,938,573	1,214,953	633,232	115,279
Current assets	271,155	155,286	145,291	103,229
Non-current liabilities	(1,605,486)	(1,086,014)	(197,792)	(103,078)
Current liabilities	(565,483)	(2,156,890)	(811,251)	(2,000,010)
Net assets/(liabilities)	38,759	(1,872,665)	(230,520)	(1,884,580)

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

	2019		2018	
	IAA RM'000	**PAA RM'000**	**IAA RM'000**	**PAA RM'000**
Operating	(295,346)	348,626	(103,099)	14,513
Investing	169,156	(19,827)	94,322	(20,883)
Financing	177,629	(35,741)	(21,830)	(23,346)
Net increase/(decrease) in cash and cash equivalents	51,439	293,058	(30,607)	(29,716)

13. Investment in joint ventures

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unquoted investments, at cost	572,771	578,367	–	–
Less: Impairment of investment	–	(5,596)	–	–
Share of post-acquisition profits	11,083	11,083	–	–
Reclassified to investment in associates	(583,854)	–	–	–
	–	583,854	–	–

On 1 January 2019, SATS Ltd. ("SATS") recognised GTRH as a subsidiary on the basis of control of key activities and consolidated the said entity in its financial statements. As the Group can now only exercise significant influence, pursuant to the requirements of the accounting standards, the Group reclassified the investment from 'investment in joint ventures' to 'investment in associates'. This reclassification does not have any financial impact to the consolidated income statement.

On 4 January 2018, the share swap agreement between GTRH and SATS was completed, wherein GTRH acquired an 80% equity stake in SATS Ground Services Singapore Pte. Ltd. in exchange for 11.4% equity stake in GTRH. In addition to this, on 14 February 2018, AAB, a wholly-owned subsidiary of the Company, sold and transferred 38.6% of its shareholding in GTRH to SATS for a consideration of SGD119,300,000 (equivalent to RM358.8 million).

Details of the assets, liabilities and net cash inflow arising from the loss of control in GTRH were as follows:

	Group RM'000
Assets	
Non-current asset	
Property and equipment (Note 11)	17,933
Current assets	
Cash and bank balances	6,079
Trade and other receivables	8,743
	14,822
Total assets	32,755
Liabilities	
Current liabilities	
Trade and other payables, representing total liabilities	9,137

13. Investment in joint ventures (cont'd.)

Details of the assets, liabilities and net cash inflow arising from the loss of control in GTRH were as follows: (cont'd.)

	Group RM'000
Net assets disposed	23,618
Less: Non-controlling interests' share of net assets	(303)
Total disposal proceeds	(358,774)
Fair value of retained interest in a former subsidiary	(549,570)
Gain on loss of control of a subsidiary	(885,029)
Cash consideration received	358,774
Cash and cash equivalents of subsidiary disposed	(6,079)
Net cash inflow of the Group	352,695
Gain on loss of control comprises:	
– Gain on disposal of investment in a subsidiary	350,317
– Remeasurement gain on retained interest in a former subsidiary	534,712
	885,029

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

Name of entity	Principal place of business/ country of incorporation	Group's effective equity interest 2019 %	Group's effective equity interest 2018 %	Principal activities
Held by AAB				
Ground Team Red Holdings Sdn. Bhd. ("GTRH")[f]	Malaysia	–*	50	Investment holding
Held by AAIL				
AA.Com	Malaysia	–**	50	Tour and travel services
Held by GTRH				
Ground Team Red Sdn. Bhd. ("GTR")[f]	Malaysia	–*	49	Ground handling services
SATS Ground Services Singapore Pte. Ltd.[f]	Singapore	–*	40	Ground handling services

[f] Audited by a firm other than Ernst & Young.
* Transferred to investment in associates.
** Became a wholly owned subsidiary upon acquisition of additional equity interest during the year.

13. Investment in joint ventures (cont'd.)

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

	GTRH 2018 RM'000
Non-current assets	1,130,737
Current assets	23,200
Current liabilities	(23,239)

Summarised income statements as at 31 December are as follows:

	GTRH 2018 RM'000
Revenue	–
Net profit for the financial year, representing total comprehensive income	22,166
Dividends received from joint ventures	–

Reconciliations of summarised financial information

	GTRH 2018 RM'000
Opening net assets at 1 January	–
Acquisition of investments via shares	1,099,142
Issuance of ordinary shares	46,400
Profit for the financial year	22,166
Closing net assets at 31 December	1,167,708
Group's interest in a joint venture	50%
Interest in a joint venture	583,854
Carrying value at 31 December	583,854

Acquisition of additional interests in a joint venture in prior year

On 13 April 2018, AAB, a wholly owned subsidiary of the Company, subscribed to 23,200,000 ordinary shares in GTRH for a cash consideration of RM23.2 million. The Group's equity interest in GTRH remains at 50%.

14. Investment in associates

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Unquoted investments, at cost	952,653	672,187	–	–
Reclassified from investment in joint ventures	583,854	–	–	–
Share of post-acquisition loss	(850,661)	(333,767)	–	–
Share of post-acquisition reserves	17,479	(55,682)	–	–
	703,325	282,738	–	–

The details of the associates are as follows:

Name of entity	Principal place of business/ country of incorporation	Group's effective equity interest** 2019 %	Group's effective equity interest** 2018 %	Principal activities
Held by AAB				
AirAsia Philippines Inc	Philippines	39.9	39.9	Providing air transportation services, currently dormant
GTRH[f]	Malaysia	50*	–	Investment holding
Held by AAIL				
Thai AirAsia Co. Ltd. ("TAA")[+]	Thailand	45.0	45.0	Commercial air transport services
AirAsia (India) Limited ("AAI")[+]	India	49.0	49.0	Commercial air transport services
AirAsia Japan Co., Ltd. ("JAA")[+^]	Japan	66.9[#]	66.9	Commercial air transport
Held by GTRH				
GTR[f]	Malaysia	49*	–	Ground handling services
SGSS[f]	Singapore	40*	–	Ground handling services
Held by MadCience Consulting Sdn. Bhd.				
Big Data for Human Limited ("BD4H")[f]	United Kingdom	42	42	Dormant

f Audited by a member of Ernst & Young Global.
+ Audited by a firm other than Ernst & Young.
^ These investees are deemed to be the associates of the Group as the Group has significant influence and not control over the relevant activities.
* Transferred from investment in joint venture.
\# Equity interest of 66.91% comprise both voting and non-voting shares in JAA. AAIL holds 33% of the voting shares and 67% of the non-voting shares.

14. Investment in associates (cont'd.)

All of the investment in associates are accounted for using the equity method.

All of the associates have the same reporting period as the Group except for AAI and GTRH which is 31 March. For the purpose of applying the equity method of accounting for associates, the last audited financial statements available and the management financial statements as at end of the accounting period of the associate were used.

The Group has not recognised losses relating to AAI and AAJ, where its share of losses exceeds the Group's interest in this associate. The Group's cumulative share of unrecognised losses at the reporting date for AAI and AAJ were RM86.1 million and RM40.6 million respectively (2018: RM173.3 million and RM Nil), of which RM86.1 million and RM40.6 million respectively (2018: RM31.4 million and RM Nil) were the share of current year's losses. The Group has no obligation in respect of these losses.

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

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

During the year, as disclosed in Note 13, the Group's investment in GTRH was accounted for as investment in associates.

Acquisition of additional interests in AAI during the financial year ended 31 December 2019

During the year, AAIL subscribed for additional rights issue of shares of INR473 Cr (equivalent to RM280.5 million) representing equity shares of 473,000,000 of INR10 each at par.

Acquisition of additional interests in associates in prior year

(a) On 9 February 2018, AAIL, a wholly owned subsidiary of AAB, subscribed to 28,571,428 shares in JAA for a cash consideration of JPY2,000.0 million (equivalent to RM72.0 million). On 27 June 2018, AAIL subscribed to an additional 27,857,143 shares in JAA for a cash consideration of JPY1,950.0 million (equivalent to RM71.8 million). The Group's equity interest in JAA has increased from 56.9% to 66.9%.

(b) On 3 May 2018, AAIL subscribed to 52,454,500 shares in AAI for a cash consideration of USD7.7 million (equivalent to RM31.4 million). The Group's equity interest in AAI remains at 49%.

Disposal of an associate in prior year

On 14 August 2018, AAE and AAB, both wholly owned subsidiaries of the Company, entered into a Share Purchase Agreement ("SPA") with Expedia Southeast Asia Pte. Ltd. ("Expedia SEA") and Expedia Inc ("Expedia") to sell AAE's entire shareholding in AAE Travel, comprising 6,144,279 ordinary shares (constituting approximately 25% of the total issued and outstanding shares), to Expedia for a cash consideration of USD60.0 million (approximately RM245.8 million) which resulted in a gain on disposal of RM181.9 million.

14. Investment in associates (cont'd.)

Material associates

The Directors consider TAA and GTRH as material associates to the Group. TAA is an operator of commercial air transport services which is based in Thailand. This associate company is a strategic investment of the Company and form an essential part of the Company's growth strategy. TAA provides access to a wider geographical market and network coverage in the provision of air transport services across the Association of Southeast Asian Nations ("ASEAN") region. GTRH has investments in GTR and SGSS which provide ground handling services in Malaysia and Singapore respectively.

Summarised financial information for associates

The tables below provide summarised financial information for TAA and GTRH that is material to the Group. The information disclosed reflects the amounts presented in the financial statements of TAA and GTRH and not the Group's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

Summarised statements of financial position

	GTRH	TAA	
	2019	2019	2018
	RM'000	RM'000	RM'000
Non-current assets	1,172,806	4,359,083	4,042,160
Current assets	3,321	1,007,159	801,605
Non-current liabilities	–	(2,509,888)	(2,442,377)
Current liabilities	(311,433)	(1,917,026)	(1,407,790)

Summarised statements of comprehensive income

	GTRH	TAA	
	2019	2019	2018
	RM'000	RM'000	RM'000
Revenue	–	5,567,880	5,028,029
Net loss for the financial year	(4,752)	(154,395)	(14,174)
Other comprehensive income/(loss)	–	171,341	(122,776)
Total comprehensive loss	(4,752)	16,945	(136,950)
Dividends received from associates	–	–	167,918

14. Investment in associates (cont'd.)

Material associates (cont'd.)

Summarised financial information for associates (cont'd.)

Reconciliations of summarised financial information

	GTRH	TAA	
	2019 RM'000	2019 RM'000	2018 RM'000
Opening net assets at 1 January	1,167,708	427,343	989,747
Effects of changes in accounting policies	–	(203,440)	(13,293)
Dividend paid	–	–	(373,151)
Loss for the financial year	(4,752)	(154,395)	(14,174)
Other comprehensive income/(loss)	–	171,341	(122,776)
Foreign exchange differences	–	29,708	(39,010)
Closing net assets at 31 December	1,162,956	270,557	427,343
Group's interest in associates	50%	45%	45%
Interest in associates	581,478	121,751	192,304
Carrying value at 31 December	581,478	121,751	192,304

Individually immaterial associates

In addition to the interests in associates disclosed above, the Group also has interests in a number of individually immaterial associates that are accounted for using the equity method.

	Group	
	2019 RM'000	2018 RM'000
Aggregate carrying amount of individually immaterial associates	–	90,434
Aggregate amounts of the Group's share of:		
Loss from continuing operations	(361,768)	(137,666)
Other comprehensive income	–	–
Total comprehensive loss	(361,768)	(137,666)

15. Investment securities

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Listed equity securities				
At 1 January	337,324	296,080	145,741	–
Addition during the year	–	207,595	–	207,595
Fair value gain/(loss)				
– recognised in other comprehensive income	76,503	(165,802)	121,650	(61,305)
Foreign exchange	–	(549)	–	(549)
At 31 December	413,827	337,324	267,391	145,741
Unlisted equity securities				
At 1 January	74,000	–	54,734	–
Addition during the year	30,965	55,835	7,444	54,734
Capital return	(16,409)	–	(16,409)	–
Fair value gain				
– recognised in other comprehensive income	5,549	18,165	–	–
At 31 December	94,105	74,000	45,769	54,734
Unquoted debt securities				
At 1 January	66,536	5,438	–	–
Addition during the year	28,747	66,536	–	–
Impairment	–	(5,438)	–	–
At 31 December	95,283	66,536	–	–
Total	603,215	477,860	313,160	200,475

Financial assets at fair value through other comprehensive income comprise investments in equity securities of listed and non-listed companies which were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature. The Group holds non-controlling interests between 2% to 14% in these companies. During the year, the Group received dividends in the amount of RM6.3 million from these companies.

16. Intangible assets

	Goodwill RM'000	Landing rights RM'000	Internally developed software RM'000	Total RM'000
Group				
Cost				
At 1 January 2019	159,023	443,900	13,690	616,613
Additions	–	–	10,278	10,278
Acquisition of a subsidiary	9,804	–	–	9,804
At 31 December 2019	168,827	443,900	23,968	636,695
Accumulated amortisation				
At 1 January 2019	–	–	(1,200)	(1,200)
Amortisation expense	–	–	(471)	(471)
At 31 December 2019	–	–	(1,671)	(1,671)
Carrying amount as at 31 December 2019	168,827	443,900	22,297	635,024
Group				
Cost				
At 1 January 2018	159,023	443,900	6,995	609,918
Additions	–	–	6,695	6,695
At 31 December 2018	159,023	443,900	13,690	616,613
Accumulated amortisation				
At 1 January 2018	–	–	(589)	(589)
Amortisation expense	–	–	(611)	(611)
At 31 December 2018	–	–	(1,200)	(1,200)
Carrying amount as at 31 December 2018	159,023	443,900	12,490	615,413

Landing rights

Landing rights relate to traffic rights and landing slots for destinations operated by IAA and PAA. As explained in Note 2.6.2(ii), the useful life of these landing rights is estimated to be indefinite.

16. Intangible assets (cont'd.)

Impairment testing for goodwill and landing rights

The carrying amounts of goodwill and landing rights allocated to the Group's cash generating unit are as follows:

	Goodwill		Landing rights	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CGU				
BIGLIFE Sdn. Bhd. ("BIG")	102,926	102,926	–	–
PT Indonesia AirAsia ("IAA")	38,394	38,394	374,600	374,600
AirAsia Inc Group ("PAA")	–	–	69,300	69,300
AirAsia Investment Ltd. ("AAIL")	7,334	7,334	–	–
BigPay Malaysia Sdn. Bhd. ("BigPay")	5,275	5,275	–	–
Rokki Sdn. Bhd. ("Rokki")	5,094	5,094	–	–
AirAsia Com Travel ("AA.com")	9,804	–	–	–
	168,827	159,023	443,900	443,900

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

	Growth rates		Discount rates	
	2019	2018	2019	2018
CGU				
BIG	2%	2%	15.0%	15.0%
IAA	2%	3%	17.0%	18.5%
PAA	2%	2%	14.0%	17.0%

The calculation of fair value for the IAA CGU is most sensitive to the following assumptions:

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

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

16. Intangible assets (cont'd.)

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

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

Description	Unobservable inputs*	Inputs	Relationship of unobservable inputs to fair value
IAA	Discount rate	17.0%	Increased discount rate of 1% would decrease fair value by RM132,000,000
	Long-term growth rate per annum	2%	Decreased long-term growth rate by 1% would decrease the fair value by RM80,000,000

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

Based on the assessments performed, there is no impairment of goodwill and landing rights attributable to the CGUs. For BIG and PAA, management reasonably believes that the carrying value, including goodwill, will not materially exceed its recoverable amount.

The calculation of recoverable amounts of the CGUs which have been measured based on their fair value less cost to sell as described above has been made based on conditions existing at 31 December 2019 and did not take into consideration the impact of COVID-19 pandemic. There is a significant risk that the assumptions on revenue per passenger, load factor, discount rates and growth rate applied in the goodwill impairment assessment would need to be revised in the next financial year which may result in a material adjustment to the carrying amounts of the goodwill.

It is likely that the revenue per passenger, load factor and growth rate would be revised downwards mainly due to the expected decrease in demand. Pre-tax discount rate is likely to be revised upwards.

17. Deferred tax assets/(liabilities)

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

	Group	
	2019 RM'000	**2018 RM'000**
At beginning of year	831,540	381,926
Effects of changes in accounting policies	–	6,849
Recognised in profit or loss (Note 9)	273,252	399,126
Recognised in other comprehensive income	(61,722)	42,260
Exchange differences	3,481	1,379
At end of year	1,046,551	831,540
Presented after appropriate offsetting as follows:		
Deferred tax assets	1,130,830	891,445
Deferred tax liabilities	(84,279)	(59,905)
	1,046,551	831,540

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

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

Deferred tax assets of the Group:

	Unabsorbed investment tax allowances RM'000	Unabsorbed capital allowances RM'000	Sales in advance RM'000	Derivatives RM'000	Unutilised tax losses RM'000	Provision for retirement benefits RM'000	Others RM'000	Total RM'000
At 1 January 2019	1,114,316	432,194	167,247	37,614	51,586	13,084	32,213	1,848,254
Recognised in profit or loss	(408,316)	(92,227)	(4,422)	22,032	(25,235)	2,034	(12,958)	(519,092)
Recognised in other comprehensive income	–	–	–	(60,293)	–	(1,429)	–	(61,722)
Exchange differences	–	–	–	–	2,716	37	738	3,491
At 31 December 2019	706,000	339,967	162,825	(647)	29,067	13,726	19,993	1,270,931
At 1 January 2018	1,334,948	723,419	154,589	61,231	9,643	14,253	60,516	2,358,599
Effects of changes in accounting policies	–	–	6,849	–	–	–	–	6,849
Recognised in profit or loss	(220,632)	(291,225)	5,809	(68,813)	41,943	1,678	(28,392)	(559,632)
Recognised in other comprehensive income	–	–	–	45,196	–	(2,936)	–	42,260
Exchange differences	–	–	–	–	–	89	89	178
At 31 December 2018	1,114,316	432,194	167,247	37,614	51,586	13,084	32,213	1,848,254

* Others include provisions and receivables.

Deferred tax liabilities of the Group:

	Property, plant and equipment RM'000	Fair value on intangible assets RM'000	Payables RM'000	Others RM'000	Total RM'000
At 1 January 2019	(798,184)	(114,440)	(98,648)	(5,442)	(1,016,714)
Recognised in profit or loss	763,804	–	27,429	1,111	792,344
Exchange differences	212	–	–	(222)	(10)
At 31 December 2019	(34,168)	(114,440)	(71,219)	(4,553)	(224,380)
At 1 January 2018	(1,739,444)	(114,440)	(114,753)	(8,036)	(1,976,673)
Recognised in profit or loss	941,260	–	16,105	1,393	958,758
Exchange differences	–	–	–	1,201	1,201
At 31 December 2018	(798,184)	(114,440)	(98,648)	(5,442)	(1,016,714)

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

Deferred tax has not been recognised for the following items:

	Group	
	2019 RM'000	2018 RM'000
Deferred revenue	93,842	86,331
Deferred breakage	49,832	39,959
Provisions and others	41,487	36,191
Unabsorbed capital allowances	34,862	33,544
Unutilised tax losses	383,186	364,531
Unutilised investment tax allowances	989,346	–
	1,592,555	560,556

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

As disclosed in Note 3.2 in respect of critical accounting estimates and judgments, the deferred tax assets are recognised on the basis of the Group's previous history of recording profits, and to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Estimating the future taxable profits involves significant assumptions, especially in respect of fares, load factor, fuel price, maintenance costs and currency movements. These assumptions have been built based on past performance and adjusted for non-recurring circumstances and a reasonable growth rate as at reporting date.

Subsequent to year end, following the COVID-19 pandemic, there is a significant risk that the assumptions applied in estimating the future taxable profits would need to be revised in the next financial year which may result in a material adjustment to the carrying amounts of the deferred tax assets.

18. Receivables and prepayments

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current:				
Other receivables	454,393	518,938	–	–
Prepayments	2,512,007	2,011,181	–	–
Deposits	457,584	537,464	–	–
	3,423,984	3,067,583	–	–
Current:				
Trade receivables	255,528	211,883	–	–
Less: Allowance for impairment	(77,128)	(118,095)	–	–
	178,400	93,788	–	–
Other receivables	272,255	392,120	1,371	–
Prepayments	594,623	829,872	1,353	47
Deposits	87,733	79,190	–	–
	1,133,011	1,394,970	2,724	47

Credit terms of trade receivables range from 30 to 60 days (2018: 30 to 60 days).

18. Receivables and prepayments (cont'd.)

The ageing analysis of trade receivables is as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current	192,363	64,743	–	–
1 to 90 days	334,851	(26,082)	–	–
91 to 120 days	149,932	(2,089)	–	–
121 to 180 days	(502,247)	7,348	–	–
181 to 365 days	10,623	21,519	–	–
Over 365 days	70,006	146,444	–	–
	255,528	211,883	–	–

Negative balance relates to sales agents top up that is utilised to purchase tickets for future flights for passengers.

(a) Trade receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired of RM192.4 million in 2019 (2018: RM64.7 million) are substantially due from companies with good collection track records with the Group.

(b) Trade receivables that are past due but not impaired

Trade receivables for the Group of RM(14) million (2018: RM29 million) were past due but not impaired. These debts relate to a number of independent customers for whom there is no recent history of default.

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At 1 January	118,095	47,839	–	–
Reversal	(2,638)	–	–	–
Impairment (Note 6)	5,415	70,325	–	–
Foreign exchange movement	–	(69)	–	–
Write off	(43,744)	–	–	–
At 31 December	77,128	118,095	–	–

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

Included in non-current other receivables is a receivable of IDR1,192 billion (equivalent to RM351,373,000) (2018: RM381,206,000) arising from the disposal of perpetual capital security which is repayable over 10 years.

18. Receivables and prepayments (cont'd.)

Deposits of the Group at the balance sheet date are with a number of external parties for which there is no expectation of default. The deposits include amount set aside for aircraft maintenance of major components amounting to RM290 million (2018: RM246 million).

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

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

The currency profile of receivables and deposits (excluding prepayments) is as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Ringgit Malaysia	88,923	268,530	1,371	–
US Dollar	904,146	698,541	–	–
Others	457,296	654,429	–	–
	1,450,365	1,621,500	1,371	–

19. Deposits on aircraft purchase

Deposits on aircraft purchases represent refundable deposits paid for aircraft to be delivered to the Group. These deposits are denominated in US Dollars.

20. Derivative financial instruments

	Group			
	2019		2018	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
Non-current				
Interest rate swaps				
– cash flow hedges	–	–	15,003	(28,465)
Interest rate swaps				
– held for trading	–	(53,186)	–	(9,521)
Interest rate caps				
– held for trading	–	–	2	–
Forward foreign exchange contracts				
– cash flow hedges	–	–	99,411	–
Forward foreign exchange contracts				
– held for trading	147,454	–	114,020	–
Cross currency interest rate swaps				
– cash flow hedges	–	–	6,547	–
Cross currency interest rate swaps				
– held for trading	46,353	–	65,971	–
Commodity derivatives				
– cash flow hedges	14,918	(20,164)	82,157	(161,348)
Total	208,725	(73,350)	383,111	(199,334)
Current				
Interest rate swaps				
– cash flow hedges	–	–	–	(1,418)
Interest rate swaps				
– held for trading	–	(7,022)	–	–
Forward foreign exchange contracts				
– cash flow hedges	–	–	7,605	–
Forward foreign exchange contracts				
– held for trading	5,263	–	23,513	–
Commodity derivatives				
– cash flow hedges	219,425	(119,955)	229,249	(450,223)
Commodity derivatives				
– held for trading	–	–	6,944	(13,636)
Cross currency interest rate swaps				
– held for trading	5,791	–	–	–
Total	230,479	(126,977)	267,311	(465,277)

20. Derivative financial instruments (cont'd.)

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

During the financial year, the Group recognised a gain of RM253.1 million arising from fair value changes of derivative financial instruments. The fair value changes are attributable to changes in foreign exchange spot and forward rate, changes in yield curve and changes in market price of fuel. The method and assumptions applied in determining the fair value of derivatives are disclosed in Note 42(e).

	Group			
	2019		2018	
	Notional amount RM'000	Fair value RM'000	Notional amount RM'000	Fair value RM'000
Interest rate caps	79,427	–	183,301	2
Interest rate swaps	1,527,159	(60,208)	2,221,683	(24,401)
Cross currency interest rate swaps	287,580	52,144	300,413	72,518
Forward foreign exchange contracts	663,202	152,717	1,691,786	244,549
Commodity derivatives	11,386,771*	94,224	11,876,467*	(306,857)

* in barrels

(i) Forward foreign exchange contracts and cross currency interest rate swaps

The notional principal amounts of the outstanding forward foreign exchange contracts and cross currency interest rate swaps at 31 December 2019 were RM0.951 billion (2018: RM1.992 billion).

As at 31 December 2019, the Group has not hedged any of its USD liabilities pertaining to its aircraft. In the previous financial year, the Group has hedged approximately 69% of its USD liabilities pertaining to its aircraft into Malaysian Ringgit ("RM") by using long dated foreign exchange forward contracts and cross currency interest rate swaps to manage its foreign currency risk. The weighted average of USD:RM forward exchange rate is 3.2320 (2018: 3.2320).

(ii) Interest rate contracts

The notional principal amounts of the outstanding interest rate contracts at 31 December 2019 were RM1.607 billion (2018: RM2.405 billion).

The Group has entered into interest rate contracts to hedge against fluctuations in the USD LIBOR on its existing floating rate aircraft financing for aircraft delivered from 2005 to 2017. As at 31 December 2019, the Group has not hedged any of its existing USD aircraft loans. In the previous financial year, the Group has hedged 100% of its existing USD aircraft loans at rates from 1.8% to 5.1% per annum via interest rate swaps, interest rate caps and cross-currency swaps.

(iii) Fuel contracts

The outstanding number of barrels of Brent and Crack derivative contracts of the Group as at 31 December 2019 were 11.4 million barrels (2018: 11.9 million barrels).

As at 31 December 2019, the Group has entered into Brent fixed swap contracts which represents average of 46% (2018: 33%) of the Group's total expected fuel volume for the financial years 2020 to 2021. This is to hedge against the fuel price risk that the Group is exposed to. Gains and losses recognised in the hedging reserve in equity on fuel derivative contracts as of 31 December 2019 are recognised in the income statement in the period or periods during which the hedged forecast transactions affect the income statements.

21. Inventories

	Group 2019 RM'000	Group 2018 RM'000
At cost		
Consumables, in-flight merchandise and others	146,086	106,326

During the year, the amount of the inventories recognised in operating expenses of the Group was RM179,328,466 (2018: RM100,597,082)

22. Amounts due from/(to) subsidiaries

	Company 2019 RM'000	Company 2018 RM'000
Amount due from subsidiaries	286,873	250
Amounts due to subsidiaries	–	(313,354)
	286,873	(313,104)

The amounts due from/to subsidiaries are unsecured, interest free and repayable on demand.

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

	Company 2019 RM'000	Company 2018 RM'000
Receivables:		
– AirAsia Investment Ltd.	277,349	–
– AirAsia Berhad	9,274	–
– RedBeat Ventures Sdn. Bhd.	250	250
	286,873	250
Payables:		
– AirAsia Berhad	–	(311,641)
– AirAsia SEA Ltd. (formerly known as AirAsia Group (IHQ) Ltd.)	–	(1,713)
	–	(313,354)

22. Amounts due from/(to) subsidiaries

The currency profile of amounts due from/(to) subsidiaries are as follows:

	Company	
	2019 RM'000	2018 RM'000
Due from		
Ringgit Malaysia	82,207	250
US Dollar	204,666	–
	286,873	250
Due to		
Ringgit Malaysia	–	(44,299)
US Dollar	–	(267,342)
Others	–	(1,713)
	–	(313,354)

23. Amounts due from/(to) associates

	Group	
	2019 RM'000	2018 RM'000
Amounts due from associates		
– current	432,709	404,139
Amounts due to associates		
– current	(151,812)	(32,228)
– non-current	–	(45,436)
	(151,812)	(77,664)

The amounts due from/(to) associates are trade balances and are unsecured, interest free and repayable on demand except for loans of JPY3 billion (equivalent to RM114.9 million) and USD12 million (equivalent to RM50.5 million) to AirAsia Japan Co. Ltd. which bear interests of 8% per annum and 6% per annum respectively.

23. Amounts due from/(to) associates (cont'd.)

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

Amounts due from associates that are neither past due nor impaired of the Group amounted to RM432,709,000 (2018: RM404,139,000).

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

There are no amounts due from associates of the Group that are past due and not impaired.

(iii) Financial assets that are impaired

There are no amounts due from associates of the Group that are past due and impaired.

The maximum exposure to credit risk at the reporting date is the carrying value of the amounts due from associates mentioned above.

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

	Group	
	2019	**2018**
	RM'000	**RM'000**
Receivables:		
– AirAsia (India) Limited	207,131	318,496
– Thai AirAsia Co. Ltd.	47,556	75,274
– AirAsia Japan Co. Ltd.	173,461	9,002
– Others	4,561	1,367
	432,709	404,139

	Group	
	2019	**2018**
	RM'000	**RM'000**
Payables:		
– Thai AirAsia Co. Ltd.	(129,870)	(52,949)
– AirAsia (India) Limited	(18,410)	(20,945)
– AirAsia Japan Co. Ltd.	(14)	(3,641)
– Others	(3,518)	(129)
	(151,812)	(77,664)

The currency profile of the amounts due from/(to) associates are mainly in US Dollars.

24. Amounts due from/(to) joint ventures

	Group	
	2019 RM'000	2018 RM'000
Amounts due from joint ventures	–	6,792
Amount due to a joint venture	–	(11,032)

Amount due from/(to) a joint venture are unsecured, interest free and repayable on demand. The carrying amount of amount due from joint ventures approximates their fair value.

The details of the receivables and payable from/(to) joint ventures are as follows:

	Group	
	2019 RM'000	2018 RM'000
Receivables:		
– AirAsia Com Travel Sdn. Bhd.	–	5,528
– Others	–	1,264
	–	6,792
Payable:		
– Ground Team Red Sdn. Bhd.	–	(11,032)
	–	(11,032)

The currency profile of amounts due from/(to) related parties are as follows:

	Group	
	2019 RM'000	2018 RM'000
Due from		
Ringgit Malaysia	–	1,264
US Dollar	–	5,528
	–	6,792
Due to		
Ringgit Malaysia	–	(11,032)

25. Amounts due from/(to) related parties

	Group 2019 RM'000	Group 2018 RM'000
Amounts due from related parties	135,333	152,410
Less: Allowance for impairment	(28,133)	(28,133)
	107,200	124,277
Amounts due to related parties		
– current	(260,354)	(103,078)
	(260,354)	(103,078)

The amounts due from related parties are trade balances and are unsecured, interest free and repayable on demand. The carrying amounts of amounts due from related parties approximate their fair values.

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

	Group 2019 RM'000	Group 2018 RM'000
Receivables:		
– AirAsia X Berhad	21,671	64,093
– PT Indonesia AirAsia Extra	79,036	58,796
– Others	6,493	1,388
	107,200	124,277

	Group 2019 RM'000	Group 2018 RM'000
Payables:		
– AirAsia X Berhad	(93,935)	(43,969)
– Thai AirAsia X Co. Ltd.	(151,368)	(32,148)
– PT Indonesia AirAsia Extra	(12,526)	(19,615)
– Others	(2,525)	(7,346)
	(260,354)	(103,078)

25. Amounts due from/(to) related parties (cont'd.)

The currency profile of amounts due from/(to) related parties are as follows:

	Group	
	2019 RM'000	2018 RM'000
Due from		
Ringgit Malaysia	22,293	124,277
US Dollar	84,907	–
	107,200	124,277
Due to		
Ringgit Malaysia	(108,958)	(24,302)
US Dollar	(151,396)	(78,776)
	(260,354)	(103,078)

26. Deposits, cash and bank balances

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deposits with licensed banks	306,919	448,564	–	–
Cash and bank balances	2,281,178	2,878,357	41,126	1,357,538
Deposits, cash and bank balances	2,588,097	3,326,921	41,126	1,357,538
Deposits with licensed banks with maturity period of more than 3 months	(10,518)	(19,143)	–	–
Deposits pledged as securities and restricted cash	(85,303)	(14,764)	–	–
Cash and cash equivalents	2,492,276	3,293,014	41,126	1,357,538

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Ringgit Malaysia	467,145	1,715,698	25,473	1,352,636
US Dollar	812,310	1,118,833	15,653	4,902
Chinese Renminbi	844,032	180,559	–	–
Others	464,610	311,831	–	–
	2,588,097	3,326,921	41,126	1,357,538

26. Deposits, cash and bank balances (cont'd.)

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

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

	Group		Company	
	2019 %	2018 %	2019 %	2018 %
Deposits with licensed banks	1.74	2.45	–	–

27. Trade and other payables

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current:				
Other payables	320,455	396,946	–	–
	320,455	396,946	–	–

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current:				
Trade payables	448,995	538,282	–	–
Accrual for fuel	270,496	149,628	–	–
Collateral for derivatives	7,789	79,399	–	–
Other payables and accruals	1,447,870	1,558,686	1,838	771
	2,175,150	2,325,995	1,838	771

The current other payables and accruals include accruals for operational expenses and passenger service charge payable to airport authorities.

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Ringgit Malaysia	1,130,531	1,142,906	1,838	771
US Dollar	767,428	922,330	–	–
Others	597,646	657,705	–	–
	2,495,605	2,722,941	1,838	771

28. Aircraft maintenance provisions and liabilities

	Group 2019 RM'000	Group 2018 RM'000
Aircraft maintenance provisions (i)	1,274,338	1,011,809
Aircraft maintenance payables (ii)	2,435,499	2,401,144
Aircraft maintenance reserve fund (iii)	1,583,096	1,069,849
	5,292,933	4,482,802

	Group 2019 RM'000	Group 2018 RM'000
Disclosed as		
Non-current	4,720,621	3,960,731
Current	572,312	522,071
	5,292,933	4,482,802

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

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

	Group 2019 RM'000	Group 2018 RM'000
At 1 January	1,011,809	737,638
Arose during the year	608,692	539,728
Utilised	(342,469)	(288,416)
Exchange differences	(3,694)	22,859
At 31 December	1,274,338	1,011,809

(ii) Aircraft maintenance payables (which is estimated using flight hours and flight cycles of the aircraft at the date of disposal) relate to the amounts set aside from the disposal consideration for aircraft under operating lease where the Group is contractually obligated to return the aircraft at the end of the lease term in certain pre-agreed conditions.

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

29. Borrowings

	Group 2019 RM'000	Group 2018 RM'000
Current		
Term loans	238,524	325,375
Finance lease liabilities (Ijarah)	–	58,308
Commodity Murabahah Finance	3,628	22,238
Revolving credit	100,000	17,242
	342,152	423,163
Non-current		
Term loans	86,714	530,116
Finance lease liabilities (Ijarah)	–	178,548
Commodity Murabahah Finance	–	73,302
	86,714	781,966
Total borrowings	428,866	1,205,129

	Group 2019 %	Group 2018 %
Weighted average interest rate		
Term loans	7.21	5.23
Finance lease liabilities (Ijarah)	–	6.28
Commodity Murabahah Finance	5.27	5.63
Revolving credit	3.90	9.38

The borrowings are repayable as follows:

	Group 2019 RM'000	Group 2018 RM'000
Not later than 1 year	342,152	423,163
Later than 1 year and not later than 5 years	70,077	652,302
Later than 5 years	16,637	129,664
	428,866	1,205,129

29. Borrowings (cont'd.)

The currency profile of borrowings is as follows:

	Group	
	2019 RM'000	2018 RM'000
Ringgit Malaysia	103,628	95,540
US Dollar	186,260	885,632
Euro	–	56,060
Philippine Peso	90,000	94,457
Indonesia Rupiah	48,978	73,440
	428,866	1,205,129

Total borrowings as at reporting date consist of the following banking facilities:

	Group	
	2019 RM'000	2018 RM'000
Fixed rate borrowings	217,114	823,373
Floating rate borrowings	211,752	381,756
	428,866	1,205,129

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

	Group			
	2019		2018	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Term loans	117,114	90,207	586,517	567,527
Revolving Credit	100,000	100,000	–	–
Finance lease liabilities (Ijarah)	–	–	236,856	225,943
	217,114	190,207	823,373	793,470

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

The fair values of the fixed rate borrowings are based on cash flows discounted using borrowing rates that are reflective of the Group's credit risk at the balance sheet date, at 5.6% to 7.67% (2018: 4.0% to 5.6%) per annum. The fair values of fixed rate borrowings are within level 2 of the fair value hierarchy.

The term loans and Commodity Murabahah Finance are for the purchase of assets and working capital purposes. The repayment terms are on a quarterly or semi-annually basis.

Total borrowings include secured liabilities of the Group of RM215 million (2018: RM1.1 billion) which are mainly secured by assignment of rights under contract with Airbus over each aircraft and office building in Indonesia.

30. Leases

Group as a lessee

The Group leases various aircraft and land and building. Leases of aircraft have a lease term of 2 to 15 years whilst land and building generally have a lease term of 2 to 20 years.

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

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

	Aircraft RM'000	Land and building RM'000	Total RM'000
As at 1 January 2019	8,207,495	35,629	8,243,124
Additions	4,540,198	28,570	4,568,768
Disposals	(345,110)	–	(345,110)
Depreciation expense	(1,223,635)	(18,114)	(1,241,749)
Exchange movements	(8,805)	(274)	(9,079)
As at 31 December 2019	11,170,143	45,811	11,215,954

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

	2019 RM'000
As at 1 January 2019	9,691,604
Additions	4,794,078
Accretion of interest (Note 8(b))	503,093
Unrealised foreign exchange gain	(54,838)
Payments	(2,088,180)
Disposals	(374,322)
Exchange movements	(11,634)
As at 31 December 2019	12,459,801
Current	2,271,662
Non-current	10,188,139
	12,459,801

The maturity analysis of lease liabilities are disclosed in Note 42 (c).

30. Leases (cont'd.)

Group as a lessee (cont'd.)

The following are the amounts recognised in profit or loss:

	2019 RM'000
Depreciation expense of right-of-use assets	1,241,749
Interest expense on lease liabilities	503,093
Expense relating to short-term leases	21,437
Gain on recognition of finance lease receivables	22,458
Total amount recognised in profit or loss	1,788,737

The Group had total cash outflows for leases of RM2,088 million in 2019. The Group also had non-cash additions to ROU assets and lease liabilities of RM4,569 million and RM4,794 million, respectively.

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing leased asset portfolio and align the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

As at 31 December 2019, the Group has no extension and termination options that are not included in the lease term.

Group as a lessor – finance lease

The Group has classified most of its aircraft subleases as finance leases because the sublease is for the whole of the remaining term of the head lease. During the financial year, the movement on the finance lease receivables are as follows:

	2019 RM'000
As at 1 January 2019	1,373,545
New leases entered into during the financial year	195,657
Lease payments received during the financial year	(398,322)
Finance income	61,402
Exchange movements	(11,282)
As at 31 December 2019	1,221,000
Current	293,571
Non-current	927,429
	1,221,000

30. Leases (cont'd.)

Group as a lessor – finance lease (cont'd.)

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date:

	2019 RM'000
Within one year	356,901
After one year but not more than five years	813,573
More than five years	195,938
Total undiscounted lease payments receivable	1,366,412
Unearned finance income	(145,412)
Net investment in the lease	1,221,000

Group as a lessor – operating lease

The Group has classified various aircraft leases as operating lease, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. The following table sets out the maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	2019 RM'000	2018 RM'000
Within one year	2,178	481,471
After one year but not more than five years	20,686	1,110,453
More than five years	–	211,914
Total undiscounted lease payments	22,864	1,803,838

Lease income from lease contracts in which the Group acts as a lessor:

	2019 RM'000	2018 RM'000
Finance lease		
– Finance income on the finance lease receivables	61,402	–
Operating lease		
– Aircraft operating lease income	127,590	848,901

31. Provision for retirement benefits

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

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

	Group	
	2019 RM'000	**2018 RM'000**
Present value of defined benefit obligation	74,951	69,830

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

	Group	
	2019 RM'000	**2018 RM'000**
Defined benefit obligation at 1 January	69,830	72,207
Recognised in income statement		
– Current service cost	10,324	10,106
– Interest cost	6,019	4,641
Benefits paid	(7,099)	(3,385)
Past service cost	–	2,978
Remeasurement loss/(gain) recognised in other comprehensive income		
– Changes in financial assumptions	1,628	(14,745)
– Experience adjustments	(6,838)	515
Exchange differences	1,087	(2,487)
Defined benefit obligation at 31 December	74,951	69,830

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

	2019	**2018**
Discount rate	5.0% – 8.0%	7.4% – 8.6%
Salary increase rate per annum	5%	5% – 7%
Average employee service life	18 – 23 years	21 – 29 years

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

Sensitivity analysis

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

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption RM'000	Decrease in assumption RM'000
2019			
Annual discount rate	+/– 1%	(4,491)	5,662
Future annual salary increase rate	+/– 1%	5,490	(4,439)
2018			
Annual discount rate	+/– 1%	(5,235)	5,553
Future annual salary increase rate	+/– 1%	5,862	(5,629)

32. Assets classified as held for sale and liabilities directly associated with assets held for sale

On 24 December 2018, an indirect subsidiary of the Company, AAC entered into a share purchase agreement with AS Air Lease Holdings 5T DAC and AS Air Lease 8 (Offshore) LP, both entities controlled by Castlelake L.P for the disposal of Merah Aviation Asset Holding Limited, a wholly-owned subsidiary of AAC, which will own twenty five (25) aircraft, subject to terms and conditions stipulated in the agreement. Further details are as disclosed in Note 44 (i).

On 8 August 2019, the sale was completed for an aggregate disposal consideration of USD739.4 million (approximates RM3,559.5 million).

33. Share capital

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Share capital				
Issued and fully paid up:				
1 January	8,023,268	*	8,023,268	*
Issued during the year	–	8,023,268	–	8,023,268
31 December	8,023,268	8,023,268	8,023,268	8,023,268

* *Represents RM2.*

On 16 April 2018, the Company completed the internal reorganisation by way of a scheme of arrangement which involves the issuance of 3,341,974,080 new ordinary shares at a total issue price of RM8,023 million for the acquisition of the entire issued share capital of AAB. There were no changes in the issued and paid-up capital of the Company during the financial year.

34. Merger (deficit)/reserve

	Group	
	2019 RM'000	2018 RM'000
As at 1 January	(5,507,594)	2,515,278
Less: Purchase consideration to acquire AAB	–	(8,022,872)
Merger deficit	(5,507,594)	(5,507,594)

On 16 April 2018, the Company completed the internal reorganisation. Consequently, the merger deficit represents the difference between the purchase consideration to acquire AAB and the share capital of AAB.

Further, the Company has accounted for the acquisition of AAB Group as a continuation of the acquired entity. Therefore, the share capital of AAB is reflected as a merger reserve as at 31 December 2017.

35. Retained earnings

The retained earnings of the Company of RM1,664,452,000 is available for distribution to shareholders of the Company.

36. Other reserves

Group

	Remeasurement (loss)/gain employee benefits liability RM'000	Cash flow hedge reserve RM'000	Fair value reserve RM'000	Total RM'000
At 1 January 2019	4,447	(477,610)	21,716	(451,447)
Net change in fair value	1,815	557,027	82,052	640,894
Deferred tax recognised in other comprehensive income	(1,429)	(60,293)	–	(61,722)
Amounts transferred to income statements	–	1,863	–	1,863
Share of other comprehensive income of an associate	–	17,479	–	17,479
At 31 December 2019	4,833	38,466	103,768	147,067
At 1 January 2018	(691)	(236,270)	169,353	(67,608)
Net change in fair value	8,074	(255,861)	(147,637)	(395,424)
Deferred tax recognised in other comprehensive income	(2,936)	45,196	–	42,260
Amounts transferred to income statements	–	25,007	–	25,007
Share of other comprehensive loss of an associate	–	(55,682)	–	(55,682)
At 31 December 2018	4,447	(477,610)	21,716	(451,447)

36. Other reserves (cont'd.)

Company

	Fair value reserve RM'000	Total RM'000
At 1 January 2019	(61,305)	(61,305)
Net change in fair value	121,650	121,650
At 31 December 2019	60,345	60,345
At 1 January 2018	–	–
Net change in fair value	(61,305)	(61,305)
At 31 December 2018	(61,305)	(61,305)

37. Dividends

Dividends declared or proposed by the Company are as follows:

	2019		2018	
	Gross dividend per share Sen	Amount of dividend net of tax RM'000	Gross dividend per share Sen	Amount of dividend net of tax RM'000
First interim single tier dividend of 12 sen per ordinary share paid in respect of the financial year ended 31 December 2018	–	–	12	401,037
Special dividend of 40 sen per ordinary share paid in respect of the financial year ended 31 December 2018	–	–	40	1,336,790
Second interim single tier dividend of 12 sen per ordinary share paid in respect of the financial year ended 31 December 2019	12	401,037	–	–
Special dividend of 90 sen per ordinary share paid in respect of the financial year ended 31 December 2019	90	3,007,776	–	–
	102	3,408,813	52	1,737,827

38. Commitments and operating leases

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

	Group	
	2019 RM'000	**2018 RM'000**
Property, plant and equipment:		
– Approved and contracted for	99,665,152	88,640,451
– Approved but not contracted for	8,109	26,351
	99,673,261	88,666,802

The approved and contracted for capital commitments for the Group are in respect of aircraft purchase and ongoing constructions within the office building. The future commitments of aircraft purchase and ongoing constructions within the office building are as follows:

	Group	
	2019 RM'000	**2018 RM'000**
Not later than 1 year	3,251,771	2,985,183
Later than 1 year and not later than 5 years	25,554,065	29,174,092
Later than 5 years	70,859,316	56,481,176
	99,665,152	88,640,451

(b) Non-cancellable operating leases

From 1 January 2019, the Group has recognised ROU assets and lease liabilities for the leases it has entered into (except for short-term and low-value leases) and accordingly no longer presents operating lease commitments. Having applied the modified retrospective approach to the implementation of MFRS 16, the Group has continued to present the comparative financial information for the aggregate payments, for which there were commitments under operating leases as follows as at 31 December:

	2018	
	Future minimum lease payments RM'000	**Future minimum sublease receipts RM'000**
Group		
Not later than 1 year	2,065,071	481,471
Later than 1 year and not later than 5 years	6,901,653	1,110,453
Later than 5 years	5,547,770	211,914
	14,514,494	1,803,838

39. Segmental information

Operating segments are reported in a manner consistent with the internal management reporting provided to the chief operating decision maker, who is the Group Chief Executive Officer ("GCEO") effective 1 July 2015. The GCEO considers the business from a geographical perspective and identifies the operating segments by each Air Operator Certificate ("AOC") held under the AirAsia brand. These are categorised as Malaysia, Thailand, Indonesia, Philippines, India and Japan.

The GCEO assesses the performance of the operating segments based on revenue and net operating profit.

Segment analysis by product categories has not been prepared as the Group is primarily engaged in the provision of air transportation services.

The segmental information provided to the GCEO for the reportable segments are as follows:

	Malaysia RM'000	Philippines RM'000	Airline Indonesia RM'000	Thailand RM'000	India RM'000	Japan RM'000	Non-Airline RM'000	Elimination adjustments RM'000	Total RM'000
2019									
Segment results									
Revenue	7,699,365	2,196,422	2,017,593	5,384,207	1,954,287	152,822	480,734	(533,711)	19,351,719
Operating expenses									
– Staff costs	(1,306,567)	(251,305)	(238,882)	(902,776)	(315,824)	(130,291)	(79,442)	–	(3,225,087)
– Depreciation of property, plant and equipment and right-of-use assets	(1,169,087)	(275,439)	(310,484)	(781,843)	(269,367)	(40,499)	(5,380)	297,139	(2,554,960)
– Aircraft fuel expenses	(2,658,640)	(787,191)	(758,940)	(1,871,011)	(921,271)	(51,751)	–	–	(7,048,804)
– Maintenance and overhaul	(1,041,065)	(358,519)	(251,336)	(484,856)	(333,409)	(20,772)	–	319,660	(2,170,297)
– User charges	(1,184,718)	(277,209)	(296,762)	(687,111)	(294,779)	(50,967)	–	–	(2,791,546)
– Other operating expenses	(519,823)	(136,351)	(172,249)	(705,247)	(102,792)	(21,834)	(661,689)	339,628	(1,980,357)
Other income/(charges)	4,306,051	17,897	64,828	132,949	45,508	1,633	200,462	(3,940,414)	828,914
Operating profit/(loss)	4,125,516	128,305	53,768	84,312	(237,647)	(161,659)	(65,315)	(3,517,698)	409,582
Finance income	528,486	60	1,033	3,760	7,429	1	4,529	(414,118)	131,180
Finance costs	(981,706)	(100,469)	(99,676)	(214,156)	(54,894)	(18,617)	(11,832)	417,951	(1,063,399)
Associate's results not consolidated	–	–	–	126,084	285,112	180,275	–	–	591,471
Net operating profit/(loss)	3,672,296	27,896	(44,875)	–	–	–	(72,618)	(3,513,865)	68,834
Foreign exchange gains/(losses)	67,659	60,642	66,237	69,368	(36,143)	(1,739)	1,221	(121,272)	105,973
Fair value (loss)/gain on derivatives	(249,818)	1,064	1,161	–	–	–	–	–	(247,593)
Share of results of associates	–	–	–	–	–	–	–	(448,874)	(448,874)
Profit/(loss) before taxation	3,490,137	89,602	22,523	69,368	(36,143)	(1,739)	(71,397)	(4,084,011)	(521,660)

There is no single customer who contributed to 10% or more of the Group's total revenue.

39. Segmental information (cont'd.)

The segmental information provided to the GCEO for the reportable segments are as follows (cont'd.):

	Malaysia RM'000	Philippines RM'000	Airline Indonesia RM'000	Thailand RM'000	India RM'000	Japan RM'000	Non-Airline RM'000	Elimination adjustments RM'000	Total RM'000
2019 (cont'd.)									
Segment Assets									
Property, plant and equipment and right-of-use assets	20,354,127	1,147,460	1,836,519	6,135,119	1,496,129	29,991	21,624	(10,942,199)	20,078,770
Deposits, cash and bank balances	2,165,127	59,485	90,443	534,273	286,826	20,517	273,042	–	3,429,713
Investment in associates	893,278	–	–	–	–	–	–	(189,953)	703,325
Other assets	18,747,081	185,069	282,766	1,422,543	536,704	49,724	566,466	(9,895,614)	11,894,739
	42,159,613	1,392,014	2,209,728	8,091,935	2,319,659	100,232	861,132	(21,027,766)	36,106,547
Segment Liabilities									
Borrowings and lease liabilities	19,480,344	1,238,245	1,644,439	5,921,439	1,657,947	–	151,035	(9,625,396)	20,468,053
Others	9,206,797	2,004,659	526,530	1,407,765	850,580	258,612	619,456	(2,562,131)	12,312,268
	28,687,141	3,242,904	2,170,969	7,329,204	2,508,527	258,612	770,491	(12,187,527)	32,780,321

39. Segmental information (cont'd.)

The segmental information provided to the GCEO for the reportable segments are as follows (cont'd.):

	Malaysia RM'000	Philippines RM'000	Airline Indonesia RM'000	Thailand RM'000	India RM'000	Japan RM'000	Non-Airline RM'000	Elimination adjustments RM'000	Total RM'000
2018									
Segment results									
Revenue	8,692,325	1,602,142	1,190,771	4,866,106	1,316,557	68,685	207,503	(1,906,668)	16,037,421
Operating expenses									
– Staff costs	(1,210,448)	(195,645)	(216,352)	(714,188)	(207,926)	(96,968)	(47,473)	–	(2,689,000)
– Depreciation of property, plant and equipment	(521,331)	(20,973)	(50,464)	(208,472)	(7,840)	(2,860)	(2,471)	10,491	(803,920)
– Aircraft fuel expenses	(2,694,976)	(683,896)	(529,545)	(1,830,576)	(774,475)	(28,787)	–	–	(6,542,255)
– Maintenance and overhaul	(677,852)	(320,481)	(201,778)	(401,218)	(230,316)	(12,659)	–	497,639	(1,346,665)
– User charges	(1,015,302)	(203,488)	(272,737)	(561,344)	(209,182)	(30,878)	–	–	(2,292,931)
– Aircraft operating lease expenses	(1,364,357)	(245,020)	(207,542)	(643,879)	(241,022)	(34,085)	–	1,303,109	(1,432,796)
– Other operating expenses	(531,163)	(129,702)	(109,672)	(585,776)	(72,321)	(24,866)	(234,788)	146,751	(1,541,537)
Other income/(charges)	4,579,186	58,414	154,016	123,282	61,493	186	(35,116)	(3,584,891)	1,356,570
Operating profit/(loss)	5,256,082	(138,649)	(243,303)	43,935	(365,032)	(162,232)	(112,345)	(3,533,569)	744,887
Finance income	74,286	30	838	7,320	1,984	(33)	695	(17,414)	67,706
Finance costs	(411,582)	(16,161)	(23,519)	(43,886)	(1,513)	(77)	(937)	306	(497,369)
Associate's results not consolidated	–	–	–	(7,369)	364,561	162,342	–	(27,250)	492,284
Net operating profit/(loss)	4,918,786	(154,780)	(265,984)	–	–	–	(112,587)	(3,577,927)	807,508
Foreign exchange gains/(losses)	236,204	(64,018)	(36,437)	31,321	(8,405)	(589)	541	(31,784)	126,833
Fair value (loss)/gain on derivatives	(198,609)	669	(2,233)	(14,659)	–	–	–	14,659	(200,173)
Impairment of investment in joint venture	–	–	–	–	–	–	–	(5,596)	(5,596)
Impairment of other investment	–	–	–	–	–	–	–	(5,438)	(5,438)
Remeasurement gain on retained interest in a former subsidiary	–	–	–	–	–	–	–	534,712	534,712
Gain on disposal of investment in an associate	–	–	–	–	–	–	–	181,914	181,914
Share of results of joint ventures	–	–	–	–	–	–	–	11,083	11,083
Share of results of associates	–	–	–	–	–	–	–	(115,610)	(115,610)
Profit/(loss) before taxation	4,956,381	(218,129)	(304,654)	16,662	(8,405)	(589)	(112,046)	(2,993,987)	1,335,233

There is no single customer who contributed to 10% or more of the Group's total revenue.

39. Segmental information (cont'd.)

The segmental information provided to the GCEO for the reportable segments are as follows (cont'd.):

	Malaysia RM'000	Philippines RM'000	Airline Indonesia RM'000	Thailand RM'000	India RM'000	Japan RM'000	Non-Airline RM'000	Elimination adjustments RM'000	Total RM'000
2018 (cont'd.)									
Segment Assets									
Property, plant and equipment (including asset held for sale)	5,236,718	53,283	401,655	3,337,811	48,561	24,790	13,262	(3,488,842)	5,627,238
Deposits, cash and bank balances	3,122,812	13,474	40,350	515,697	58,441	17,806	150,285	(591,944)	3,326,921
Investment in joint ventures and associates	613,704	–	–	–	–	–	–	252,888	866,592
Other assets	19,301,802	151,751	176,755	990,256	335,705	24,403	288,105	(12,539,757)	8,729,020
	28,275,036	218,508	618,760	4,843,764	442,707	66,999	451,652	(16,367,655)	18,549,771
Segment Liabilities									
Borrowings (Including liabilities associated with asset held for sale)	2,725,063	206,223	289,809	2,657,368	66,405	–	57,401	(2,962,814)	3,039,455
Others	12,455,162	1,896,865	719,234	1,192,798	739,355	41,278	482,605	(8,202,246)	9,325,051
	15,180,225	2,103,088	1,009,043	3,850,166	805,760	41,278	540,006	(11,165,060)	12,364,506

40. Significant related party transactions

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

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

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

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

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

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

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
(a) Income:				
Aircraft operating lease income for owned and leased aircraft				
– Thai AirAsia Co. Ltd.	28,455	428,036	–	–
– AirAsia Japan Co., Ltd.	15,959	31,718	–	–
– PT Indonesia AirAsia Extra	–	78,105	–	–
Office rental income				
– AirAsia X Berhad	3,360	3,360	–	–
In-flight entertainment system and software charged by Rokki Sdn. Bhd.				
– AirAsia X Berhad	4,476	3,725	–	–
Gain on disposal of aircraft to Thai AirAsia Co. Ltd.	–	9,343	–	–
Ground handling services charged by Ground Team Red Sdn. Bhd.				
– AirAsia X Berhad	39,763	21,894	–	–
Sale of loyalty point from BIGLIFE Sdn. Bhd.				
– AirAsia X Berhad	6,538	6,140	–	–
– Thai AirAsia X Co. Ltd.	2,917	1,817	–	–
Turnaround charges and marketing funds, charged by AirAsia (Guangzhou) Aviation Service Limited				
– AirAsia X Berhad	5,089	–	–	–
Travelling – Accommodation charged by Tune Hotel	3,252	2,036	–	–
Fees charged to associates and related parties providing commercial air transport services	109,450	114,526	–	–
Commission on travel insurance for passengers charged to Tune Insurance Malaysia Berhad	7,080	15,312	–	–

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

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
(b) Recharges:				
Recharges of expenses to				
– Thai AirAsia Co. Ltd.	84,569	59,637	–	–
– AirAsia X Berhad	21,618	64,825	–	–
– AirAsia (India) Limited	35,445	29,716	–	–
– PT Indonesia AirAsia Extra	439	5,520	–	–
– Thai AirAsia X Co. Ltd.	1,083	4,259	–	–
– AirAsia Japan Co., Ltd.	2,272	3,543	–	–
(c) Other income/(expenses):				
Maintenance reserve fund charged to				
– Thai AirAsia Co. Ltd.	283,929	167,357	–	–
– AirAsia (India) Limited	12,441	7,339	–	–
– PT Indonesia AirAsia Extra	34,928	23,227	–	–
– AirAsia Japan Co., Ltd.	12,205	6,851	–	–
Charter air travel services charged by				
– PT Indonesia AirAsia Extra	–	(25,194)	–	–
Purchase of cargo transportation capacity				
– AirAsia X Berhad	185,957	87,503	–	–
Provision of lounge services				
– AirAsia X Berhad	(1,832)	(1,788)	–	–
Management fees charged to PT Indonesia AirAsia				
– AirAsia X Berhad	(3,098)	(3,098)	–	–
Management fees paid to AirAsia SEA Ltd. (formerly known as AirAsia Group (IHQ) Ltd.)	–	–	(15,835)	(1,713)
Loyalty point redemption				
– AirAsia X Berhad	(17,738)	(12,675)	–	–
– Thai AirAsia X Co. Ltd.	(7,194)	(2,569)	–	–
Management fees charged to associates and related parties	15,378	10,609	–	–

41. Financial instruments

	Measured at amortised costs RM'mil	Measured at FVTPL RM'mil	Measured at FVOCI RM'mil	Total RM'mil
Group				
31 December 2019				
Financial assets as per statements of financial position				
Investment securities (Note 15)	–	95	508	603
Receivables (excluding prepayments and deposits for aircraft maintenance) (Note 18)	1,160	–	–	1,160
Amounts due from associates (Note 23)	433	–	–	433
Amounts due from related parties (Note 25)	107	–	–	107
Deposits on aircraft purchase (Note 19)	596	–	–	596
Derivative financial instruments (Note 20)	–	205	234	439
Deposits, cash and bank balances (Note 26)	2,588	–	–	2,588
Finance lease receivables (Note 30)	1,221	–	–	1,221
Total	6,105	300	742	7,147

	Liabilities at fair value through the profit and loss RM'mil	Other financial liabilities RM'mil	Total RM'mil
Financial liabilities as per statements of financial position			
Borrowings (Note 29)	–	429	429
Derivative financial instruments (Note 20)	60	140	200
Trade and other payables (Note 27)	–	2,496	2,496
Aircraft maintenance payables and provisions (excluding provisions and maintenance reserve funds) (Note 28)	–	2,435	2,435
Amounts due to associates (Note 23)	–	152	152
Amounts due to related parties (Note 25)	–	261	261
Lease liabilities (Note 30)	–	12,460	12,460
Total	60	18,373	18,433

41. Financial instruments (cont'd.)

	Measured at amortised costs RM'mil	Measured at FVTPL RM'mil	Measured at FVOCI RM'mil	Total RM'mil
Group (cont'd.)				
31 December 2018				
Financial assets as per statements of financial position				
Investment securities (Note 15)	–	67	411	478
Receivables (excluding prepayments and deposits for aircraft maintenance) (Note 18)	1,376	–	–	1,376
Amounts due from associates (Note 23)	404	–	–	404
Amounts due from joint ventures (Note 24)	7	–	–	7
Amounts due from related parties (Note 25)	124	–	–	124
Deposits on aircraft purchase (Note 19)	976	–	–	976
Derivative financial instruments (Note 20)	–	210	440	650
Deposits, cash and bank balances (Note 26)	3,327	–	–	3,327
Total	6,214	277	851	7,342

	Liabilities at fair value through the profit and loss RM'mil	Other financial liabilities RM'mil	Total RM'mil
Financial liabilities as per statements of financial position			
Borrowings (Note 29)	–	1,205	1,205
Derivative financial instruments (Note 20)	23	642	665
Trade and other payables (Note 27)	–	2,723	2,723
Aircraft maintenance payables and provisions (excluding provisions and maintenance reserve funds) (Note 28)	–	2,401	2,401
Amounts due to associates (Note 23)	–	78	78
Amount due to a joint venture (Note 24)	–	11	11
Amounts due to related parties (Note 25)	–	103	103
Total	23	7,163	7,186

41. Financial instruments (cont'd.)

	Measured at amortised costs RM'mil	Measured at FVOCI RM'mil	Total RM'mil
Company			
31 December 2019			
Assets as per statements of financial position			
Investment securities (Note 15)	–	313	313
Amount due from a subsidiary (Note 22)	287	–	287
Deposits, cash and bank balances (Note 26)	41	–	41
	328	313	641

	Other financial liabilities RM'mil
Liabilities as per statements of financial position	
Trade and other payables (Note 27)	2
Amounts due to subsidiaries (Note 22)	–
	2

	Measured at amortised costs RM'mil	Measured at FVOCI RM'mil	Total RM'mil
Company			
31 December 2018			
Assets as per statements of financial position			
Investment securities (Note 15)	–	200	200
Amount due from a subsidiary (Note 22)	*	–	*
Deposits, cash and bank balances (Note 26)	1,358	–	1,358
	1,358	200	1,558

* Represents RM250,000.

41. Financial instruments (cont'd.)

	Other financial liabilities RM'mil
Company (cont'd.)	
Liabilities as per statements of financial position	
Trade and other payables (Note 27)	*
Amounts due to subsidiaries (Note 22)	313
	313

* Represents RM771,000.

42. Financial risk management policies

The Group is exposed to market risk (including fuel price risk, interest rate risk and foreign currency risk), credit risk and liquidity risk. The Group uses financial instruments such as fuel swaps, interest rate swaps and caps, and foreign currency forwards to mitigate its financial risks.

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

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

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

(a) Market risk

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

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

(a) Market risk (cont'd.)

(i) Fuel price risk

The Group is exposed to jet fuel price risk and seek to hedge its fuel requirements using fuel swaps (Note 20). If a barrel of jet fuel/Brent oil at 31 December 2019 had been USD5 higher/lower with all other variables held constant, the impact on the post-tax profit and equity are as follows:

	2019		2018	
	+USD5 RM'mil	–USD5 RM'mil	+USD5 RM'mil	–USD5 RM'mil
Impact on post tax profits	–	–	3.03	(3.03)
Impact on other comprehensive income	230.75	(230.75)	238.01	(238.01)

(ii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is that the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

Interest rate exposure arises from the Group's floating rate borrowings and is managed by entering into derivative financial instruments. Derivative financial instruments are used, as far as possible and where appropriate, to generate the desired fixed interest rate profile. Surplus funds are placed with reputable financial institutions.

The Group manages its cash flow interest rate risk by entering into a number of immediate interest rate swap contracts and cross currency swap contracts that effectively converts its existing long-term floating rate debt facilities into fixed rate debt (Note 20).

If interest rate on USD denominated borrowings at 31 December 2019 and 31 December 2018 had been 60 basis points higher/lower with all other variables held constant, the impact on the post-tax profit for the year and equity arising from the cash flow interest rate risk would be minimal when considered with the hedging of the floating rate loans (Note 20).

If interest rate on USD denominated borrowings at 31 December 2019 and 31 December 2018 had been 60 basis points higher/lower with all other variables held constant, the impact on the post-tax profit for the financial year and equity, as a result of an increase/decrease in the fair value of the interest rate derivative financial instruments under cash flow hedges are tabulated below. The impact on post-tax profits arises only from derivative held for trading, and the impact to other comprehensive income arises from derivative designated as hedging instruments are as follows:

	2019		2018	
	+60bps RM'mil	–60bps RM'mil	+60bps RM'mil	–60bps RM'mil
Impact on post tax profits	(25.56)	(90.01)	1.58	(1.57)
Impact on other comprehensive income	–	–	37.25	(29.33)

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

(a) Market risk (cont'd.)

(ii) Interest rate risk (cont'd.)

The remaining terms of the outstanding interest rate derivative contracts of the Group at balance sheet date, which are all denominated in USD, are as follows:

	2019 RM'mil	2018 RM'mil
Later than 1 year but less than 5 years:		
Interest rate caps	–	115
Interest rate swaps	293	732
Cross currency interest rate swaps	–	54
Later than 5 years:		
Interest rate swaps	956	1,406
Cross currency interest rate swaps	261	246
	1,510	2,553

(iii) Foreign currency risk

The Group is exposed to foreign currency exchange risk. These exposures are managed, to the extent possible, by natural hedges that arise when payments for foreign currency payables are matched against receivables denominated in the same foreign currency or whenever possible, by intragroup arrangements and settlements.

As at 31 December 2019, the Group has not hedged any of its USD denominated borrowings. In the previous financial year 69% of USD denominated borrowings are hedged by long dated foreign exchange forward contracts (Note 20).

If RM had weakened/strengthened by 5% against the USD as at 31 December 2019 with all other variables held constant, post-tax profit for the financial year would have been RM15.1 million (2018: RM53.0 million) higher/lower. Similarly, the impact on other comprehensive income would have been RM Nil (2018: RM0.7 million) higher/lower due to the cash flow hedging in USD.

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

The Group's currency exposure profile of financial instruments denominated in currencies other than the functional currency is presented in the respective financial asset and financial liabilities notes.

(b) Credit risk

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

The Group's and the Company's exposure to credit risks or the risk of counterparties defaulting arises mainly from various deposits and bank balances, receivables, deposits for aircraft purchase and derivative financial instruments. As the Group and the Company do not hold collateral, the maximum exposure to credit risks is represented by the total carrying amount of these financial assets in the balance sheet. Prepayment for engine maintenance to the service provider are also deemed by the Group as having credit risk in the event counterparties do not fulfill the obligation.

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

(b) Credit risk (cont'd.)

Credit risks are controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised by monitoring receivables regularly. In addition, credit risks are also controlled as majority of the Group's deposits and bank balances and derivative financial instruments are placed or transacted with major financial institutions and reputable parties. The Directors are of the view that the possibility of non-performance by the majority of these financial institutions is remote on the basis of their financial strength and support of their respective governments.

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

(c) Liquidity and cash flow risk

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

Following the COVID-19 outbreak, liquidity of the Group is impacted as it is influenced by the booking and payment pattern of customers which saw a decline. Further details are as disclosed in Note 48.

The Management will continue to monitor liquidity reserves and rolling cash flow forecasts throughout the year based on the measures put in placed as disclosed in Note 48 and also potential impacts from events outside the Group's control.

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

	Less than 1 year RM'mil	**1-2 years RM'mil**	**2-5 years RM'mil**	**Over 5 years RM'mil**
Group				
At 31 December 2019				
Term loans	258	39	47	18
Commodity Murabahah Finance	4	–	–	–
Revolving credit	100	–	–	–
Trade and other payables (Note 27)	2,175	320	–	–
Aircraft maintenance payables and provisions	261	2,500	–	–
Lease liabilities	2,329	2,171	5,022	5,470
Amounts due to associates	152	–	–	–
Amounts due to related parties	261	–	–	–
	5,540	5,030	5,069	5,488

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

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

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

	Less than 1 year RM'mil	1-2 years RM'mil	2-5 years RM'mil	Over 5 years RM'mil
Group (cont'd.)				
At 31 December 2018				
Term loans	354	294	182	105
Finance lease liabilities	62	34	152	–
Commodity Murabahah Finance	28	17	35	40
Revolving credit	17	–	–	–
Trade and other payables (Note 27)	2,326	397	–	–
Aircraft maintenance payables and provisions	392	2,416	–	–
Amounts due to associates	32	6	36	14
Amounts due to joint venture	11	–	–	–
Amounts due to related parties	103	–	–	–
	3,325	3,164	405	159

	Less than 1 year RM'mil	1-2 years RM'mil	2-5 years RM'mil	Over 5 years RM'mil
Company				
At 31 December 2019				
Trade and other payables	2	–	–	–
Amounts due to subsidiaries	–	–	–	–
	2	–	–	–
At 31 December 2018				
Trade and other payables	*	–	–	–
Amounts due to subsidiaries	313	–	–	–
	313	–	–	–

* Represents RM771,000.

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

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

	Less than 1 year RM'mil	1-2 years RM'mil	2-5 years RM'mil	Over 5 years RM'mil
Group				
At 31 December 2019				
Net-settled derivatives				
Trading	7	–	20	33
Hedging	120	20	–	–
At 31 December 2018				
Net-settled derivatives				
Trading	14	9	–	–
Hedging	452	156	28	6

(d) Capital risk management

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

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

The Group's and the Company's overall strategy remains unchanged from 2018.

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

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

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

The net gearing ratio as at 31 December 2019 and 31 December 2018 are as follows:

	Group		Company	
	2019 RM'mil	2018 RM'mil	2019 RM'mil	2018 RM'mil
Total borrowings (Note 29)	429	1,205	–	–
Lease liabilities (Note 30)	12,460	–	–	–
Liabilities attributable to assets held for sale (Note 32)	–	1,834	–	–
Less: Deposit, cash and bank balances (Note 20)	(2,588)	(3,327)	(41)	(1,358)
Net debts	10,301	(288)	(41)	(1,358)
Total equity	2,911	6,185	8,951	9,300
Net Gearing Ratio (times)	3.54	N/A	N/A	N/A

The Group is in compliance with all externally imposed capital requirements for the financial years ended 31 December 2019 and 31 December 2018.

(e) Fair value measurement

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

Determination of fair value and fair value hierarchy

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

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

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

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

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

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

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

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

	Level 1 RM'mil	Level 2 RM'mil	Level 3 RM'mil	Total RM'mil
Group				
31 December 2019				
Assets				
Financial assets at fair value through profit or loss				
– Trading derivatives	–	205	–	205
Derivatives used for hedging	–	234	–	234
Investment securities	414	98	91	603
	414	537	91	1,042
Liabilities				
Financial liabilities at fair value through profit or loss				
– Trading derivatives	–	60	–	60
Derivatives used for hedging	–	140	–	140
	–	200	–	200
31 December 2018				
Assets				
Financial assets at fair value through profit or loss				
– Trading derivatives	–	210	–	210
Derivatives used for hedging	–	440	–	440
Investment securities	337	96	45	478
	337	746	45	1,128

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

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

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

	Level 1 RM'mil	Level 2 RM'mil	Level 3 RM'mil	Total RM'mil
Group				
31 December 2018				
Liabilities				
Financial liabilities at fair value through profit or loss				
– Trading derivatives	–	23	–	23
Derivatives used for hedging	–	641	–	641
	–	664	–	664
Company				
31 December 2019				
Assets				
Investment securities	267	46	–	313
	267	46	–	313
31 December 2018				
Assets				
Investment securities	146	54	–	200
	146	54	–	200

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

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

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

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

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

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value; and
- The fair value of fuel swap contracts is determined using forward fuel price at the balance sheet date, with the resulting value discounted back to present value.

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

43. Unconsolidated structured entities

The Group has set up Merah entities, special purpose companies ("SPC") pursuant to aircraft related borrowings obtained from various financial institutions. Under the arrangement, the Group enters into an Aircraft Instalment Sale Agreement with the SPC, permitting the Group to possess and operate each of the Airbus A320 aircraft financed under the facility.

The SPC are orphan trust companies in which the Group has no equity interest. The SPC do not incur any losses or earn any income during the financial year ended 31 December 2019. The aircraft and the corresponding term loans and finance costs associated with the SPC have been recognised by the Group upon the purchase of the aircraft.

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

The details of the Merah entities are as follows:

Name	Incorporation	Purpose
Merah Satu Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tiga Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Empat Sdn. Bhd.	Malaysia	Aircraft financing special purpose company
Merah Lima Limited	Labuan, Malaysia	Aircraft financing special purpose company

43. Unconsolidated structured entities (cont'd.)

The details of the Merah entities are as follows: (cont'd.)

Name	Incorporation	Purpose
Merah Enam Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tujuh Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Sembilan 9M-AFX Sdn. Bhd.	Malaysia	Aircraft financing special purpose company
Merah Sepuluh Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Sebelas Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duabelas Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tigabelas Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Empatbelas Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Enambelas Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Lapanbelas Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duapuluh Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duapuluhsatu Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duapuluhtiga Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duapuluhlima Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duapuluhtujuh Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duapuluhlapan Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duapuluhsembilan Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tigapuluh Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tigapuluhsatu Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tigapuluhdua Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tigapuluhempat Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tigapuluhenam Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tigapuluhtujuh Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tigapuluhsembilan Limited	Labuan, Malaysia	Aircraft financing special purpose company

44. Significant events

(i) Sales and leaseback for twenty five (25) aircraft to Castlelake L.P

On 24 December 2018, an indirect wholly owned subsidiary of the Company, AAC, entered into a share purchase agreement with AS Air Lease Holdings 5T DAC ("the Purchaser") and AS Air Lease 8 (Offshore) LP ("the Purchaser Guarantor"), being entities controlled by Castlelake L.P for the proposed disposal of entire equity interest in Merah Aviation Asset Holding Limited, to dispose twenty five (25) aircraft, subject to terms and conditions stipulated in the agreement.

On the same date, AACL entered into sale and leaseback agreement with the Purchaser for the sale and leaseback of four (4) new aircraft in 2019 for a purchase consideration to be determined at a later date, depending on the final date of delivery and price escalation adjustments of each aircraft.

Subsequently, on 8 March 2019, AAC entered into an amended share purchase agreement with the Purchaser and the Purchaser Guarantor to dispose its entire equity interest in the following entities:

(i) Merah Aviation Asset Holding Limited
(ii) Merah Aviation Asset Holding Two Limited;
(iii) Merah Aviation Asset Holding Three Limited;
(iv) Merah Aviation Asset Holding Four Limited; and
(v) Merah Aviation Asset Holding Five Limited

which will collectively own the twenty five (25) aircraft.

On 8 August 2019, AAC completed the disposal of all the above entities and received a total of USD739.4 million (approximates RM3,559.5 million).

(ii) Sale and leaseback of 14 existing A320-200 aircraft

On 25 July 2019, AAGB's Board has approved the sale and leaseback of 14 A320ceo aircraft ("14 SLB aircraft") via Asia Aviation Capital Limited ("AAC") to Aircastle Limited ("Aircastle") and Castlelake LP ("Castlelake"). Accordingly, AAGB Group recognised a net gain (after tax) of RM42 million arising from the sale and leaseback transaction.

As at 31 December 2019, the 14 aircraft had been disposed to Aircastle and Castlelake, of which, upon completion of the disposal, AAB and/or its affiliate airlines within the Group entered into lease agreements with entities managed by Aircastle and Castlelake to leaseback the same.

(iii) Acquisition of additional shares in Touristly Travel Sdn. Bhd.

On 4 March 2019, RBV completed the acquisition of 629,130 ordinary shares in aggregate from Netrove Ventures Corporation, Jeffrey Saw Meng Lai and Wong Chin Kit. Following the acquisition, the Company's indirect shareholdings in AirAsia Com Travel Sdn. Bhd. (formerly known as Touristly Travel Sdn. Bhd.) through RedBeat Ventures increased from 50% to 74.6% resulting in AirAisia Com Travel Sdn. Bhd. becoming an indirect subsidiary of the Company. On 31 May 2019, RBV acquired the remaining shares in AirAsia Com Travel Sdn. Bhd. from Aaron Sarma for a cash consideration of RM1,858,967. Following the acquisition, AirAsia Com Travel Sdn. Bhd. is a wholly-owned subsidiary of RBV.

45. Subsequent events

(i) Establishment of a Joint Venture in Thailand

On 4 December 2019, Teleport Everywhere Pte. Ltd. and Triple I Logistics Public Company Limited signed a shareholders' agreement, to establish Teleport (Thailand) Co., Ltd. to provide logistics services to Thai AirAsia Co., Ltd. ("TAA") and Thai AirAsia X Co., Ltd. The issued and paid-up share capital of Teleport Thailand is THB10 million (equivalent to RM1.37 million), divided into 1 million ordinary shares of THB10 each.

Further, on 30 December 2019, Teleport Everywhere Pte. Ltd. signed a Master General Cargo Sales Agent Agreement with TAA regarding the cargo capacity of TAA.

Both agreements are effective on 1 January 2020.

(ii) Airbus bribery allegations

AirAsia Berhad ("AAB", wholly-owned subsidiary of AAGB) was mentioned in the Approved Judgment and the Statement of Facts in relation to the case of Regina v Airbus SE ("Airbus"), dated 31 January 2020 whereby, Airbus signed a Deferred Prosecution Agreement ("DPA") with U.K. Serious Fraud Office ("SFO") with a settlement of US$4 billion. Indicated therein that Airbus paid US$50 million and offered US$55 million more to sponsor a sports team linked to executives of AAB.

On 3 February 2020, the Securities Commission Malaysia ("SC") has announced that it will examine the allegations against AAB as mentioned in the SFO report.

On the same date, the Board has formed a Non-Executive Independent Board Committee ("Committee") to review the allegations and to take any necessary action. The Committee has engaged BDO Governance Advisory Sdn. Bhd. ("BDO") to assist them on conducting independent internal inquiry. Further, the two executives involved in the allegations (i.e. AAGB's Executive Chairman, Datuk Kamarudin bin Meranun, and Chief Executive Officer, Tan Sri Anthony Francis Fernandes), relinquished their executive positions within the Group.

On 19 March 2020, the independent inquiry report was presented to and accepted the Board and arising from this, the Board has resolved to reinstate the executive positions of the two executives involved.

On 20 March 2020, the same report from BDO was submitted to SC. As of 6 July 2020, there was no update subsequent to the submission of the report.

46. Other matters

Litigations involving AAB and Malaysia Airports (Sepang) Sdn. Bhd. ("MASSB")

In prior year, AirAsia Berhad ("AAB"), a wholly owned subsidiary of the Company, received a Writ of Summons and Statement of Claim ("Claim") dated 10 December 2018 and on 31 January 2019, Malaysia Airports (Sepang) Sdn. Bhd. ("MASSB") filed claims at the High Court of Malaya at Kuala Lumpur, claiming the additional RM23 per Passenger Services Charges ("PSC") which AAB was required to collect effective 1 July 2018.

On 18 September 2019, AAB paid a sum of RM14,156,818.47 (being the amounts specified in the Garnishee Show Cause Orders dated 23 August 2019) to MASSB to defray the garnishee execution proceedings. The payment was made by AAB without prejudice to AAB's rights, including AAB's rights in the appeals made in relation to the judgement order dated 18 July 2019 and any connected interlocutory applications.

On 2 October 2019, AAB filed a Writ of Summons at the Kuala Lumpur High Court against MASSB for a the sum of RM479,781,285.00, being loss and damage caused by negligence on the part of MASSB, its servants and/or agents in the management, operation, maintenance and/or provision of airport services and facilities at KLIA2.

47. Reclassification

The presentation and classification of items in the current year's financial statements have been consistent with the previous financial year except for certain comparative amounts which have been reclassified to conform with the current year's presentation:

The effects arising from these reclassifications are as follows:

	As previously stated RM'000	Reclassification RM'000	As restated RM'000
Effects on statement of comprehensive income for the financial year ended 31 December 2018			
Operating expenses			
User charges	1,576,018	(84,490)	1,491,528
Other operating expenses	779,486	84,490	863,976

This relates to reclassification of cargo belly costs of RM84.49 million from user charges to other operating expenses as these are non-flight related expenses pertaining to the provision of cargo services.

	As previously stated RM'000	Reclassification RM'000	As restated RM'000
Effects on statement of financial position as at 31 December 2018			
Current liabilities			
Trade and other payables	2,680,025	(354,030)	2,325,995
Aircraft maintenance provisions and liabilities	168,041	354,030	522,071
Non-current liabilities			
Other payables	3,513,909	(3,116,963)	396,946
Aircraft maintenance provisions and liabilities	843,768	3,116,963	3,960,731

This relates to reclassification of aircraft maintenance payables and aircraft maintenance reserve fund of RM2,401 million and RM1,070 million, respectively from trade and other payables to aircraft maintenance provisions and liabilities as these are maintenance-related reserve fund for the overhaul of the major components of aircraft.

48. COVID-19 Pandemic

The Group reported a net loss of RM283 million for the financial year ended 31 December 2019 and the current liabilities exceeded its current assets by RM1,843 million as at 31 December 2019. The spread of the COVID-19 pandemic after the year end has significantly affected the Group's operations. Travel and border restrictions implemented by countries around the world, such as the Movement Control Order (MCO) implemented by the Malaysian government, Enhanced Community Quarantined (ECQ) in Philippines, Government Regulation No 21/2020 on large scale social distancing in Indonesia, have led to a significant fall in demand for air travel which impacted the Group's financial performance and cash flows. These conditions indicate existence of material uncertainties that may cast significant doubt on the Group's and the Company's ability to continue as a going concern.

48. COVID-19 Pandemic (cont'd.)

Arising from the COVID-19 pandemic, the Group and the Company have implemented several measures to weather through this current challenging time. These efforts are on-going as the Group and the Company continue to seek support from their vendors and business partners to address their cash flow requirements. The following measures had been taken, with further additional efforts to be taken:

a) Recovery from COVID-19 Pandemic

As of June 2020, the respective countries, i.e. Government of Malaysia, Indonesia and Philippines had allowed domestic travel and interstate travel subject to certain limitations. The Group has resumed operations on a staggered basis in June 2020 and has seen positive developments on its business operations as passenger seat booking trends, flight frequencies and load factors are gradually improving to cater for the increasing demand. The Group expects the business operations to gradually return to the normal operations level by early 2021.

Nonetheless, the overall timing of recovery of the COVID-19 pandemic would affect the ability of the Group to meet its forecasted revenue, which in turn affect the Group's cashflow generated from operations.

b) Funding

To shore up liquidity, the Group's existing lenders have provided support through rollover of facilities. In Malaysia, certain financial institutions have indicated their willingness to support the Group and the Company's request for funding with amounts of up to RM1.0 billion, of which certain amount is eligible for the government guarantee loan to be provided under the Danajamin PRIHATIN Guarantee Scheme ("DPGS") and the outcome is expected to be favourable. The Company's subsidiaries in Philippines and Indonesia have also applied for bank loans from their respective existing and new lenders and are on various stages of application. In Philippines, the Group is expected to obtain funding through the government guaranteed loan under the Philippine Economic Stimulus Act (PESA) which is expected to be passed as law in September 2020.

The Group and the Company plan to raise capital of up to RM1.4 billion as and when required to strengthen its equity base and liquidity and expect successful implementation on these capital raising plans.

c) Working capital management

The Group managed to seek deferrals for payment of aircraft operating leases with lessors and restructured fuel hedges exposures with certain counterparties to reduce the Group's fuel hedging losses. The Group is currently in the process of negotiating further waiver or deferral of lease rentals and restructure the remaining fuel hedge exposures with supportive lessors and counterparties.

Further, the Group and the Company have implemented group-wide temporary salary reduction ranging from 15% to 75%, depending on salary levels with effect from April 2020 and voluntary salary cuts of 2 executive directors of 100% since March 2020. The Group and the Company continuously relook at the efficiency of the organisation structure and the right resource size to achieve further savings in human resource cost.

48. COVID-19 Pandemic (cont'd.)

d) Capacity and Network Management and Marketing activities

The lock down and restriction in travels issued by the government in the countries that the Group operates in has reduced the passenger capacity in the second quarter ended 30 June 2020. However, in the month of June 2020 where domestic flights have started in the various countries, average load factors range between 45% to 65%.

The Group implements continuous flight capacity and network revenue management in response to global travel restrictions and the current uplifting of travel restriction by the respective countries. This can be seen with the Group reporting a healthy group-wide load factor of 77% in the first quarter of 2020. This was achieved through proactive capacity management, particularly in the months of February and March 2020. The corresponding reduction was seen in March 2020, where capacity fell by 11% for the quarter ended 31 March 2020 as compared to the quarter ended 31 March 2019. Notwithstanding, the Group reported a healthy 8% increase in average fare in the first quarter of 2020 as compared the same quarter last year.

The gradual increase in passenger seat booking, flight frequencies and load factor during the progressive upliftment of travel restriction signifies positive development with strong rebound in demand for air travel anticipated.

Accordingly, the directors are of the opinion that the going concern basis used in the preparation of financial statements is appropriate and no adjustments was necessary to be made to the financial statements relating to the recoverability and classification of the carrying amount of assets or the amount and classification of liabilities.

The financial statements have been prepared based upon conditions existing at 31 December 2019 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period. As the outbreak of COVID-19 occurred after 31 December 2019, its impact is considered an event that is indicative of conditions that arose after the reporting period and accordingly, no adjustments have been made to the financial statements as at 31 December 2019 for the impacts of COVID-19. For the next financial year ending 2020, based on the performance for the remainder of the year, the Group will reassess the Right-of-Use ("ROU") assets and goodwill impairment and recoverability of deferred tax asset assessments.

ANALYSIS OF SHAREHOLDINGS
As at 30 June 2020

DISTRIBUTION OF SHAREHOLDINGS

Class of shares : Ordinary shares
Voting rights : One vote per ordinary share

SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF ISSUED SHARE CAPITAL
Less than 100	255	0.29	4,701	0.00
100 – 1,000	20,218	22.75	14,255,415	0.43
1,001 – 10,000	48,089	54.12	228,059,941	6.82
10,001 – 100,000	18,405	20.71	551,659,155	16.51
100,001 to less than 5% of issued shares	1,883	2.12	1,522,509,788	45.56
5% and above of issued shares	3	0.01	1,025,485,082	30.68
	88,853	100.00	3,341,974,082	100.00

SUBSTANTIAL SHAREHOLDERS

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

	DIRECT		INDIRECT	
NAME	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
Tune Live Sdn. Bhd. ("TLSB")	559,000,000[1]	16.73	–	–
Tune Air Sdn. Bhd. ("TASB")	516,485,082[2]	15.45	–	–
Tan Sri Anthony Francis Fernandes	1,600,000[2]	0.05	1,075,485,082[3]	32.18
Datuk Kamarudin bin Meranun	2,000,000[2]	0.06	1,075,485,082[3]	32.18

NOTES:

(1) Shares held under RHB Capital Nominees (Tempatan) Sdn. Bhd., HSBC Nominees (Tempatan) Sdn. Bhd. and through own name.
(2) Shares held under HSBC Nominees (Tempatan) Sdn. Bhd.
(3) Deemed interested by virtue of Section 8 of the Companies Act, 2016 ("the Act") through a shareholding of more than 20% in TLSB and TASB.

DIRECTORS' SHAREHOLDINGS

The interests of the Directors of AirAsia in the Shares and options over shares in the Company and its related corporations based on the Company's Register of Directors' Shareholdings are as follows:-

	DIRECT		INDIRECT	
	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
Tan Sri Anthony Francis Fernandes	1,600,000[(1)]	0.05	1,075,485,082[(2)]	32.18
Datuk Kamarudin bin Meranun	2,000,000[(1)]	0.06	1,075,485,082[(2)]	32.18
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	989,500 [(3)]	0.03	—	—
Dato' Fam Lee Ee	—	—	—	—
Stuart L Dean	40,000[(4)]	0.00*	—	—
Noor Neelofa binti Mohd Noor	—	—	—	—
Dato' Mohamed Khadar bin Merican	250,000[(5)]	0.01	—	—

NOTES:
* Negligible.
(1) Shares held under HSBC Nominees (Tempatan) Sdn. Bhd.
(2) Deemed interested by virtue of Section 8 of the Companies Act, 2016 through a shareholding of more than 20% in Tune Air Sdn. Bhd. and Tune Live Sdn. Bhd.
(3) Shares held under Amsec Nominees (Tempatan) Sdn. Bhd.
(4) Shares held under Cimsec Nominees (Asing) Sdn. Bhd.
(5) Shares held under Citigroup Nominees (Tempatan) Sdn. Bhd.

LIST OF TOP 30 LARGEST SHAREHOLDERS

NO.	NAME OF SHAREHOLDERS	NO. OF SHARES HELD	% OF ISSUED SHARE CAPITAL
1.	HSBC Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account - Credit Suisse AG, Singapore For Tune Air Sdn. Bhd.*	516,485,082	15.45
2.	RHB Capital Nominees (Tempatan) Sdn. Bhd. *RHB Islamic Bank Berhad Pledged Securities Account For Tune Live Sdn. Bhd.*	260,469,710	7.79
3.	HSBC Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account - Credit Suisse AG, Singapore For Tune Live Sdn. Bhd.*	248,530,290	7.44
4.	Amanahraya Trustees Berhad *Amanah Saham Bumiputera*	158,647,100	4.75
5.	Tune Live Sdn. Bhd.	50,000,000	1.50
6.	CIMB Group Nominees (Tempatan) Sdn. Bhd. *CIMB Bank Berhad (EDP 2)*	41,528,600	1.24
7.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Employees Provident Fund Board*	37,782,149	1.13
8.	Amanahraya Trustees Berhad *Amanah Saham Bumiputera 2*	32,991,300	0.99
9.	HSBC Nominees (Asing) Sdn. Bhd. *JPMCB NA for Vanguard Total International Stock Index Fund*	28,106,054	0.84
10.	HSBC Nominees (Asing) Sdn. Bhd. *BBH and Co Boston For Global X Superdividend ETF*	28,103,400	0.84

ANALYSIS OF SHAREHOLDINGS
As at 30 June 2020 (CONT'D.)

LIST OF TOP 30 LARGEST SHAREHOLDERS (CONT'D)

NO.	NAME OF SHAREHOLDERS	NO. OF SHARES HELD	% OF ISSUED SHARE CAPITAL
11.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Employees Provident Fund Board (AMUNDI)*	22,100,000	0.66
12.	Amanahraya Trustees Berhad *Amanah Saham Malaysia*	21,787,100	0.65
13.	HSBC Nominees (Asing) Sdn. Bhd. *JPMCB NA for Vanguard Emerging Markets Stock Index Fund*	20,384,358	0.61
14.	Amanahraya Trustees Berhad *Amanah Saham Malaysia 2 - WAWASAN*	20,000,000	0.60
15.	Global Success Network Sdn. Bhd.	17,538,000	0.52
16.	Citigroup Nominees (Asing) Sdn. Bhd. *UBS AG*	16,315,774	0.49
17.	Citigroup Nominees (Asing) Sdn. Bhd. *CBNY For Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc*	16,009,246	0.48
18.	Cartaban Nominees (Tempatan) Sdn. Bhd. *ICapital.Biz Berhad*	15,382,200	0.46
19.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Great Eastern Life Assurance (Malaysia) Berhad (PAR 2)*	15,000,000	0.45
20.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Great Eastern Life Assurance (Malaysia) Berhad (PAR 3)*	15,000,000	0.45
21.	Amanahraya Trustees Berhad *Amanah Saham Malaysia 3*	14,939,100	0.45
22.	Cartaban Nominees (Asing) Sdn. Bhd. *Exempt An for State Street Bank & Trust Company (West CLT OD67)*	14,733,000	0.44
23.	HSBC Nominees (Asing) Sdn. Bhd. *J.P. Morgan Securities Plc*	13,841,800	0.41
24.	Citigroup Nominees (Asing) Sdn. Bhd. *CBNY for Dimensional Emerging Markets Value Fund*	13,767,671	0.41
25.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. *SSBT Fund WTAU For Wisdomtree Emerging Markets Smallcap Dividend Fund*	11,137,400	0.33
26.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)*	11,091,000	0.33
27.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *Deutsche Trustees Malaysia Berhad For Hong Leong Value Fund*	11,000,000	0.33
28.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Great Eastern Life Assurance (Malaysia) Berhad (LSF)*	10,482,000	0.31
29.	Cartaban Nominees (Asing) Sdn. Bhd. *BCSL Client AC PB Cayman Clients*	10,481,300	0.31
30.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Employees Provident Fund Board (AFFIN-HWG)*	9,443,700	0.28

LIST OF PROPERTIES HELD UNDER SUBSIDIARIES

Owner of Building	Postal Address/Location Of Building	Description/ Existing Use Of Building	Tenure/Date Of Expiry Of Lease	Build-Up Area	Approximate Age Of Building	Audited Net Book Value As At 31 Dec 2019 ('000)
AirAsia Berhad	Part of PT.39, Taxiway Charlie at KLIA, KLIA	Non-permanent structure/aircraft maintenance hanger	31 December 2021 (1)	2,400 sqm	17 years	1,453
	RedQ, Jalan Pekeliling 5, Kuala Lumpur International Airport2 (KLIA2), KL International Airport, 64000 Sepang, Selangor Darul Ehsan.	Permanent Structure/Office building & car park	31 January 2034 (2)	56,000 sqm	38 months	155,441
						156,894

(1) The land area occupied is approximately 2,400 square meters. The land is owned by Malaysia Airports (Sepang) Sdn. Bhd. ("MAB"). The properties completion date was on December 2003. Revaluation of properties has not been carried out on any of the above properties to date.

(2) This refers to the date of expiry of the concession from Malaysia Airports Holdings Berhad for the plot of land occupied by the AirAsia Headquarters (RedQ).

AirAsia Group Berhad does not hold any properties under its name.

LIST OF PROPERTIES HELD UNDER SUBSIDIARIES
(CONT'D.)

Owner of Building	Postal Address/Location Of Building	Description/ Existing Use Of Building	Tenure/Date Of Expiry Of Lease	Build-Up Area	Approximate Age Of Building	Audited Net Book Value As At 31 Dec 2019 (IDR Billions)
PT Indonesia AirAsia	Jalan Marsekal Surya Darma No. 1, Sub-District of Selapang Jaya, District of Batuceper, City of Tangerang, Province of Banten, Postcode 15127, Indonesia	Permanent Structure/Office building & car park	Owned (Mortgage with CIMB)	11,200 sqm	5 years	551

DESCRIPTION OF THE PREMISES

Redhouse is an office building with total building area of 11,200 square meters which site on land area of 12,463 square metres with the following attributes:

Key Information

Registered Owner	PT AirAsia Mitra Investment	
Type of Asset	Operational	
Type of Property	Office	
Year of Construction	2014	
Land Tittle	Under 13 Hak Guna Bangunan (Right to Build) and 2 Serifikat Hak Milik (Freehold) Land Certification	
Land Use Planning	Trading and Services uses (Kawasan Peruntukan Perdagangan dan Jasa)	
Ownership	Ownership or time sharing with Freehold Certificate (SHM) and Rights to Build (SHGB)	
Number of Storey	6 Storeys	
Floor Areas	Main Building 1st Floor Building - 1,847 sqm 2nd Floor Building - 1,558 sqm 3rd Floor Building - 1,833 sqm 4th Floor Building - 1,833 sqm 5th Floor Building - 1,860 sqm 6th Floor Building - 690 sqm Slab Concreate Building - 668 sqm Flat Roof Building - 781 sqm	Supporting Building Management Building - 158 sqm

SALES OFFICES & STATIONS

MY Airport

Johor
S07 Aeromall,
Senai International Airport,
81250 Senai,
Johor

Kuala Lumpur
KLIA
Level 5, Departure Hall
Main Terminal Building
Kuala Lumpur International Airport (KLIA)
64000 Sepang, Selangor

KLIA 2
Level 3, Departure Hall
Main Terminal Building
Kuala Lumpur International Airport 2 (KLIA2)
64000 Sepang, Selangor

Kelantan
GF, Lapangan Terbang Sultan Ismail Petra
Pengkalan Chepa
16100 Kota Bharu, Kelantan

Terengganu
Level 1, Terminal Building,
Lapangan Terbang Sultan Mahmud,
21300 Kuala Terengganu,
Terengganu

Kedah
Level 1, Lapangan Terbang Sultan Abdul Halim ,
06550 Kepala Batas,
Alor Star, Kedah

Lot 31, Lapangan Terbang Langkawi,
Mukim Padang Matsirat,
07100 Langkawi Kedah

Sarawak
Lot GFL01, Common Departure Area,
Level 1 Landslide, Sibu Airport,
96007 Sibu, Sarawak

GL-02-G, Jalan Bintulu,
Lapangan Terbang Bintulu,
97000 Bintulu, Sarawak

Lot L1L C15, Ground Floor, Arrival Level,
Kuching International Airport,
Kuching, Sarawak

Lot GL08 Ground Floor,
Public Concourse,
98000 Miri Airport, Sarawak

Sabah
Lot L2L08 (B), Level 2 (Domestic Departure Hall Enterance),
Terminal 1 , Kota Kinabalu, International Airport,
88740 Kota Kinabalu, Sabah

Sabah, Sandakan Airport MZL 06,
1st Floor, 90000 Sandakan Airport,
Sandakan Sabah

FL 4, 1st Floor, Tawau Airport Building,
Jalan Apas-Balun,
91100 Tawau, Sabah

Penang
Lot No.: L3LS1, Level 3, Mezzanine,
Penang International Airport,
11900 Bayan Lepas, Penang

MY Town

Johor
AirAsia Sales Centre (Muar)
No. 26 Jalan Bakri,
84000 Muar, Johor

Galeria Kota Raya
L3-P1 Jalan Trus,
80000 Johor Bharu,
Johor

Kuala Lumpur
AirAsia Sales Centre (KL Sentral)
Lot 4, Level 2, Stesen Sentral,
50470 Kuala Lumpur

AirAsia Sales Centre (KL)
G027B, Ground Floor,
Podium Block Plaza Berjaya,
No. 12, Jalan Imbi,
55100 Kuala Lumpur

Kedah
AirAsia Sales Centre (Sg.Petani)
Lot 1F TR 01, 1st Floor,
Central Square Shopping Centre,
No. 23, Jalan Kampung Baru,
08000 Sg. Petani, Kedah

Sarawak
AirAsia Sales Office
Unit RUG10 & RUG11
Ground Floor, Sarawak Plaza
Jalan Tuanku Abdul Rahman
93100, Kuching
Sarawak

AirAsia Sales Centre
Ground Floor, No. 64 Medan Sepadu
Jalan Abang Galau
97000 Bintulu, Sarawak

AirAsia Sales Centre
Lot 1 (Sub-Lot A1), Ground Floor
The Sibu Heritage Centre
Jalan Central, 96000 Sibu, Sarawak

Sabah
AirAsia Sales Centre
Lot G24,Ground Floor,
Wisma Sabah, Jalan Tun Razak,
88000 Kota Kinabalu, Sabah

AirAsia Sales Centre
TB228, Lot 5 Ground Floor,
Istana Monaco Hotel,
Jalan Bunga, Fajar Complex,
91000 Tawau, Sabah

Penang
AirAsia Sales Centre
332, Ground Floor Kim Mansion,
Lebuh Chulia,
10200 Penang

AirAsia Sales Centre
A-G-7, Jalan Todak 4,
Sunway Business Park,
Pusat Bandar Seberang Jaya,
13700 Perai, Pulau Pinang

AirAsia Sales Centre
Lot No 09, Tesco Extra Sg Dua,
675, Jalan Sungai Dua, Taman Perkaka,
11700 Gelugor, Pulau Pinang

Selangor
AirAsia Sales Centre
Lot No. G-35, Mydin Hypermarket,
Persiaran Subang Permai, USJ 1,
47500 Subang Jaya, Selangor

AirAsia Sales Centre
Lot S141, 2nd Floor,
Plaza Metro Kajang Section 7,
Jalan Tun Abdul Aziz,
43000 Kajang, Selangor

AirAsia Sales Centre
G2, Terminal SkyPark,
Lapangan Sultan Abdul Aziz Shah,
47200 Subang, Selangor

SALES OFFICES & STATIONS
(CONT'D.)

Perak
AirAsia Sales Centre
A15 Jalan Dato Tahwil Azhar,
30300 Ipoh, Perak

Kuantan
AirAsia Sales Centre
GF-K-Escalator (Right Wing)
Jalan Putra Square
6/1, Putra Square
25300 Kuantan, Pahang

China

Shenzhen
114, Fengge Mingyuan Podium Building
No. 1038-4, Honggui Road
Luohu District, Shenzhen

Beijing
Room 0163A, Block C, Chaowai Soho,
Chaowai Street, Chaoyang District,
Beijing

Chengdu
No. 172-5, East of Binjiang Road,
Jinjiang District,
Chengdu

Shanghai
No. 739,Changde Road,
Jing'an District,
Shanghai

Guangzhou
Room L1004, Jiedeng plaza,
Yuexiu District, Guangzhou,
Guangdong

Kunming
No. 1108 Huancheng South Road,
Kunming, Yunnan

Xi'An
No. 6 Kejishangmao Building,
East of Xidian University Community,
Keji Road, Yanta District,
Xian, Shaanxi

Nanning
Level 1, 3 of Ziyun Xuan building in
MingYuan Hotel,
38 Xinmin Road, Nanning,
Guangxi Province

Changsha
No. 191 Laodong West Road,
Tianxin District Changsha City,
Hunan Province

Chongqing
No. 1-5, Building7, NO. 55,
Xiejiawan, Jiulongpo Area,
Chongqing Province

Hangzhou
No. 567 Jianguo North Road
(near Moyaying bus stop),
Hangzhou

Shenyang
11 Door, Building C Zuanshixingzuo 222#,
Nanjingbei ST, Heping,
Shenyang, Liaoning

Wuhan
Building 9-102, No. 88,
Hongqiyu Road, Jianghan District, Wuhan

Zhuhai
Room 1026-1027, No. 68 Lingnan Road,
Gongbei District, Zhuahi

Macau
No. 7, South Bay Harbour Building
Underground Building C
Bei Di Xiang

Hong Kong
174A, Peninsula Centre,
67 Mody Road, East Tsim Sha Tsui,
Kowloon

India

New Delhi
D–85, 1st Floor, 100 Ft. Road
Chattarpur Enclave, New Delhi

Kolkata
46C Chowringhee Road, EVEREST HOUSE,
Ground Floor, Kolkata-700 071

Chennai
123/124, Ispahani Centre,
Nungambakkam High Road,
Nungambakkam, Chennai 600 034,
Tamil Nadu

Bengaluru
#54, 1st Floor,
Monarch Plaza, Brigade Road,
Bengaluru 560 001

Kochi
XXVII/2605, Ground Floor Pulinadu
Building, Altantis, M.G.Road,
Kochi 682015

Japan

Tokyo
Shinjuku Westcourt 5F,
7–2–11 Nishishinjuku, Shinjuku–ku
Tokyo 160–0023

Myanmar

Mandalay
73rd Street (between 29th x 30th Street),
Chan Aye Thazan Township

Yangon
No 37, Level 1, Room 111,
La Pyae Wun Plaza,
Dagon Township

No. 497, Mahabandoola Road,
Between Shwe Bon Thar Street & 29 Street,
Pabedan Township, Yangon, Myanmar

Vietnam

Da Nang
156 Nguyen Van Linh,
Da Nang City

Ho Chi Minh City
62 Nguyen Cu Trinh, Pham Ngu Lao Ward,
District 1, Ho Chi Minh City

Hanoi
345 Kim Ma St, Ba Dinh Ward,
Ha Noi City

Cambodia

Phnom Penh
No. 179, Street Sisowath, Sangkat Phsar
Kandal 1, Khan Daun Penh,
Phnom Penh

Phnom Penh, AEON MALL
Ground Floor, No. 132, Street Samdach Sothearos, Sangkat Tonle Bassac,
Phnom Penh

Siem Reap
No. 30, Sivutha Boulevard, Mondol II Village, Svay Dongkom District,
Siem Reap City

Thailand

Bangkok
1st floor, double door KFC 1710
Sukhumvit Road, Klong Toey
Bangkok, 10110

2nd Floor (Near Watsons) 1190,
Phahonyothin Road, Jompol Jatujak,
Bangkok, 10900

127 Tanow Road, Bovornivet, Phra Nakorn,
BKK 10200

416, Thaphae Road, Chiang Mai 50300

2nd Floor (opposite KFC)408/2 Moo.12,
Sukhumvit Road Nongprue, Banglamung,
Chonburi 20150

1st floor , Near 3bb shop, 829 Pracharat Sai 2 Rd., Bang Sue, Bang Sue, Bangkok, 10800

Phuket
2nd Floor (Near Foodcourt), 104,
Chalermprakiat Road, Rasada Sub District,
Muang District, Phuket, 83000

Hatyai
69 Thamanoovitee Road, Hatyai 90110

Philippines

Iloilo
Iloilo International Airport, Cabatuan, Iloilo

Manila
G/F Colonnade Residences Condominium,
132 C. Palanca, Jr St Legaspi Village, Makati City

5th floor SM Megamall B, EDSA Corner, J Vargas Avenue, Mandaluyong City

576, San Andres St. Malate, Manila

Air Asia Sales Office (In-front of NAIA Terminal 4, Concessionaires Area, Domestic Road, Pasay City

DG2-1, 3rd Floor Festival Mall Alabang

Unit 106,
SM City North Edsa The Block,
SM City Complex North Edsa,
PAE-ASA 1, Quezon City

Boracay
Sitio Manggayad, Brgy. Manocmanoc,
Boracay Island, Malay, Aklan, 5608

Puerto Princesa
Airport Compound BGYM San Miguel,
Puerto Princesa City 5300

Davao
Ground Floor, Passenger Terminal Bldg.,
Davao Int'l Airport, Sasa, Davao City

2/F Victoria Plaza, JP Laurel Ave.,
Brgy. 20-B, Davao City

Bohol
G/F Talibon Commercial Center, Talibon, Bohol

2nd Floor Airport Terminal Building,
Airport Road Tagbilaran City

Cebu
L3, Service Lane , Elizabeth Mall, N. Bacalso Avenue Corner Leon Kilat Street, 6000 Cebu City

AirAsia Ticketing Office, Pre-domestic Departure Area, Mactan Cebu International Airport

Tacloban
Stall no 13 DZR, Airport San Jose,
Tacloban City

Maldives

H.Ruvaamaage Aage – 2nd Floor
Janavaree Magu
Malé 20045

Indonesia

Surabaya
LG FLOOR A6-01/A6-50
Pakuwon Trade Centre Supermall

Lamongan
Jl. Raya Golokan No. 123, Sidayu - Gresik

Medan
Jl. Bakaran Batu No. 189 B
Lubuk Pakam - Medan

Medan
Jl. Asia No. 548 P

Padang
Jl. Kampung Nias V No. 5 RT03 RW02
Belakang Pondok, Padang Selatan -
PADANG - SUMATERA BARAT 25211

Banda Aceh
Jl. TWK. M. DAUDSYAH No. 130, GP.
Peunayong, Kec. Kuta Alam

Kuta Alam, Kota Banda Aceh 23122

Malang
Ruko Istana Dinoyo Kav D-16
Jl. M.T. Haryono 1A, Malang - East Java

Bandung
Grand Serela Hotel, Bandung
Jl. L.L.R.E. Martadinata (RIAU) No. 56

Denpasar
Sun Boutique Hotel
JL. Sunset Road No. 23, Kuta Badung,
Bali

Pekanbaru
JL. Arifin Ahmad No. 75 D, Pekan Baru,
Riau 28289

Sales Office Jakarta
Sarinah Plaza, Jl. M.H Thamrin No. 11

Sales Office Medan
Garuda Plaza Hotel Lobby Level, JL.
Sisingamangsa Raja No. 18 Medan

Sales Office Surabaya
Grand Circle Tunjungan Plaza 1, Jl. Basuki Rahmat 08-12, Surabaya

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	Number of seats flown.
Cost per ASK (CASK)	Revenue less net operating profit divided by available seat kilometres.
Cost per ASK, excluding fuel (CASK ex fuel)	Revenue less net operating profit and aircraft fuel expenses, divided by available seat kilometres.
Load factor	Number of passengers as a percentage of capacity.
Passengers carried	Number of earned seats flown. Earned seats comprise seats sold to passengers (including no-shows), seats provided for promotional purposes and seats provided to staff for business travel.
Revenue per ASK (RASK)	Revenue excluding lease income divided by available seat kilometres.
Revenue Passenger Kilometres (RPK)	Number of passengers multiplied by the number of kilometres those passengers have flown.
Stage Length	Length of the journey flown by a one way flight.

FORM OF PROXY

AIRASIA GROUP BERHAD
(Company No.: 201701030323
(1244493-V))
("the Company")
Incorporated in Malaysia

I/We ______________________________ NRIC No./Passport No./Co. No.: ______________
(FULL NAME AS PER NRIC/CERTIFICATE OF INCORPORATION IN BLOCK LETTERS) *(COMPULSORY)*

of ______________________________
(FULL ADDRESS)

telephone no. ______________, email address ______________________, being a member of the

Company, hereby appoint ______________________________
(FULL NAME IN BLOCK LETTERS)

NRIC No./Passport No.: ______________ of ______________________________
(COMPULSORY) *(FULL ADDRESS)*

______________ telephone no. ______________, email address ______________

or failing him/her, ______________________ NRIC No./Passport No./Co. No.: ______________
(FULL NAME IN BLOCK LETTERS) *(COMPULSORY)*

of ______________________________
(FULL ADDRESS)

telephone no. ______________________, email address ______________________

* or failing him/her, the Chairman of the Meeting, as my/our proxy(ies) to vote in my/our name and on my/our behalf at the Third Annual General Meeting of the Company to be held as a fully virtual meeting via live streaming and online remote voting at the Broadcast Venue at RedQ, Jalan Pekeliling 5, Lapangan Terbang Antarabangsa Kuala Lumpur (klia2), 64000 KLIA, Selangor Darul Ehsan, Malaysia, on Monday, 28 September 2020 at 10.00 a.m. and at any adjournment of such meeting, and to vote as indicated below:

AGENDA			
No. 1	To receive the Audited Financial Statements together with the Reports of the Directors and Auditors thereon for the financial year ended 31 December 2019		
Resolutions	**Description**	**FOR**	**AGAINST**
Ordinary Business			
Ordinary Resolution 1	To approve the Non-Executive Directors' Remuneration for the period from 29 September 2020 until the next Annual General Meeting of the Company to be held in the year 2021		
Ordinary Resolution 2	Re-election of Dato' Fam Lee Ee as a Director of the Company, who retires by rotation pursuant to Rule 119 of the Company's Constitution		
Ordinary Resolution 3	Re-election of Dato' Mohamed Khadar bin Merican as a Director of the Company, who retires by rotation pursuant to Rule 119 of the Company's Constitution		
Ordinary Resolution 4	Re-appointment of Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to determine their remuneration		
Special Business			
Ordinary Resolution 5	Authority to allot shares pursuant to Sections 75 and 76 of the Companies Act, 2016		
Ordinary Resolution 6	Proposed renewal of existing shareholders' mandate and new shareholders' mandate for Recurrent Related Party Transactions of a revenue or trading nature		
Ordinary Resolution 7	Proposed Renewal of Share Buy-Back Authority of AirAsia Group Berhad		
Special Resolution 1	Proposed alteration or amendments to the Constitution of AirAsia Group Berhad		

(Please indicate with an "X" in the appropriate spaces how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting, as he/she thinks fit.)

**Delete the words "or failing him/her, the Chairman of the Meeting" if not applicable.*

No. of shares held:			
CDS Account No.:			
The proportion of my/our holding to be represented by my/our proxies are as follows:		**No. of Shares**	**Percentage**
	First Proxy		
	Second Proxy		
Date:			

____
Signature(s)/Common Seal of Members(s)

VIRTUAL AGM

1. As part of the measures taken by the Company to curb the spread of COVID-19 and taking into consideration the paramount safety and well-being of the members of the Company, the Third Annual General Meeting of the Company ("3rd AGM") will be held as a fully virtual meeting via live streaming and online Remote Participation and Voting Facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn. Bhd. **via its TIIH Online website at https://tiih.online**. This is also in line with the revised Guidance Note on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 15 July 2020 (including any amendments that may be made from time to time) ("Guidance Note"). Please follow the procedures as set out in the **Administrative Note** which is available at the Company's website at www.airasia.com/aagbir
2. The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 and Guidance Note which require the Chairperson of the meeting to be present at the main venue of the meeting.
3. Members and/or proxy(ies) and/or corporate representative(s) and/or attorneys **WILL NOT BE ALLOWED** to be physically present at the Broadcast Venue on the day of the 3rd AGM, instead are to attend, speak (including posing questions to the Board of Directors via real time submission of typed texts) and vote (collectively, "participate") remotely at the 3rd AGM via the RPV provided by Tricor Investor & Issuing House Services Sdn. Bhd.

Notes to Form of Proxy

1. Pursuant to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 and Rule 41(a) of the Company's Constitution, only those Foreigners (as defined in the Constitution) who hold shares up to the current prescribed foreign ownership limit of 45.0% of the total number of issued shares of the Company, on a first-in-time basis based on the Record of Depositors to be used for the forthcoming Annual General Meeting ("AGM" or "the 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 AGM.
2. A member must be registered in the Record of Depositors at 5.00 p.m. on 18 September 2020 ("General Meeting Record of Depositors") in order to attend and vote at the Meeting. A depositor shall not be regarded as a member entitled to attend the Meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors. Any changes in the entries on the Record of Depositors after the abovementioned date and time shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
3. A member entitled to attend and vote is entitled to appoint not more than two (2) proxies (or in the case of a corporation, to appoint a representative(s) in accordance with Section 333 of the Companies Act, 2016 to attend and vote in his stead. There shall be no restriction as to the qualification of the proxy(ies).
4. The Proxy Form in the case of an individual shall be signed by the appointor or his attorney, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
5. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
6. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
7. The Proxy Form or other instruments of appointment shall not be treated as valid unless deposited at the Registered Office of the Company at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan, 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.
8. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.

Personal data privacy notice:
By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

(Please fold here)

AFFIX
STAMP

The Company Secretaries
AIRASIA GROUP BERHAD
(COMPANY NO. 201701030323 (1244493-V))

Unit 30-01, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan, Malaysia

(Please fold here)

airasia.com

AIRASIA GROUP BERHAD (201701030323) (1244493-V)
RedQ, Jalan Pekeliling 5, Lapangan Terbang Antarabangsa
Kuala Lumpur (klia2), 64000 KLIA, Selangor Darul Ehsan
MALAYSIA

T +603 8660 4333 F +603 8660 7777
E aagb_ir@airasia.com