

# airasia digital

## Platform Enhancement & Expansion

airasia super app seeks continuously to enhance its platform to support a growing number of product lines that can be scaled regionally. During the year, “hero products” such as SNAP, Unlimited Flight Pass and FlyBeyond (non-AirAsia flights) were rolled out to most major Asean markets. The aim is to do the same for the entire portfolio. Towards this end, the team will continue to build a scalable technology stack focusing initially on our strongest markets of Malaysia, Thailand, Indonesia and the Philippines.

Emphasis will also be placed on continuous enhancement of the user experience. In 2020, the team launched an in-app social function, airasia chat, that enables users to chat (even with fellow guests in-flight), form online communities and share travel tips.

airasia super app will continue to enhance its machine learning functions while making the entire journey on the platform easy and personalised so as to be able to offer our guests the right deal at the right time through the right channel. Along with a continuously strengthened ecosystem, the team expects to further grow its revenue and achieve the target for non-airline businesses to account for 50% of the Group’s total revenue by 2025.

## BIGPAY

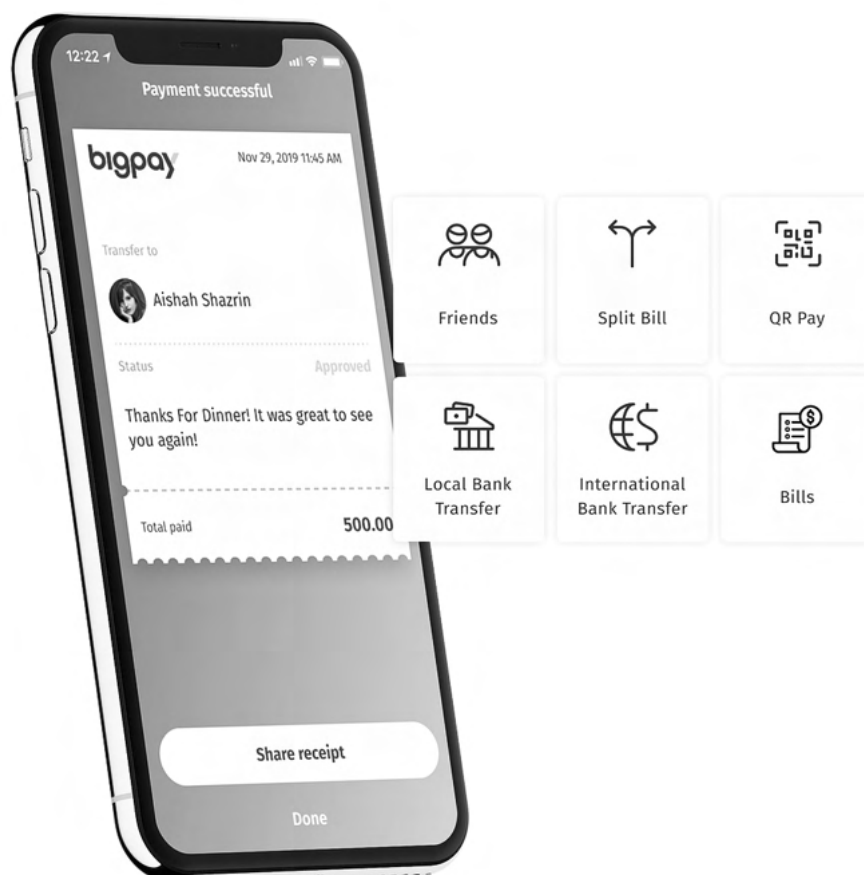
BigPay is a homegrown Asean fintech company that offers transparent, secure and convenient banking services via a mobile app linked to a physical payment card. Ease and speed of transactions are among its key differentiators, starting with account opening. Using cutting-edge e-KYC (that enables digital verification of documents and facial biometrics), customers can create accounts in as fast as five minutes.

With their accounts, users can spend online and offline domestically and internationally at real-time exchange rates, send money via peer-to-peer (P2P) transfers, split bills with friends and track their expenses with an inbuilt analytic engine. BigPay leverages advanced machine learning to monitor transactions and next-generation security features to ensure user accounts are always secure.

Having already experienced rapid growth in its first two years, 2020 marked a quantum jump in acceptance and use of the app. Reflecting the surge in online transactions during the pandemic, BigPay saw the volume of remittance transactions grow approximately five-fold during the year, while online spending via its card also increased significantly.

Its performance was supported by a number of achievements in the year. Building on the borderless nature of money, BigPay now allows customers to transfer funds to 10 countries – quickly, easily, and at the lowest rates. Countries included in its still growing list were India, Australia, Nepal, Bangladesh and China. Towards year end, BigPay also added bill payment as a new feature – enabling its card to be used with over 20 service providers including telcos and utility companies. In addition, it expanded into Singapore, where customers can currently use the app for payment and remittance.

BigPay was also one of a handful of Malaysian companies granted the country’s first digital lending license from the Ministry of Housing and Local Government (KPKT). This means users will be able to apply for personal loans digitally on the BigPay app, and obtain approvals in as quickly as a minute... at competitive rates.



The licence is a first step towards BigPay's eventual goal to become a digital bank. Towards this end, it has plans to launch a whole suite of products and services. In 2021 itself, customers can look forward to performing cash top-ups at local convenience stores, buying insurance, obtaining digital loans and enjoying wealth management advisory. All in the easiest, most hassle-free manner.

## TELEPORT

Teleport aims to deliver things from A to B anywhere in Asean in under 24 hours. Combining modern technology with hundreds of small operational efficiencies, it creates a logistics experience that is simple. And works like magic.

What gives Teleport its edge is the ability to leverage Asean's largest airline, AirAsia, to move people and things together on flights at the same time. This is not only fast, efficient and profitable, it also enables our logistics arm to make one-day delivery a standard for the region.

In 2020, abrupt border closures due to the pandemic impacted Teleport's regional belly network, reducing its overall revenue by 42% y-o-y to USD66 million. Nevertheless, it was still a year of rapid invention.

In March, Teleport became the first in Malaysia to operate passenger aircraft for cargo-only flights. This was necessary not only to cater to overwhelming customer demand but, more importantly, to support the critical need to transport medical aid and essential goods in response to the global pandemic. Throughout the year, Teleport operated over 1,400 cargo-only flights to 46 destinations on behalf of partners including The Edge Covid-19 Fund, the Ministry of Foreign Affairs Malaysia, Jack Ma Foundation and the International Committee of the Red Cross (ICRC). This included more than 360 Transportation of Cargo in Passenger



Cabin (TCPC) flights in which additional cargo was loaded on seats, overhead stowage compartments and under the seats.

It also moved cargo on third-party freighters for the first time in March. This has since evolved into a broader growth strategy to move cargo on any third-party airline in addition to our core AirAsia network.

In April, at the height of disruptions to global supply chains, Teleport launched Freightchain, the world's first digital air cargo network run on blockchain. Any shipper or freight forwarder can search for itineraries on Freightchain, and submit bids to confirm air cargo bookings on member airlines instantly without the need to go through traditional time-consuming sales or email channels. The first pilot booking on Freightchain was a pharmaceutical shipment from Bengaluru, India to Ulan Bator, Mongolia via three different airline connections, executed through a smart contract and recorded on the blockchain ledger. Since

its inception, Freightchain has onboarded eight airlines and more than 150 shippers, facilitating 372 transactions and USD3.7 million in gross transaction value (GTV).

Meanwhile, with most of the fleet grounded throughout 2020, Teleport accelerated the push into delivering on ground to homes in every Asean city that it flies to.

This service was kick-started by delivering for over 2,000 small businesses hit hard by the first MCO in Malaysia as part of AirAsia's Save Our Shops (S.O.S) campaign. Subsequently, it expanded to include the delivery of e-commerce products under airasia food, airasia fresh and airasia beauty to form a key component of the overall airasia super app platform strategy.

Throughout 2020, Teleport delivered approximately 228,300 e-commerce orders, marking a more than 30-fold increase in monthly deliveries since the start of the year. This was supported by an expanded crowdsourced fleet of over 3,720 onboarded delivery partners (known as Teleporters) across the region. Approximately 20% of the pool consists of Allstars including pilots and cabin crew affected by the pandemic. By December, Teleport had successfully scaled its delivery services regionally, simultaneously expanding to 77 cities across the five focus countries of Malaysia, Singapore, Thailand, Indonesia and the Philippines.

Its outstanding performance in a year marked by the pandemic led to Teleport being awarded the Frost & Sullivan Southeast Asia Entrepreneurial Company of 2020.

2021 represents an opportunity for Teleport to showcase at scale its ability to deliver anywhere to-door in Asean in under 24 hours. In particular, as domestic flights recover in Malaysia, it expects to

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deepen its presence across Penang, Johor, Sabah and Sarawak. Regionally, Teleport expects stronger brand recognition in Singapore and Thailand in particular, culminating in cross-border 24-hour delivery toward the later half of the year.

Enabled by technology, it will use its focus on local community-led franchises to expand its supply of delivery partners and urban sorting hubs (“cloud warehouses”). This presents an efficient way to scale its infrastructure while providing job and income opportunities to many who may need additional support to recover from the pandemic.

A key priority in 2021 will be to assist governments in any way possible to distribute Covid-19 vaccines efficiently and reliably throughout the region. As part of the AirAsia ecosystem, Teleport is eager to quickly bring back the days of travel and lifestyle we once took for granted.

#TeamTeleport ended 2020 with close to 400 passionate and dedicated colleagues across Malaysia, Singapore, Thailand, Indonesia, the Philippines, India and China.

## BIGLIFE

2020 marked the 10th anniversary of BIGLIFE, an 80% owned subsidiary that manages the BIG Rewards programme (fka AirAsia BIG Loyalty). The event was accompanied by a rebranding of the loyalty programme from BIG Loyalty to BIG Rewards – reflecting a shift from being just an airline loyalty programme to becoming a comprehensive lifestyle rewards platform. With over 300 partners across lifestyle, travel and financial services categories, BIG Rewards is one of the biggest points platforms that allows borderless earn and burn activities across Asean and beyond. BIG Points have also evolved from just the programme’s loyalty points into a universal digital loyalty currency.

Along with the rebrand, a revamped mobile app was launched with additional features to give BIG Members more choices to use their BIG Points beyond flights and travel. With BIG Deals, BIG Members are able to use their BIG Points to redeem a variety of lifestyle vouchers while enjoying savings on deals ranging from F&B and shopping to services and entertainment, redeemable directly via the app. The app comes equipped with a points top-up function, making it even easier for members with a low points balance to utilise their existing points; and a Pointsback feature, which incentivises repeat activities and continuous engagement with BIG Rewards.

Another milestone was the roll-out of BIG Xchange on the airasia super app. BIG Xchange is an instant points exchange platform that allows members to convert bank and other loyalty points to BIG Points seamlessly and immediately. Current partners include Citibank (Malaysia, Singapore, Thailand, Indonesia), PETRONAS, PARKSON, Sunway Pal (Malaysia), TrueYou, Boonthavorn, Krungsri Credit Card and Krungsri First Choice (Thailand). There are plans to rapidly grow this partner list in order to make BIG Xchange a universal points exchange hub for all loyalty points across Asean.

Finally, to help BIG Members maximise their BIG Points, a “points expert” character named BIGGIE was introduced. Small in size but BIG in personality, BIGGIE’s role is not only to personalise the platform, but also to educate members on smarter ways to earn BIG Points fast and how to use points for greater rewards and savings.

Initiatives carried out in 2020 enabled BIGLIFE to continue to report a positive EBITDA and profit after tax for the year. Going into 2021, the focus will be on stabilising the business by introducing more features such as points transfer and points sharing among family members, as well as blockchain-based points conversion on the BIG Xchange platform.



The objective is to reinforce the positioning of BIG Points as a universal digital loyalty currency and to build a super highway that unifies and connects all loyalty programmes on one BIG platform.

## SANTAN

Santan is the world’s first in-flight catering brand that has successfully “landed”. Starting off with service at 30,000 ft, Santan is now synonymous with Asean fast-food restaurants each serving a combination of cult-status AirAsia in-flight dishes such as Pak Nasser’s Nasi Lemak and other favourites reflecting the best of the region.

Despite various restrictions due to the pandemic, the brand continued to grow in 2020. Seven months after the successful launch of its premier restaurant in Mid Valley Megamall, Santan launched its second restaurant in Sunway Pyramid. It also acquired T&Co, a brand of Asean-blend beverages and



snacks, to strengthen its offerings. Along with the acquisition, Santan inherited two T&Co cafés - in Gardens Mall and AirAsia's headquarters - which were later rebranded as Santan Café.

In October 2020, upon securing the appropriate license, Santan quickly rolled out its franchise programme. Subsequently, seven partners have opened Santan outlets in malls around the Klang Valley, ie KL Sogo, 163 Retail Park Mont Kiara, Aeon Shah Alam, PKNS Shah Alam, Nu Sentral, KL East Mall and IOI City Kiara.

Expansion notwithstanding, reduced footfall impacted dine-in operations, shifting Santan's focus towards home delivery. It also inspired the launch of three satellite kitchens which serve as delivery collection centres to enhance Santan's service coverage. Delivery, meanwhile, is managed in collaboration with other AirAsia entities such as airasia food and Teleport.

Another significant development during the year was the establishment of airasia farm, an online marketplace linking farmers directly to businesses. The business idea was inspired during the MCO when supply chain disruptions impacted both producers and consumers. The platform promotes price transparency and reduces supply chain costs through the elimination of middlemen, thus enabling farmers to increase their income. At the same time, F&B businesses benefit from the ability to secure fresh produce at lower prices. To fulfil customers' orders, airasia farm works closely with logistics partners including Teleport, TheLorry, PKT and Vision Traxx.

Since the launch of airasia farm in June 2020, we have onboarded 1,175 farmers linking them with 48 business owners. As of end 2020, about 360,000 fresh farm eggs and eight tonnes of cucumber have been sold, among others.

In 2021, along with relaxation of movement and social restrictions, the team targets to expand its restaurant network to 50 outlets in Malaysia, while also taking the Santan brand international. Santan Kitchen will also be developed - a cloud kitchen concept housing six house brands with additional space for other restaurateurs/F&B operators to set up wholly delivery-based services. There are also plans to expand airasia farm to Sabah, an agricultural hotspot that has yet to be fully tapped, Indonesia and Thailand. Dedicated warehouses will be established in Kuala Lumpur and Kota Kinabalu to ensure effective delivery.

#### REDBEAT ACADEMY

When AirAsia embarked on our digital transformation, it became evident that there is a dearth of digital talent locally. That realisation led to the idea of setting up our own training centre to build a tech talent pipeline, the same way we had done for pilots, with AirAsia Aviation Academy. Collaborating with our tech partner, Google Cloud, we identified the skills that we needed for our digital journey and designed programmes to fulfil these. Thus, Redbeat Academy (RBA) was born.

The academy was launched internally during MCO 1.0, and received an overwhelming response with over 1,200 Allstars, including pilots and cabin crew, signing up. No doubt, the grounding of flights due to the pandemic contributed to the numbers. For some, the digital skillsets acquired will give them an edge within their own departments; for others, it opens up opportunities in other departments within the Group.

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digital



Currently, six programmes – or tech paths – are offered: Data Analyst, Software Engineering, Cyber Security, Digital Marketing, UX Design and Cloud Infrastructure. Each caters to a specific area of digital speciality. These programmes typically take 38 weeks to complete. For those who cannot commit the time, short courses are also provided such as Go Programming, Digital Marketing, Software Engineering and UX Design, which can be completed in a total of 16 hours' learning time (ie between one and three days).

A key differentiator of RBA is access to the latest tools and frameworks, thanks to our partnership with Google Cloud. The simulation environments, for example, are state-of-the-art and provide students with real-time experience in using these tools. Everything, from databases to machine learning, are made available during classes.

Success with Allstars led to opening of the academy to third parties in December 2020. Under a specially designed BINA Digital Programme, we help small and medium-sized local enterprises to get started, build and grow their online presence, as well as enhance their ability to expand their businesses sustainably.

We have also partnered with the Malaysian Industry-Government Group for High Technology (MIGHT) to train some talent in Software Engineering and High Technology, such as blockchain and data. Meanwhile, Universiti Teknologi Malaysia, Universiti Malaya, Asia School of Business in collaboration with MIT Sloan Management and Imperial College London recognise Redbeat Academy courses and accept them under the Accreditation of Prior Experiential Learning (APEL) scheme. This means graduates of RBA are entitled to credit-mapping and exemptions should they decide to pursue other programmes at these institutions of learning.

To date, the academy has attracted five main categories of students: Allstars, those from corporates & SMEs, government agencies, and universities & colleges, as well as unaffiliated individuals seeking to enhance their digital knowledge/skills.

Going forward, RBA will continue to empower, connect and develop tech talents, ensuring that opportunities are available to everyone. It seeks to introduce more exciting programmes as it expands its network of partners and builds a larger and stronger tech community in Asean. Among others, there are plans to introduce Betabuild, a platform to develop Allstars' ideas into full-blown entrepreneurship programmes that can be onboarded into AirAsia's digital ecosystem. The ultimate objective is to nurture industry-ready professionals and tech problem-solvers who can overcome the most difficult challenges.



# INNOVATING TRAVEL ACROSS ASEAN



As the **world's best low-cost airline for 11 years running**, AirAsia has become the go-to for travel within Asean by connecting guests to over 3,000 destinations worldwide.

Through our passion for new technology and drive for innovation, we've captured our guests on their journey in the air, and now on the ground as well.

**WELCOME TO ASEAN'S FUTURE OF TRAVEL WITH THE AIRASIA EXPERIENCE.**

# SUSTAINABILITY STATEMENT

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# SUSTAINABILITY STATEMENT

## INTRODUCTION

AirAsia Group Berhad (AirAsia or the Group) is proud to present our annual Sustainability Statement, which provides an overview of AirAsia's sustainability progress, initiatives and economic, environmental and social (EES) performance for the year 2020. This follows from our previous Sustainability Statement for the year ended 31 December 2019.

In this Sustainability Statement, we set out clearly the material matters that we have identified as being important to us and our stakeholders; and we disclose relevant qualitative as well as quantitative data to indicate how we are managing these material matters, and the outcomes achieved.

This year, we have refined our sustainability approach, and prioritised six Sustainable Development Goals (SDGs) in order to contribute towards the global imperatives that have been identified by the United Nations. AirAsia has also been included in the FTSE4Good Bursa Malaysia Index for the first time, with strong performance in governance and positive results in environmental and social aspects.

### Reporting Scope and Boundaries

Data provided in this report covers the period from 1 January to 31 December 2020, unless stated otherwise.

We report on entities within AirAsia Group in which we have significant equity and are able to influence strategic decisions. The list for 2020 includes AirAsia Malaysia (MAA), AirAsia Thailand (TAA), AirAsia Indonesia (IAA), AirAsia Philippines (PAA) and airasia digital. We have omitted AirAsia India (AAI) and AirAsia Japan (AAJ) because, during the year, we reduced our equity in the former to 16.33%, while AirAsia Japan ceased operating as a result of the pandemic. For carbon emissions related to our airlines, we have included data from AirAsia X Malaysia and AirAsia X Thailand to meet industry regulatory requirements.

### Reporting Framework & Guidelines

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. It is also in line with Amendments to Bursa Malaysia Securities Berhad's Main Market Listing Requirements relating to Sustainability Statement in Annual Reports. Other frameworks taken into account include:

- Sustainability Reporting Guide (2<sup>nd</sup> edition) and its Toolkits by Bursa Malaysia Securities Berhad (Bursa Malaysia)
- FTSE4Good Bursa Malaysia Index (FTSE4Good)
- United Nations' SDGs

### Feedback

We welcome any feedback or comments on our report. Please direct enquiries, feedback or comments through the following email: [sustainability@airasia.com](mailto:sustainability@airasia.com).



# Sustainability Statement

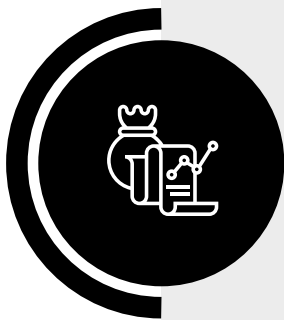
## OUR APPROACH TO SUSTAINABILITY

Elements of sustainability have always been part of AirAsia's DNA. Democratising air travel, we have enhanced many lives in Asean by making possible dreams to visit and experience new places. By expanding our network of destinations into second and third tier cities, we help to boost tourism and therefore the livelihood of local communities across the region. Through the Group's philanthropic arm, AirAsia Foundation (AAF), we provide direct support to the work of social enterprises that seek to uplift marginalised or underserved communities.

Integral to our low-cost model, moreover, is to maintain optimal fuel efficiency which, in turn, has helped us to minimise our environmental impact.

However, as social inequalities and environmental issues take on greater urgency on the global stage, it has become necessary for organisations to approach sustainability in a more structured manner. Today, we recognise the need to put in place tools to measure and monitor various key metrics, and to set targets to enhance our sustainability performance. This is not just something expected of us by regulators and other stakeholders; it is something we have started to invest in more systematically because we genuinely seek to create a positive impact on the many lives we touch; and because we realise that our environment is critical to everyone's well-being.

## PERFORMANCE HIGHLIGHTS



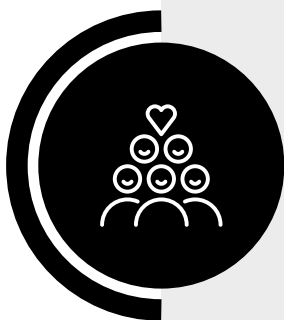
### Economic

- Listed in FTSE4Good Bursa Malaysia Index for the first time
- 2020 World Travel Awards:
  - World's Leading Low-Cost Airline - 8<sup>th</sup> win in a row
  - World's Leading Low-Cost Airline Cabin Crew - 4<sup>th</sup> win in a row
- Rebranded to become more than just an airline
- Net Promoter Score - increased from 38 in 2019 to 52
- Adopted new Anti-Bribery & Anti-Corruption Policy (ABAC)
- Maximised Red Radar system for risk register



### Environmental

- Progress towards carbon neutral growth through Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) compliance
- All AOCs submitted their Emission Monitoring Plans and verified emissions reports to their respective civil aviation authorities
- Addressed climate change through Task Force on Climate-related Financial Disclosures (TCFD)
- Undertook 2<sup>o</sup> Celsius climate scenario analysis



### Social




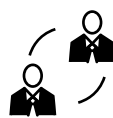
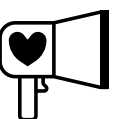









- AAF approved three new social enterprise grants amounting to RM189,104
- Completed "To Indonesia with Love" post-disaster rehabilitation project, with a total of RM3.8 million donated
- Over 7,034 staff completed AAF's anti-trafficking online training
- AAF hosted its first international webinar, "The Role of Airline Staff as Frontliners in the Fight Against Human Trafficking" and joined ICAO's Anti-Trafficking Working Group
- Give With IKHLAS Campaign raised RM1,322,267, which supported 16,016 families during pandemic lockdowns

**AIRASIA'S RESPONSE TO COVID-19**

While the pandemic brought international flights to a standstill, domestic flights have by and large continued, though at significantly lower frequencies. The downtime provided AirAsia with the opportunity to focus on building our digital businesses, and enabled our successful pivot from being just an airline into a digital lifestyle company.

At the same time, our priority throughout this period has been to uphold our "People First" and "Safety Always" Values thus ensuring the safety of our guests and Allstars. This has been achieved by adhering to all standard operating procedures (SOPs) issued by the relevant authorities in our regional operations. For ease of reference, we compiled these SOPs into a Covid-19 Operational Guidance Handbook which was circulated to all departments and AOCs within the first three months of the pandemic.

Further underlining our commitment to safety, we have continued to conduct internal operational audits to ensure compliance with International Air Transport Association (IATA) requirements. A Remote Assessment Programme SOP was developed specifically for the purpose of replacing physical audits. For more details on our response to Covid-19, please refer to the Economic, Environmental and Social sections of this report.

 <b>EMPLOYEES</b>		
 <p><b>Reinforced Health &amp; Safety Procedures &amp; Measures</b> Developed Covid-19 Operational Guidance Handbook, provided PPE and enforced social distancing</p>	 <p><b>Keeping Allstars Safe &amp; Connected</b> Various online activities/ employee engagement</p>	 <p><b>Allstar Peer Support Programme</b> Emotional support to those who experience stress while on duty</p>
 <p><b>Allstar Health Coach</b> An online health companion for all</p>	 <p><b>Upskilling &amp; Reskilling of Allstars</b> Platforms and opportunities for Allstars to learn new skills</p>	 <p><b>Support for our Furloughed Allstars</b> Aid to find employment with prospective employers</p>
 <b>GUESTS</b>		
 <p><b>Contactless Processes</b> Scan2Fly, Passenger Reconciliation System, FACES</p>	 <p><b>Strengthen Customer Service</b> 155 pilots &amp; cabin crew volunteered to help our CH department to resolve guests' enquiries</p>	 <p><b>Enhanced Health &amp; Safety Measures</b> Aircraft sanitisation, modified meal service, personal sanitiser kits</p>
 <b>ENTERPRISES</b>		
 <p><b>"S.O.S Campaign" for local businesses</b> Platform for merchants to market their products with zero listing fee</p>	 <p><b>Destination GOOD.com for social enterprise</b> Physical and online store for ethically made goods</p>	

# Sustainability Statement

**COMMUNITIES**

**Donation Drives**  
Public digital donation drives to help vulnerable communities

**Repatriation Flights**  
Special charter flights in collaboration with respective governments to return citizens to their country of origin

**Teleport Cargo**  
Chartered cargo flights of essential goods: food items, PPE, etc

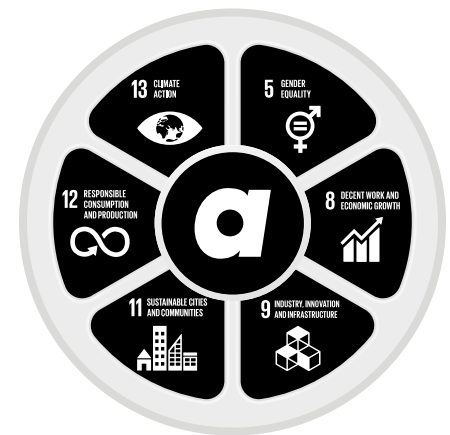
**Shipment of medical aid to China, Korea and East Malaysia**  
PPE donation

## UNITED NATIONS' SUSTAINABLE DEVELOPMENT GOALS


In 2015, the United Nations (UN) outlined 17 SDGs, setting an agenda for countries across the world to work together to create a sustainable future for all by 2030. The SDGs are comprehensive, covering all areas of social inequality - including gender discrimination, health and education - and calls for action to spur economic growth as well as protect the environment through climate change mitigation and the preservation of our forests and oceans.

Collectively, the SDGs stand as a clear blueprint to shape sustainability programmes and platforms. At AirAsia, we support all the 17 goals and have identified six in which we have the potential to make a significant difference.

In the table below, we outline the six SDGs and describe initiatives undertaken by AirAsia to contribute towards achieving the goals within the context of our reach.



SDG	SDG TARGETS	AIRASIA INITIATIVES
	5.2 Eliminate all forms of violence against women & girls, including trafficking & other types of exploitation 5.5 Women's full and effective participation & equal opportunities for leadership at all levels	<ul style="list-style-type: none"> <li>• Anti-trafficking training for Allstars</li> <li>• Board Diversity Policy</li> <li>• Women empowerment through #GirlsCanDoAnything campaign</li> </ul>
	8.2 Achieve higher levels of economic productivity through diversification, technological upgrading & innovation 8.3 Encourage the growth of micro-, small- and medium-sized enterprises 8.4 Improve global resource efficiency in consumption & production, and endeavour to decouple economic growth from environmental degradation 8.5 Achieve full & productive employment and decent work for all 8.7 Take effective measures to eradicate forced labour, end modern slavery & human trafficking 8.8 Protect labour rights & promote safe and secure working environments for all 8.9 Devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture & products	<ul style="list-style-type: none"> <li>• Contribution to GDP</li> <li>• Inclusive work environment for employees</li> <li>• Employment for young people: 40% employees below 30</li> <li>• Teleport Social for individuals and SMEs to sell their products on social media anywhere</li> <li>• Social entrepreneurship support via AirAsia Foundation</li> </ul>

SDG	SDG TARGETS	AIRASIA INITIATIVES
	<p>9.1 Develop quality, reliable, sustainable &amp; resilient infrastructure to support economic development and human well-being, with a focus on affordable &amp; equitable access for all</p> <p>9.3 Increase the access of small-scale industrial &amp; other enterprises to financial services, including their integration into value chains &amp; markets</p> <p>9.4 Upgrade infrastructure &amp; retrofit to make them sustainable, with increased resource-use efficiency and greater adoption of clean &amp; environmentally sound technologies</p> <p>9.5 Enhance scientific research, upgrade the technological capabilities of industrial sectors by encouraging innovation</p>	<ul style="list-style-type: none"> <li>airasia super app provides a simple and seamless user experience across more than 15 travel, e-commerce and fintech products and services</li> <li>BigPay is a financial services platform that democratizes fee-free access to products and services - from payments to loans</li> <li>Paperless aviation</li> <li>Partnerships with Google, GE and Oracle</li> </ul>
	<p>11.2 Provide access to safe, affordable, accessible &amp; sustainable transport systems to all</p> <p>11.4 Strengthen efforts to protect &amp; safeguard the world's cultural and natural heritage</p> <p>11.5 Reduce the number of deaths &amp; the number of people affected, and decrease the direct economic losses relative to global gross domestic product caused by natural disasters</p>	<ul style="list-style-type: none"> <li>AAF programmes such as donation drives and grants for social enterprises</li> <li>Post-disaster relief efforts</li> <li>Provision of apprenticeship and livelihood training to enable local communities to earn sustainable income post-disaster</li> <li>Donation drives by IKHLAS</li> <li>Low-cost carrier offering affordable access to air travel - "Now everyone can fly"</li> <li>Promotion of public transportation to access airports and city centres among guests and Allstars</li> </ul>
	<p>12.2 Achieve sustainable management &amp; efficient use of natural resources</p> <p>12.3 Halve per capita global food waste at the retail &amp; consumer levels, and reduce food losses along production &amp; supply chains</p> <p>12.5 Reduce waste generation through prevention, reduction, recycling &amp; reuse</p> <p>12.6 Encourage companies to adopt sustainable practices &amp; integrate sustainability information into their reporting cycle</p> <p>12.7 Promote public procurement practices that are sustainable, in accordance with national policies &amp; priorities</p>	<ul style="list-style-type: none"> <li>Continuous monitoring of resource consumption</li> <li>Low water use toilets and washroom facilities in offices</li> <li>Efforts to reduce single-use plastic in AirAsia offices</li> <li>Waste separation in offices and in-flight</li> <li>Reduce in-flight food wastage by encouraging pre-orders</li> <li>Carpool programme</li> <li>Suppliers Code of Conduct and qualification procedure promote responsible environmental practices across the value chain</li> </ul>
	<p>13.2 Integrate climate change measures into strategies &amp; planning</p> <p>13.3 Improve education &amp; awareness-raising on climate change mitigation, adaptation, impact reduction &amp; early warning</p>	<ul style="list-style-type: none"> <li>Carbon Monitoring, Reporting and Verification (MRV)</li> <li>Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA)</li> <li>Climate risk related scenario analysis</li> <li>Sustainability Dashboard</li> <li>Adjustments to lights-on times according to work hours, through an automatic shutdown system</li> </ul>

# Sustainability Statement

## SUSTAINABILITY GOVERNANCE

Sustainability at AirAsia is led by the Board of Directors (BOD), which oversees the Group's sustainability strategies and performance, and validates all sustainability related decisions. At the operational level, sustainability measures or initiatives are identified, discussed, reviewed, implemented and monitored by the Sustainability Working Group Committee (SWGCG). This committee comprises Group heads of relevant departments and is chaired by the Head of Sustainability, who reports to the Board annually. In 2020, the BOD reviewed and validated the Group's 10 material matters as part of its sustainability oversight.

With the Group's diversification into digital businesses, which have a different set of risks and challenges, the SWGC now includes representatives from airasia super app, Santan and Teleport. In order to improve and further strengthen our sustainability management, we have also included Group Operational Quality Assurance, Communications and AirAsia Foundation (AAF) into the SWGC, while Group Safety and Group Engineering have been combined and are now under Group Operations.







### Roles and Responsibilities:

<b>Board of Directors</b>	<ul style="list-style-type: none"> <li>Has overriding authority as the ultimate decision-making body to endorse activities of the SWGC for the Group and its stakeholders</li> <li>Integrates sustainability in strategic decisions by taking into account EES impacts arising from business operations</li> <li>Provides oversight of the Group's overall sustainability strategy</li> </ul>
<b>SWGCG</b>	<ul style="list-style-type: none"> <li>Identifies, assesses, evaluates, manages and reports on current and emerging sustainability risks and opportunities relevant to the Group</li> <li>Develops the Group's sustainability disclosures to ensure compliance with regulatory requirements and global frameworks</li> <li>Monitors and provides progress updates on the Group's sustainability activities, performance and initiatives based on the strategies and policies set by the committee and the BOD</li> </ul>

## STAKEHOLDER ENGAGEMENT

We define our stakeholders as those we impact through our operations as well as those who influence our performance and ability to meet our corporate goals. We value all our stakeholders and engage with them on a regular basis to understand their needs and expectations of AirAsia, while also helping them understand our strategies and objectives.

Stakeholder Group	Engagement Channels	Areas of Interest	How We Respond
 <b>Board of Directors</b>	<ul style="list-style-type: none"> <li>Board meetings</li> <li>Annual General Meetings</li> <li>Corporate events</li> </ul>	<ul style="list-style-type: none"> <li>Financial performance</li> <li>Corporate governance (CG) &amp; strategies</li> <li>Business development &amp; partnerships</li> <li>Human capital management</li> <li>Environmental practices</li> </ul>	<ul style="list-style-type: none"> <li>Focus on enhancing our branding and expanding lines of business</li> <li>Sustainability practices</li> <li>Awards and accolades</li> </ul>
 <b>Employees (Allstars)</b>	<ul style="list-style-type: none"> <li>Social media</li> <li>Employee appraisal</li> <li>Community engagement</li> <li>Online surveys</li> <li>Townhalls</li> <li>Cultural, sports, well-being &amp; appreciation events</li> <li>Open office layout</li> </ul>	<ul style="list-style-type: none"> <li>Diversity, inclusion &amp; equal opportunity</li> <li>Corporate Governance (CG) practices</li> <li>Training &amp; career development</li> <li>Work-life balance</li> <li>Fair remuneration &amp; compensation</li> <li>Security, safety &amp; welfare</li> </ul>	<ul style="list-style-type: none"> <li>Foster inclusivity and positive relationships through employee engagement programmes</li> <li>Provide frequent updates on the Group's performance and changes in policies and procedures</li> <li>Provide various training and skills enhancement opportunities</li> <li>Ensure fair compensation</li> <li>Provide safe and healthy working environment</li> <li>Daycare centre/creche</li> </ul>
 <b>Business Partners</b>	<ul style="list-style-type: none"> <li>Regular meetings</li> <li>Financial institutions &amp; aircraft investor credit roadshows</li> <li>Workshops &amp; seminars</li> <li>Global aviation finance conferences</li> <li>Technical support based in RedQ</li> <li>Commercial support with GE based in KL &amp; Airbus based in Singapore</li> </ul>	<ul style="list-style-type: none"> <li>Agreeable contracts and terms</li> <li>Service delivery and cost</li> <li>Risk management</li> <li>Regulatory compliance</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen partnerships with agreeable contracts and terms</li> </ul>
 <b>Customers (Guests)</b>	<ul style="list-style-type: none"> <li>Continuous customer satisfaction surveys</li> <li>Online submissions</li> <li>Customer Support Live Chat Channels</li> <li>Social Media Channels</li> <li>Messenger Channels</li> <li>AirAsia sales offices, travel &amp; service centres</li> </ul>	<ul style="list-style-type: none"> <li>Customer satisfaction</li> <li>Process efficiency</li> <li>Competitive pricing &amp; experience throughout physical/digital journey</li> <li>Data privacy &amp; security</li> <li>Safety &amp; well-being</li> <li>Loyalty rewards</li> </ul>	<ul style="list-style-type: none"> <li>Provide fast and prompt attention to customer needs</li> <li>Continue to increase customer satisfaction through process efficiency</li> <li>Protect customers' data as well as their health and safety</li> </ul>

# Sustainability Statement

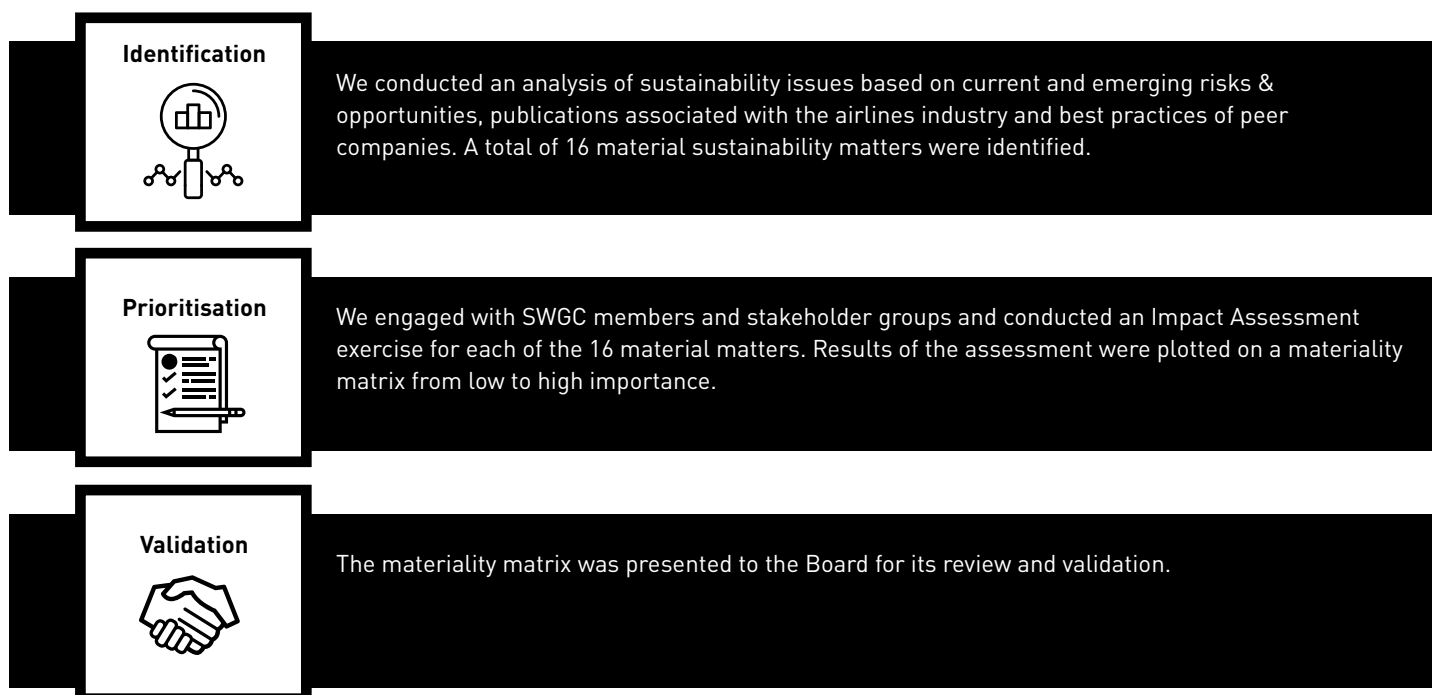
Stakeholder Group	Engagement Channels	Areas of Interest	How We Respond
 <b>Investors</b>	<ul style="list-style-type: none"> <li>Investor meetings &amp; conference calls</li> <li>Annual General Meetings &amp; Extraordinary General Meetings</li> <li>Investor Relations website</li> <li>Investor briefings by Senior Management</li> </ul>	<ul style="list-style-type: none"> <li>Financial performance</li> <li>CG practices</li> <li>Strategies</li> <li>Brand management</li> <li>Operational performance</li> <li>Health &amp; safety</li> <li>Customer relationship management</li> <li>Innovative initiatives</li> <li>Environmental management</li> </ul>	<ul style="list-style-type: none"> <li>Actively communicate with investors</li> <li>Provide timely updates of business performance &amp; strategies</li> <li>Focus on enhancing our branding and expanding lines of business</li> <li>Ensure safe &amp; healthy working environment</li> <li>Sustainability practices</li> <li>Awards and accolades</li> </ul>
 <b>Market Analysts</b>	<ul style="list-style-type: none"> <li>Analyst briefings</li> <li>Analyst meetings &amp; conference calls</li> <li>Media interviews &amp; releases</li> <li>Investor Relations website</li> </ul>	<ul style="list-style-type: none"> <li>Financial performance</li> <li>CG practices</li> <li>Strategies</li> <li>Brand management</li> <li>Operational performance</li> <li>Customer relationship management</li> <li>Data privacy &amp; security</li> </ul>	<ul style="list-style-type: none"> <li>Continued engagement with analysts</li> <li>Timely updates of business performance &amp; strategies</li> <li>Focus on enhancing our branding and expanding lines of business</li> </ul>
 <b>Regulators/ Governmental Bodies</b>	<ul style="list-style-type: none"> <li>Regular dialogue through face-to-face meetings &amp; official correspondence</li> <li>Parliamentary sessions</li> <li>Formal meetings with government officials initiated by AirAsia</li> <li>Tours and familiarisation visits to AirAsia</li> </ul>	<ul style="list-style-type: none"> <li>CG practices</li> <li>Policy &amp; regulatory compliance</li> <li>Risk &amp; crisis management</li> <li>Data privacy &amp; security</li> <li>Environmental management</li> </ul>	<ul style="list-style-type: none"> <li>Engage closely with regulators and governmental bodies</li> <li>Announce or report relevant information in a timely manner</li> <li>Maintain standards and certifications</li> </ul>
 <b>Social Enterprises</b>	<ul style="list-style-type: none"> <li>Corporate community programmes</li> <li>Funding of social enterprises through AirAsia Foundation</li> <li>Regular dialogue</li> </ul>	<ul style="list-style-type: none"> <li>Ethics &amp; integrity</li> <li>Innovation</li> <li>Job creation</li> <li>Economic development</li> </ul>	<ul style="list-style-type: none"> <li>Create support system for social enterprises</li> <li>Actively communicate with social entrepreneurs</li> <li>Increase employability and job creation</li> </ul>
 <b>Suppliers</b>	<ul style="list-style-type: none"> <li>Regular dialogue and reviews</li> <li>One-to-one meetings</li> </ul>	<ul style="list-style-type: none"> <li>Agreeable contracts &amp; terms</li> <li>Service efficiency, value, delivery &amp; cost</li> <li>Health &amp; safety</li> </ul>	<ul style="list-style-type: none"> <li>Ensure consistent communication with suppliers on contracts and supplier code of conduct</li> <li>Compliance with required policies</li> <li>Provide safe and healthy workplace</li> </ul>
 <b>Local Communities</b>	<ul style="list-style-type: none"> <li>Community development programmes</li> <li>Corporate social responsibility initiatives</li> <li>Partnerships and employee volunteerism</li> <li>Websites and social media platforms</li> </ul>	<ul style="list-style-type: none"> <li>Community engagement</li> <li>Rural development &amp; empowerment</li> <li>Environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>Undertake empowerment programmes, volunteerism and donations</li> <li>Provide humanitarian assistance and post-disaster relief</li> </ul>

## CAN Membership

In 2020, AirAsia joined the CEO Action Network (CAN), a peer-to-peer informal network of CEOs and Board members focused on sustainability advocacy, capacity building, action and performance. The objective of CAN is for captains of industry to work towards shaping future-ready and ESG-integrated business models and ecosystems.

## MATERIALITY ASSESSMENT

In 2019, we conducted a comprehensive materiality assessment involving in-depth stakeholder engagement and impact assessment exercises to identify the matters that are important to AirAsia as well as to our stakeholders. The assessment was based on the following three steps:



Having identified our material matters through this rigorous process, we review the material matters annually to assess their continued relevance. The review process in 2020 involved our internal stakeholders (Allstars and SWGC), who agreed that all the material matters are still pertinent to our operations and stakeholder value creation.

However, with the breakout of the pandemic, and concerted efforts by AirAsia to ensure the safety and well-being of our guests and Allstars, Health & Safety now has greater influence on our operations. This is reflected in the shift of this material matter within the matrix, as one of the top three priorities.

Management also believe that certain material matters identified are very closely linked and, for greater clarity as well as to reduce overlapping of data in reporting on these material matters, the material matters have been merged. This included merging:

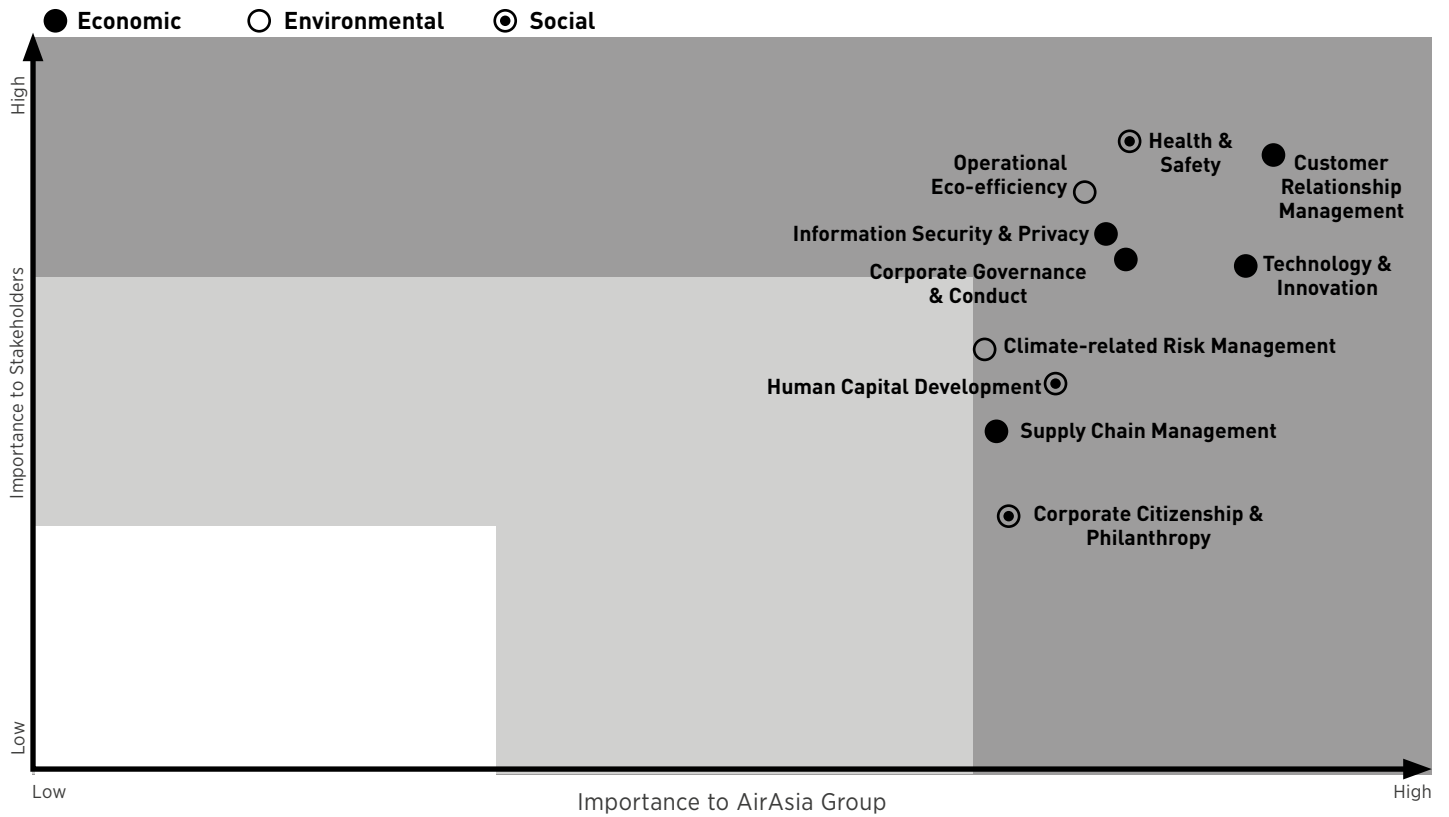
- "Efficiency & Reliability" into "Operational Eco-efficiency"
- "Brand Management" into "Technology & Innovation"
- "Risk & Crisis Management" into "Corporate Governance & Conduct"
- "Attractive & Inclusive Workplace" into "Human Capital Development"
- "Human Rights" and "Responsible Tourism" into "Corporate Citizenship & Philanthropy"



# Sustainability Statement

Consequently, there are now 10 material matters for AirAsia Group, as represented in the matrix below.

## Materiality Matrix



## ECONOMIC

Aligned to SDGs



### CUSTOMER RELATIONSHIP MANAGEMENT

Our guests are our top priority. From Day 1, we have sought not only to enable everyone to fly but also to ensure a great experience when flying with AirAsia. We recognise that happy guests are repeat guests who also serve as the best ambassadors – in addition to promoting AirAsia, they are also credible. This is why we are guest obsessed and place great expectations on our Customer Happiness (CH) Team.

To maintain high levels of customer happiness, customer-facing Customer Happiness Allstars have access to an Empowerment Matrix that enables them to resolve issues and complaints as they are reported.

One of the many advantages of digitalising all our systems is that we now have a wealth of data on our guests. Our Customer Service Management (CSM) platform, for example, is fed data from the multiple digital channels we use to communicate or engage with our guests. This data is also used by CH to focus on Customer-Led Change. An Insights Team produces reports using guests’ feedback to inform our decision-makers on what our guests really think about our products and services. We actively communicate this to each of our airline Chief Executive Officers (CEOs) and meet regularly to discuss actions to be taken to further improve our guests’ experience.





Our Customer Happiness Team is certified to ISO 10002:2018 - Customer Satisfaction, guidelines for complaints handling

### Communication with Guests

Over the years, our customer engagement platforms have become stronger and more efficient, especially with the introduction of a comprehensive suite of online communication channels complementing in-person communication at our sales offices and airport counters.

### Communication channels with guests

<p><b>Online</b></p> 	<ul style="list-style-type: none"> <li>• Other than AVA, our chatbot that is accessible 24/7, we provide fast, personalised assistance to guests via Live Chat, WeChat, WhatsApp, Twitter (@AirAsiaSupport), Facebook Messenger &amp; Voicemail.</li> <li>• In addition, we seek feedback from guests after every engagement they have with our agents.</li> </ul>
<p><b>In Person</b></p> 	<ul style="list-style-type: none"> <li>• Guests can visit any of our 12 Travel &amp; Service Centres and 15 airport counters for the purchase of flights, insurance, meals, seat selection and baggage add-ons.</li> </ul>

In 2020, however, we suffered a communication setback, not because of failure on the part of our systems, but because of the sheer volume of calls and complaints that had to be managed. Due to pandemic-related flight changes and cancellations, we were receiving over 250,000 calls/messages/online missives a day, way beyond the average of 60,000 pre-pandemic.

# Sustainability Statement

## Our Response to Covid-19

Managing our distressed guests became and remains our top priority. We recruited 155 contract staff made up of AirAsia pilots and cabin crew to help with the crisis. With their help, we were able to bring down wait times within reasonable limits, and managed to get through this challenging period.

In addition to engaging with guests and answering their queries, we have adopted various measures to show we care:

- Effective 22 June 2020, we introduced same-day credit so that the cost of cancelled flights is credited into guests' BIG member accounts instantly or at least within the day.
- In March, we launched a "Flexibility for You" campaign allowing guests to either: a) convert cancelled flights to credits and book a new flight within two years; or b) change their flight date any number of times at no extra cost.
- We ran educational campaigns (via edms, social media, media releases and visual content) to help guests understand how to use AVA to submit their requests, which allowed for faster processing through built-in automation.

To allay some of the inevitable negative sentiment, we responded with campaigns to explain AirAsia's position. While acknowledging our guests' frustration, we highlighted the fact that we were doing our best to continue serving them and that we had their interests at heart.

- We launched an "AVAZing Grace" campaign to mitigate some of the negative social and media sentiment around our chatbot, which was handling more than 80% of queries during the pandemic.
- We featured key Customer Happiness (CH) Allstars from across the Group in various media.
- Through a Safe Flying campaign, we encouraged guests to take up the credit option versus flight refund.

## Enhancing Digital Customer Experience

We also issued press releases/media announcements and created video content on new products and innovations, such as Scan2fly and FACES for greater convenience and safety in the current environment.

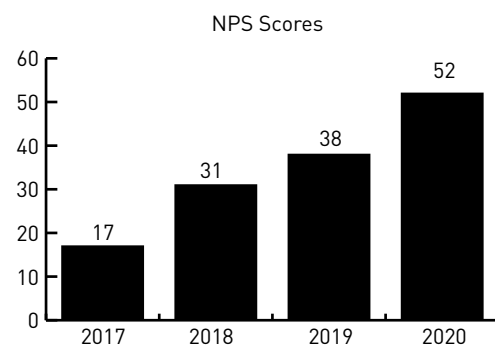
- Scan2Fly enables guests to scan and upload any medical certificates required during the online self-check-in process. The system determines guests' eligibility to fly before they arrive at the airport, for example, providing instant verification of Covid-19 related travel documents.
- FACES, our facial biometric recognition system, was introduced at Senai Airport, Johor Bahru in 2018. After being fine-tuned, the system will be rolled out at klia2 and other airports throughout Malaysia beginning April 2021.
- Passenger Reconciliation System (PRS) is another contactless procedure that enables passengers to scan their boarding passes so as to eliminate the need for physical contact between guests and aviation security staff from the time they check-in till they board the aircraft. The system was tested in 2020, and will be rolled out at klia2 in early 2021, followed by other airports in Malaysia where AirAsia operates.

## Net Promoter Score (NPS)

In line with being guest obsessed, we have been monitoring our NPS since 2017. Emails are sent to guests before and after their trips, seeking feedback on various aspects of flying with AirAsia. Feedback is fed into the NPS platform which informs us of how satisfied our guests are with our service, and how willing they are to recommend AirAsia to others. The index ranges from -100 to 100. A minus score means customers would not recommend a company while positive scores indicate how positively they view the company vis-a-vis others.

Our NPS has been increasing steadily from 2017, indicating vast improvement in the guest experience. We are particularly proud of the significant jump in NPS from 2019 to 2020 given the challenging caseload our CH staff had to handle.

The Group's NPS scores from 2017-2020



## Awards & Recognition

Despite the pandemic, we continued to maintain excellence in service and hospitality by adapting to the constantly changing rules and regulations, while keeping the well-being, health and safety of each guest our priority. This led to AirAsia being awarded the following at the 2020 World Travel Awards:

- Asia's Leading Low-Cost Airline 2020
- Asia's Leading Low-Cost Airline Cabin Crew 2020

AirAsia was also recognised for our outstanding contributions in the transport of critical medical and protective supplies to communities in China during the pandemic, and was awarded the Premium Selected Social Responsibility Pioneer Airline of the Year at the 2020 Premium Travel Awards.

Meanwhile, Customer Happiness specifically received the following awards from Contact Centre Association of Malaysia (CCAM) in 2020:

- Best Digital Innovation Award (Silver)
- Best Business Continuity Plan Implementation in a Contact Centre Award (Silver)

## CORPORATE GOVERNANCE AND CONDUCT

Integrity forms the cornerstone of our operations. The trust of our stakeholders is critical to our sustainability, and we seek to inspire confidence in our ability to deliver ethical as well as transparent operations. Our Board of Directors ensures that AirAsia serves our stakeholders' interest via sound principles of governance as advocated by domestic and international regulators.

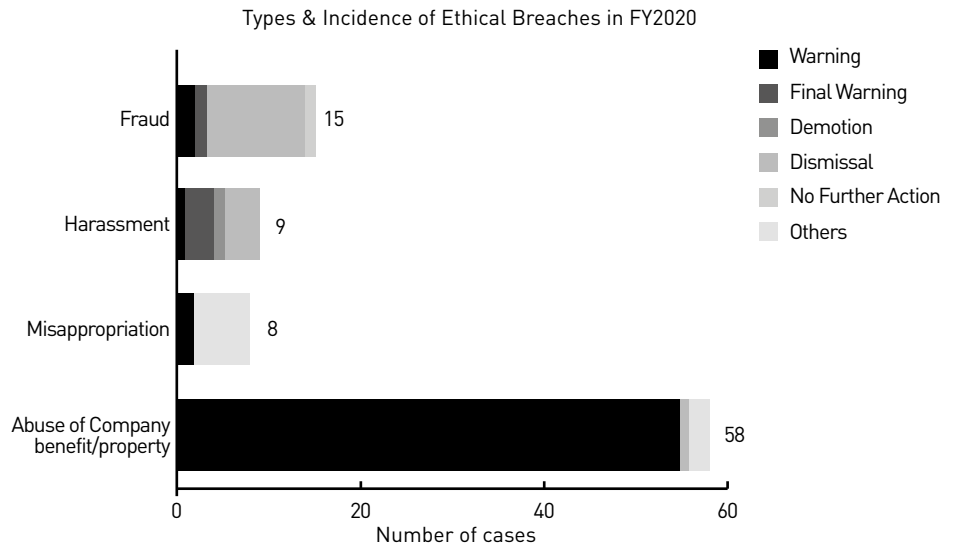
*[For more on our Corporate Governance, please refer to the Corporate Governance Overview Statement on pages 139 to 146.]*

Various policies and procedures are in place to create a culture of integrity that permeates all our actions and decisions. These are reflected in the table below.

Code of Conduct	Sets out standards of ethics for everyone representing AirAsia, covering our work culture, conflict of interest, confidentiality of information, good practices and controls, duty and declaration. The Code also states clearly that disciplinary action will be taken for any breach of its principles.
Anti-Bribery and Anti-Corruption Policy	Defines and identifies steps to prevent bribery and conflicts of interest while guiding our actions in response to: <ul style="list-style-type: none"> <li>- Gifts &amp; hospitality</li> <li>- Dealing with partners, suppliers &amp; public officials</li> <li>- Political contributions</li> <li>- Sponsorships &amp; charitable donations</li> <li>- Facilitation payments</li> </ul>
Whistleblowing Policy	Provides a platform for Allstars and third parties to report any instance of unethical behaviour, while protecting whistle-blowers from reprisal as a consequence of making such disclosure.
Conflict of Interest Policy	Provides guidelines and procedures on situations that could create conflict of interest such as receiving or offering gifts, with the objective of enabling accountability and transparency.
Disciplinary Policy	Sets out procedures to handle any breach of established norms/Code of Conduct ensuring impartiality and fairness to support a just and non-threatening work environment.
Workplace Search Policy	Affords Group Security the right to conduct searches on Allstars in areas where AirAsia operates to prevent misconduct.
Remuneration Policy	Provides clarity on remuneration structures and practices for Board of Directors and Allstars, consistent with our principles and market practice.
Board Diversity Policy	Ensures a mix of experience/expertise and good representation of independent as well as female directors for balanced and fair decision-making.

# Sustainability Statement

Supported by these policies and strong corporate governance, we investigate and monitor ethical breaches with the cooperation of the Internal Audit Department and Employee Relations, People & Culture Department. In 2020, we carried out thorough investigations on all unethical/non-compliance cases that were reported before proceeding with the appropriate action.



## Anti-Bribery & Anti-Corruption

In response to the amendment to Section 17A of the Malaysian Anti-Corruption Commission (MACC) Act 2009, our Risk Management Department engaged an external consultant to conduct an analysis of bribery or corruption-related risks faced by the Group. The consultant’s report highlighted 21 gaps and areas for improvement which were progressively addressed throughout 2020.

The Group’s stance on bribery or corruption is clearly reflected in the Board of Directors’ zero tolerance for any form of bribery or corruption in AirAsia. This is further reinforced by our Anti-Bribery & Anti-Corruption (ABAC) Policy, which all Allstars as well as vendors, suppliers and consultants are required to read and acknowledge. Further strengthening the ABAC Policy, our Whistleblower Policy has been reviewed to ensure alignment with the ABAC Policy. No changes were deemed necessary for the time being.

90% of **Allstars** have acknowledged and understand the **ABAC Policy**

Much emphasis has been given to the new “No Gifts” principle of ABAC, since a relatively large number of Allstars have external dealings. The new guidelines require Allstars to refuse or return any offers; but should this not be possible, the gifts are to be declared to the Legal and Compliance Department or handed over to AirAsia Foundation as charitable donations.

In 2020, one case of unsolicited gifts was declared by the Engineering Department. The items were handed over to the Legal and Compliance Department for further action.

Following its launch, the ABAC Policy was reviewed by AirAsia’s Group Internal Audit department which recommended several improvements that have been incorporated in an updated document published in December 2020. Further recommendations will be addressed in 2021, mainly aimed at improving understanding and awareness among Allstars.

## Communication and Training

Since 2018, all new hires are required to attend online and offline Code of Conduct training. The ABAC Policy was added into AirAsia’s Workday system which pushes notifications to each individual Allstar. As of February 2021, 90% of Allstars had acknowledged that they are aware of and understand the policy. The aim is to reach out to the remaining 10% by Q1 2021. In 2021, we will also translate the policy into Bahasa Malaysia, Bahasa Indonesia, Thai and Tagalog for ease of understanding of Allstars Group-wide.

Other than training, all AirAsia policies and procedures are available for easy reference on the Group’s intranet portal.

### **Whistleblowing**

We encourage Allstars, Directors and other stakeholders who have genuine and legitimate concerns to raise these via our whistleblowing channels. Their concerns will be investigated properly while we ensure no negative repercussions on the whistleblowers. Concerns can be raised by sending an email to [whistleblower@airasia.com](mailto:whistleblower@airasia.com). For more information on our Whistleblowing channel, please refer to [https://ir.airasia.com/whistleblowing\\_channel.html](https://ir.airasia.com/whistleblowing_channel.html).

During the reporting year, we recorded 23 cases of pilferage, conflict of interest, abuse of authority, and misappropriation of company assets. These were investigated and dealt with appropriately, with follow-up actions such as warning letters, dismissal and process improvement in the case of business processes.

### **Strategy Development**

Our business sustainability is also dependent on having effective strategies guiding our growth. This is the domain of our Strategy & Growth Department, which works with various key stakeholders to develop the Group's Redbook. In addition to outlining the Group's key priorities and strategies into a unified forward perspective, the Redbook establishes a clear direction and standardised structure, methodology and process to develop strategies, targets, budgets and key performance indicators (KPIs) for each function within the Group.

The pandemic prompted a rethink of our broad strategic direction resulting in clearer alignment of strategic perspective and targets across functions and airline operating companies while promoting greater synergies, integration and accountability. In line with the Group's accelerated transformation into an integrated Asean lifestyle company, the strategic rethink also led to sustainability elements being embedded more deeply into our strategic direction and business goals.

Accordingly, the Group is ensuring all new initiatives are aligned with the pursuit of economic, social and environmental sustainability. These include strengthening our digital infrastructure and privacy protection, providing upskilling opportunities for staff, and enhancing our social impact through platforms such as IKHLAS, which offers access to faith-based practices and Shariah-compliant lifestyle choices.

### **Driving a CEKAP Workforce**

Maintaining lean operations is integral to our business model, as it enables us to pass on savings to our guests in the form of affordable products and services. To drive continuous operational efficiencies, in 2019 we implemented CEKAP which equips Allstars with Continuous Improvement Tools to drive simple yet efficient ways of working across the Group. The slowdown in 2020 created an opportunity to onboard more Allstars onto the CEKAP platform. From having trained 300 Allstars in 2019, the number increased to over 2,100 as of December 2020. There are also more ongoing CEKAP projects, from 30 planned projects in 2019 to 60 ongoing projects at end 2020 and 88 that will be rolled out in 2021. These CEKAP projects are led by Allstars from cross-functional teams with the main focus on reducing costs, increasing productivity and promoting growth.

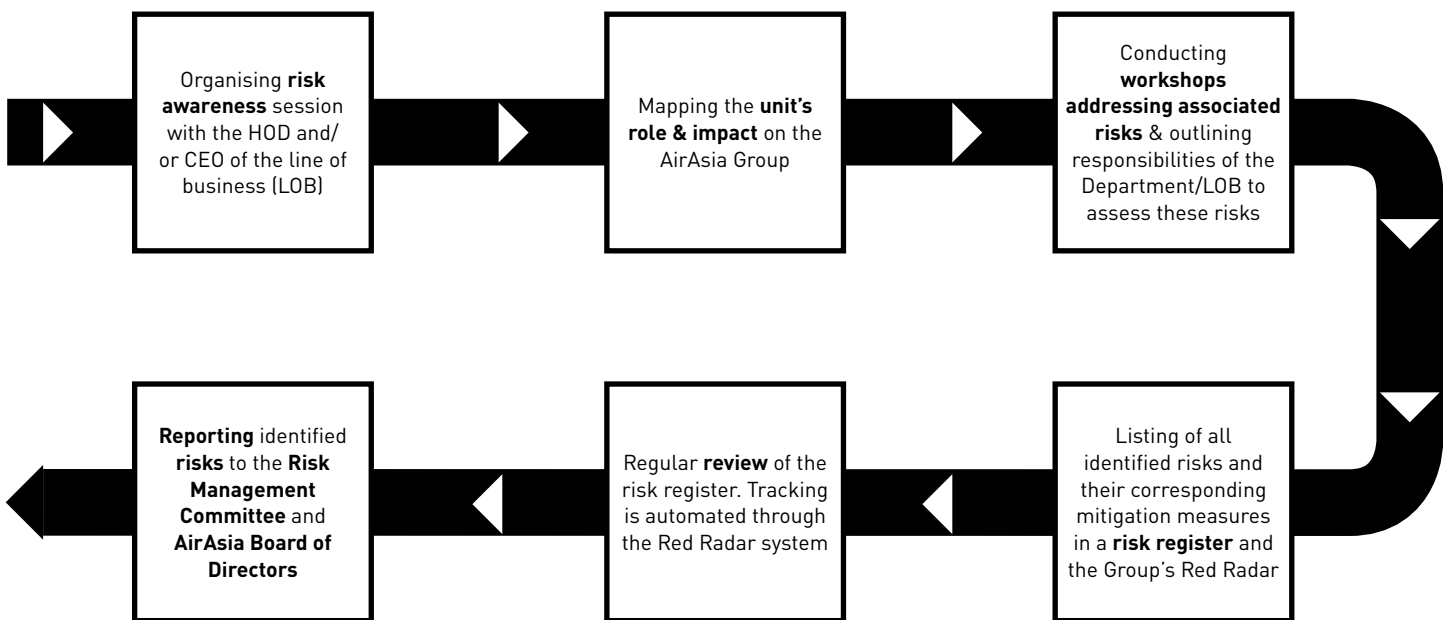
# Sustainability Statement

## Risk & Crisis Management

While growing our business, we monitor and manage our risks via a robust risk management framework encompassing an Enterprise Risk Management Policy (ISO 31000 compliant) and Business Continuity Management Policy (ISO 22301 compliant).


Separate risk registers are created for each business unit, including AirAsia Foundation to manage risks related to social sustainability. Environmental risks, meanwhile, are covered under operational risks. However, as regulatory requirements under the United Nations' Carbon Offset and Reduction Scheme for International Aviation (CORSIA) (see Environment section for details) are likely to intensify, the Risk Management Department (RMD) will collaborate with the Sustainability Department to manage and monitor climate-related risks more comprehensively.

In 2020, RMD undertook a comprehensive programme to create individual risk registers for each business unit, which enabled the units to identify and monitor risks in a more comprehensive manner. This exercise included the following steps:



In addition, RMD also reintroduced the use of the Red Radar system to collate previously manual risk registers. To date, 90% of data from manual risk registers have been exported onto Red Radar, which provides for AirAsia Group's Business Continuity Plan (BCP). The BCP registers the people, processes and critical systems related to risk management in every department while a Business Continuity Officer identifies the potential risks caused by failure of any of the risk compliance areas. Through the BCP, RMD can quantify or qualify changes depending on severity of the risk. The risk register and BCP are reviewed between every six weeks and three months.

One of RMD's top priorities in 2021 is to address a data security issue that arose while transferring manual risk registers to Red Radar, caused by cross-border data export and differences in formats used in different countries. The issue is being managed by the ICT Department with a solution expected within Q1 2021. Meanwhile, the risk management process is being rolled out regionally via virtual training sessions.



**90% of manual risk registers have been digitalised into the Red Radar system**

We also expect to resume disaster recovery simulation in 2021. While our AOCs already have proper emergency evacuation procedures, an additional scenario will be tested in Malaysia (subject to the lifting of movement restrictions) to simulate an aircraft crash into RedQ. This will be followed by the first simulation of a climate-related disaster such as massive floods or a typhoon.

## TECHNOLOGY AND INNOVATION

AirAsia has evolved from being an airline into a digital travel and lifestyle platform company. Using data from our online bookings, we have expanded our service – initially into ancillary products then adjacency businesses and, now, into an entirely new core business: airasia digital. This encompasses the airasia super app, Teleport, Santan, BigPay and BIGLIFE.

Our transformation has been made possible by investing in the right technologies that have allowed us to build a robust digital infrastructure. While aided by partnering tech giants such as Google, GE and Oracle, we are now developing our own digital products and systems at the AirAsia Software Engineering & Technology Centre in Bengaluru, India. In 2020, we also launched Redbeat Academy to provide digital training for Allstars and others. The objective is to build our capabilities in artificial intelligence (AI), machine learning (ML), data analysis and cloud infrastructure to continuously create better products and services for our guests.

### Our Digital Companies

Company	Technology developments & innovation in 2020	Plans for 2021
<b>airasia super app</b> - super app for travel and lifestyle, encompassing the three verticals of travel, e-commerce and fintech	<ul style="list-style-type: none"> <li>• NUDGE, an ML-powered engine that recognises users and customises the user interface to tap into their individual needs.</li> <li>• ARBITER, an A/B testing tool that exposes clients to different experiences and incorporates the most user-friendly features into our products.</li> <li>• PHOENIX, a design system which brings to life products within hours and provides consistency across the user experience, accelerating our time to market.</li> <li>• NUCLES, a single-stop shop that unifies and centralises the checkout experience of the customer.</li> </ul>	<ul style="list-style-type: none"> <li>• Scale up fintech vertical with products catering to key financial needs of customers at every stage of their lives.</li> <li>• Further increase the velocity and user stickiness of the app, and expand lines of business to strengthen app ecosystem.</li> </ul>
<b>Teleport</b> - our digital logistics venture providing end-to-end delivery of parcels, food and fresh produce	<ul style="list-style-type: none"> <li>• Diqit, which enables a seamless experience navigating airasia fresh, airasia shop (now known as airasia beauty) and airasia food with a single sign on solution via users' accounts. It also allows users to earn and redeem BIG Points.</li> <li>• Teleportal app, that utilises the SmartKargo platform to provide visibility of the entire logistics chain from first to last mile. Reducing the need for third-party services, meanwhile, results in cost savings which are passed back to customers. It also eliminates human error in the process.</li> <li>• Freightchain, the world's first digital air cargo network built on blockchain, offering a self-service cargo booking platform for airlines, their forwarders and agents.</li> </ul>	<ul style="list-style-type: none"> <li>• Teleport will continue to expand to more cities in Malaysia, Indonesia, Thailand and the Philippines offering parcel delivery within 24 hours to anywhere in Asean, Citywide delivery in under one hour, Flash delivery in under four hours and air cargo services.</li> </ul>



# Sustainability Statement

Company	Technology developments & innovation in 2020	Plans for 2021
<p><b>Santan</b> – the food group which started off as our in-flight menu brand and has now become a chain of Asean fast food restaurants that also offers airasia farm, a fresh produce marketplace for B2B and B2C transactions</p>	<ul style="list-style-type: none"> <li>• Launched home delivery via its own website as well as third-party food delivery platforms; and opened three satellite kitchens to increase home delivery reach.</li> <li>• Developed a POS solution where diners can place orders directly on Santan’s web or mobile app, or the in-store self-service kiosks.</li> <li>• Developed demand planning tools for outlets to ensure they do not overstock or understock.</li> <li>• Launched airasia farm (previously OURFARM), an e-commerce platform that connects farmers directly to food businesses including restaurants and supermarkets.</li> <li>• Introduced “Matching” and “Quotation” modules that match buyers to the nearest farmer based on produce type, so logistics costs can be reduced. This has reduced transaction time as quotations can be produced in less than a minute.</li> <li>• Buyers and farmers receive digital training at Redbeat Academy, if needed.</li> </ul>	<ul style="list-style-type: none"> <li>• Currently Santan’s POS is being hosted at a vendor site. The plan is to bring it in-house.</li> <li>• airasia farm will be enhanced via integration with logistics providers, launch of a trading module and warehouse management system.</li> </ul>
<p><b>BigPay</b> – a homegrown fintech company that aims to become a digital bank</p>	<ul style="list-style-type: none"> <li>• Launched bill payments, allowing users to settle their bills with over 20 telcos, internet providers and utilities providers.</li> <li>• Launched Singapore fully in the cloud and moved a large part of Malaysian products to the cloud.</li> </ul>	<ul style="list-style-type: none"> <li>• Cash top-up at local convenience stores.</li> <li>• User access to insurance, digital loans and wealth management solutions.</li> </ul>
<p><b>BIGLIFE</b> - a lifestyle rewards platform that goes beyond flights</p>	<ul style="list-style-type: none"> <li>• Launched BIG Deals which allows members to redeem a wide variety of lifestyle deals using BIG Points.</li> <li>• Expanded its instant points exchange platform from BIG Xchange into the airasia super app.</li> <li>• Rebranded its name from AirAsia BIG Loyalty to BIG Rewards.</li> </ul>	<ul style="list-style-type: none"> <li>• BIGLIFE will continue to power the airasia ecosystem with BIG Points as a digital currency, while diversifying its product offerings.</li> </ul>

## Communication Across Borders & Homes

Our Allstars were able to make a relatively seamless transition to work from home (WFH) in line with the Government’s SOPs, thanks to earlier investments made into our cloud-based suite of collaboration tools. The same tools that have enabled collaboration among teams in different geographical locations across the Group are being utilised by Allstars working from home. With the addition of Workplace, Chilli and Zoom, we have sufficient platforms to maintain a high level of engagement with our Allstars. Our senior leadership, for example, are able to conduct live-streamed town halls to over 20,000 Allstars across the Group, providing much-needed clarity and motivation at a time of pervasive uncertainty.

## INFORMATION SECURITY & PRIVACY

Along with migration onto digital platforms, it has become imperative for AirAsia to ensure the security of our data, as well as that of our guests, Allstars and third parties. Accordingly, in 2018 we outlined a data governance roadmap up to the year 2021 to set up a robust framework to protect the confidentiality of all data within our systems. This includes the implementation of data security control measures as well as tools to monitor their effectiveness. At the same time, we are creating awareness among Allstars of the importance of protecting data, and how they can contribute to data security in the manner they access and use data.

Data security is assured by our Data Governance Policy which is supported by an Information Security Policy and Access Control Policy as well as SOPs for: 1) Server, Database and Network Hardening; and 2) Information Security Incidents Response.

### **Data Governance Policy**

This policy clearly outlines the following:

- How business activity monitoring should be carried out to ensure organisational data is accurate, accessible, consistent and protected
- Roles and responsibilities for management of information under various circumstances
- Procedures to manage and protect different types of data
- Compliance with applicable laws, regulations and standards
- Documentation of data trails within the processes associated with accessing, retrieving, exchanging, reporting, managing and storing of data

Currently, our Group Information Security and the Information Communication Technology (ICT) Departments are responsible for guiding IT activities across the Group, establishing and maintaining IT policies, a security services framework, standards, guidelines, procedures, roles and responsibilities to manage our increasingly complex network. Collaborating with our Risk Department, compliance checks are undertaken to ensure best practices/industry recognised standards are adhered to. Each business unit, meanwhile, is accountable for the IT system(s) and data used; and for having the correct access rights assigned to users.

### **Information Security Policy**

In 2020, we revised our IT Security Policy into Information Security Policy. The policy is designed to protect AirAsia information resources hence the Group's reputation, legal position and ability to conduct its operations. Among others, it provides guidelines for IT users in AirAsia on how to use their laptops and other devices safely. This encompasses a range of activities from downloading apps or data, using emails and AirAsia's social media platforms.

### **Access Control Policy**

Issued in March 2020, the Access Control Policy supersedes our User and Vendor Access Management SOP. It serves to implement access controls across AirAsia's networks, information systems and services to protect data confidentiality, integrity and availability. Access control systems are in place to protect the interests of all authorised users of AirAsia information systems, as well as data provided by third parties, by creating a safe, secure and accessible environment in which to work. Only users with IDs are authorised to access information on AirAsia's systems.

### **Server, Database, Network Hardening SOPs**

Issued in June 2020, these SOPs outline rules and procedures for hardening (or further protecting) servers, database and network equipment in order to create a security baseline for all servers, database and network equipment in AirAsia, thus minimise IT-related risks.

### **Information Security Incident Response SOPs**

These SOPs provide technical guidelines on effective and efficient response to incidents ensuring the quick recovery of operations while minimising loss of information and service disruption. Each year, mandatory training on Information Security Awareness is carried out in line with our commitment to ISO 27001: Information Security Management System.

*Note: There was no breach of data policies during the year that warranted notification to the Personal Data Protection Commissioner.*

In 2021, we seek to maintain compliance with ISO 27001 and Payment Card Industry Data Security Standard (PCI DSS). We also plan to entrench data privacy principles into our data lifecycle and data management procedures.

# Sustainability Statement

## SUPPLY CHAIN MANAGEMENT

As a digital and lifestyle company, we rely on a number of suppliers to ensure smooth operations. Given the important role our suppliers play, we believe in treating them fairly and equitably. At the same time, we expect our suppliers to maintain the same level of integrity as AirAsia.

Our supplier selection process involves sending out Requests for Quotation or Requests for Proposal to several suppliers and subsequently assessing them on a level playing field based on their response commercially and contractually.

Once engaged, we require our suppliers to adhere to our Supplier Code of Conduct (SCOC) as well as our Environmental Policy Statement and Safety Policy Statement. The SCOC covers the following:

- Business Integrity and Conflict of Interest
- Labour Practices
- Confidentiality and Personal Data Protection
- Environmental Health & Safety Management
- Social Responsibility
- Competitive Pricing & Terms

Selected Suppliers are evaluated annually for their performance on the quality, reliability and cost of goods or services provided as well as the application of ESG principles in their operations, in addition to our annual supplier risk assessment.

In 2020, we updated the SCOC by including our new Anti-Bribery and Anti-Corruption Policy. We also updated our Group Procurement SOP to include our Supplier Performance Evaluation Policy and Contract Policy. The updated Group Procurement Contract Policy ensures the Group's legal risks are managed while taking into consideration local policies and regulations.

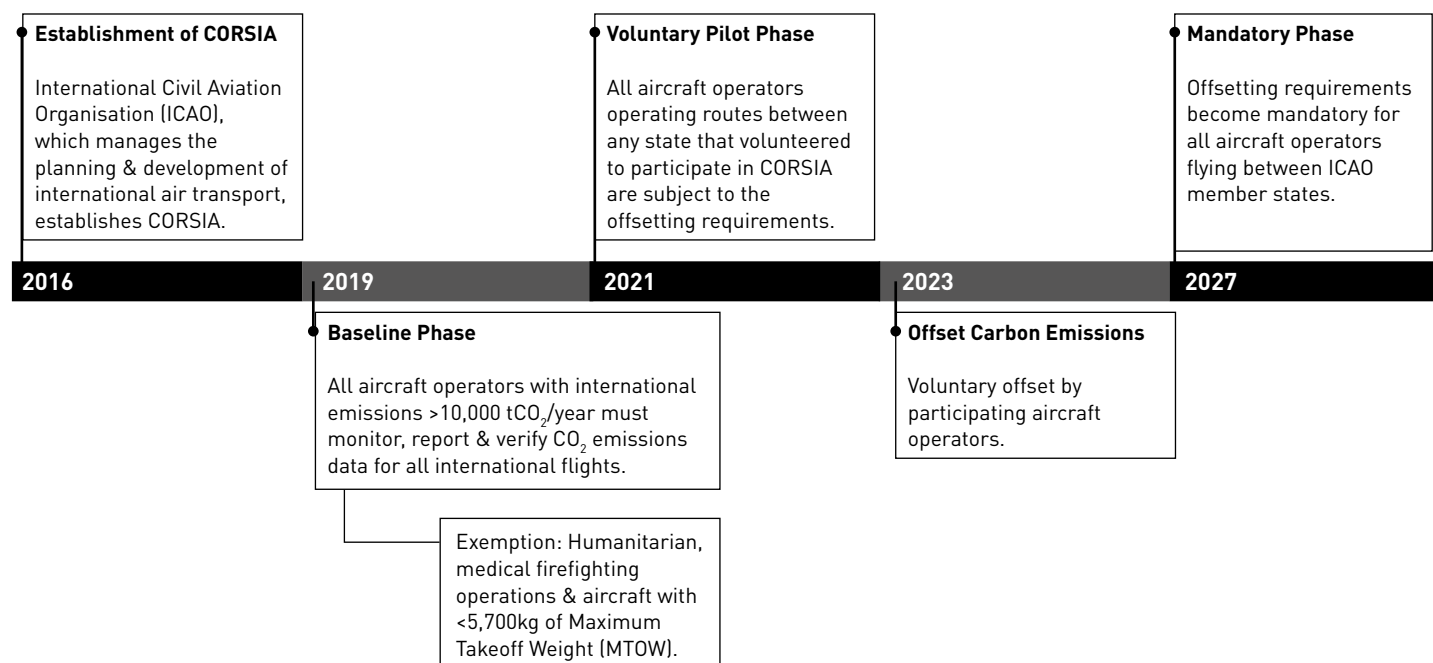
Indicators	2017	2018	2019	2020
No. of local suppliers excluding fuel, aircraft purchase & lessors	2,235	4,999	3,860	1,779
% spend on local suppliers	30.30	34.10	35.10	38.03
Total spend on local suppliers (RM)	572,597,786	663,823,177	622,002,369	572,184,262

## ENVIRONMENTAL

Aligned to SDGs



As Asia’s leading low-cost airline, AirAsia is committed to living up to guests’ expectations and delivering the best products and services while fulfilling our responsibilities in protecting the environment. In line with the aviation industry’s strategy to address climate change, we have adopted a global market-based initiative that aims to achieve carbon neutral growth.



### AirAsia’s Short, Mid and Long-term Carbon Emissions Goals

Indicators	Initiatives	Outcomes	Short- term Goal (2021-2022)	Mid-term Goal (2023-2025)	Long-term Goal (2026-2050)
Carbon Emissions	CORSIA compliance -Carbon emissions monitoring	We fully met the carbon emissions submission deadline in May 2020.	<ul style="list-style-type: none"> <li>Comply with the emissions report submission deadline</li> <li>Enhance emissions data robustness</li> </ul>	<ul style="list-style-type: none"> <li>Voluntary offsetting scheme</li> <li>Move towards carbon neutral growth for international flights in 2023</li> </ul>	<ul style="list-style-type: none"> <li>Reduce net CO<sub>2</sub> emissions to 50% of what they were in 2005 by 2050</li> </ul>
	Enhancing carbon dashboard	Our upgraded carbon dashboard has reduced human error, increased information accuracy and boosted the data filtration process			

# Sustainability Statement

## CLIMATE-RELATED RISK MANAGEMENT

AirAsia took our first steps towards a net zero carbon emissions future by committing to CORSIA, developed by the International Civil Aviation Organization (ICAO). Under the scheme, all civil aviation operators registered in participating countries, including Malaysia, Thailand, Indonesia and the Philippines, are required to report verified carbon emissions data on international flights to their respective civil aviation bodies annually from 2019 onwards, ahead of the introduction of a carbon offsetting regime by 2023. Offsetting was earlier scheduled to commence in 2021. However, this has since been postponed due to the heavy toll of the pandemic on the aviation sector.

To meet CORSIA requirements, we submitted the Emissions Monitoring Plans (EMPs) and first verified carbon emissions reports for 2019 to the respective civil aviation regulators in Malaysia, Thailand, Indonesia and the Philippines. Manuals were also developed for each AOC to identify accountable personnel, establish processes and procedures for data collection.

In early 2020, we developed a comprehensive sustainability dashboard to enable effective tracking and monitoring of relevant data, not only of carbon emissions from flights, but also our utilities consumption, printing usage and recycling activity at all AirAsia offices. To ensure robustness of data, multiple engagements were undertaken with the relevant departments to plug data gaps, implement consistent data collection processes and improve data integrity. Following intensive efforts to transfer manually recorded emissions data into flight systems which feed data into the sustainability dashboard, we appointed an independent third party verification body accredited by ICAO to audit our 2019 emissions data between February and April 2020. All seven AOCs registered in the above mentioned four countries (AirAsia Malaysia, AirAsia Thailand, AirAsia Indonesia, AirAsia Philippines, AirAsia X, AirAsia X Thailand and AirAsia X Indonesia) successfully submitted their respective emissions reports to regulators before the CORSIA-determined deadline of 31 May 2020.

AirAsia's verified emissions data for 2019 is as shown in the table below. At the time of this statement, our emissions data for the financial year 2020 is still being verified. In accordance with updated CORSIA rules issued in response to the pandemic's impact on the aviation sector, the verified 2019 carbon emissions data shall henceforth be the baseline upon which future emissions offsetting and reduction obligations will be calculated.

CO<sub>2</sub> emissions of our AOCs' international operations in 2019 & 2020

AOC	CO <sub>2</sub> emissions (tonnes) 2019	CO <sub>2</sub> emissions (tonnes) 2020 (unaudited)
AirAsia Malaysia	1,800,336	329,114
AirAsia Thailand	1,150,073	176,857
AirAsia Indonesia	572,204	128,754
AirAsia Philippines	447,529	80,247
AirAsia X	2,004,053	428,393
AirAsia X Thailand	790,416	181,368
AirAsia X Indonesia	39,276	Ceased operations
<b>Total</b>	<b>6,803,887</b>	<b>1,324,733</b>

Moving forward, AirAsia will improve our carbon dashboard to minimise human error and data gaps. Key to this is to reduce the number of steps required to retrieve relevant data and to automate more steps in data extraction so as to stay within the 5% data gaps threshold set by ICAO.

Given the two-year postponement of the carbon offsetting regime, our Sustainability Department plans to integrate AirAsia's carbon offsetting strategy with AirAsia Foundation's grant support scheme. One avenue being explored is to support the carbon credit certification of its environmental social enterprise partners so that these organisations can benefit from eventual carbon credit purchase by AirAsia Group. Not only will this enable the social enterprises to fund climate change mitigation programmes sustainably, it also opens up an avenue for AirAsia to invest into the environment of cities or countries where we have significant operations.

**Climate-Related Disclosure**

A key development has been the decision to adopt the recommendations of the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TCFD). Acknowledging the threats posed by climate change, we recognise the need to include climate change related risks in our business strategies and decisions.

Accordingly, we engaged Imperial College London, United Kingdom, to conduct our first Climate Risk Scenario Analysis. Completed in November 2020, the exercise modelled two alternative carbon mitigation scenarios. Both point to the need for AirAsia, along with other airlines, to adopt renewable bio-based (BioJet) fuel by 2031. A stakeholder survey carried out as part of the analysis supports this switch with most respondents being in favour of AirAsia using sustainable fuel along with other efforts to enhance our fuel efficiency.

In line with our Environmental Policy, we strive to lessen our contribution to climate change and to mitigate any associated risks arising from it. Our climate change adaptation measures include a contract for Volcanic Ash Advisory as well as “Go no Go Decision support” for adverse weather. The services provided inform us of weather patterns in the areas where we operate, allowing us to integrate these into our flight plans.

**Carbon Monitoring**

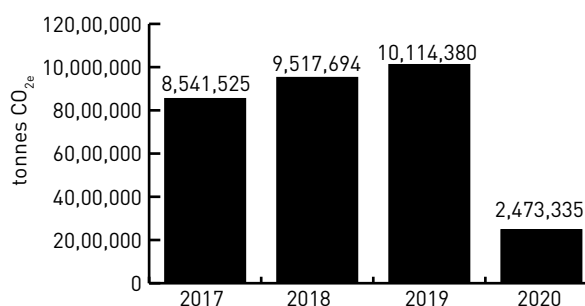
We have continued to monitor our carbon emissions; however, because of greatly reduced flight operations and the omission of data from AirAsia X Indonesia, AirAsia Japan and AirAsia India, there can be no fair comparison of the data for 2020 with that for 2019 or prior years.

We monitor our carbon emissions based on the following categories.

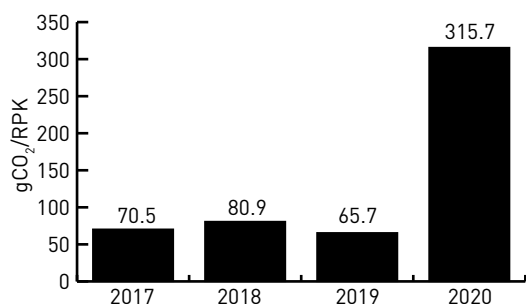
Scope	Category	Indicator Measured	Emissions Sourced
Scope 1	Direct GHG Emissions	Fuel Consumption	Flight Operations
Scope 2	Indirect GHG Emissions	Electricity Consumption (Offices/Buildings)	Purchased Energy

Along with the huge reduction in the number of flights, the Group’s Scope 1 emissions (excluding AirAsia X Indonesia, AirAsia Japan and AirAsia India) dropped by 75.5% % from 10,114,380 tonnes in 2019 to 2,473,335 tonnes. However, our carbon intensity ratio increased, from 65.74 gCO<sub>2</sub>/RPK in 2019, to 315.7 gCO<sub>2</sub>/RPK. This was due to the drop in RPK from the lower number of passengers and shorter flight distances, as there were no international flights. We expect our emissions intensity to normalise once travel restrictions ease and RPK is restored to pre-Covid-19 levels. Scope 2 emissions from electricity consumption at our HQs also reduced significantly, by 44%, as Allstars spent most of the year working from home.

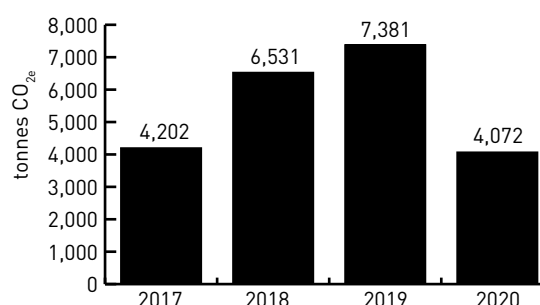
Scope 1 Carbon Emissions, tCO<sub>2e</sub>



Scope 1 Carbon Intensity Ratio

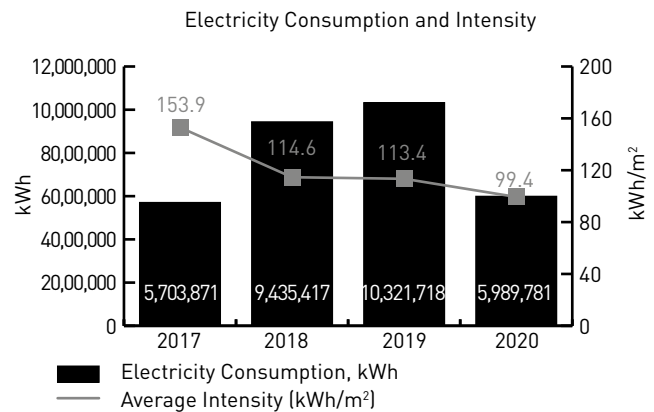
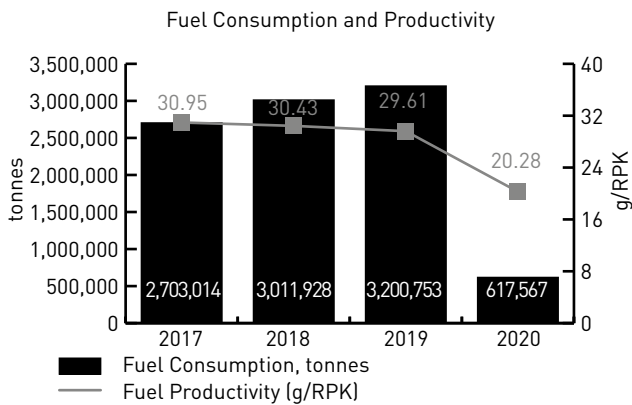


Scope 2 Carbon Emissions, tCO<sub>2e</sub>



# Sustainability Statement

## Energy Consumption



Although the pandemic has significantly reduced demand for travel and therefore total fuel consumption, it has also reduced our fuel productivity due to the decrease in number of passengers. This is because productivity is measured against revenue passenger kilometres (RPK).

In 2020, with fewer Allstars at RedQ, we switched on the air conditioning and lights in only one zone from 9am to 6pm on Levels 4, 5 & 6 and at Santan Café. This, together with the exclusion of data from RedBase (Japan) and RedFort (India), contributed to a 42% drop in total electricity consumption to 5,989,781 KWh, with an average intensity of 99.4 kWh/m².

We measure and monitor the amount of electricity consumed in all our buildings and headquarters – RedQ (Malaysia), RedNest (Thailand), RedHouse (Indonesia) and RedPoint (Philippines).

Various initiatives to reduce our electricity consumption are ongoing. These include:

- Planned preventive maintenance to ensure efficiency of air handling units
- Zoning circuit distribution to reduce light usage
- Hot desk seating to improve energy efficiency
- Replacement of all light fixtures with LED bulbs

## OPERATIONAL ECO-EFFICIENCY

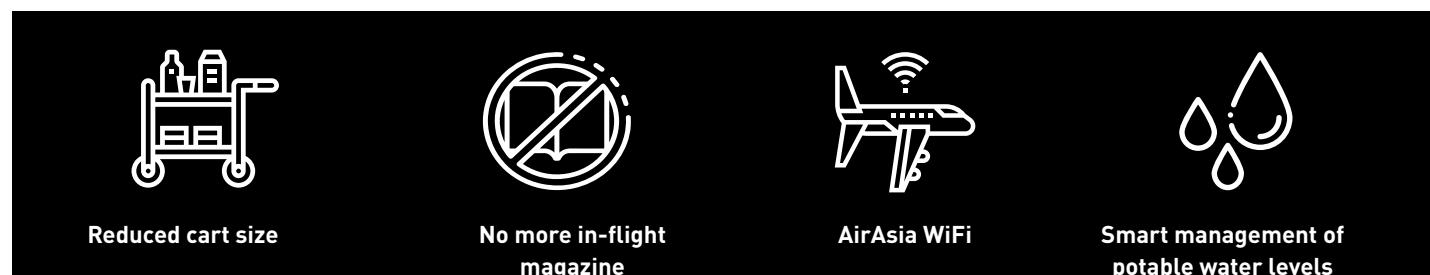
We strive continuously to enhance our operational efficiency to minimise our carbon footprint, in line with the Group Environmental Policy and Environment Management System (EMS). The EMS provides guidance on the following:

- Formulation of an Environmental Policy & Environmental Management Document
- Environmental objectives setting & performance assessment
- Education & training
- Internal auditing & review

The following flight procedures have been adopted for optimum efficiency:

<b>KUL Required Navigation Performance-Authorisation Required (RNP-AR) approach</b>	Uses the aircraft's navigation functions, instead of ground-based equipment, for the shortest approach to land at KLIA. As of February 2021, one in five AirAsia Malaysia flights operating into KLIA uses these procedures, shaving off on average 2.25 minutes of flight time, resulting in savings per flight of 82kg of fuel and 258kg of carbon emissions. AirAsia was the first in Malaysia to operate RNP-AR; and Malaysia has the largest network of RNP-AR procedures in the world.
<b>MFM &amp; SZX RNP-AR approach</b>	AirAsia Malaysia obtained approval from the relevant regulatory bodies to adopt the RNP-AR approach at Macau and Shenzhen airports.
<b>SafetyLine OptiClimb</b>	Reduces fuel consumption during climb, which is the most fuel-intensive phase of a flight. OptiClimb leverages digital data to accurately determine and analyse the aircraft's aerodynamic characteristics.
<b>One Pack Off during taxi</b>	When the cabin is already cool and conditions permit, pilots will use only one air conditioning pack (instead of two) during taxi, thus reducing fuel burn.
<b>Auxiliary Power Unit (APU) wastage tracking</b>	Reduces APU running hours, carbon emissions and noise.
<b>Aircraft hibernation SOP</b>	SOP was established due to Covid-19, to guide a collaborative decision making process in the selection of the most efficient aircraft to be returned to service post-hibernation.
<b>Operations Control Centre - Operational Decision Intelligence (OCC-ODIN)</b>	This is a decision support tool which streams payload data in real time in order to have the most accurate payload figures possible for flight planning purposes. By reducing the amount of fuel carried, fuel burn and emissions are minimised.

### Maximising Flight Efficiency



### Waste Management

Our policy is to reduce as far as possible all waste generated by our operations, and to maximise our recycling rate. Waste generation was greatly reduced in 2020 because of reduced flight operations.

#### Scheduled Waste

Most of the scheduled waste produced relate to the engineering aspects of our flight operations and comprise spent lead acid batteries, electric and electronic assemblies, mercury and related components, fluorescent lamps, spent oils, contaminated soil or absorbents, containers, gloves, rags and filters. These are disposed of by licensed contractors in accordance with Environmental Quality Act 1974 and Environmental Quality (Scheduled Wastes) Regulations 2005.

Types of Scheduled Waste	2019	2020
Liquid waste (litres)	31,907	19,060
Solid waste (tonnes)	41.5	24.09

Note: Scheduled waste from Malaysian operations only



# Sustainability Statement

## Non-Scheduled Waste

We generate a range of non-scheduled waste at our office premises such as water bottles and office-based paper waste. We started to track waste disposal at RedQ from March 2019, with RedPoint following suit in 2020.

Volume of non-hazardous waste collected, and percentage recycled:

Entities	Indicators	Year	
		2019	2020
RedQ (Malaysia)	Non-hazardous waste (tonnes)	347,650	64.11
	Recycled (%)	7.6	17
RedPoint (Philippines)	Non-hazardous waste (tonnes)	NA	88,230
	Recycled (%)	NA	12

Note: Malaysia data for 2020 is inclusive of RedChain, AirAsia Engineering Complex in Sepang.

## Recycling Programme at RedQ and RedHouse

We began monitoring the amount of recyclable waste collected at RedQ in 2017, followed by RedHouse in 2019. Due to Covid-19, however, we have been generating less waste overall in our offices, and for the reporting year, only 9,545kg of recyclable waste was collected at RedQ and 135kg at RedHouse.

Entities	Types of Recyclables	Recyclable Waste (kg)			
		FY 2017	FY 2018	FY 2019	FY2020
RedQ (Malaysia)	E-waste	NA	NA	80	0
	Plastic	745	467	146	0
	Paper	18,482	14,524	25,991	8,966
	Metal	1,524	2,675	3,931	579
	<b>Total</b>	<b>20,751</b>	<b>17,666</b>	<b>30,148</b>	<b>9,545</b>
RedHouse (Indonesia)	E-waste	NA	NA	NA	NA
	Plastic	NA	NA	79	12
	Paper	NA	NA	993	123
	Metal	NA	NA	NA	NA
	<b>Total</b>	<b>NA</b>	<b>NA</b>	<b>1,072</b>	<b>135</b>

## e-Waste

In 2019, we started collecting e-waste from RedQ, and sent 80kg of e-waste for recycling. In 2020, we set up three e-waste bins at our Malaysian HQ for items such as broken handphones, tablets, laptops, media storage devices and small electronics. However, because the number of items collected was small, the items were not sent for recycling during the year. Once a sufficient volume is collected, the e-waste will be picked up and recycled by a licensed contractor.

### Cabin Waste Management

At AirAsia Malaysia, the cabin crew separates waste at the end of every flight and places the recyclable items in green-coloured plastic bags, which are collected by the Ramp staff and transferred to recycling bins or storage provided by appointed waste management companies. Once the recycle bins are full, the waste management company engages a recycling vendor to collect the items. The vendor weighs the items, separates them and sends them for recycling. The waste management company sends its collection data periodically to the Sustainability Department.

Entities	Types of Recyclables	Recyclable Waste (kg)			
		FY 2017	FY 2018	FY 2019	FY2020
Malaysia	Plastic	5,928	7,192	62,675	552
	Alums/Cans	272	875	931	232
	Glass	426	1,951	221	26
	Paper	4,942	8,112	8,444	17,075
	Metal	2,262	4,977	7,222	579
			<b>13,830</b>	<b>23,107</b>	<b>79,493</b>
Indonesia	Plastic	NA	894	599	220
	Alums/Cans	NA	1071	777	265
	Glass	NA	141	145	39
	Paper	NA	637	473	159
	Metal	NA	119	92	18
			<b>NA</b>	<b>2,862</b>	<b>2,086</b>
Philippines	Plastic	NA	860	11,989	4,383
	Alums/Cans	NA	665	4,952	694
	Glass	NA	0	0	0
	Paper	NA	0	2,002	868
	Metal	NA	0	0	0
			<b>NA</b>	<b>1,525</b>	<b>18,943</b>
Thailand	Plastic	NA	NA	63,056	35,824
	Alums/Cans	NA	NA	30,548	10,300
	Glass	NA	NA	0	0
	Paper	NA	NA	31,488	13,559
	Metal	NA	NA	0	0
			<b>NA</b>	<b>NA</b>	<b>125,092</b>

Except for AirAsia Thailand, our AOCs do not weigh the total volume of non-hazardous waste collected at the end of flights, only the volume sent for recycling. Recycling of cabin waste began in Malaysia in 2017, followed by the Philippines and Indonesia in 2018, then Thailand in 2019.

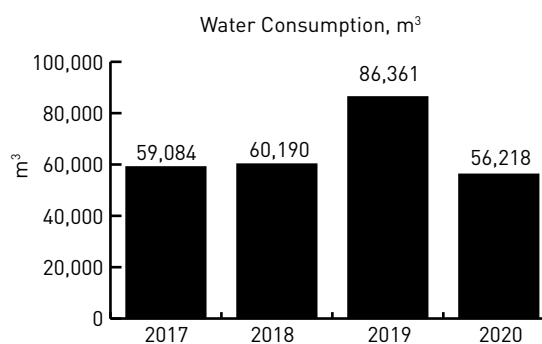
### Cabin Crew Uniform

Starting from early 2021, AirAsia Philippines began the process of recycling crew's used uniforms as part of efforts to reduce waste to landfill as well as the cost of disposal. To this end, the Cabin Crew Department issued an SOP to determine which uniforms can be sold for upcycling, and the subsequent processes. Uniforms that cannot be reused are scrapped. Based on the success of this initiative, AirAsia Malaysia will establish similar uniform recycling procedures.

# Sustainability Statement

## Water Management

Water is becoming a scarce resource, hence the need to manage our consumption and reduce waste. Various measures have been taken to enhance our water management including water saving features in washrooms.



Entities	Water Consumption (m <sup>3</sup> )			
	FY 2017	FY 2018	FY 2019	FY2020
RedQ (Malaysia)	50,961	52,595	64,133	43,668
RedNest (Thailand)	NA	NA	15,511	9,932
RedHouse (Indonesia)	5,793	5,449	5,401	2,618
RedPoint (Philippines)	2,330	2,146	1,316	-*

\*Note: No data is available in 2020 for RedPoint as the airline moved its office to new premises and utility invoices have not yet been issued by the building owner.

In 2020, our water consumption was 35% less than in 2019. This was due to the reduced number of Allstars reporting to work as well as ongoing water management initiatives.

## SOCIAL

Aligned to SDGs



## HEALTH & SAFETY

The health and safety of Allstars and guests is given top priority at AirAsia. In 2020, this was reflected in the manner in which we responded to the pandemic. While continuing to enhance all procedures to ensure the safety of flight operations, extra effort and attention was given to keep guests and Allstars safe from the virus.

### Safety Amid Covid-19

New policies and procedures for guests' safety were introduced, including temperature checks, wearing of face masks, markings on seats and on the ground to ensure social distancing, the placement of hand sanitisers throughout the terminal, and regular sanitisation of aircraft - every night for domestic flights and immediately after any international flight undertaken for special transport reasons. We also strongly encouraged guests to use our contactless processes, such as self check-in and FACES, our facial biometric recognition system. To ensure Allstars adhere to approved SOPs, an Operational Guidance Handbook was developed for easy reference.

### RED OFFICES

<p><b>Office Checkpoints</b> Temperature will be taken prior to entry</p>	<p><b>Protected at All Times</b> Wear the prescribed PPE before reporting for flights</p>	<p><b>Social Distancing</b> Within office premises, during pre-flight briefings, and at the airport</p>	<p><b>Mobile Phone Sign-in</b> Allstar crew to sign-in via their mobile phones by connecting to RedWifi</p>	<p><b>Greet the Asean Way</b> Avoid handshakes. Greet your fellow Allstars the Asean way</p>	<p><b>Frequent Handwashing</b> Sanitise regularly as you make your way to the office, before meeting with colleagues, and upon boarding the plane</p>

### FLIGHT DUTIES

<p><b>Cabin Disinfection</b> Disinfect the cabin and high-touch areas using approved and recommended chemicals/agents</p>	<p><b>Guest Social Distancing</b> Make necessary announcements and manage the cabin traffic well to maintain social distancing during boarding and disembarkation</p>	<p><b>Strict one Hand Carry Policy</b> Each guest is allowed to carry only one laptop bag/backpack into the cabin</p>	<p><b>Wear your PPE on Duty</b> Crew should be fully equipped with PPE in all phases of the flight for maximum protection. Sanitise before wearing your PPE by thorough hand washing</p>	<p><b>Do Not Touch Seatbelts</b> Seatbelt crossing should be during the last sector cleaning only. Tactfully request guests to cross their own seatbelts through announcements before leaving the aircraft</p>	<p><b>No Touch!</b> Do not touch your hair and your face, even if you are wearing gloves</p>

# Sustainability Statement

Our guest-facing initiatives led to AirAsia being awarded a seven-star Covid-19 rating, the highest rating possible, in an assessment by Airlineratings.com. We met all seven criteria of Covid-19 compliance: website information on Covid-19 procedures; face masks for passengers; personal protection equipment for the crew; modified meal service; deep clean of aircraft; personal sanitiser kits; and social distancing onboard.

For Allstars, we practised split team operations, and those reporting to work were required to adhere to our Safe@Work Guide, launched in April 2020. This encompasses up-to-date information on Covid-19, reporting processes, work arrangements and resources available for working safely. A Safe@Work e-learning module was also developed to ensure compliance and has been made compulsory for all. As of end 2020, a total of 16,777 Allstars had completed the module.

To keep Allstars updated on relevant information:

- We post news flashes on Workplace using Announcements@AirAsia, Announcements@Safe Flying and Safety@AirAsia. The latter includes a weekly segment on Safety News with Chief Safety Officer Captain Ling Liong Tien, and updates on safety issues, including the progress of Covid-19 handling in the aviation industry.
- We also created a Knowledge Library on Workplace called Safe@AirAsia, which consists of Safe Flying – on Allstar and guests' safety; and Staying Informed - important reads and data from reliable sources.

Meanwhile, we also launched FlySafe Ambassador Training, which was designed in-house in collaboration with Cabin Crew, Ground Operations, Ramp, Baggage, Customer Happiness and Brand Insights. The training covers AirAsia's Safe Flying and Safe@Work policies, and prepares Allstars to answer any safety-related guest queries. As at end 2020, more than 6,000 Allstars had attended 96 sessions.

## **Mental Health**

Recognising that it is a time of great emotional stress, we invested in multiple channels to ensure Allstars' mental and emotional well-being.

### **Allstar Peer Support**

In June 2020, AirAsia expanded the scope of our Operations Critical Incidence and Stress Management (CISM) team to extend peer support services to Allstars. The CISM team comprises pilots and cabin crew trained to handle the emotional support needs of co-workers who experience distressing incidents onboard during the course of their duties. To cover the broader needs of Allstars during the pandemic, advanced training was provided by an appointed professional counsellor to the 70 CISM peer supporters and an additional 100 volunteers from multiple departments from across the Group.

To maintain anonymity and manage the case load, a chatbot was introduced to receive enquiries and assign them to five categories of Work, Finance, Health, Personal and Others. Each request is picked up by a peer supporter within 24 hours, and cases requiring referrals are directed onwards to AirAsia's professional counsellor. As of end 2020, about 500 Allstars had sought help through the platform. The volunteers meet online once a month to share and learn from each other. Recurrent training and mental health talks are also conducted periodically to enhance the knowledge and skills of the peer supporters. The programme has helped Allstars cope with the impact of the ongoing uncertainties and challenges.

### **Allstar Health Coach**

Partnering with digital health and wellness brand Naluri, we launched the Allstar Health Coach, an interactive and educational online programme that provides the following key features:

- Digital health companion
- Professional coaching by doctors, dietitians, fitness coaches, pharmacists, executive coaches and financial planners
- Financial planning to a healthier wallet
- Photo Food Journaling to keep count of calories intake
- Online assessments to identify at-risk individuals

As at end 2020, about 2,000 Allstars Group-wide had signed up for the programme.

**Wellness Webinars/Workshops**

In addition, a series of wellness workshops was organised for Allstars including:

- 15 emotional well-being webinars with 21,505 total views
- 3 manager workshops on emotional well-being with 155 participants
- 7 financial well-being webinars with 12,979 total views
- 27 online yoga classes with in-house cabin crew from Bangkok attracting 9,179 total views

**Standard Operational Safety**

Although we had to scale down our operations in 2020 in response to travel restrictions, AirAsia continued to improve on our operational safety processes. Safety training was provided not only to Allstars in potentially hazardous functions, but to everyone. The idea is for all Allstars to recognise their role in keeping themselves and others safe at all times.



AirAsia conducted **22 Webinars**, **3 Workshops**, and more than **27 Online Programmes**

<b>Safety Management System (SMS) Training</b>	Our Training, Standards and Safety Departments worked together to obtain online training approvals from the relevant regulators of each country. This allowed us to conduct a total of 981 online SMS training hours, in addition to 218 hours in a classroom setting for our Operational team.
<b>Safety Management System (e-learning)</b>	Approximately 3,000 Allstars from various functions and departments joined the four-hour course via Google classroom. This course aims to enhance safety awareness during the downtime.
<b>Redeye Training</b>	This training was introduced in 2020 to familiarise Allstars with AirAsia’s new safety reporting tool, which has been created in-house, tailored to the Group’s unique business structure. User-friendly, the app encourages participation in reporting and allows for safety as well as investigation reports to be stored safely.
<b>Aerial Genie Lift Safety Inspection Training</b>	Every year, qualified Allstars from Ground Service Equipment (GSE) undergo eight-hour training to conduct aerial work platform equipment inspection, according to the manufacturer’s instructions.
<b>Working at Height course at NIOSH</b>	Engineering Allstars undergo eight-hour training on how to minimise the hazards of working at height.

**Safety Performance**

The year saw significant improvement in our safety performance, with a halving of recordable injuries; roughly two-third decrease in severity rate; and drastic reduction in incident rate. While these are very positive numbers, they are also the result of severely curtailed flight operations



Won Malaysian Society for Occupational Safety & Health (**MSOSH**) **Gold Award 2020**

# Sustainability Statement

## Safety Performance Data

Indicators	2018	2019	2020
Total man hours	21,520,512	22,042,176	21,268,416
No. recordable injuries	109	142	71
Incident rate	12.3	16.0	0.013
Severity rate	20.0	25.7	8.0
Fatalities	0	0	0

We review our Hazard Identification, Risk Assessment & Risk Control (HIRARC) procedures on an annual basis or whenever there is an accident.

## IOSA Standards

Group Operational Quality Assurance (GOQA) has worked over the years to prepare all our AOCs for the IATA Operational Safety Audit (IOSA) in order to obtain IOSA registration. IOSA is a globally recognised benchmark for best-in-class airline operational management and control systems. By meeting its standards, airlines demonstrate a high level of operational safety and efficiency. As of early 2020, all our AOCs had obtained IOSA registration.

To ensure our AOCs remain on the registry, GOQA conducts Internal Operational Audits (IOAs) annually and Joint Station Compliance Audits (JSCAs) every two years. In 2020, the MCO made it difficult to conduct conventional on-site audits, thus GOQA developed SOPs for Remote Assessment Programmes to ensure the continued integrity and safety of our airline operations.

Audit Programme	No. of Audits Performed	Remarks
JSCA	17	All operational stations Group-wide on-site audits carried out from 01 Jan - 31 Dec 2020.
	36	All operational stations Group-wide remote assessments carried out from 31 Jul - 31 Dec 2020.
IOA	*5	MAA, TAA, PAA, AAI and *IAA.

*Note: The IOA on AirAsia Indonesia was planned for December 2020 but was performed in January 2021.*

GOQA also continuously monitors defects in the Group's aircraft so as to rectify any critical defect before it escalates into a safety incident. A weekly repetitive defect report is shared with Management and stakeholders in AOCs to ensure visibility, awareness, tracking and timely rectification.

## HUMAN CAPITAL DEVELOPMENT

Learning & Development Policy
We are committed to developing a strong learning culture in which Allstars are able to achieve their full potential. The policy also ensures that Allstars have access to learning and development opportunities which will enable them to grow within the Company.

One of our employee value propositions has been to "Dare to Dream", meaning we encourage our Allstars to have ambitious plans and work with them to attain their goals. As strong advocates of continuous professional training and development, we believe in providing our Allstars the opportunity to develop in order to realise their true potential.

With the pandemic, and virtual halt in our airline operations, we have been encouraging Allstars to acquire digital skills so as to make a transition from our Airlines operations to our Digital businesses. An Upskilling Framework has been developed to help Allstars create customised development plans in line with their aspirations as well as our Digital growth strategies. The launch of Redbeat Academy in 2020 has been timely, providing a readily accessible avenue for Allstars to immerse themselves in a digital learning environment in a structured manner.

Redbeat Academy offers a range of online digital training modules in partnership with Google, for upskilling and reskilling including:

- Google Cloud Training (ATP)
- Data and Machine Learning
- Cloud Infrastructure
- Digital Marketing
- Product UI/UX
- Software Engineering
- Information Security

**Other Training**

Outside of Redbeat Academy, we made the most of the downtime to continue to provide training to Allstars at all levels and functions, primarily through online channels.

A total of 45 types technical training programmes were conducted, including:

- AirAsia 3.0 Digital & Data Transformation
- IATA - Managing Accident Prevention and Investigation
- Human Factors and Safety Investigations (HFASI)
- Certified Information System Security Professional
- Senior Leadership Workshop - Supply Chain, Logistics and Operation Management



Total Amount Spent on Training (Group-wide)	FY2019	FY2020
Technical & Non-technical Training Programmes	RM 12.5 million	RM 13.4 million

Non-technical training included the following:

<b>Managers' Toolkit</b>	This new module on Workday Learning helps equip managers with the necessary skill-sets, behaviours and mindset to understand the job of managing people. It includes resources to suit different learning styles and self-assessments to manage self and others. More than 970 managers have been given access to the programme.
<b>Senior Leadership Programme</b>	Partnering the University of Cyberjaya and Harvard Business School, we ran an eight-session Operationalising Strategy Through Innovation and Execution With Empathy programme for 115 senior leaders from 12 departments across the Group over a period of two weeks.
<b>WFH Programmes</b>	For Allstars working from home, we organised webinar courses, which received 3,000 views. They included: <ul style="list-style-type: none"> <li>• Manager Essentials</li> <li>• Influencing Skills for Leading Without Authority</li> <li>• Driving Innovation Through Design Thinking</li> <li>• Developing Business Acumen</li> <li>• Critical Thinking and Decision Making</li> <li>• Agile Way of Working</li> <li>• Organising &amp; Prioritising</li> </ul>
<b>LinkedIn Learning</b>	We provided subscriptions for managerial level Allstars to access LinkedIn Learning, a core resource for talent development across the Group.
<b>Mentor Mentee Programme</b>	Working with Redbeat Academy, we launched a mentorship programme.



# Sustainability Statement

## Master of Business Administration (MBA) Programme

Allstars with leadership potential are given the opportunity to undertake a 20-month MBA programme run by the Asia School of Business in collaboration with MIT Sloan. The programme is based on Action Learning, where participants use knowledge gained from case studies and work with global partners on important business challenges. The experience gained has seen graduates take on roles of greater responsibility within the Group, adding to our collective organisational capabilities.

Since the programme was launched in 2016, a total of eight Allstars have obtained their MBAs. All eight were reabsorbed into AirAsia upon graduation. In 2020, we sponsored one Allstar to undergo the programme, with the fees being covered by an endowment fund contributed by AirAsia in previous years. Meanwhile, four Allstars graduated from Asia School of Business, and another four who started the programme in 2019 are expected to graduate in 2021.

Indicators	FY2016	FY2017	FY2018	FY2019	FY2020
Number of Employees Sponsored	4	0	4	4	1
Monetary Contribution (RM 000')	1,060	-	1,260	1,260	0
Number of Employees Graduated	-	-	4	0	4

## Global University Talent Outreach Programme (GUTOP)

We continued with our internship programme targeting undergraduates and postgraduates from top international universities. The three-month programme offers participants a better understanding of how AirAsia operates. It also provides a good learning opportunity as participants are exposed to various functions within the Group and work on a range of projects. In 2020, all five of our GUTOP interns completed their virtual internship, and one intern was offered a placement in AirAsia.

## Support for Furloughed and Retrenched Allstars

Although we could not avoid putting some Allstars on unpaid leave and letting some go following the drastic reduction in flight operations, we provided support for them to find new employment. Initiatives undertaken included:

- Developing an Allstars Separation Toolkit, a guide pack that provides information on transitioning to future employment
- Preparing a Talent Directory comprising Allstars' CVs which are shared with AirAsia's partner companies
- Conducting CV writing and interview techniques workshops with the Talent, Learning and Culture (TLC) and Recruitment teams
- Organising an Allstar Virtual Career Fair @Alumni group on Workplace involving:
  - 2,000 Allstars
  - 25 prospective companies
  - 21 webinar sessions
  - 2 on-ground career fairs with employers and training providers
- Establishing AirAsia's Got Talent – Allstars were encouraged to upload their latest résumés onto a newly created AI-driven platform, which then matched their skills, experience and interests with open positions, temporary assignments, short- and long-term part-time projects and any other initiative within the AirAsia Group requiring talent.

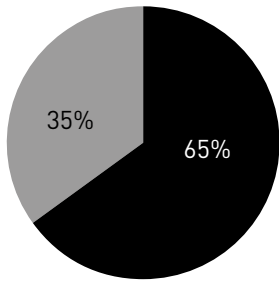
## Attractive & Inclusive Workplace

We seek to bring on board the best talents and to retain them by offering an attractive work environment, one that values the opinions of everyone and that positively celebrates divergent perspectives. Our headquarters are designed to encourage free and open communications through the open-office concept, and in RedQ we go the extra mile to make our work environment more like a second home – with lounge areas, cafes, a convenience store, laundromat, gymnasium, daycare centre, hairdressing salon, clinic and physio lab.

As of end 2020, the Group employed a total of 18,848 staff, comprising 65% men and 35% women. The gender distribution is skewed by male dominance in operational functions. Embracing an equal opportunity culture, we do not discriminate against gender, age or ethnicity and also seek to provide opportunities for those who are differently abled.

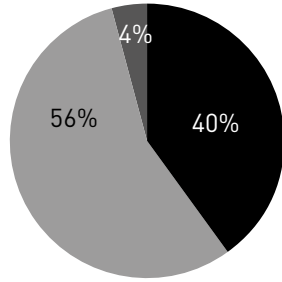
**Employees in 2020 (Group-Wide)**

Workforce by Gender



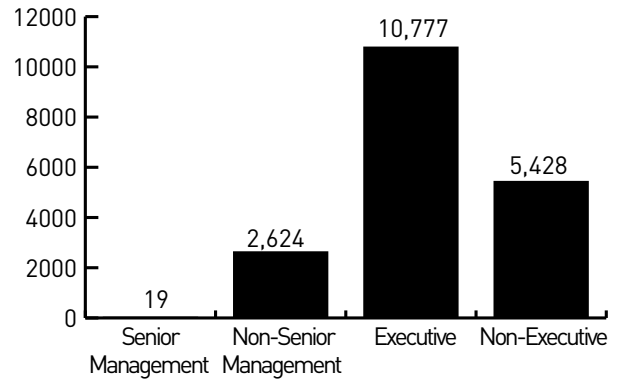
Men Women

Workforce by Age Group



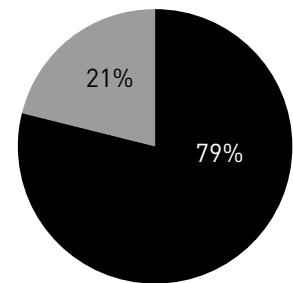
Below 30 30-50 Above 50

Workforce by Employment Category



Our Senior Management consists of the Chief Executive Officers (CEOs) of all the companies within the Group. In 2020, we saw an increase in women’s representation among Senior Management from 15% in 2019 to 21%. Recognising the importance of having a good balance of the genders within the Group, we will strive to further increase women’s representation at all levels moving forward.

Senior Management

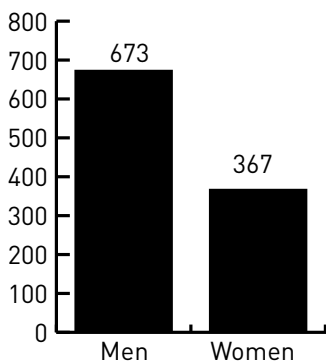


Men Women

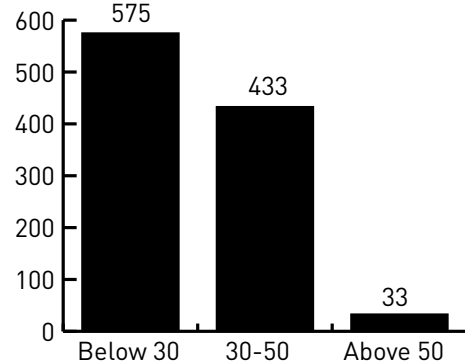
In hiring, we look at a candidate’s qualifications, knowledge, skills, training and experience rather than gender, age or cultural background. We also seek a good fit between new hires and our unique “can-do” AirAsia culture.

**New Hires in 2020**

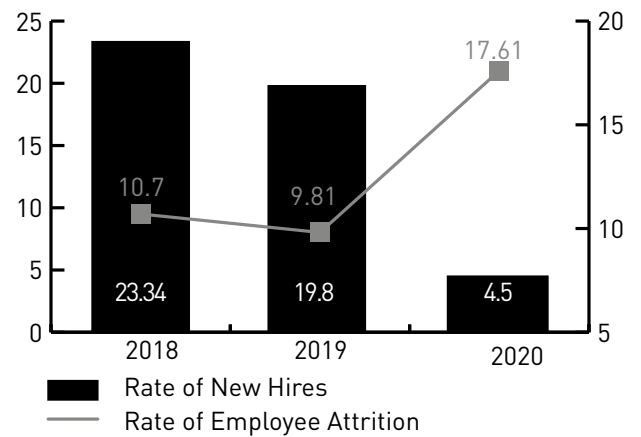
Total Number of New Hires by Gender



Total Number of New Hires by Age Group









New Hires and Attrition Rate



# Sustainability Statement

## Summary of 2018-2020 Employee Data

Indicators	2018	2019	2020
Total Number of Employees	22,104	24,416	18,848
 <b>Employee Breakdown by Gender</b>			
Male	13,790	15,359	12,329
Female	8,314	9,057	6,494
 <b>Gender Breakdown: Senior Management</b>			
Male	15	17	15
Female	3	3	4
 <b>Gender Breakdown: Board of Directors</b>			
Male	6	6	6
Female	1	1	-
 <b>Total New Hires</b>			
<b>i. By Gender</b>			
Male	2,881	2,727	673
Female	1,970	1,878	367
<b>ii. By Age Group</b>			
<30	3,617	3,315	575
30-50	1,149	1,213	433
>50	85	77	33
 <b>New Hire Rate (%)</b>	23.34	19.80	4.50
 <b>Attrition Rate (%)</b>	10.7	9.81	17.61

### Employee Benefits

We offer Allstars competitive remuneration and benefit packages that include travel and medical benefits as well as annual/maternity leave. We also provide free financial and emotional well-being programmes, a recognition programme, employee assistance programme, free munch (daily subsidy for the in-house cafe), a positive corporate culture and facilities such as a creche, gym, rehabilitation centre, clinic and gaming stations.

### Employee Engagement

We recognise that engaged employees are more invested in a company, feel a greater sense of belonging and are more inspired to perform their best. We therefore invest significantly into different channels through which we are able to create a sense of cohesiveness and belonging. During the year, most of our employee engagement took place online.

#### Allstars on Air

Weekly programme on Workplace Live to share group updates, connect Allstars to CEOs through the Bosses Hangout segment, and share what other teams have been doing via Department Takeover sessions. Currently on Season 2.

Outcomes: These sessions were well received, with over 190,693 total views; 2,713 comments; 6,422 reactions; average of 79% campaign read.



#### Management #AskMeAnything Updates

Quarterly management updates on Workplace Lives on the latest developments and directions of the Group, inclusive of Q&A with Allstars.

Outcomes: Allstars appreciate these sessions as they are able to get first-hand information and communicate their concerns or questions to the top management.



# Sustainability Statement

## Safe Flying Campaign

Includes Safe@Work policy, dedicated Announcements@Safe Flying and a living Knowledge Library on Workplace, safety videos, regular situation reports, and EDM blasts to keep Allstars informed and updated on Covid-19 related matters.

Outcomes: The goal is to ensure every employee gets the right information and guidance amidst the pandemic. From the Allstars WFH Survey, 95% of Allstars felt engaged and informed.



## #AllstarsWFH Engagement

Weekly programme featuring initiatives under the Learning, Social, Fitness, and Well-being pillars - Yoga At Home, 12 Days Learning Challenge, Netflix Party, Learn A New Language, and more. Includes dedicated Workplace groups such as Allstars Work From Home, Parenting@AirAsia and Managers@AirAsia.

Outcomes: Through this channel, we were able to increase employee engagement and ensure the well-being of Allstars during the lockdown.



## #InThisTogether Campaign

Campaign from March till July to instil hope, positivity and the #oneairasia spirit by organising donation drives and supporting local businesses through the airasia super app, airasia farm and Teleport's S.O.S (Save Our Shops) campaign.

Outcomes: 188,760 total views, 400 comments and 6,350 reactions. Through this campaign, with the phrase "here for you, here for each other", we kept Allstars together, while giving back to the community.



**#HUMANSOFAIRASIA Stories**

A series of monthly write-ups that showcases Allstars' contributions or efforts such as crew supporting rescue flights; engineers still maintaining aircraft; others caring for street dogs or abandoned pets; and more.

Outcomes: Allstars across the Group were able to share their stories, with an average view of 4,000 with 150 reactions.



**Celebrating Major Milestones and Asean Festivals**

For the first time, AirAsia's famous parties were organised virtually to celebrate the company's 19th Anniversary and to thank staff for their hard work and resilience.

Outcomes: With 4,474 total views via Workplace, we maintained our traditions amidst the outbreak and strengthened our bonds within the AirAsia family.



Allstars Diwali Virtual Party

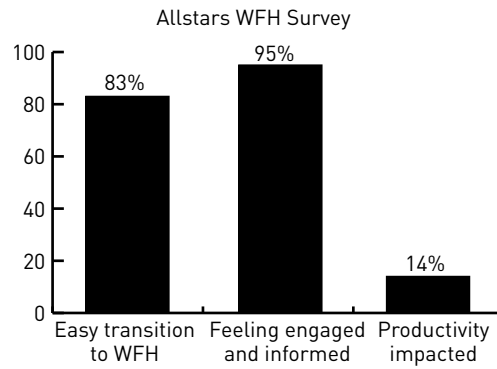


AirAsia's 19th Anniversary

# Sustainability Statement

## Allstars WFH Survey

A survey was sent to all non-operations Allstars across the Group on 16 May to gauge their WFH experience. Responses were received from 5,938 Allstars (response rate: 62%) with 83% noting an easy transition to WFH, 95% feeling engaged and informed, and only 14% feeling productivity was impacted due to hibernation. The respondents also provided feedback on how their remote working experience could be improved.

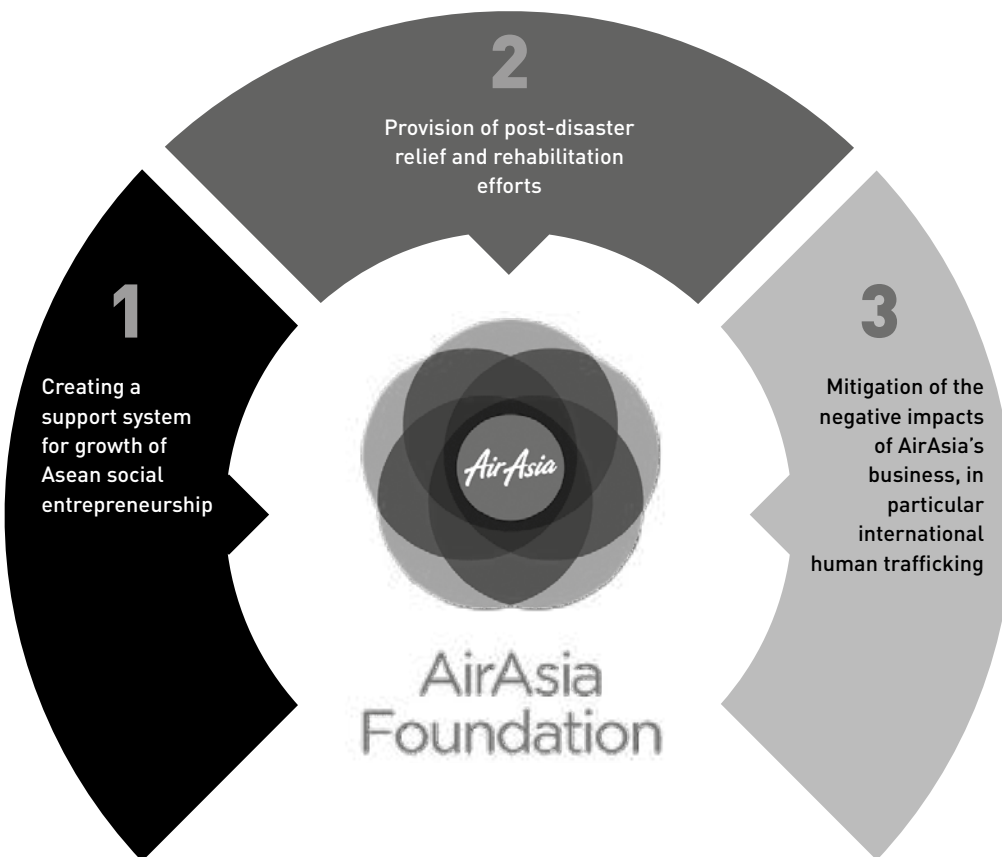


## CORPORATE CITIZENSHIP & PHILANTHROPY

### AIRASIA FOUNDATION

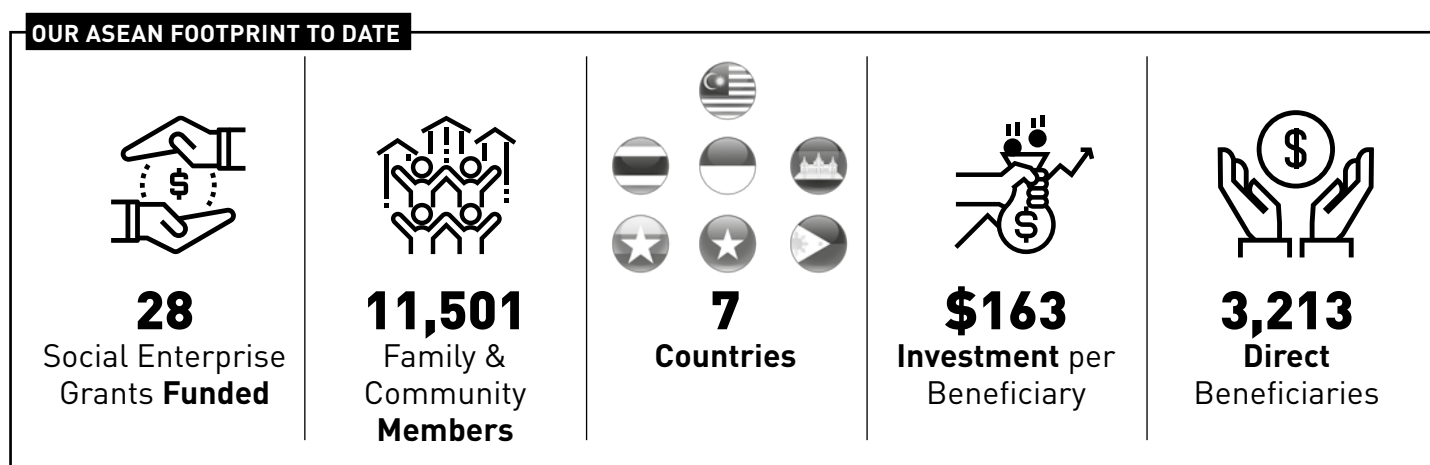
AirAsia’s philanthropic contributions are carried out primarily by the AirAsia Foundation whose goal is to help build an Asean community of the future by advocating social entrepreneurship, innovation and inclusivity.

#### Three focus areas:



## Social Enterprise Support

In 2020, the Foundation scaled back on its grant-making activities under the direction of its Council. Using healthy reserves, however, it was still able to disburse three new grants while continuing to fund ongoing projects approved in prior years. The Foundation also prioritised the expansion of its retail outlet, Destination GOOD.



### Social Enterprise Grant Programme

In 2020, AirAsia Foundation approved three new social enterprise grants totalling RM189,104. The three successful grantees are:

Social Enterprise	Grant Amount	Description of Project
<b>Dusun Merdeka</b> , Malaysian cocoa producer that grows and sources organic cocoa from Orang Asli farmers	RM78,320, commencing August 2020	The grant supports the improvement of Dusun Merdeka's cocoa processing facilities, increasing its bean purchase capacity and promoting responsible harvesting. The project includes a biodiversity pledge to rehabilitate parts of secondary forests bordering Malaysia's national parks. The project is estimated to benefit 150 Orang Asli families supplying Dusun Merdeka and an additional 350 families through the expansion programme.
<b>Natural Aceh</b> , helps rebuild the livelihood of women oyster farmers affected by destruction of mangrove forests due to the 2004 tsunami	RM47,784, currently on hold due to Covid-19 restrictions	This grant is a follow-up to a successfully completed first grant to set up an oyster farm supporting 40 women harvesters. The second phase of the grant aims to improve the organisation's oyster product development facilities.
<b>Malaysian Association for the Blind (MAB)</b> , which supports income generating opportunities for the visually impaired	RM63,000, temporarily suspended due to Covid-19 restrictions on spa business	The grant is to be used for renovation of the MAB Shoppe, the association's massage spa in REXKL in Kuala Lumpur.

In addition to the above grants, AirAsia Foundation continued the disbursement of outstanding grant commitments to Opendream, a Bangkok-based technology social enterprise; and Langit Collective in Malaysia, both approved in November 2019. Opendream developed Small World, a mobile gaming app that maps out social enterprises, heritage sites and local tourism experiences in cities and towns in Asean, while promoting responsible travel practices. Langit conducted capacity building workshops for Orang Asal farmers to implement climate-smart rice cultivation solutions in Long Semadoh Valley in Sarawak and to achieve organic farming certification.



# Sustainability Statement

## Destination GOOD

AirAsia Foundation's retail platform offers more than 400 products sourced from over 50 social enterprises in Asean. These are sold at the Destination GOOD flagship store in REXKL, Kuala Lumpur as well as, starting 2020, online. In addition to [destinationgood.com](http://destinationgood.com) selected items can be found on [airasiashop](http://airasiashop), [airasiawifi](http://airasiawifi) and [Shopee](http://Shopee).

In 2020, the retail outlet had to be closed temporarily in compliance with the MCO. However, AirAsia Foundation rapidly expanded its online sales channel through marketing campaigns and activities. Two key strategies were prioritised: product diversification to include a wider selection of items in demand such as face masks and organic food products; and marketing campaigns targeting shoppers outside of Asean, resulting in the customer base expanding to Japan, Australia, Germany and the United States. As a result of that, in 2020, Destination GOOD generated RM90,800 in revenue, representing a 35% increase from the previous year.



## Anti-Trafficking

At AirAsia, we recognise our responsibility to help identify potential human trafficking situations. Thus, AirAsia Foundation's #KnowtheSigns programme was created to train Allstars to recognise the signs of trafficking on flights and to take appropriate action. This programme alerts our crew to human rights abuses taking place using air transportation, while providing guests (trafficking victims and general guests) with a safer flying experience.

Throughout the first three years of implementation, the programme focused on delivering classroom training to cabin crew members. With the onset of Covid-19 social distancing requirements, the training programme was shifted online via an e-learning module which was launched on 30 July 2020 in conjunction with World Day Against Trafficking.

**AirAsia Foundation**

Welcome to this eLearning module on

**# KNOW THE SIGNS / ANTI-TRAFFICKING TRAINING**

Select the **START** button to begin the module.

**START**

Make sure that your headphones or speakers are connected and working

An audio transcript is also available on every audio screen.

In the five months up to 31 December 2020, a total of 7,034 Allstars (33%) completed the training. Of this total, 3,350 (47%) are frontline operations staff comprising cabin crew, pilots, ground staff and security personnel. All Ground Team Red (GTR) Allstars, who service AirAsia's flights, have completed the training.

In 2020, we also hosted an international webinar titled "The Role of Airline Staff as Frontliners in the Fight Against Human Trafficking" which featured speakers from AirAsia, ICAO and US-based NGO, Airline Ambassadors International. AirAsia Foundation was subsequently invited to join ICAO's Anti-Trafficking Working Group to develop new industry reporting guidelines, as well as to present AirAsia's experience as a best practice case study at an APEC Transportation Group webinar in October 2020 hosted by the US Department of Transportation.

#### Reporting Process

Reporting on suspected human trafficking cases follows the following key steps:

1. Crew receives a request for assistance from a suspected victim or spots a suspected victim.
2. Crew to cross-check signs with Senior Crew or Purser.
3. Senior Crew/Purser notifies the Captain.
4. Captain to radio for ground support.
5. Where present, AirAsia security personnel will accompany airport security officers to meet aircraft upon arrival at destination.
6. Suspected victim will be interviewed by law enforcement officers. Cases requiring social worker support will be referred to AirAsia Foundation's NGO partners, if available, at destination.
7. Crew records observations and actions in a dedicated #KnowtheSigns form in AirAsia's Coruson reporting app.

In 2021, AirAsia Foundation will update the #KnowtheSigns online training module to incorporate information specific to Thailand, Indonesia and the Philippines (in addition to Malaysia). With this revision, AirAsia Foundation aims to increase its Group-wide training completion rates from 33% at present to 50% by the end of 2021. As Allstars are encouraged to sign up for this training voluntarily, AirAsia Foundation will continue to raise awareness through regular engagement, workplace activities, and awareness roadshows.

#### **Humanitarian Assistance**

In 2020, AirAsia Foundation carried out a donation drive to support several NGO partners to address the basic needs of marginalised communities impacted by the pandemic. The year also marked the completion of support for the "To Indonesia with Love" project, which started in 2018 in aid of relief and rehabilitation efforts in Palu and Lombok, Indonesia, after the two cities were hit by a succession of earthquakes and tsunamis.

#### ***In This Together Donation Drive***

Following the MCO, AirAsia Foundation in partnership with BigPay initiated an online drive to raise funds for severely impacted communities, in particular B40 families, indigenous people, refugees and people without permanent shelter.

The four-week campaign raised over RM130,000 which was disbursed to five social enterprises and charities, namely Perak State Parks, SEED Foundation, Beyond Borders Malaysia, Our Journey, and the Malaysian Association for the Blind. On top of that, AirAsia Foundation donated RM50,000 to five of its social enterprise grantees that were severely affected by movement restrictions imposed across the region. With balance donation funds, AirAsia Foundation partnered with social enterprise Batik Boutique to donate 247 units of personal protective equipment (PPE) to Hospital Kuala Kangsar in Perak, Malaysia.



*Donation to Malaysian Association for the Blind*

# Sustainability Statement

Organisation	Amount (RM)	Beneficiaries
Perak State Parks	33,322	241 Orang Asli families
SEED Foundation	34,532	547 People without permanent shelter
Beyond Borders Malaysia	34,532	790 B40 households
Our Journey Berhad	10,000	413 Migrant workers
Malaysian Association for the Blind	10,000	66 Differently-abled persons
Tsaa Laya	10,000	95 Climate change refugees
Natural Aceh	10,000	395 Tsunami survivors
Tonibung	10,000	191 Orang Asli families
Arkompjogja	10,000	279 Urban poor families
Parastoo Theater	10,000	78 Refugees

## *To Indonesia With Love (2018-2020)*

In August 2020, AirAsia Foundation disbursed a final tranche of RM1.2 million to Yayasan Arkom Indonesia (Arkompjogja) under its "To Indonesia with Love" campaign to help the local communities in Palu and Lombok rebuild their lives following the tsunami. The objective was to integrate socio-cultural, economic and environmental aspects in the process of reconstructing and rehabilitating the area. With a total donation of RM3.8 million, the project has funded:

- The development of four comprehensive village planning documents that consist of detailed guidelines and conceptual data for coastal area planning which has been approved by the government of Palu City and Doggala Regency.
- Construction of 82 permanent earthquake resistant houses using models and innovative building technology developed by Yayasan Arkom Indonesia.
- Construction of four village community centres.
- Apprenticeship and livelihood training in bamboo craftsmanship and brick-making workshops to enable local communities to earn sustainable income post disaster.



## OTHER COMMUNITY SUPPORT PROGRAMMES

### AirAsia Rescue and Repatriation Flights

Throughout 2020, AirAsia operated a total of 14 rescue and repatriation flights at the request of ASEAN governments to bring more than 15,000 stranded nationals home and help foreigners return to their respective countries. In the Philippines, PAA also operated 396 domestic rescue flights to help thousands of stranded locals and foreign tourists return to their home provinces and National Capital Region (Manila).

### Repatriation Flights in 2020

Airline	Month	Origin	No. of Flights	Total Pax
PAA	April	Manila - Phnom Penh - Manila	1	167
	June	Manila - Yangon - Manila	1	152
	July	Gujarat - Manila	1	125
	April - May	Semarang - Manila	2	124
	May	Jakarta - Manila - Jakarta	1	117
IAA	July	Jakarta - Tiruchirappalli	1	170
		Penang - Medan	1	166
		Jakarta - Kochi - Jakarta	1	300
	August - November	Jakarta - Bengaluru	3	452
	October - December	Jakarta - Chennai	2	1,850

### Cargo-only Medical Aid Flights

In March, Teleport became the first in Malaysia to operate passenger aircraft for cargo-only flying. This was necessary not only to meet overwhelming customer demand but, more importantly, to support the critical need to transport medical aid and essential goods in response to the global pandemic.

Throughout the year, Teleport operated over 1,400 cargo-only flights to 46 destinations on behalf of partners including The Edge Covid-19 Fund, the Ministry of Foreign Affairs Malaysia, The Jack Ma Foundation and the International Committee of the Red Cross. This included more than 360 Transportation of Cargo in Passenger Cabin (TCPC) flights in which additional cargo was loaded on seats, overhead stowage compartments and under the seats.



# Sustainability Statement



## IKHLAS

IKHLAS was launched in April 2020 as a new line of business under AirAsia to provide faith-based services to Muslim communities. This includes religious obligations such as Umrah, Qurban and Shariah-compliant lifestyle choices. Partnering with its official foundation, Yayasan Amanah AsSofwah AlMalikiyyah, IKHLAS undertook over 20 campaigns in 2020.

In May, it launched the Give with IKHLAS campaign, an online donation drive to feed the underprivileged and frontliners in Malaysia. A total of RM1,322,267 was raised, and channelled towards the distribution of 54,074 ready meals and essential items to 16,016 families. In addition, 20,000 face masks and 400 bottles of hand sanitiser were handed out.

A second campaign, IKHLAS for Sabah, was launched in October 2020 that raised RM217,879 to support 3,071 families primarily in Red Zone locations, in addition to 40,000 face masks, 900 bottles of hand sanitiser and 500 PPE.

Other than this, 257 donation drives were organised to distribute essential items, ready meals and PPE to the needy.



Organisation	Programme	Description
Teleport	OURSHOP/airasia fresh: Save Our Shops (S.O.S) Campaign	Teleport enabled merchants impacted by the pandemic to market their products on the airasia super app's e-commerce platform, OURSHOP, with zero commission and zero listing fees. In August 2020, OURSHOP received PENJANA funding to train and onboard East Malaysian merchants onto the platform. OURSHOP was later rebranded as airasia fresh.
AirAsia Philippines (PAA)	Rise Up Tuguegarao	On 30 November, PAA carried over 10 tonnes of clothing, blankets, bottled water and food from Manila to victims of Typhoon Ulysses in Cagayan Valley. In partnership with Liter of Light, it also distributed 150 solar powered lights to affected families, and for communal spaces within the area.
	Rise Up Virac Catanduanes	On 7 December, PAA carried out a similar mercy flight, this time carrying relief items for the victims of Typhoon Kammuri in Catanduanes.
AirAsia Indonesia (IAA)	1 Million Coffees for Frontliners	On 17 April, IAA in collaboration with Kopi Jujur, a coffee community in Jakarta, set up stalls in hospitals to serve breakfast coffee and buns to medical frontliners in hospitals.
	Mountain & Beach Clean-up Indonesia	Allstars and their family joined in efforts at Kuta Beach Bali to reduce the volume of waste, especially plastics, from entering the oceans. Twenty-one bags of waste were surrendered to Kuta waste management staff and data on plastic waste was sent to makingoceansplasticfree.com to influence long-term solutions and decision making. The event also helped to create awareness of marine pollution and the responsibility of everyone to contribute to the environment.

# FINANCIAL STATEMENTS

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# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The board of directors (“**Board**” or “**Directors**”) of AirAsia Group Berhad (“**AAGB**” or the “**Company**”) presents this Corporate Governance Overview Statement (“**CG Overview Statement**”) to provide its 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 2020 (“**the Financial Year**”).

The Board of AAGB is committed towards ensuring good corporate governance standards are applied across AAGB’s 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**”) issued by the Securities Commission Malaysia, the Main Market Listing Requirements (“**MMLR**”) of Bursa Malaysia Securities Berhad (“**Bursa Malaysia**”)¹ and the Companies Act, 2016 during the Financial Year.

In building a sustainable ASEAN airline and technology based Group focused on travel, lifestyle, logistics and financial services through an all-in-one ASEAN super app, the Board is mindful of its accountability towards its shareholders and various stakeholders. The Board and senior management are committed towards providing effective leadership, promoting uncompromising ethical standards and ensuring excellence in corporate governance standards and practices throughout the Company. The application of each recommended Practice as set out in the MCCG, and explanations on deviations from the MCCG, are disclosed in AAGB’s Corporate Governance Report (“**CG Report**”).

The Company would continuously strive to enhance its overall corporate governance practices to reflect changing conditions and emerging sound principles, as appropriate. The CG Overview Statement should be read together with AAGB’s CG Report 2020 published on the Company’s website at [https://ir.airasia.com/home\\_ir.html](https://ir.airasia.com/home_ir.html).

The Board presents this statement to provide a quick insight into the overall corporate governance practices of AAGB, under the leadership of the Board, with particular reference to the following principles as set out in the MCCG:

- (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 management’s 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 its 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 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 clearly defined roles and responsibilities of the Board and senior management is important to strike a reasonable balance between the strategy foundation and policy-making, and the conformance roles of executive supervision and accountability.

Delegation of the Board’s authority to senior management is subject to defined limits of authority of the Group 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 responsibility and role between the Chairman (“**Chairman**”) and the Chief Executive Officer of the Company (“**CEO**”) to promote greater accountability to enhance check and balance. The positions of the Chairman and the CEO are held by different individuals, and their roles are also described in the Board Charter at [https://ir.airasia.com/misc/Board\\_Charter.pdf](https://ir.airasia.com/misc/Board_Charter.pdf).

To assist the Board in discharging its duties and responsibilities and in order to enhance its business and corporate efficiency and effectiveness, the Board has in place a governance structure for the Group. Specific powers of the Board are delegated to the relevant committees and the CEO, as depicted on page 140 of the Annual Report 2020.

<sup>1</sup> Compliance with paragraphs 15.08A(3) and 15.25 as well as Practice Note 9 of MMLR on the preparation of Nomination Committee statement and Disclosure of CG related Information.



# Corporate Governance Overview Statement

## BOARD OF DIRECTORS

The Board is collectively responsible for the effective oversight of the Company and its businesses by actively overseeing the conduct thereof. The Board oversees 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. It takes the lead in areas such as safeguarding the reputation of the Company and its financial policy, as well as maintaining 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.

### RISK MANAGEMENT COMMITTEE ("RMC")

The RMC was established to oversee the risk management activities of the 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. The Chairman also monitors the workings of the Board and the conduct of the Board meetings to ensure all relevant issues for the effective running of AAGB's business are on the meeting agenda.

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

The Chairman manages the interface between the 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. The Chairman also chairs the general meetings of shareholders of AAGB.

### 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. The NRC oversees the development of a succession management plan for the Chairman, CEO and Directors.

The NRC is also responsible for assessing the performance of the Board and 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.

## CHIEF EXECUTIVE OFFICER

The CEO leads the management and business operations of the Company and the Group, and provides direction for the implementation of the strategies and business plans as approved by the Board. The CEO also leads the senior management team which assists him in managing strategic business development, high impact and high value investments, and cross business matters of the Group.

## SENIOR MANAGEMENT

The Board is assisted by the senior management of the Company which comprises senior employees holding the positions of CEO, Chief Financial Officer, Presidents (Airlines and AirAsia Digital), Chief Legal Officer, Chief People & Culture Officer and Executive Director of AirAsia Investment Limited.

The senior management is tasked with the responsibility of managing the Company's business and implementing the Board's strategies, policies and decisions. The relevant members of the senior management are also invited to attend Board and/or committees' meetings to advise and provide clarification as and when required on items in the agenda.

### Key

- Committee reporting lines to the Board
- Senior management reporting line to respective committee
- Interface line between the Chairman, the Board, CEO and senior management

## 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 to ensure it meets the Company's 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 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 35 to 40 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 had a composition with a majority of independent and non-executive directors with one (1) independent non-executive woman director who resigned during the Financial Year due to personal commitments.

The NRC and the Board have been actively seeking to fill the vacant position(s) with suitably qualified candidate(s), but the focus has shifted to broader concerns, as there were other pressing issues that had hit the airline industry. The Covid-19 pandemic has had a significant impact on the aviation industry due to travel restrictions and a slump in demand among travellers. Nevertheless, the NRC and the Board had not stopped the search process and would continue to source for suitably qualified candidate(s) to fill the vacant position(s).

The Board has in place a policy which limits the tenure of independent non-executive directors to nine (9) years in line with the MCCG. An independent director may remain in that capacity 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 twelve (12) years or more 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 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 function effectively and 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' agenda and schedule 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 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 as and where required.

At the committees' meetings, items are discussed and deliberated, 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.

# Corporate Governance Overview Statement

The members of the Board and committees have discharged their functions and responsibilities effectively in 2020 through their attendance at the meetings of the Company as set out in the table below:

Director	Designation	BOARD ATTENDANCE FOR 2020	COMMITTEES' ATTENDANCE FOR 2020			
			AC	NRC	RMC	SRB
<b>Datuk Kamarudin bin Meranun</b>	<i>Non-Independent Executive Chairman</i>	11/11				
<b>Tan Sri Anthony Francis Fernandes</b>	<i>Non-Independent Executive Director and Chief Executive Officer</i>	11/11				
<b>Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar</b>	<i>Non-Independent Non-Executive Director</i>	11/11	8/8	3/3	4/4	
<b>Dato' Fam Lee Ee</b>	<i>Senior Independent Non-Executive Director</i>	11/11	8/8	3/3	4/4	
<b>Dato' Mohamed Khadar bin Merican</b>	<i>Independent Non-Executive Director</i>	11/11	8/8		4/4	4/4
<b>Stuart L Dean</b>	<i>Independent Non-Executive Director</i>	11/11		3/3	4/4	4/4
<b>Noor Neelofa binti Mohd Noor (resigned w.e.f. 17/08/2020)</b>	<i>Independent Non-Executive Director</i>	5/11				1/4

■ Chairman      ■ Non-member

During the Financial Year, the Board met eleven (11) times inclusive of special Board meetings. The existing Directors attended all the Board meetings held during the Financial Year, 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 existing 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 performance of the Board, its committees, the individual Directors and the committee members of the Company.

However, in view of the Covid-19 pandemic, this exercise has been postponed possibly to 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 keeping with Paragraph 15.08 of the 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 industries, 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.

All the directors together with the senior management attended the briefing by Messrs Ernst & Young on adequate policies and procedures to prevent offences pursuant to Section 17A of the Malaysian Anti-Corruption Commission Act 2009 organised in-house on 27 February 2020.

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

Name	Programmes
Tan Sri Anthony Francis Fernandes	<ul style="list-style-type: none"> <li>• Visa AP Senior Client Council Virtual Meeting on 28 April 2020</li> <li>• Milken Regional Leaders Breakfast Session on 13 May 2020</li> <li>• Ikhlas Conference on 8 July 2020</li> <li>• Lagardere Travel Retail Talk on 10 September 2020</li> <li>• EOY Ireland Program Alumni on 28 September 2020</li> <li>• Bain Leaders Forum 2.0 on 6 October 2020MAGIC: E-Nation 2020 on 20 October 2020</li> <li>• CA Indosuez (Switzerland) 'A Brave New World' on 27 October 2020</li> <li>• Securities Commission: Business Foresight Forum (BFF2020) Virtual Conference 19 November 2020</li> <li>• Philippines Center For Entrepreneurship Online Conference on 23 November 2020</li> <li>• MDEC Orbit Talk Series on 26 November 2020</li> <li>• Forbes Global CEO Conference 'The Way Forward' on 2 December 2020</li> <li>• ASB (Asian School of Business) Section 17A Training on 4 December 2020</li> <li>• Singapore Fintech Festival 2020: The Great Rebundling of Finance on 7 December 2020</li> <li>• CAPALive on 9 December 2020</li> </ul>
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	<ul style="list-style-type: none"> <li>• Fraud Risk Management Workshop for Directors of Listed Companies organised by PricewaterhouseCoopers (PWC) Malaysia on 9 December 2020</li> </ul>
Dato' Fam Lee Ee	<ul style="list-style-type: none"> <li>• "Malaysia - IR4.0" organised by Deloitte and the Malaysian Investment Development Authority on 4 June 2020 (webinar)</li> <li>• "Invest in Malaysia Service Industry - Digital Economy" organised by Deloitte on 9 July 2020 (webinar)</li> <li>• "Global Economic and Financial Trend" organised by UOB on 15 September 2020 (webinar)</li> <li>• Virtual First General Assembly of International Commercial Dispute Prevention and Settlement Organisation (ICDPASO) on 29 September 2020</li> <li>• "Global Post-Pandemic Healthcare Market Outlook" organised by UOB on 28 October 2020 (webinar)</li> <li>• "AI in the New Normal" organised by UOB on 4 November 2020 (webinar)</li> <li>• "Invest in China 2021" organised by UOB on 6 November 2020 (webinar)</li> <li>• "Malaysia2China - Seizing Opportunities in China's Technological Rise" organised by Malaysia's Ministry of International Trade and Industry (MITI) and the Industrial and Commercial Bank of China (ICBC) Malaysia on 10 December 2020 (webinar)</li> </ul>
Dato' Mohamed Khadar bin Merican	<ul style="list-style-type: none"> <li>• "Building security in an unsecured world." Asian Business School on 8 May 2020 (webinar)</li> <li>• "Flattening the curve. Then what?" Asian Business School. 13 May 2020 (webinar)</li> </ul>

# Corporate Governance Overview Statement

## 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	Bonuses	Total	Meeting, travelling and other allowances~
Datuk Kamarudin bin Meranun	-	-	4,854,500.00	0	4,854,500.00	-
Tan Sri Anthony Francis Fernandes	-	-	4,854,500.00	0	4,854,500.00	78,312.21
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	175,000.00 <sup>^</sup>	40,000.00* 23,333.36** 36,666.64***	-	0	275,000.00	52,000.00
Dato' Fam Lee Ee	175,000.00 <sup>^</sup>	40,000.00* 36,666.64** 23,333.36***	-	0	275,000.00	52,000.00
Dato' Mohamed Khadar bin Merican	175,000.00 <sup>^</sup>	50,000.00* 23,333.33*** 23,333.33 <sup>^</sup>	-	0	271,666.66	54,000.00
Stuart L Dean	175,000.00 <sup>^</sup> 26,664.00 <sup>^^</sup>	23,333.39** 23,333.39*** 36,666.61* <sup>^</sup>	-	0	284,997.39	44,000.00
Noor Neelofa binti Mohd Noor (resigned w.e.f. 17/08/2020)	125,957.66 <sup>^</sup>	16,794.38* <sup>^</sup>	-	0	142,752.04	12,000.00

<sup>^</sup> From 28 September 2020 to 31 December 2020 pro-rated based on the basic Board fee of RM262,500 each per annum approved at the Third AGM. #

<sup>^^</sup> Basic board fee as a Director of AAB. #

\* AC fee as approved at the Third Annual General Meeting. #

\*\* NRC fee as approved at the Third Annual General Meeting. #

\*\*\* RMC fee as approved at the Third Annual General Meeting. #

\*<sup>^</sup> SRB fee as approved at the Third Annual General Meeting. #

~ The meeting allowance shall be RM2,000 per meeting. #

# The Notice of AGM 2020 informed that the Non-Executive Directors of AAGB had voluntarily offered to receive a 50% reduction in their fees for the period from 1 May 2020 up to the date of the AGM in 2020 and would continue with such reduction, on the remuneration structure, which was approved at the Third AGM until such time that AAGB's financial performance improves significantly, or up to the next AGM of AAGB, whichever comes earlier. This reduction has been applied to the Board and committee fees as well as meeting allowance.

## 7. Limits of Authority

AAGB has a Limits of Authority ("**LOA**") policy in place, 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 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

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 on a quarterly basis. Detailed reports on the airline 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 changes and new initiatives, if any.

## 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 senior management to map talent needs across the Group's different locations and 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 AC's report is set out on pages 147 to 150 of the Annual Report 2020.

#### 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 of the Company.

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;
- (c) To implement and monitor a Business Continuity Plan with procedures and systems to restore critical business functions in the event of unplanned disaster; and
- (d) 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 the 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.

# Corporate Governance Overview Statement

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 the 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 151 to 158 of the Annual Report 2020.

### 3. AAGB’s Anti-Bribery And Anti-Corruption Policy (“**ABAC Policy**”)

In carrying out its governance oversight, the Board has also emphasised the importance of embracing integrity and ethical values across the organisation. In this regard, the Board adopted and implemented the ABAC Policy, which was put in place across the Group since 1 June 2020.

## 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 the 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 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 AGM and provided with a digital copy of the Annual Report at least 28 days before the meeting.

In view of the Covid-19 pandemic, the Third AGM (“**3rd AGM**”) of AAGB was held fully virtually via live streaming and online remote voting at the Broadcast Venue held at RedQ, Jalan Pekeliling 5, Lapangan Terbang Antarabangsa Kuala Lumpur (klia2), 64000 KLIA, Selangor Darul Ehsan, Malaysia on 28 September 2020. All members of the Board were present at the Broadcast Venue to respond to questions posted by the shareholders or proxies via the remote participation and voting facilities (“**RPV**”).

Although the voting process at the First and Second AGMs held in 2018 and 2019 respectively were conducted through an electronic poll voting system, the voting process for the 3rd AGM which was held fully virtual in 2020 was conducted by online remote voting via the RPV facilities, and the results of the votes were scrutinised by an independent scrutineer.

AAGB will continue to leverage technology and tools to enhance the quality of its shareholder engagement and facilitate further participation by shareholders at AAGB’s AGMs.

This CG Overview Statement was approved by the Board of Directors of AAGB on 18 May 2021.

# 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 2020 ("the Financial Year").

This Report has been reviewed by the AC and approved by the Board of Directors ("the Board") of AAGB on 18 May 2021, 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 145. 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 143.

## ATTENDANCE OF MEETINGS

A total of eight (8) 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 142.

The AC meets 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 (AirAsia Digital), Group Chief Financial Officer ("GCFO"), Chief Financial Officer ("CFO") for AirAsia Digital, Group Chief Operating Officer, CFO of AirAsia Berhad ("AAB"), Group Head of Internal Audit, Group Head of Legal of AAGB and CEO of 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](http://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 proficiency.
- 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.



# Audit Committee Report

- Noted the resignations of 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 AND BURSA MALAYSIA ANNOUNCEMENTS

- 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, review and ensure 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 establishment of policies and procedures relating to anti-bribery and anti-corruption to prevent the offences under the Malaysian Anti-Corruption Commission (MACC) Act 2009 and such other applicable anti-bribery and anti-corruption laws in jurisdictions where the Group operates.
- Regular reviews were conducted to assess the performance, efficiency and effectiveness of the ABAC Policies.
- 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 Malaysian Code on Corporate Governance ("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 assessed the adequacy of the terms of reference of the AC on 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 Internal Audit Charter 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 25 January 2021, GIAD confirmed its organisational

# Audit Committee Report

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.

The total costs incurred by GIAD in discharging its functions and responsibilities in 2020 amounted to RM3,420,245 as compared to RM4,234,376 in 2019.

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. Internal auditors attended in-house training in the areas of auditing skills, technical skills and personal development. Hence, there are no training costs involved. As at 31 December 2020, the average training days attended by each staff was 2 (two) days. Further information on the resources, objectivity and independence of the Group Head, GIAD and internal auditors are provided in the Corporate Governance 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 108 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 procurement, ground operations, engineering and its system, inflight ancillary, risk management, operational quality assurance, human resources, payroll system and process, ICT project and contract management, aviation security, cargo, safety, flight operations, sales and distribution, corporate finance and IT systems such as Google Big Query, Google Cloud Platform and Payment Gateway.

The Group Head, GIAD together with 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 2020.

# STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

## 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 risk management framework and internal controls for the financial year ended 2020 (“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.

## 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 implement and monitor a Business Continuity Plan (“BCP”) with procedures and systems to restore critical business functions in the event of unplanned disaster
- 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 achieving 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 in accordance with ISO 31000 and ISO 22301 standards.

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

# Statement on Risk Management & Internal Control

## 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 147 to 150 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>).

## 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 149 to 150 of this Annual Report.

## 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
- Guidance on business impact analysis

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 2020

During the Financial Year, the RMD focused on strengthening the 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 BCP 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
<b>A. STRATEGIC</b>	
<p>1. <b><u>Political and Environment Uncertainty</u></b> Political instability, market downturn, natural disasters, health epidemic and any other events that are outside of the Group's control in geographical areas where the Group operates that could affect its business operations.</p>	<p>The Group mitigates this risk by having constant monitoring of information relating to those areas that can impact its business operation. This pertinent information is used to reduce that impact by adjusting the asset allocations, capacity management and promotions.</p> <p>The Group has also established Crisis Management Teams that will respond and reduce the impact of a crisis on its business operations.</p>
<p>2. <b><u>Competition</u></b> Intense competition in the market place arising from new entrances of players, expansion of competitors' networks and fare wars.</p>	<p>The Group mitigates this risk by strengthening its route network, expanding into greenfield markets which attract "first entrant" incentives such as airport charges and by offering competitive fare adjustments.</p>
<p>3. <b><u>Reputation and Branding</u></b> Reputational damage that arises through adverse media publicity and social networks which are caused by consumer grievances or any specific campaigns that brings about any negative sentiments against the Group.</p>	<p>The Group mitigates this risk by having a Social Command Centre which operates on a real time basis; to monitor and respond urgently to any adverse media publicity or consumer grievances.</p> <p>Further to that, a media monitoring service is utilised to monitor and notify the Group of any targeted media coverage that could in the event create any reputational threats.</p>

# Statement on Risk Management & Internal Control

RISK	MITIGATION
<b>B. OPERATIONAL</b>	
<p>1. <b><u>System Outages</u></b> Outages of mission-control systems which are required for the continuity of flight operations.</p>	<p>The Group mitigates this risk by developing, implementing and testing the specific backup and failover systems to reduce this system outages.</p> <p>The Group has also put in place alternative sites that exist in the different geographical area in the event these mission-control systems fail at any one location. A Business Continuity Management Plan with the relevant Crisis Management Plan has been put into place to ensure this.</p>
<p>2. <b><u>Value Chain Disruption</u></b> A failure in the airport systems that supports the aircraft refuelling, baggage handling, immigration, customs and quarantine processes which may lead to significant delays and business operational disruptions.</p>	<p>The Group mitigates this risk by constant monitoring and communicating with the airport authorities so that any potential service disruptions can be prevented. The Group does periodic testing at these different airports and hubs through its Business Continuity Management Plan to ensure that there is minimal disruptions.</p>
<p>3. <b><u>Cyber Threats</u></b> These arise from different information system channels that bring about threats such as ransomware, phishing, data leakage, hacking and inside threats. These threats can cause significant damage and losses to the Group.</p>	<p>The Group mitigates these risks by having a dedicated information security team that focuses on detecting, containing and remediating these cyber threats. The Group adopts a robust information security system that revolves around the ISO/IEC 27001 process and methodology to secure the information systems. Regular security assessments, penetration tests and source code reviews are performed on the systems to ensure cyber resilience.</p>
<p>4. <b><u>Safety Threats</u></b> Increasing exposure to operational safety hazards and risk as the Group increases routes, flights and passenger volumes.</p>	<p>The Group mitigates this risk through a robust Safety Management System that is emphasized through the Safety Review Board (“SRB”) which ensures that rigid safety targets are obtained through the safety and quality standards. The Group places emphasis on digital tools that captures data for safety risk analysis that promotes continuous improvement. The Group is subject to routine mandatory Safety Audits for its operating licenses. The Group has completed all IATA Operational Safety Audits with the relevant certification for Malaysia, Thailand, Indonesia and Philippines.</p>

RISK	MITIGATION
<b>C. FINANCIAL</b>	
<p>1. <b><u>Pandemic Covid-19</u></b> The aviation industry has been the hardest hit due to the closure of geographical borders. This industry relies heavily on passenger volumes and due to travel restriction causing flight cancellations. Airline revenue generation is directly linked to traffic level. This significant drop in revenue has created operating cash flow challenges and operating losses which can lead to insolvency.</p>	<p>The Group mitigates this risk by cost reduction and cost avoidance exercises that manages the reduction of revenue. Further to that, the Group had sought after additional funding through several corporate exercises to keep the Group as a going concern.</p>
<p>2. <b><u>Fuel Price</u></b> Fluctuations in fuel prices would have significant impact on the profitability. Fuel is a key cost component for the business operations.</p>	<p>The Group mitigates this risk by actively monitoring and managing its exposure to fuel price volatility through various hedging strategies. The Group treasury department has a team that monitors and manages this hedging strategy.</p>
<p>3. <b><u>Foreign Currency Translations</u></b> Unexpected currency depreciation of the Malaysian Ringgit could have a significant impact on the cost of financing and business operations. This holds particularly of the forex exchange rates that is in the US Dollar.</p>	<p>The Group mitigates this risk by actively monitoring and managing its exposure to foreign currency volatility through various hedging strategies. The Group treasury department has a team that monitors and manages this hedging strategy.</p>
<b>D. COMPLIANCE</b>	
<p>1. <b><u>Non-Compliance to Regulatory Requirements</u></b> Non-Compliance and breach of local laws, regulations, industry guidelines, and consumer authority requirements of multiple jurisdictions could lead to license and operational revocations.</p>	<p>The Group mitigates this risk by maintaining high level engagement with the regulators of each jurisdictions so that all regulatory requirements are adhered to constantly. Furthermore, the Group monitors all local regulatory landscape for new or amended regulations that affect the Group.</p>
<p>2. <b><u>Data Security and Privacy</u></b> Violation of data privacy laws and regulations that could cause potential litigation and loss of customer confidence due to that data breach.</p>	<p>The Group mitigates this risk by establishing a data governance framework with data security and privacy working group that reviews existing policies and procedures to ensure complete compliance with the required laws, regulations and best practices.</p>
<p>3. <b><u>Anti-Bribery and Anti-Corruption Regulatory Requirements</u></b> This had been an Act by the Malaysian Anti-Corruption Commission (MACC) that was enacted in 2008 and then amended in 2018. This amendment had incorporated Section 17A that puts all Management and the Board of Directors to be held accountable and responsible for any act of bribery and corruption with the organisation in any jurisdiction that it has business operations.</p>	<p>The Group mitigates this risk by adopting and implementing a strict policy of "Zero Tolerance" on any act of bribery and corruption. This policy has been disseminated to all internal personnel and to all external parties that conduct business transactions with the Group. All internal personnel would need to acknowledge their awareness on this policy.</p>



# Statement on Risk Management & Internal Control

## 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 139 to 146 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 (AirAsia Digital), Group Chief Operations Officer ("GCOO") of AAGB, Group Chief Financial Officer ("GCFO") of AAGB, CEOs 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 judgment 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.

# Statement on Risk Management & Internal Control

## 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 2020 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 (AirAsia Digital) and GCFO 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 18 May 2021.

# 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 2020 ("Financial Year") for AirAsia Group Berhad ("AAGB"):

## 1. UTILISATION OF PROCEEDS FROM CORPORATE PROPOSAL

The Company had at its Third Annual General Meeting held on 28 September 2020 ("3rd AGM") obtained its shareholders' approval on the general mandate for issuance of shares by the Company pursuant to Sections 75 and 76 of the Companies Act, 2016 ("Act") as well as the Additional Temporary Relief Measures to listed corporations for COVID-19, issued by Bursa Malaysia via its letter dated 16 April 2020, for the Board of Directors of the Company to issue ordinary shares in the Company at their discretion provided that the aggregate number of shares issued does not exceed 20% of the total number of issued shares (excluding treasury shares) of the Company at any point of time, inclusive of the extended utilisation period until 31 December 2021, unless revoked or varied by an ordinary resolution of the Company at a general meeting ("20% General Mandate").

Pursuant to the 20% General Mandate obtained at the 3rd AGM, the Company had on 21 January 2021 announced the private placement of up to 668,394,816 new ordinary shares ("Placement Shares") in the Company, representing up to 20% of the Company's enlarged issued share capital, which was done in the following tranches:

- (a) the Company completed the listing of and quotation for 369,846,852 units of Placement Shares on the Main Market of Bursa Malaysia on 19 February 2021;
- (b) the Company completed the listing of and quotation for 100,367,362 units of Placement Shares on the Main Market of Bursa Malaysia on 17 March 2021.

As at 30 April 2021, the Company had utilised approximately RM293.9 million of the total gross proceeds of RM454.5 million, the details of which are disclosed in the following table:

Proposed utilisation of proceeds	Proposed Utilisation RM'000	Actual Raised RM'000	Actual Utilisation RM'000	Balance RM'000	Expected timeframe for utilisation (from the date of listing of Placement Shares)
Fuel hedging settlement	146.6	108.6	89.3	19.3	6 – 12 months
Aircraft lease and maintenance payments	95.2	70.5	70.5	0	3 months
AirAsia Digital Sdn Bhd business units' development costs, product & market expansion costs, and marketing expenses	77.0	57.0	39.1	17.9	Within 12 months
General working capital expenses	135.5	100.4	94.7	5.7	Within 6 months
Estimated expenses for the Proposed Private Placement	0.2	0.2	0.2	0	Immediately after the completion of the Proposed Private Placement
Total <sup>#</sup>	454.5	336.5	293.9	42.6	

Notes:

<sup>#</sup> The actual amount of proceeds raised from the Private Placement depends on, amongst others, the actual issue price and the number of Placement Shares issued. The Company will allocate the utilisation of proceeds in the same weightage as set out in the announcement on the proposed utilisation.

## 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.

# ADDITIONAL COMPLIANCE INFORMATION

## 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 215 of this Annual Report:-

Audit Fees	Company RM'000	Group RM'000
Audit fees paid to the External Auditors for the Financial Year	200	2,648
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	Nil	90

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

At the Annual General Meeting ("AGM") of AAGB held on 28 September 2020, 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 of Bursa Malaysia, 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
<b>Revenue/income</b>				
1.	AirAsia X Berhad ("AAX") [Registration No.: 200601014410 (734161-K)]	Provision of the following range of services by AirAsia Berhad [Registration No.: 199301029930 (284669-W)] ("AAB") to AAX:  (a) Commercial - Sales and distribution - Sales support - Direct channel - Branding and Creative - 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 Ancillary (f) Engineering (g) Customer Support	<b>Interested Directors and Major Shareholders</b> Tan Sri Anthony Francis Fernandes ("Tan Sri Tony") Datuk Kamarudin bin Meranun ("Datuk Kamarudin")	RM846,000

No.	Transacting Parties	Nature of RRPT	Class and relationship of the Related Parties	Actual value
<b>Revenue/income</b>				
2.	AAX	Provision of the rights as a licensee to operate scheduled air services under the trade name and livery of AirAsia	<b>Interested Directors and Major Shareholders</b> Tan Sri Tony Datuk Kamarudin	Nil
3.	AAX	Provision of the following shared services by AirAsia SEA Sdn Bhd [Registration No.: 201301015339 (1045172-A)] ("AirAsia SEA"):  (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	<b>Interested Directors and Major Shareholders</b> Tan Sri Tony Datuk Kamarudin	RM170,848
4.	Tune Protect Group Berhad [Registration No. 201101020320 (948454-K)] ("TPGB")	Provision of the right to access customer database to conduct marketing on TPGB's and/or third party insurance products and the provision of management services by TPGB to AAGB Group's travel insurance business	<b>Interested Directors and Major Shareholders</b> Tan Sri Tony Datuk Kamarudin	RM2,647
5.	TPGB	TPGB's subscription to advertising services in Rokki Sdn Bhd [Registration No.: 201101006967 (935105-W)] ("Rokki")'s portal	<b>Interested Directors and Major Shareholders</b> Tan Sri Tony Datuk Kamarudin	Nil
6.	Tune Insurance Malaysia Berhad [Registration No.: 197601004719 (30686-K)]	Provision of travel insurance to AAGB Group's customers for journeys originated from Malaysia resulting in sales commission	<b>Interested Directors and Major Shareholders</b> Tan Sri Tony Datuk Kamarudin	RM395,877
7.	Thai AirAsia X Co. Ltd. [Registration No.: 0105556044936] ("TAAX")	Provision of the rights as a licensee to operate scheduled air services under the trade name and livery of AirAsia	<b>Interested Directors and Major Shareholders</b> Tan Sri Tony Datuk Kamarudin	USD47,675 (RM199,758)
8.	TAAX	Provision of price risk management through fuel hedging with hedging counterparties, on behalf of TAAX	<b>Interested Directors and Major Shareholders</b> Tan Sri Tony Datuk Kamarudin	RM36,000

# ADDITIONAL COMPLIANCE INFORMATION

No.	Transacting Parties	Nature of RRPT	Class and relationship of the Related Parties	Actual value
<b>Revenue/income</b>				
9.	TAAX	Provision of the following shared services by AirAsia SEA:  (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.	<b>Interested Directors and Major Shareholders</b> Tan Sri Tony Datuk Kamarudin	RM 83,156
10.	PT. Indonesia AirAsia Extra (Registration No.: 09.03.1.51.8912 (IAAX))	Provision of leasing of aircraft	<b>Interested Directors and Major Shareholders</b> Tan Sri Tony Datuk Kamarudin	Nil
11.	IAAX	Provision of the following shares services by AirAsia SEA:  (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.	<b>Interested Directors and Major Shareholders</b> Tan Sri Tony Datuk Kamarudin	RM13,981
12.	AAX	Supply of in-flight entertainment system, hardware, software, content and updates by Rokki.	<b>Interested Directors and Major Shareholders</b> Tan Sri Tony Datuk Kamarudin	Nil
13.	AAX	Provision of operational services by AirAsia (Guangzhou) Aviation Service Limited (Registration No.: 91440101MA5ALG3R31) ("AirAsia (Guangzhou)") to AAX in China	<b>Interested Directors and Major Shareholders</b> Tan Sri Tony Datuk Kamarudin	CNY245,057.74 (RM155,000)

No.	Transacting Parties	Nature of RRPT	Class and relationship of the Related Parties	Actual value
<b>Revenue/income</b>				
14.	TAAX	Provision of operational services by AirAsia (Guangzhou) to TAAX in China	<b>Interested Directors and Major Shareholders</b> Tan Sri Tony Datuk Kamarudin	CNY2,004,044.28 (RM1,265,000)
15.	AAX	Sale of loyalty points under the BIG Loyalty Program	<b>Interested Directors and Major Shareholders</b> Tan Sri Tony Datuk Kamarudin	Nil
16.	TAAX	Sale of loyalty points under the BIG Loyalty Program	<b>Interested Directors and Major Shareholders</b> Tan Sri Tony Datuk Kamarudin	RM544,809
17.	Tune Talk Sdn Bhd [Registration No.: 200601001210 (720957-V)], incorporated in Malaysia ("Tune Talk")	Provision of advertisement services on AAGB's Wifi portal	<b>Interested Directors and Major Shareholders</b> Tan Sri Tony Datuk Kamarudin	Nil
18.	Tune Talk	Provision of services for sales of travellers sim cards	<b>Interested Directors and Major Shareholders</b> Tan Sri Tony Datuk Kamarudin	Nil
19.	Notel Management Sdn Bhd [Company No.: 200601016858 (736610-U)] ("Notel Management")	Provision for advertisement services and management.	<b>Interested Directors and Major Shareholders</b> Tan Sri Tony Datuk Kamarudin	RM8,607.09
<b>Expenses</b>				
20.	AAX	Provision of lounge services to the Company's passengers by subscribing to the AirAsia Premium Lounge operated by AAX	<b>Interested Directors and Major Shareholders</b> Tan Sri Tony Datuk Kamarudin	Nil
21.	AAX	Purchase of AAX's cargo transportation capacity on routes operated by AAX	<b>Interested Directors and Major Shareholders</b> Tan Sri Tony Datuk Kamarudin	RM 3,053,636 (USD746,732)



# ADDITIONAL COMPLIANCE INFORMATION

No.	Transacting Parties	Nature of RRPT	Class and relationship of the Related Parties	Actual value
<b>Expenses</b>				
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	<b>Interested Directors and Major Shareholders</b> Tan Sri Tony Datuk Kamarudin	Nil
23.	Notel Management	Receipt of accommodation services for AAGB and/or its affiliates and/or its guests at corporate rate	<b>Interested Directors and Major Shareholders</b> Tan Sri Tony Datuk Kamarudin	RM202,449
24.	TAAX	Purchase of TAAX's cargo transportation capacity on routes operated by TAAX	<b>Interested Directors and Major Shareholders</b> Tan Sri Tony Datuk Kamarudin	Nil
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	<b>Interested Directors and Major Shareholders</b> Tan Sri Tony Datuk Kamarudin	RM2,437
26.	AAX	Provision of ground handling services at Taoyuan International Airport	<b>Interested Directors and Major Shareholders</b> Tan Sri Tony Datuk Kamarudin	Nil

The shareholdings of the interested Directors and interested Major Shareholders in the Company as at 30 April 2021 were as follows:

	← Direct →		← Indirect →	
	No. of Shares	%	No. of Shares	%
<b><u>Interested Directors</u></b>				
Tan Sri Tony	1,600,000 <sup>(1)</sup>	0.04	1,025,485,082 <sup>(3)</sup>	26.90
Datuk Kamarudin	2,000,000 <sup>(2)</sup>	0.05	1,025,485,082 <sup>(3)</sup>	26.90
<b><u>Interested Major Shareholder</u></b>				
Tune Air Sdn Bhd	516,485,082 <sup>(4)</sup>	13.55	-	-
Tune Live Sdn Bhd	509,000,000 <sup>(5)</sup>	13.35		

*Note:*

- 1 Shares held under HSBC Nominees (Tempatan) Sdn Bhd for Tan Sri Tony.
- 2 Shares held under HSBC Nominees (Tempatan) Sdn Bhd for Datuk Kamarudin.
- 3 Deemed interested by virtue of Section 8 of the Act through a shareholding of more than 20% in Tune Live Sdn Bhd and Tune Air Sdn Bhd.
- 4 Shares held under HSBC Nominees (Tempatan) Sdn Bhd for Tune Air Sdn Bhd.
- 5 Shares held under RHB Capital Nominees (Tempatan) Sdn Bhd and HSBC Nominees (Tempatan) Sdn Bhd for Tune Live Sdn Bhd.

Please refer to the note of Section 2.3 of the Circular/Statement to shareholders dated 31 May 2021 on the directorships and shareholdings of the interested Directors and interested Major Shareholders in the transacting parties.

# 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 2020.

## 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

	<b>Group RM'000</b>	<b>Company RM'000</b>
Loss net of tax	(5,887,928)	(261,600)
Loss net of tax attributable to:		
Owners of the Company	(5,111,667)	(261,600)
Non-controlling interests	(776,261)	-
	(5,887,928)	(261,600)

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, with exception to the socioeconomic effects of the COVID-19 pandemic which impacted the financial circumstances of the Group and of the Company, the results of the operations of the Group and of the Company during the financial year were otherwise not substantially affected by any item, transaction or event of a material and unusual nature, other than, the impairment of aircraft-related property, plant and equipment and right-of-use assets totaling RM596 million and impairment of receivables, amount due from an associate and related parties and investment in an associate totaling RM1,427 million as disclosed in Note 6 to the financial statements.

## Dividends

No dividend has been paid or declared by the Company since the end of prior year. The directors do not recommend the payment of any 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

(Resigned on 17 August 2020)

\* 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 Gomez	Khaw Keng Wei	Rahul Agarwal
Aaron Ram Sarma	Lalitha a/p Sivanesar	Raymund C. Berja
Agnes Maranan	Lam Lo Sho Rose	Ravi Shankar Mallavarapu
Aireen Omar	Lee Teck Loong (Spencer)	RD. Achmad Sadikin
Alejandro T. Yu	Leon Ruben	Riad Asmat
Anajuk Chareonwongsak	Lim Hock Thye	Ricardo P. Isla
Anita Ler	Liu Lee Dennis Paul	Richard Montgomery Beattie
Arifin Eko Prasetyo	Lourdes L. Agbuya	Roisin Dixon
Augustus Ralph Marshall	Lu Kee Hong	Ronald D. Policarpio
Cheah Yoke Yin	Lye Kong Wei	Rossana Gracia M. Dela Cruz
Christine G. Yu	Madan Mohan Kn	Rozman bin Omar
Christopher Paul Davison	Magandra Dass Haridas	Rudy Effendi Daulay
Dendy Kurniawan	Mahisa Adhitya Rachman	Sami Joseph El Hadery
Desiree Maxino Bandal	Manjul Taneja	Saumarjyoti Choudhury
Dinesh Kumar	Marianne B Hontiveros	Sheila Marie B. Romero
Domingo G. Castillo	Mihai-Gabriel Simionescu	Sun Peak Mun
Emmanuel C. Paras	Mitherpall Singh Sidhu	Tay Tuan Leng
Heru Susilo	Monica Ann San Juan	Tassapon Bijleveld
How Kim Lian	Muhamad Hidayat bin Rahim	Teh Mun Hui
Ibnu Tryono	Natacha Sabrina Kong Hung Cheong	Teoh Hooi Ling
Ikhlas bin Kamarudin	Navin Rajagopalan	Tharumalingam a/l Kanagalingam
Irwan Eka Sudarman	Nguyen Thi Bich Lien	Tommy Lo Seen Chong
Jackson Pek	Nipun Anand	Vishal Sharma
Jeremiah Brian Rabe	Omar Salim-Dhanani	Vishal Singh Batra
Joanna binti Ibrahim	Pablo Sanz Salcedo	V Loganathan S/O Velaitham
Joanne Chin	Panna Lal Anand	Veranita Yosephine
Joseph Omar A. Castillo	Pattra Boosarawongse	Wang Wenju
Jusuf Suherman	Pawan Najunda Setty	Wee Choo Peng
Karen Chan Ka Yan	Philip Charles Mittleman	Wong Hee Chai
Kaw Kok Hui	Phua Sheau Wei	Wuri Septiawan
Keith Lingam	Priyanka Jain	

# Directors' Report

## Directors (cont'd.)

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 2020, 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 prior 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 31.12.2020
	At 1.1.2020	Acquired	Disposed	
<b>Direct interests in the Company</b>				
Datuk Kamarudin bin Meranun <sup>2</sup>	2,000,000	-	-	2,000,000
Tan Sri Anthony Francis Fernandes <sup>2</sup>	1,600,000	-	-	1,600,000
Dato' Abdel Aziz @ Abdul bin Abu Bakar	989,500	-	-	989,500
Dato' Mohamed Khadar bin Merican	250,000	-	-	250,000
Stuart L Dean	40,000	-	-	40,000

	Number of ordinary shares			At 31.12.2020
	At 1.1.2020	Acquired	Transferred <sup>^</sup>	
<b>Indirect interests in the Company</b>				
Tan Sri Anthony Francis Fernandes <sup>1</sup>	1,075,485,082	-	(50,000,000)	1,025,485,082
Datuk Kamarudin bin Meranun <sup>1</sup>	1,075,485,082	-	(50,000,000)	1,025,485,082

<sup>^</sup> Transfer of 50,000,000 Ordinary Shares by Tune Live Sdn Bhd<sup>3</sup> ("TLSB") under B5 Category as approved by Bursa Malaysia Depository Sdn Bhd on 28 October 2020.

<sup>1</sup> By virtue of their interests in shares of more than 20% in the substantial shareholders of the Company, Tune Air Sdn Bhd<sup>2</sup> ("TASB") and TLSB<sup>3</sup>, 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.

<sup>2</sup> Shares held under HSBC Nominees (Tempatan) Sdn Bhd for TASB

<sup>3</sup> Shares held under RHB Capital Nominees (Tempatan) Sdn Bhd and HSBC Nominees (Tempatan) Sdn Bhd for TLSB

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) with exception of the socio economic effects of the COVID-19 pandemic which resulted in grim earnings, the result of the operations of the Group and of the Company during the financial year were otherwise not substantially affected by any item, transaction or event of a material and unusual nature, other than impairment of aircraft-related property, plant and equipment and right-of-use assets totaling RM596 million and impairment of receivables, intercompany balances and investments totaling RM1,427 million as disclosed in Note 6 to the financial statements.
- (g) Note 45 to the financial statements discussed management's steps to address the current impact of the COVID-19 pandemic. The Board of Directors is confident that based on the working capital management and funding plans, the Group will be in good stead to weather the current challenging environment.

# Directors' Report

## Significant events

Details of significant events are disclosed in Note 42 to the financial statements.

## Subsequent events

Details of subsequent events are disclosed in Note 43 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 27 May 2021.

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 178 to 280 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 2020 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 27 May 2021.

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 178 to 280 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 27 May 2021

Tan Sri Anthony Francis Fernandes

Before me,

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 2020 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 178 to 280.

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 2020, 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.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 2.1 and Note 45 to the financial statements, which indicate that the Group has a net loss of RM5,888 million for the financial year ended 31 December 2020 and the current liabilities exceeded its current assets by RM5,902 million. In addition, the Group also reported a shareholders' deficit of RM1,214 million. The Company reported a net loss of RM262 million for the financial year ended 31 December 2020. The global economy, in particular the commercial airlines industry, faces an uncertainty over the expected timing of recovery of the 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 position, financial performance and cash flows. These events or conditions, along with other matters as set forth in Note 2.1 and Note 45 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.

The recent development of vaccination against the COVID-19 pandemic and the implementation of national vaccination programmes in countries in which the Group operates as well as elsewhere around the world provide positive outlook for the commercial airlines industry. Nevertheless, the ability of the Group and of the Company to continue as a going concern is dependent on the successful implementation and favorable outcome of various ongoing plans to respond to the conditions above, including ongoing discussions with the financial institutions and investors to obtain required funding, as well as negotiations with its lessors to restructure the existing lease arrangements. Further details are disclosed in Note 2.1 and Note 45 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.

#### **Impairment assessment of non-financial assets**

##### **a) Impairment assessment of right-of-use assets ("ROUA") and property, plant and equipment ("PPE")**

Refer to Note 3.1, Note 11 and Note 29 to the financial statements.

At 31 December 2020, the carrying amount of ROUA and PPE of the Group are RM9,445 million and RM1,086 million, respectively.

The Group is required to assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset.

The COVID-19 pandemic has resulted in significant losses and a significant amount of economic uncertainty in the current and future economic environment in which the Group operates. The Group's current and near-term cashflows have been negatively impacted due to global travel restrictions and the resultant global decrease in travel demand. The duration and severity of the crisis is dependent on events which are continuously unfolding and are beyond the control of the Group.

As a result, there is a high degree of estimation uncertainty inherent in estimating the duration and severity of the economic downturn caused by the COVID-19 pandemic, and the pattern of any expected recovery. The estimates and assumptions used in the cash flow projections which form the basis of the recoverable amounts attributable to the CGUs require significant judgement. These judgements require estimates to be made over areas including those relating to the timing of recovery of the COVID-19 pandemic, future revenues, operating costs, growth rates, projected aircraft usage, aircraft capital expenditure, foreign exchange rates and discount rates.

As the impairment assessment involves estimation and judgement arising from the above factors, this is a key area of focus for our audit.

#### **Our response**

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

- Held discussions with senior management to understand the basis of the assumptions used in forming the estimates underpinning the assessment of the recoverable amount of the CGUs. These estimates include those relating to the timing of recovery of the COVID-19 pandemic, future revenues, operating costs, growth rates, projected aircraft usage, aircraft capital expenditure, foreign exchange rates and discount rates;
- Assessed the key assumptions on which the cash flow projections are based, including, and where relevant, comparing them against financial and non-financial historical trends. We also referred to publicly available aviation industry reports relating to the impact COVID-19 pandemic has on global passenger demand, as well as local regulatory requirements and developments in the various jurisdictions that the Group operates in to gauge the possible timing of recovery;
- Assessed the arithmetical accuracy of the computations used in assessing the recoverable amount of the CGUs;
- Involved internal specialists to assess the appropriateness of the discount rates applied in the respective discounted cash flow projections; and
- Evaluated the adequacy of the Group's disclosures of key assumptions used in estimations.

# Independent Auditors' Report to the Members of AirAsia Group Berhad (Incorporated in Malaysia)

*Key Audit Matters (cont'd.)*

## **Impairment assessment of non-financial assets (cont'd.)**

## **Our response (cont'd.)**

### **b) Impairment assessment of intangible assets**

Refer to Note 3.5 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 based on the value-in-use ("VIU") model. Estimating the VIU 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 2020 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.

*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 2020 annual report, 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.

# Independent Auditors' Report to the Members of AirAsia Group Berhad (Incorporated in Malaysia)

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

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

- 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.
- 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  
202006000003 (LLP0022760-LCA) & AF 0039  
Chartered Accountants

Kuala Lumpur, Malaysia  
27 May 2021

Lim Eng Hoe  
No. 03403/12/2022 J  
Chartered Accountant

# INCOME STATEMENTS

## For the financial year ended 31 December 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2020 RM'000
Revenue	4(a)	3,131,213	11,860,403	-	-
Other income	4(b)	471,561	648,826	3,774	3,011,253
Operating expenses					
- Staff costs	5(a)	(1,166,181)	(1,876,196)	(14,095)	(64,106)
- Depreciation of property, plant and equipment	11	(150,920)	(221,502)	-	-
- Depreciation of right-of-use assets	29	(1,922,078)	(1,241,749)	-	-
- Aircraft fuel expenses	7(a)	(1,962,679)	(4,204,771)	-	-
- Maintenance and overhaul	7(b)	(533,746)	(1,331,260)	-	-
- User charges	7(c)	(703,567)	(1,758,689)	-	-
- Other operating expenses	6	(2,585,857)	(1,150,485)	(247,647)	(24,295)
Operating (loss)/profit		(5,422,254)	724,577	(257,968)	2,922,852
Finance income	8(a)	115,944	119,990	298	18,733
Finance costs	8(b)	(713,651)	(775,733)	(2)	(2)
Net operating (loss)/profit		(6,019,961)	68,834	(257,672)	2,941,583
Foreign exchange gains/(loss)	8(c)	444,763	105,973	533	(3,707)
Net fair value losses on derivatives	8(d)	(141,953)	(247,593)	-	-
Gain on disposal of investment in an associate	14	152,911	-	-	-
Fair value of retained interest in a previous associate	14	76,456	-	-	-
Share of results of joint ventures		(693)	-	-	-
Share of results of associates		(62,822)	(448,874)	-	-
(Loss)/profit before taxation		(5,551,299)	(521,660)	(257,139)	2,937,876
(Loss)/profit before taxation brought forward		(5,551,299)	(521,660)	(257,139)	2,937,876
Taxation					
- Current taxation	9	(17,803)	(34,815)	(4,461)	-
- Deferred taxation	9	(318,826)	273,252	-	-
		(336,629)	238,437	(4,461)	-
Net (loss)/profit for the financial year		(5,887,928)	(283,223)	(261,600)	2,937,876
Net (loss)/profit for the financial year attributable to:					
- Owners of the Company		(5,111,667)	(315,807)		
- Non-controlling interests		(776,261)	32,584		
		(5,887,928)	(283,223)		
Loss per share attributable to owners of the Company (sen)					
- Basic	10	(153.0)	(9.4)		
- Diluted	10	(153.0)	(9.4)		

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 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Net (loss)/profit for the financial year		(5,887,928)	(283,223)	(261,600)	2,937,876
<b>Other comprehensive (loss)/income</b>					
<i>Items that may be subsequently reclassified to profit or loss</i>					
Cash flow hedges		(74,075)	498,597	-	-
Share of other comprehensive (loss)/income of an associate		(68,499)	17,479	-	-
Foreign currency translation differences		(221,167)	(7,378)	-	-
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods		(363,741)	508,698	-	-
<i>Items that will not be subsequently reclassified to profit or loss</i>					
Remeasurement (loss)/gain on employee benefits liability, net of tax		(19,591)	2,299	-	-
Net movement on investment securities	15	(209,274)	82,052	(142,246)	121,650
Net other comprehensive (loss)/income that may not be reclassified to profit or loss in subsequent periods		(228,865)	84,351	(142,246)	121,650
Other comprehensive (loss)/income for the financial year, net of tax		(592,606)	593,049	(142,246)	121,650
Total comprehensive (loss)/income for the financial year		(6,480,534)	309,826	(403,846)	3,059,526
Total comprehensive (loss)/income attributable to:					
- Owners of the Company		(5,712,617)	275,329		
- Non-controlling interests		(767,917)	34,497		
		(6,480,534)	309,826		

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



# STATEMENTS OF FINANCIAL POSITION

## For the financial year ended 31 December 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Non-current assets</b>					
Property, plant and equipment	11	1,085,639	1,201,576	-	-
Right-of-use assets	29	9,444,946	11,215,954	-	-
Finance lease receivables	29	505,499	927,429	-	-
Investment in subsidiaries	12	-	-	8,295,541	8,258,716
Investment in a joint venture	13	1,332	-	-	-
Investment in associates	14	482,754	703,325	-	-
Investment securities	15	472,719	603,215	175,291	313,160
Intangible assets	16	640,553	635,024	-	-
Deferred tax assets	17	774,155	1,130,830	-	-
Receivables and prepayments	18	3,106,941	3,423,984	-	-
Deposits on aircraft purchase	19	590,179	252,293	-	-
Derivative financial instruments	20	-	208,725	-	-
		17,104,717	20,302,355	8,470,832	8,571,876
<b>Current assets</b>					
Inventories	21	141,421	146,086	-	-
Receivables and prepayments	18	903,294	1,133,011	18	2,724
Finance lease receivables	29	432,666	293,571	-	-
Deposits on aircraft purchase	19	-	344,036	-	-
Derivative financial instruments	20	77,808	230,479	-	-
Amount due from subsidiaries	22	-	-	545,558	286,873
Amounts due from associates	23	360,385	432,709	-	49,599
Amounts due from related parties	24	107,047	107,200	637	384
Tax recoverable		3,442	17,174	-	-
Deposits, cash and bank balances	25	533,278	2,588,097	859	41,126
		2,559,341	5,292,363	547,072	380,706

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Less: Current liabilities</b>					
Trade and other payables	26	2,307,125	2,175,150	7,209	1,838
Aircraft maintenance provisions and liabilities	27	711,764	572,312	-	-
Sales in advance	2.22.1	933,376	1,182,155	-	-
Amounts due to subsidiaries	22	-	-	462,178	-
Amounts due to associates	23	35,907	151,812	-	8
Amounts due to related parties	24	49,923	260,354	-	-
Borrowings	28	1,016,312	342,152	-	-
Lease liabilities	29	3,247,138	2,271,662	-	-
Tax payables		25,629	52,895	1,627	-
Derivative financial instruments	20	134,655	126,977	-	-
		8,461,829	7,135,469	471,014	1,846
<b>Net current (liabilities)/assets</b>		(5,902,488)	(1,843,106)	76,058	378,860
<b>Non-current liabilities</b>					
Other payables	26	273,455	320,455	-	-
Aircraft maintenance provisions and liabilities	27	4,857,292	4,720,621	-	-
Deferred tax liabilities	17	18,132	84,279	-	-
Borrowings	28	272,557	86,714	-	-
Lease liabilities	29	9,188,102	10,188,139	-	-
Derivative financial instruments	20	64,818	73,350	-	-
Provision for retirement benefits	30	97,667	74,951	-	-
		14,772,023	15,548,509	-	-
		(3,569,794)	2,910,740	8,546,890	8,950,736
<b>Capital and reserves</b>					
Share capital	31	8,023,268	8,023,268	8,023,268	8,023,268
Merger deficit	32	(5,507,594)	(5,507,594)	-	-
Foreign exchange reserve		(57,378)	171,137	-	-
(Accumulated losses)/retained earnings	33	(3,447,215)	1,664,452	605,523	867,123
Other reserves	34	(225,368)	147,067	(81,901)	60,345
Total shareholders' (deficit)/funds		(1,214,287)	4,498,330	8,546,890	8,950,736
Non-controlling interests	12	(2,355,507)	(1,587,590)	-	-
Total equity		(3,569,794)	2,910,740	8,546,890	8,950,736

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 2020

	←----- Attributable to owners of the Company ----->						Distributable	Non-	Total	equity
	Number of	Share	Merger	Foreign	Other	Retained				
	shares	capital	deficit	exchange	reserves	earnings/	RM'000	interests	equity	
	'000	RM'000	RM'000	reserve	RM'000	Non-	RM'000	RM'000	RM'000	
		(Note 31)	(Note 32)	RM'000	RM'000	distributable	(Note 33)			
				RM'000	RM'000	accumulated				
						losses				
<b>At 1 January 2020</b>	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	
Net loss for the financial year	-	-	-	-	-	(5,111,667)	(5,111,667)	(776,261)	(5,887,928)	
Other comprehensive (loss)/income	-	-	-	(228,515)	(372,435)	-	(600,950)	8,344	(592,606)	
Total comprehensive loss	-	-	-	(228,515)	(372,435)	(5,111,667)	(5,712,617)	(767,917)	(6,480,534)	
<b>At 31 December 2020</b>	3,341,974	8,023,268	(5,507,594)	(57,378)	(225,368)	(3,447,215)	(1,214,287)	(2,355,507)	(3,569,794)	
<b>At 1 January 2019</b>	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)/income 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	
<b>Transactions with owners:</b>										
Dividends (Note 35)	-	-	-	-	-	(3,408,813)	(3,408,813)	-	(3,408,813)	
<b>At 31 December 2019</b>	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	

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 2020

	Number of shares '000	Share capital RM'000 (Note 31)	Non- distributable Fair value reserve RM'000 (Note 34)	Distributable Retained earnings RM'000 (Note 33)	Total equity RM'000
<b>At 1 January 2019</b>	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	-	-	121,650	2,937,876	3,059,526
Dividends (Note 35)	-	-	-	(3,408,813)	(3,408,813)
<b>At 31 December 2019</b>	3,341,974	8,023,268	60,345	867,123	8,950,736
<b>At 1 January 2020</b>	3,341,974	8,023,268	60,345	867,123	8,950,736
Net loss for the financial year	-	-	-	(261,600)	(261,600)
Other comprehensive loss	-	-	(142,246)	-	(142,246)
Total comprehensive loss	-	-	(142,246)	(261,600)	(403,846)
<b>At 31 December 2020</b>	3,341,974	8,023,268	(81,901)	605,523	8,546,890

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

# STATEMENT OF CASH FLOW

For the financial year ended 31 December 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Cash flows from operating activities</b>					
(Loss)/profit before taxation		(5,551,299)	(521,660)	(257,139)	2,937,876
Adjustments for:					
Property, plant and equipment					
- Depreciation	11	150,920	221,502	-	-
- Gain on disposals	4(b)	(184,139)	(101,544)	-	-
- Write off	11	5,588	879	-	-
- Impairment	11	43,670	-	-	-
Right-of-use assets					
- Depreciation	29	1,922,078	1,241,749	-	-
- Gain on derecognition	4(b)	-	(22,458)	-	-
- Impairment	29	552,290	-	-	-
Amortisation of intangible assets	16	282	471	-	-
Impairment of:					
- trade and other receivables	6	397,959	5,415	-	-
- amounts due from associates	6	264,071	-	213,710	-
- amounts due from related part	6	615,578	-	-	-
- investment in an associate	14	59,272	-	-	-
- finance lease receivables	29	90,035	-	-	-
Dividend income from:					
- investment securities	4(b)	(5,033)	(6,331)	(3,637)	(3,253)
- a subsidiary	4(b)	-	-	-	(3,007,776)
Share of results of					
- joint ventures		693	-	-	-
- associates		62,822	448,874	-	-
Gain on disposal of investment in:					
- an associate	14	(152,912)	-	-	-
Provision for retirement benefits		16,209	16,343	-	-
Aircraft maintenance provisions	27	192,163	608,692	-	-
Net fair value losses on derivatives	8(d)	141,953	247,593	-	-
Remeasurement gain on retained interest in a previous associate		(76,456)	-	-	-
Net unrealised foreign exchange (gain)/loss		(436,255)	(125,146)	(2,300)	2,359
Operating (loss)/profit		(1,890,511)	2,014,379	(49,366)	(70,794)
Interest expense	8(b)	135,440	272,640	2	-
Interest expense - Lease liabilities	8(b)	578,211	503,093	-	-
Interest income	8(a)	(65,176)	(58,588)	(298)	(18,733)
Interest income - Finance lease receivables	8(a)	(50,768)	(61,402)	-	-
		(1,292,804)	2,670,122	(49,662)	(89,527)
Changes in working capital:					
Inventories		6,969	(38,547)	-	-
Receivables and prepayments		192,932	154,254	2,706	(2,677)
Payables and provisions		250,994	(167,507)	5,371	1,067
Sales in advance		(234,200)	41,555	-	-
Amounts due from/to subsidiaries, associates, joint venture and related parties		(1,016,999)	15,918	54,008	(651,531)

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Cash flows from operating activities ( cont'd.)</b>					
Cash (used in)/generated from operations ( cont'd.)		(2,093,108)	2,675,795	12,423	(742,668)
Interest paid		(58,707)	(192,968)	(2)	-
Interest received		10,908	37,348	298	18,233
Taxes (paid)/refunded		(25,298)	9,741	(2,834)	-
Retirement benefits paid		(2,042)	(7,099)	-	-
<b>Net cash (used in)/generated from operating activities</b>		<b>(2,168,247)</b>	<b>2,522,817</b>	<b>9,885</b>	<b>(724,435)</b>
<b>Cash flows from investing activities</b>					
Property, plant and equipment					
- Additions		(94,686)	(295,686)	-	-
- Proceeds from disposals		277,313	4,799,035	-	-
Addition in intangible assets	16	(5,811)	(10,278)	-	-
Net cash from investing activities		176,816	4,493,071	-	-
Additional deposit for aircraft purchases		-	(39,287)	-	-
Refund of deposit for aircraft purchases		-	417,900	-	-
Proceeds from disposal of:					
- an associate	14	152,912	-	-	-
Net changes:					
- Deposits pledged as securities and restricted cash		18,998	(70,539)	-	-
- Deposits with licensed banks with maturity period of more than 3 months		9,450	8,625	-	-
- Investment securities		(4,600)	(8,821)	(4,377)	8,966
Dividend received from:					
- investment securities	4(b)	3,637	6,331	3,637	3,253
- subsidiary		-	-	-	3,007,776
- associates		-	-	-	-
Acquisition of:					
- subsidiaries net of cash acquired	12	-	(3,415)	-	-
- other investments		-	(34,482)	-	-
- non-controlling interest in subsidiaries	12	-	-	-	-
Additional subscription of shares in					
- subsidiaries	12	-	-	(49,412)	(202,878)
- an associate	14	-	(280,482)	-	-
- a joint venture	13	(2,025)	-	-	-
Loans to an associate		-	(165,376)	-	-
Receipt of finance lease receivables		134,128	398,322	-	-
<b>Net cash generated from/(used in) investing activities</b>		<b>489,316</b>	<b>4,721,847</b>	<b>(50,152)</b>	<b>2,817,117</b>

# Statement of Cash Flow

## For the financial year ended 31 December 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		604,585	710,724	-	-
Repayment of borrowings <sup>#</sup>		(136,867)	(3,300,640)	-	-
Payment of lease liabilities		(880,201)	(2,088,180)	-	-
Dividends paid to shareholders		-	(3,408,813)	-	(3,408,813)
<b>Net cash used in financing activities</b>		<b>(412,483)</b>	<b>(8,086,909)</b>	<b>-</b>	<b>(3,408,813)</b>
<b>Net decrease for the financial year</b>		<b>(2,091,414)</b>	<b>(842,245)</b>	<b>(40,267)</b>	<b>(1,316,131)</b>
<b>Currency translation differences</b>		<b>65,043</b>	<b>41,507</b>	<b>-</b>	<b>(281)</b>
<b>Cash and cash equivalents at beginning of the financial year</b>		<b>2,492,276</b>	<b>3,293,014</b>	<b>41,126</b>	<b>1,357,538</b>
<b>Cash and cash equivalents at end of the financial year</b>		<b>465,905</b>	<b>2,492,276</b>	<b>859</b>	<b>41,126</b>

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

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Cash and cash equivalents at end of the financial year</b>		<b>465,905</b>	<b>2,492,276</b>	<b>859</b>	<b>41,126</b>
Add:					
Deposits pledged as securities and restricted cash		66,305	85,303	-	-
Deposits with licensed banks with maturity period of more than 3 months		1,068	10,518	-	-
Deposits, cash and bank balances at the end of the financial year	25	533,278	2,588,097	859	41,126

The deposits and restricted cash amounting to RM66.3 million (2019: RM85.3 million) are pledged as securities for banking facilities granted to the Group.

<sup>#</sup> Repayment of borrowings includes settlement of borrowings for aircraft that were disposed under sale and leaseback transactions in prior year.

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 2020

### 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.

The address of the registered office and 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 27 May 2021.

### 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.

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 global economy, in particular the commercial airlines industry, faces an uncertainty over the expected timing of recovery of the 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 position, financial performance and cash flows. The Group reported a net loss of RM5,888 million for the financial year ended 31 December 2020 and the current liabilities exceeded its current assets by RM5,902 million as at 31 December 2020. In addition, the Group also reported a shareholders' deficit of RM1,214 million. The Company reported a net loss of RM262 million for the financial year ended 31 December 2020.

These conditions or events, along with other matters as disclosed in Note 45, 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. The recent development of vaccination against the COVID-19 pandemic and the implementation of national vaccination programmes in countries in which the Group operates as well as elsewhere around the world provide positive outlook for the commercial airlines industry. Nevertheless, the ability of the Group and of the Company to continue as a going concern is dependent on the successful implementation and favorable outcome of various ongoing plans to respond to the conditions above, including ongoing discussions with the financial institutions and investors to obtain required funding, as well as negotiations with its lessors to restructure the existing lease arrangements. Further details are disclosed in Note 45 to the financial statements. The Board of Directors is confident on the successful and timely implementation of the aforementioned plans. Accordingly, the financial statements for the financial year ended 31 December 2020 of the Group and of the Company have been prepared on a going concern basis.



# Notes to the Financial Statements For the financial year ended 31 December 2020

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

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

The Group and the Company have applied the following amendments for the first time for the financial year beginning on 1 January 2020:

- Amendments to MFRS 3 *Business Combinations* : Definition of a Business
- Amendments to MFRS 101 *Presentation of Financial Statements* and MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors* : Definition of Material
- Amendments to MFRS 9 *Financial Instruments*, MFRS 139 *Financial Instruments: Recognition and Measurement* and MFRS 7 *Financial Instruments: Disclosures: Interest Rate Benchmark Reform*
- Amendments to References to the Conceptual Framework in MFRSs

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

The Group has also early adopted the Amendment to MFRS 16 *Leases: COVID-19 Related Rent Concessions* issued by Malaysian Accounting Standards Board ("MASB") in June 2020, in response to the COVID-19 pandemic. The amendment is effective for annual periods beginning on or after 1 June 2020.

Under MFRS 16, rent concessions often meet the definition of a lease modification, unless they were envisaged in the original lease agreement. In response to the COVID-19 pandemic, MASB has issued Amendment to MFRS 16, *Leases (COVID-19 Related Rent Concessions)* that introduces an optional practical expedient to simplify how lessees account for rent concessions as a direct consequence of the COVID-19 pandemic.

The Group has applied the optional practical expedient by electing not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. As a result, the Group has treated the rent concessions (deferral of lease payments) as if the lease is unchanged and there is no impact to the financial statements.

### 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 9 <i>Financial Instruments</i> , MFRS 139 MFRS 7 <i>Financial Instruments: Disclosures</i> , MFRS 4 <i>Insurance Contracts</i> and MFRS 16 <i>Leases: Interest Rate Benchmark Reform-Phase 2</i>	1 January 2021
Amendment to MFRS 16 <i>Leases: COVID-19-Related Rent Concessions beyond 30 June 2021</i>	1 April 2021
Annual Improvements to MFRS Standards 2018-2020	1 January 2022
Amendments to MFRS 3 <i>Business Combinations: Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 116 <i>Property, Plant and Equipment: Property, Plant and Equipment – Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137 <i>Provisions, Contingent Liabilities and Contingent Assets: Onerous Contract – Cost of Fulfilling a Contract</i>	1 January 2022

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

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

<b>Description (cont'd.)</b>	<b>Effective for annual periods beginning on or after</b>
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 101 <i>Presentation of Financial Statements</i> :	1 January 2023
Classification of Liabilities as Current or Non-current	
Amendments to MFRS 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> : Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 10 <i>Consolidated Financial Statements</i> and MFRS 128 <i>Investments in Associates and Joint Ventures</i> : 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.

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.

# Notes to the Financial Statements For the financial year ended 31 December 2020

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

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

#### 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.

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.

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

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

#### 2.4.4 Associates ( cont'd.)

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.

#### 2.4.5 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.

# Notes to the Financial Statements For the financial year ended 31 December 2020

## 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 2.19 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.

#### Aircraft

- engines, airframes and spare engines excluding service potential	25 years
- service potential of engines	8 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 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 2020, the estimated residual value for aircraft airframes and engines excluding service potential is 10% of their cost (2019: 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.

#### 2.6.2 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.

# Notes to the Financial Statements For the financial year ended 31 December 2020

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

### 2.6 Intangible assets (cont'd.)

#### 2.6.2 Other intangible assets (cont'd.)

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.

### 2.7 Investments in subsidiaries, joint venture and associates

In the Company's separate financial statements, investments in subsidiaries is 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 venture and associates, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

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

### 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.

### 2.10 Leases

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.



# Notes to the Financial Statements For the financial year ended 31 December 2020

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

### 2.10 Leases (cont'd.)

#### 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 and spare engines	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.

#### 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.

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

### 2.10 Leases (cont'd.)

#### 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.

#### 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

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

Sale and leaseback transactions are tested under MFRS 15 Revenue from Contracts with Customers at the date of the transaction to assess whether the transaction qualifies as a sale. 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.

If the transaction does not qualify as sale under MFRS 15, a financial liability equal to the sale value is recognised in the financial statements.

# Notes to the Financial Statements For the financial year ended 31 December 2020

## 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 and related parties', 'deposits on aircraft purchase' and 'deposits, cash and bank balances' in the statements of financial position.

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

### 2.12 Financial assets (cont'd.)

#### 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 instruments

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 instruments, 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 instrument 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.

###### (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).

# Notes to the Financial Statements For the financial year ended 31 December 2020

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

### 2.12 Financial assets (cont'd.)

#### 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.

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.

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

### 2.13 Financial liabilities (cont'd.)

#### 2.13.1 Classification and measurement (cont'd.)

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.

#### 2.15 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.

# Notes to the Financial Statements For the financial year ended 31 December 2020

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

### 2.15 Derivatives and hedge accounting (cont'd.)

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 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.

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 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 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.



# Notes to the Financial Statements For the financial year ended 31 December 2020

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

### 2.20 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.

### 2.21 Employee benefits

#### 2.21.1 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.

#### 2.21.2 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.

#### 2.21.3 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.

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

### 2.21 Employee benefits (cont'd.)

#### 2.21.3 Defined benefit plan (cont'd.)

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

### 2.22 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.

#### 2.22.1 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. recognised at a point in time).

# Notes to the Financial Statements For the financial year ended 31 December 2020

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

### 2.22 Revenue and other income (cont'd.)

#### 2.22.2 Aircraft operating leases

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

#### 2.22.3 Freight services

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

#### 2.22.4 Rental income and brand license

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

#### 2.22.5 Interest income

Interest income is recognised using the effective interest method.

#### 2.22.6 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.

### 2.23 Foreign currencies

#### 2.23.1 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.

#### 2.23.2 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.

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

### 2.23 Foreign currencies (cont'd.)

#### 2.23.2 Transactions and balances (cont'd.)

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.

#### 2.23.3 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.

### 2.24 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.

# Notes to the Financial Statements For the financial year ended 31 December 2020

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

### 2.25 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.

### 2.26 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.

### 2.27 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. Critical accounting estimates and judgments (cont'd.)**

#### **3.1 Impairment assessment of property, plant and equipment and right-of-use assets**

The Group is required to assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. This requires an estimation of the value in use of the airline cash generating units.

When value in use 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.

There is a high degree of estimation uncertainty inherent in estimating the duration and severity of the economic downturn caused by the COVID-19 pandemic, and the pattern of any expected recovery. As a result, the estimates and assumptions used in the cash flow projections which form the basis of the recoverable amounts attributable to the CGUs require significant judgement. These judgements require estimates to be made over areas including those relating to the timing of recovery of the COVID-19 pandemic, future revenues, operating costs, growth rates, projected aircraft usage, aircraft capital expenditure, foreign exchange rates and discount rates.

Further details of the carrying value, the key assumptions applied in the impairment assessment of property, plant and equipment and right-of-use assets are disclosed in Notes 11 and 29.

#### **3.2 Impairment assessment of financial assets**

The Group applies the MFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance ("ECL") for all receivables (including intercompanies and related parties' balances).

The Group assesses the credit risk at each reporting date, whether there have been significant increases in credit risk since initial recognition. The impairment provisions for receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates specific to the debtors at the end of each reporting period.

#### **3.3 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 expected future performance and taxable profits which have been adjusted for non-recurring circumstances and a reasonable growth rate.

Key assumptions and estimates concerning the future used to estimate the future taxable profits have considered the impacts of the COVID-19 pandemic as disclosed in Note 45.

# Notes to the Financial Statements For the financial year ended 31 December 2020

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

### 3.4 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.

### 3.5 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 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 and the key assumptions applied in the impairment assessment of goodwill and landing rights are given in Note 16.

Key assumptions and estimates concerning the future used to compute the fair value less cost of disposal or the value in use of assets have considered the impacts of the COVID-19 pandemic as disclosed in Note 45.

### 3.6 Impairment assessment of interests in subsidiaries, associates and joint ventures

The Group and the Company's interests in subsidiaries, associates and joint ventures are tested for impairment by comparing the carrying amounts with the value-in-use. Estimating the value in use requires the Group and the Company to make an estimate of the expected future cash flows from the operation of the subsidiaries, the associates and the joint ventures, and to apply a suitable discount rate and growth rate in order to calculate the present value of those cash flows.

Key assumptions and estimates concerning the future used to compute the value in use of assets have considered the impacts of the COVID-19 pandemic as disclosed in Note 45.

## 4. Revenue and other income

### (a) Revenue

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Passenger revenue				
- seat sales	2,225,678	9,179,443	-	-
- others	550,840	2,073,576	-	-
Freight services	298,727	479,794	-	-
Aircraft operating lease income	55,968	127,590	-	-
	3,131,213	11,860,403	-	-

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

The details of the operating lease income are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Thai AirAsia Co. Ltd	7,369	17,121	-	-
Third-parties	48,599	110,469	-	-
	55,968	127,590	-	-

Revenue by reportable geographical segment is as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Malaysia	2,133,826	7,646,388	-	-
Philippines	537,800	2,196,422	-	-
Indonesia	459,587	2,017,593	-	-
	3,131,213	11,860,403	-	-

##### (b) Other income

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Gain on disposal of property, plant and equipment	184,139	101,544	-	-
Gain on recognition of finance lease receivables	-	22,458	-	-
Fees charged to associates providing commercial air transport services	29,807	73,584	-	-
Fees charged to related parties providing commercial air transport services	7,679	35,866	-	-
Dividend income from a subsidiary	-	-	-	3,007,776
Dividend income from investment securities	5,033	6,331	3,637	3,253
Non-airline income	103,185	200,462	-	-
Others	141,718	208,581	137	224
	471,561	648,826	3,774	3,011,253

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



# Notes to the Financial Statements For the financial year ended 31 December 2020

## 5. Staff costs and directors' remuneration

### (a) Staff costs

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Salaries, bonus, allowances and other employee benefits	1,062,431	1,742,566	12,893	57,735
Defined contribution retirement plan	103,750	133,630	1,202	6,371
	1,166,181	1,876,196	14,095	64,106

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

### (b) Directors' remuneration

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Executive Directors				
- salaries, bonus, allowances and other employee benefits	9,787	52,119	9,787	52,119
- defined contribution plan	1,174	6,253	1,174	6,253
	10,961	58,372	10,961	58,372
Non-Executive Directors				
- fees	1,463	2,125	1,437	2,085
	12,424	60,497	12,398	60,457

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

Range of remuneration (RM)	Executive		Non-executive	
	2020	2019	2020	2019
0 to 50,000	-	-	-	-
150,001 to 200,000	-	-	1	-
200,001 to 250,000	-	-	-	-
250,001 to 300,000	-	-	-	-
301,000 to 350,000	-	-	4	1
400,001 to 450,000	-	-	-	2
450,001 to 500,000	-	-	-	2
500,001 to 550,000	-	-	-	-
4,950,001 to 5,000,000	-	-	-	-
5,400,001 to 5,450,000	1	-	-	-
5,500,001 to 5,550,000	1	-	-	-
24,550,001 to 24,600,000	-	-	-	-
24,750,001 to 24,800,000	-	-	-	-
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	-	-

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

### (c) Key Management Personnel

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Salaries, bonus, allowances and other employee benefits	13,486	59,610	9,787	52,119
Defined contribution plan	1,532	7,029	1,174	6,253
	15,018	66,639	10,961	58,372

Included in the key management compensation are Executive Directors' remuneration for the years 2020 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Impairment of:				
- Amount due from associates (Note 23)	264,071	-	213,710	-
- Amount due from related parties (Note 24)	615,578	-	-	-
- Trade receivables (Note 18)	53,539	5,415	-	-
- Other receivables (Note 18)	344,420	-	-	-
- Property, plant and equipment (Note 11)	43,670	-	-	-
- Right-of-use assets (Note 29)	552,290	-	-	-
- Finance lease receivables (Note 29)	90,035	-	-	-
- Investment in associates (Note 14)	59,272	-	-	-
Reversal of impairment of trade and other receivables (Note 18)	(6,218)	(2,638)	-	-
Rental of buildings	13,020	20,359	-	-
Auditors' remuneration				
- audit fees	2,648	2,695	200	200
- non-audit fees	90	514	-	15
Rental of equipment	1,341	1,078	-	-
Advertising costs	47,341	146,818	40	58

## 7. Aircraft fuel expenses, maintenance and overhaul and user charges

### (a) Aircraft fuel expenses

Aircraft fuel expenses includes fuel used by aircraft and fuel swap gain/losses. During the current financial year, arising from the COVID-19 pandemic, the Group suffered fuel swap losses of RM972 million.

### (b) Maintenance and overhaul

Maintenance and overhaul includes maintenance related works on aircraft, the related consumables and aircraft maintenance provision.

# Notes to the Financial Statements For the financial year ended 31 December 2020

## 7. Aircraft fuel expenses, maintenance and overhaul and user charges (cont'd.)

### (c) 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/(loss) and net fair value losses on derivatives

### (a) Finance income

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Interest income from:				
- deposits, cash and bank balances with licensed banks	9,585	38,800	298	18,233
- amounts due from associates	29,018	11,426	-	500
- finance lease receivables	50,768	61,402	-	-
Impact of discounting effect on financial instruments	25,249	8,362	-	-
Others	1,324	-	-	-
	115,944	119,990	298	18,733

### (b) Finance costs

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Interest expense				
- bank borrowings	(53,883)	(157,839)	-	-
- lease liabilities	(578,211)	(503,093)	-	-
Impact of discounting effect on financial instruments	(75,521)	(101,753)	-	-
Others	(6,036)	(13,048)	(2)	(2)
	(713,651)	(775,733)	(2)	(2)

### (c) Foreign exchange gains/(loss)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Realised	8,508	167,984	2,300	(2,359)
Unrealised	436,255	(62,011)	(1,767)	(1,348)
	444,763	105,973	533	(3,707)

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

### (d) Net fair value losses on derivatives

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Fair value gain from fuel hedging contracts	-	6,693	-	-
Fair value losses from foreign currency hedging contracts	(152,716)	(198,648)	-	-
Fair value losses from interest rate hedging contracts	(56,753)	(55,638)	-	-
Net gain on termination and unwinding of hedges	67,516	-	-	-
	(141,953)	(247,593)	-	-

In prior year, following the completion of the sales and leaseback transaction, 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 statement.

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		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Current taxation				
- Malaysian tax	15,198	16,528	4,461	-
- foreign tax	2,605	18,287	-	-
Deferred taxation (Note 17)	318,826	(273,252)	-	-
	336,629	(238,437)	4,461	-
Current taxation				
- current financial year	11,872	29,801	1,627	-
- underprovision of income tax in respect of previous years	5,931	5,014	2,834	-
	17,803	34,815	4,461	-
Deferred taxation				
- origination and reversal of temporary differences	398,318	(238,373)	-	-
- overprovision of deferred tax in respect of previous years	(79,492)	(34,879)	-	-
	318,826	(273,252)	-	-
	336,629	(238,437)	4,461	-

# Notes to the Financial Statements For the financial year ended 31 December 2020

## 9. Taxation (cont'd.)

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(Loss)/profit before taxation	(5,551,299)	(521,660)	(257,139)	2,937,876
Tax calculated at Malaysian tax rate of 24% (2019: 24%)	(1,332,312)	(125,198)	(61,713)	705,090
Tax effects of:				
- expenses not deductible for tax purposes	313,582	275,532	64,213	16,776
- income not subject to tax	(91,679)	(30,164)	(873)	(721,866)
- associates' results reported net of tax	(15,077)	107,730	-	-
- joint venture's result reported net of tax	(166)	-	-	-
- different tax rates in other countries	-	(66,378)	-	-
- underprovision of income tax in respect of previous years	5,931	5,014	2,834	-
- deferred tax assets not recognised	1,535,842	247,680	-	-
- overprovision of deferred tax in respect of previous years	(79,492)	(34,879)	-	-
- deferred tax asset derecognised on investment tax allowance ("ITA")*	-	161,433	-	-
- reversal of deferred tax liabilities*	-	(779,207)	-	-
Taxation	336,629	(238,437)	4,461	-

\* 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 in prior year.

## 10. Loss per share

Basic loss per share is calculated by dividing the net loss 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	
	2020	2019
Net loss for the financial year attributable to owners of the Company (RM'000)	(5,111,667)	(315,807)
Weighted average number of ordinary shares in issue ('000)	3,341,974	3,341,974
Basic and diluted loss per share (sen)	(153.0)	(9.4)

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 loss per share.

## 11. Property, plant and equipment

Group	At	Additions <sup>2</sup>	Disposals	Write off	Reclassi- fication <sup>1</sup>	Depreciation charge	Impairment loss	Exchange differences	At
	1 January 2020 RM'000								31 December 2020 RM'000
<b>Carrying amount</b>									
Aircraft engines, airframes and service potential	292,748	230,577	(236,378)	-	-	(28,362)	(8,832)	(4,866)	244,887
Aircraft spares	228,626	15,280	(7,344)	-	-	(36,997)	(26,325)	(45)	173,195
Aircraft fixtures and fittings	65,212	15,342	(2,311)	-	-	(24,023)	(8,513)	95	45,802
Freehold land	51,263	1,591	-	-	-	-	-	(2,195)	50,659
Buildings	265,451	3,227	-	-	47,921	(11,567)	-	(4,469)	300,563
Motor vehicles	9,145	4,102	(1,753)	-	-	(3,785)	-	174	7,883
Office equipment, furniture and fittings	82,767	38,896	(7,982)	(5,588)	50	(32,075)	-	61	76,129
Office renovation	22,766	8,186	(612)	-	199	(8,323)	-	289	22,505
Simulator equipment	634	-	(361)	-	-	(9)	-	-	264
Operating plant and ground equipment	13,429	11,761	(4,329)	-	-	(5,303)	-	193	15,751
In-flight equipment	1,650	76	-	-	-	(476)	-	10	1,260
Training equipment	1	-	-	-	-	-	-	-	1
Work in progress <sup>1</sup>	167,884	26,908	-	-	(48,170)	-	-	118	146,740
	1,201,576	355,946	(261,070)	(5,588)	-	(150,920)	(43,670)	(10,635)	1,085,639

<sup>1</sup> Work in progress completed during the financial year were reclassified to respective asset classes.

<sup>2</sup> Included in additions during the year are engines that were released from lien from a maintenance engine service provider and accordingly recognised as assets based on the residual value of the aircraft engine measured at estimated cost less its depreciation.

# Notes to the Financial Statements For the financial year ended 31 December 2020

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

	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment loss RM'000	Carrying amount RM'000
<b>Group (cont'd.)</b>				
<b>At 31 December 2020</b>				
Aircraft engines, airframes and service potential	605,736	(132,777)	(226,495)	246,464
Aircraft spares	496,947	(297,427)	(26,325)	173,195
Aircraft fixtures and fittings	205,565	(152,827)	(8,513)	44,225
Freehold land	50,659	-	-	50,659
Buildings	334,074	(33,511)	-	300,563
Motor vehicles	27,049	(19,166)	-	7,883
Office equipment, furniture and fittings	291,980	(190,911)	(24,940)	76,129
Office renovation	69,823	(47,318)	-	22,505
Simulator equipment	353	(89)	-	264
Operating plant and ground equipment	37,815	(22,064)	-	15,751
In-flight equipment	4,908	(3,648)	-	1,260
Training equipment	4,419	(4,418)	-	1
Work in progress	146,740	-	-	146,740
	<b>2,276,068</b>	<b>(904,156)</b>	<b>(286,273)</b>	<b>1,085,639</b>

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

Group	At	Additions	Disposals <sup>2</sup>	Write off	Reclassi- fication <sup>1</sup>	Depreciation charge	Exchange differences	At
	1 January 2019 RM'000							31 December 2019 RM'000
<b>Carrying amount</b>								
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 <sup>1</sup>	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

<sup>1</sup> Work in progress completed during the financial year were reclassified to respective asset classes.

<sup>2</sup> Includes disposal of 14 aircraft of RM1.2 billion pursuant to the sale and leaseback to Castlake LP and Aircastle Limited.

	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment loss RM'000	Carrying amount
				RM'000
<b>At 31 December 2019</b>				
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



# Notes to the Financial Statements For the financial year ended 31 December 2020

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

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

	Group	
	2020 RM'000	2019 RM'000
Aircraft pledged as security for borrowings	134,681	228,539
Freehold land and building pledged as security for borrowings	154,105	159,820
Total property, plant and equipment sub-leased to associates or pledged as security for borrowings	288,786	388,359

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 RM50.6 million and RM103.4 million respectively (2019: RM51.3 million and RM108.5 million) have been pledged as security for borrowings granted to the Group.

## 12. Investment in subsidiaries

	Company	
	2020 RM'000	2019 RM'000
<b>Unquoted investments, at cost</b>		
At 1 January	8,258,716	8,055,838
Additions during the year	49,412	190,291
Deemed investment	(12,587)	12,587
At 31 December	8,295,541	8,258,716

### Additional investments during the financial year ended 31 December 2020

- (a) During the year, AirAsia Investment Limited ("AAIL") transferred 1 million ordinary shares of AirAsia (Guangzhou) Aviation Service Limited ("AGZ") at USD1 each to AAGB with a consideration amounting to USD1 million (equivalent to RM4.2 million).
- (b) On 31 December 2020, the Company capitalised RM7.2 million due from Asia Digital Engineering Sdn Bhd ("ADE") in return of 7.2 million shares at RM1 per share issued by ADE to the Company.
- (c) On 31 December 2020, AirAsia Digital Sdn Bhd ("AAD") (formerly known as RedBeat Ventures Sdn Bhd) capitalised RM38 million owed by issuing 38 million shares at RM1 per share to the Company.

## 12. Investment in subsidiaries (cont'd.)

### Additional investments in prior year

In the previous year, the Company injected a total of RM190.3 million into AAD for an additional 190.3 million ordinary shares at RM1 each.

### Deemed investment

Deemed investment relate to injection of funds into the subsidiaries that has yet to be capitalised. In prior year, an amount of RM12.6 million had been injected into AirAsia Com Travel Sdn Bhd through AAD. This amount has been fully assumed by a subsidiary, AAD, during the year and accordingly the deemed investment at the Company has been derecognised.

Details of the subsidiaries are as follows:

Name of entity	Country of incorporation	Group's effective equity interest		Principal activities
		2020 %	2019 %	
<b>Directly held by the Company</b>				
AirAsia Berhad ("AAB")	Malaysia	100	100	Commercial air transport services
AAD	Malaysia	100	100	Investment holding
AirAsia SEA Ltd	Thailand	99.99	99.99	Management services
AAIL	Malaysia	100	100	Investment holding
AGZ	China	100*	-	Aviation and commercial services
ADE	Malaysia	100	-	Providing engineering services
<b>Held by AAB</b>				
AirAsia Go Holiday Sdn Bhd ("AGH")	Malaysia	100	100	Tour operating business
AirAsia (Mauritius) Limited <sup>f</sup>	Mauritius	100	100	Providing aircraft leasing facilities to Thai AirAsia Co Ltd
AirAsia Corporate Services Limited <sup>f</sup>	Malaysia	100	100	<b>Held by AAD (cont'd.)</b> Facilitate business transactions for AirAsia Group with non-resident goods and service providers
RedBeat Tech Academy 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

# Notes to the Financial Statements For the financial year ended 31 December 2020

## 12. Investment in subsidiaries (cont'd.)

Name of entity	Country of incorporation	Group's effective equity interest		Principal activities
		2020 %	2019 %	
<b>Held by AAB (cont'd.)</b>				
AirAsia Technology Centre India Private Limited ("AATCIPL")	India	100	100	Consultancy and services in the areas of information, technology design, development and implementation
AirAsia Corporate Charter Sdn Bhd	Malaysia	100	100	Under liquidation
AirAsia Pte Ltd ("AAPL") <sup>+</sup>	Singapore	100	100	Under liquidation
<b>Held by AAD</b>				
BIGLIFE Sdn Bhd ("BIG")	Malaysia	80	80	Financial services and managing customer loyalty points
Big Pay Pte Ltd (BPPL) <sup>+</sup>	Singapore	89.29	89.29	Investment holding
Santan Food Sdn Bhd (formerly known as T & Co Coffee Sdn Bhd)	Malaysia	100	100	Trading in coffee and tea related products
RedTix Sdn Bhd ("RedTix")	Malaysia	75	75	Event ticketing business
RedBeat Ventures Inc	United States	100	100	Dormant
RedBeat Capital 1, LLC	United States	100	100	Dormant
Teleport Everywhere Pte Ltd ("TES") <sup>+</sup>	Singapore	100	100	Investment holding
AirAsia Com Travel Sdn Bhd ("AA.Com")	Malaysia	100	100	Tour and travel services
AirAsia Technology Centre Singapore Pte Ltd	Singapore	100	100	Research and experimental development on IT, development of software for cybersecurity
RedBeat Capital Fund 1, LP	United States	100	-	Dormant
RedBeat Academy Sdn Bhd (formerly known as Format Media Sdn Bhd)	Malaysia	100	100	Provision of media content services
Rokki Sdn Bhd ("Rokki")	Malaysia	-*	100	Trading of multimedia content and equipment

## 12. Investment in subsidiaries (cont'd.)

Name of entity	Country of incorporation	Group's effective equity interest		Principal activities
		2020 %	2019 %	
<b>Held by AAIL</b>				
AirAsia Inc ("PAA") <sup>f</sup>	Philippines	40	40	Commercial air transport services
AGZ	China	-*	100	Aviation and commercial services
PT AirAsia Indonesia TBK ("AAID") <sup>+</sup>	Indonesia	49.3	49.3	Investment holding
<b>Held by PAA</b>				
Philippines AirAsia Inc ("PAAI") <sup>f</sup>	Philippines	39.5	39.5	Commercial air transport services
Asiawide Airways Inc <sup>f</sup>	Philippines	40	40	Dormant
<b>Held by AAID</b>				
PT Indonesia AirAsia ("IAA") <sup>+</sup>	Indonesia	49.1	49.1	Commercial air transport services
<b>Held by IAA</b>				
PT Garda Tawang Reksa Indonesia ("GTRI") <sup>f</sup>	Indonesia	32.9	32.9	Provision of airport related services
<b>Held by AGH</b>				
Teleport Platforms Pte Ltd (formerly known as AirAsia Exp Pte Ltd) ("AAE") <sup>+</sup>	Singapore	-*	100	Investment holding
<b>Held by Santan Food Sdn Bhd</b>				
Santan Restaurant Sdn Bhd (formerly known as T&Co Café Sdn Bhd)	Malaysia	100	100	Food and beverages
Santan Kitchen Sdn Bhd (formerly known as Santan Café Bhd)	Malaysia	100	100	Provision of inflight meal products
Ourfarm Asia Sdn Bhd (formerly known as Rokki Avionics Sdn Bhd) ("Ourfarm")	Malaysia	100*	-	Wholesale of meat, fish, fruits, vegetables, flowers and plants
Santan Restaurant Ltd	United Kingdom	100	-	Food and beverages
<b>Held by AAC</b>				
Asia Aviation Capital Pte. Ltd. ("AACPL") <sup>+</sup>	Singapore	100	100	Providing supporting services to air transport
Rouge Aircraft 1 Limited	Labuan	100	100	Providing supporting services to air transport

# Notes to the Financial Statements For the financial year ended 31 December 2020

## 12. Investment in subsidiaries (cont'd.)

Name of entity	Country of incorporation	Group's effective equity interest		Principal activities
		2020 %	2019 %	
<b>Held by AACPL</b>				
Asia Aviation Capital Ireland Limited ("AACIL") <sup>a</sup>	Ireland	100	100	Providing supporting services to air transport
AAC3 Pte Ltd ("AAC3") <sup>a</sup>	Singapore	100	100	Dormant
AAC4 Pte Ltd ("AAC4") <sup>a</sup>	Singapore	100	100	Dormant
<b>Held by AACIL</b>				
Clifden Aviation 1 Limited ("CA1")	Ireland	100	100	Process of dissolution
Clifden Aviation 2 Limited ("CA2")	Ireland	100	100	Process of dissolution
Clifden Aviation 3 Limited ("CA3")	Ireland	100	100	Process of dissolution
Clifden Aviation 4 Limited ("CA4")	Ireland	100	100	Process of dissolution
<b>Held by BIG</b>				
BIGLIFE Digital Singapore Pte Ltd <sup>f</sup>	Singapore	80	80	Marketing and distribution of loyalty programme
BIGLIFE (Thailand) Co Ltd	Thailand	39	39	Marketing and distribution of loyalty programme
PT BIGLIFE Digital Indonesia	Indonesia	80	80	Marketing and distribution of loyalty programme
BIGLIFE Hong Kong Co Ltd <sup>f</sup>	Hong Kong	80	80	Dormant
BIGLIFE India Pvt Ltd (formerly known as BIG Loyalty India Pvt Ltd) <sup>a</sup>	India	80	80	Marketing and distribution of loyalty programme
BIGLIFE Guangzhou Co Ltd (formerly known as BIG Loyalty Guangzhou Co Ltd) <sup>f</sup>	China	80	80	Marketing and distribution of loyalty programme
BIGLIFE Philippines Inc <sup>f</sup>	Philippines	80	80	Marketing and distribution of loyalty programme
BIGLIFE Digital Sdn Bhd	Malaysia	80	80	Dormant

## 12. Investment in subsidiaries (cont'd.)

Name of entity	Country of incorporation	Group's effective equity interest		Principal activities
		2020 %	2019 %	
<b>Held by BIG (cont'd.)</b>				
BIGLIFE Japan Co., Ltd <sup>f</sup>	Japan	80	80	Marketing and distribution of loyalty programme
BIGLIFE Vietnam Co. Ltd (formerly known as BIGLIFE Vietnam Inc) <sup>f</sup>	Vietnam	80	80	Marketing and distribution of loyalty programme
<b>Held by BPPL</b>				
BigPay Malaysia Sdn Bhd ("BigPay")	Malaysia	89.29	89.29	Provision of financial and other related services
BigPay Singapore Pte Ltd <sup>+</sup>	Singapore	89.29	89.29	Provision of financial services including but not limited to e-money products
BigPay (Thailand) Ltd <sup>+</sup>	Thailand	89.29	89.29	Provision of financial and other related services
BigPay Later Sdn Bhd	Malaysia	89.29	-	Provision of other financial service activities
<b>Held by Redtix</b>				
Rokki Media Holdings Sdn Bhd	Malaysia	75	75	Dormant
<b>Held by TES</b>				
Teleport Commerce Malaysia Sdn Bhd ("TCM")	Malaysia	100	100	Logistics business
Teleport Commerce In Private Limited	India	67	67	Logistics business
PT Teleportasi Bisnis Indonesia	Indonesia	67	-	Logistics business
Freightchains Technologies Pte Ltd <sup>+</sup>	Singapore	80	100	Research and development arm of TCM
<b>Held by TCM</b>				
Teleport Platform Sdn Bhd (formerly known as Teleport Social Sdn Bhd) ("TPSB")	Malaysia	100	100	Facilitation of logistics and payment services for cross border e-commerce
Freightchains Technologies Pte Ltd <sup>+</sup>	Singapore	20	100	Research and development arm of TCM

# Notes to the Financial Statements For the financial year ended 31 December 2020

## 12. Investment in subsidiaries (cont'd.)

Name of entity	Country of incorporation	Group's effective equity interest		Principal activities
		2020 %	2019 %	
<b>Held by TPSB</b>				
Teleport Platforms Pte Ltd (formerly known as AirAsia Exp Pte Ltd) <sup>+</sup>	Singapore	100 <sup>*</sup>	-	Online retail sales
<b>Held by AA.Com</b>				
Ikhlas Com Travel Sdn Bhd (formerly known as Travel360 Sdn Bhd)	Malaysia	100	100	Inflight magazine content
Shop365 Sdn Bhd	Malaysia	100	100	Inflight shop
Rokki Sdn Bhd ("Rokki")	Malaysia	100 <sup>*</sup>	-	Trading of multimedia content and equipment
PT AirAsia Com Indonesia	Indonesia	100	-	Tour and travel services
AA Com Travel Philippines Inc	Philippines	100	-	Tour and travel services
AirAsia Com Travel (Thailand) Ltd	Thailand	100	-	Tour and travel services
AirAsia Com (Singapore) Pte Ltd	Singapore	100	-	Tour and travel services
AACOM Australia Pty Ltd	Australia	100	-	Tour and travel services
AirAsia Ads Sdn Bhd	Malaysia	100	-	To be liquidated
AirAsia Com (Hong Kong) Ltd	Hong Kong	100	-	Tour and travel services
<b>Held by AirAsia Com (Hong Kong) Ltd</b>				
AirAsia Com Guangzhou Co. Ltd	China	100	-	Tour and travel services
<b>Held by Rokki</b>				
Ourfarm	Malaysia	- <sup>*</sup>	100	Wholesale of meat, fish, fruits, vegetables, flowers and plants

<sup>+</sup> Audited by a member of Ernst & Young Global.

<sup>f</sup> Audited by a firm other than Ernst & Young.

<sup>^</sup> Listed on the Indonesia Stock Exchange.

<sup>\*</sup> Transferred within the Group.

**12. Investment in subsidiaries (cont'd.)****Incorporation of subsidiaries during the financial year ended 31 December 2020**

During the year, the Group incorporated the following subsidiaries for a total paid up ordinary share capital of RMRM9.9 million:

	<b>2020 RM</b>
ADE	7,230,002
AA Com Travel Philippines Inc	910,350
PT AirAsia Com Indonesia	736,021
PT Teleportasi Bisnis Indonesia	633,497
AirAsia Com Travel (Thailand) Ltd	404,265
Santan Restaurant Ltd	545
AACOM Australia Pty Ltd	100
RedBeat Capital Fund 1, LP	4
BigPay Later Sdn Bhd	2
AirAsia Com (Singapore) Pte Ltd	1
AirAsia Ads Sdn Bhd	1
AirAsia Com (Hong Kong) Ltd	1
AirAsia Com Guangzhou Co. Ltd	1
	<b>9,914,790</b>

**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	
		2020 %	2019 %
IAA	Indonesia	49.1	49.1
PAA	Philippines	40.0	40.0
		Group	
		2020 RM'000	2019 RM'000
Accumulated balances of material non-controlling interests:			
IAA		(781,415)	(386,154)
PAA		(1,538,500)	(1,176,679)
Other individually immaterial subsidiaries		(35,592)	(24,757)
		<b>(2,355,507)</b>	<b>(1,587,590)</b>



# Notes to the Financial Statements For the financial year ended 31 December 2020

## 12. Investment in subsidiaries (cont'd.)

### Material partly-owned subsidiaries (cont'd.)

	Group	
	2020 RM'000	2019 RM'000
(Loss)/profit allocated to material non-controlling interests:		
IAA	(395,261)	546
PAA	(361,821)	48,446
Other individually immaterial subsidiaries	(10,836)	(14,495)
	(767,917)	34,497

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

Summarised income statements as at 31 December are as follows:

	2020		2019	
	IAA RM'000	PAA RM'000	IAA RM'000	PAA RM'000
Revenue	514,140	558,304	2,021,407	2,196,422
Depreciation and amortisation	(327,430)	(293,327)	(310,484)	(275,439)
Interest income	199	43	1,033	60
Interest expense	(76,768)	(98,613)	(99,676)	(100,469)
<b>(Loss)/profit before taxation</b>	(881,639)	(584,395)	25,133	88,538
Tax credit/(expense)	90,611	-	(28,463)	(7,242)
<b>Net (loss)/profit for the financial year</b>	(791,028)	(584,395)	(3,330)	81,296
Other comprehensive income/(loss)	14,484	(18,640)	4,402	(553)
<b>Total comprehensive (loss)/income</b>	(776,543)	(603,035)	1,072	80,743
Attributable to non-controlling interests	(395,261)	(361,821)	546	48,446

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

	2020		2019	
	IAA RM'000	PAA RM'000	IAA RM'000	PAA RM'000
Non-current assets	1,678,504	940,601	1,938,573	1,214,953
Current assets	141,082	65,520	271,155	155,286
Non-current liabilities	(1,494,295)	(1,236,092)	(1,605,486)	(1,086,014)
Current liabilities	(1,158,820)	(2,298,905)	(565,483)	(2,156,890)
Net (liabilities)/assets	(833,529)	(2,528,876)	38,759	(1,872,665)

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

Operating	36,056	74,864	(295,346)	348,626
Investing	8,605	3,139	169,156	(19,827)
Financing	(126,032)	(127,757)	177,629	(35,741)
<b>Net (decrease)/increase in cash and cash equivalents</b>	(81,372)	(49,754)	51,439	293,058

**13. Investment in a joint venture**

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Unquoted investments, at cost	2,025	572,771	-	-
Share of post-acquisition (loss)/profits	(693)	11,083	-	-
Reclassified to investment in associates	-	(583,854)	-	-
	1,332	-	-	-

The Group, through its wholly-owned subsidiary, RedBeat Academy Sdn Bhd ("RBA"), entered into a Preliminary Shareholders' Agreement in relation to a proposed joint venture with Universal Music Malaysia Sdn Bhd, namely RedRecords Sdn Bhd ("RRSB") with an initial fully paid-up share capital of RM2 consisting of 2 ordinary shares.

On 20 April 2020, RBA and Universal Music Malaysia Sdn Bhd have increased the fully paid-up share capital of RRSB to USD1 million (equivalent to RM4.1 million) by subscribing to an equal amount of shares.

The joint venture listed below has share capital consisting solely of ordinary shares, which are indirectly held by the Group:

Name of entity	Principal place of business/country of incorporation	Group's effective equity interest		Principal activities
		2020	2019	
		%	%	
<b>Held by RBA</b>				
RRSB <sup>f</sup>	Malaysia	50	-	Music-based entertainment

<sup>f</sup> Audited by a firm other than Ernst & Young.

**14. Investment in associates**

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Unquoted investments				
As at 1 January	1,526,126	672,171	-	-
Additional investment	-	280,482	-	-
Disposed during the year	(361,851)	-	-	-
Reclassified to investment in other securities	(76,456)	-	-	-
Reclassified from investment in joint ventures	-	583,854	-	-
	1,087,889	1,536,507	-	-
Share of post-acquisition loss	(477,364)	(850,661)	-	-
Share of post-acquisition reserves	(68,499)	17,479	-	-
Impairment losses (Note 6)	(59,272)	-	-	-
As at 31 December	482,754	703,325	-	-

# Notes to the Financial Statements For the financial year ended 31 December 2020

## 14. Investment in associates (cont'd.)

### Disposal of an associate in current year

On 29 December 2020, the Group announced that its wholly owned subsidiary, AAIL executed a Share Purchase Agreement ("SPA") with Tata Sons Private Limited ("TSL") to sell 32.7% of AirAsia (India) Limited ("AAI"), comprising 490 million ordinary shares of INR10 each, for a consideration of USD37.7 million (or approximately RM152.9 million), which resulted in a gain on disposal of RM152.9 million.

The SPA also provides for an option for the sale of AAIL's remaining 16.3% stake in AAI. The total consideration in respect of the option is USD18.8 million (or approximately RM76.5 million).

Consequently, the Group has lost its significant influence in AAI. Therefore, the remaining equity stake of 16% was reclassified from "investment in associates" to "investment securities" and remeasured to a fair value of USD18.8 million (equivalent to RM76.5 million) in accordance with MFRS 9.

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

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

### Impairment of investment in an associate

During the year, the impairment loss of RM59.3 million relates to the write-down of the Group's investment in Ground Team Red Holdings Sdn Bhd ("GTRH") to its value in use as a result of the COVID-19 pandemic. This was recognised in the income statement as other operating expenses.

### The details of the associates are as follows:

Name of entity	Principal place of business/country of incorporation	Group's effective equity interest		Principal activities
		2020 %	2019 %	
<b>Held by AAB</b>				
AirAsia Philippines Inc	Philippines	39.9	39.9	Providing air transportation services, currently dormant
Ground Team Red Holdings Sdn Bhd ("GTRH") <sup>f</sup>	Malaysia	50	50	Investment holding
<b>Held by AAIL</b>				
Thai AirAsia Co. Ltd ("TAA") <sup>+</sup>	Thailand	45.0	45.0	Commercial air transport services
AAI <sup>+</sup>	India	16.3 <sup>*</sup>	49.0	Commercial air transport services
AirAsia Japan Co., Ltd ("AAJ") <sup>+</sup>	Japan	66.9 <sup>#</sup>	66.9 <sup>#</sup>	Under bankruptcy proceedings
<b>Held by GTRH</b>				
Ground Team Red Sdn Bhd ("GTR") <sup>f</sup>	Malaysia	49	49	Ground handling services
SATS Ground Services Singapore Pte Ltd <sup>f</sup> ("SGSS")	Singapore	40	40	Ground handling services

**14. Investment in associates (cont'd.)**

Name of entity	Principal place of business/country of incorporation	Group's effective equity interest		Principal activities
		2020 %	2019 %	
<b>Held by TES</b>				
Teleport (Thailand) Co Ltd	Thailand	49	-	Logistics business
Teleport (Philippines) Co Ltd	Philippines	40	-	Logistics business
<b>Held by TPSB</b>				
Teleport Commerce (Thailand) Co, Ltd	Thailand	49	-	Online retail sales
<b>Held by MadCience Consulting Sdn Bhd</b>				
Big Data for Human Limited ("BD4H") <sup>f</sup>	United Kingdom	42	42	Dormant

<sup>+</sup> Audited by a member of Ernst & Young Global.

<sup>f</sup> Audited by a firm other than Ernst & Young.

<sup>^</sup> These investees are deemed to be the associates of the Group as the Group has significant influence and not control over the relevant activities.

<sup>\*</sup> Transferred to investment securities.

<sup>#</sup> Equity interest of 66.91% comprise both voting and non-voting shares in AAJ. AAIL holds 33% of the voting shares and 67% of the non-voting shares.

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

**Incorporation of associates during the financial year ended 31 December 2020**

During the year, the Group incorporated the following associates for a total paid up ordinary share capital of RM0.7 million:

	<b>2020 RM</b>
Teleport (Thailand) Co Ltd	661,205
Teleport (Philippines) Co Ltd	66,052
	<b>727,257</b>

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.

On 17 November 2020, the Group announced that AAJ would be filing for bankruptcy as a result of unfavourable operating conditions brought about by the COVID-19 pandemic. However, the share of losses in AAJ exceeds the Group's interest in AAJ, hence there is no impact to the investment in associates. The Group's cumulative share of unrecognised losses at the reporting date for AAJ was RM108.3 million (2019: RM40.6 million). The Group has no obligation in respect of these losses.

# Notes to the Financial Statements For the financial year ended 31 December 2020

## 14. Investment in associates (cont'd.)

The Group has not recognised losses relating to TAA, where its share of losses exceeds the Group's interest in this associate as a result of grim earnings brought about by the COVID-19 pandemic. The Group's cumulative share of unrecognised losses at the reporting date for TAA was RM415.2 million (2019: RM Nil). The Group has no obligation in respect of these losses.

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

### 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-current assets	1,082,678	1,172,806	5,733,791	4,359,083
Current assets	3	3	358,733	1,007,159
Non-current liabilities	-	-	(4,158,651)	(2,509,888)
Current liabilities	(1,133)	(311)	(2,405,801)	(1,917,026)

#### Summarised statements of comprehensive income

	GTRH		TAA	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue	-	-	2,191,906	5,567,880
Net loss for the financial year	(81,406)	(4,752)	(1,170,851)	(154,395)
Other comprehensive (loss)/ income	-	-	(29,125)	171,341
Total comprehensive (loss)/income	(81,406)	(4,752)	(1,199,976)	16,945

**14. Investment in associates (cont'd.)**Material associates (cont'd.)Summarised financial information for associates (cont'd.)

Reconciliations of summarised financial information

	GTRH		TAA	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Opening net assets at 1 January	1,162,956	1,167,708	270,557	427,343
Effects of changes in accounting policies	-	-	-	(203,440)
Loss for the financial year	(81,406)	(4,752)	(1,170,851)	(154,395)
Other comprehensive (loss)/income	-	-	(29,125)	171,341
Foreign exchange differences	-	-	6,840	29,708
Cumulative share of unrecognised losses	-	-	922,579	-
Closing net assets at 31 December	1,081,550	1,162,956	-	270,557
Group's interest in associates	50%	50%	45%	45%
Interest in associates	540,775	581,478	-	121,751
Carrying value at 31 December	540,775	581,478	-	121,751

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	
	2020 RM'000	2019 RM'000
Aggregate carrying amount of individually immaterial associates	1,251	96
Aggregate amounts of the Group's share of:		
Profit/(loss) from continuing operations	414	(361,768)
Other comprehensive income	-	-
Total comprehensive income/(loss)	414	(361,768)

# Notes to the Financial Statements For the financial year ended 31 December 2020

## 15. Investment securities

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<u>Listed equity securities</u>				
At 1 January	413,827	337,324	267,391	145,741
Fair value (loss)/gain				
- recognised in other comprehensive income	(193,773)	76,503	(134,777)	121,650
At 31 December	220,054	413,827	132,614	267,391
<u>Unlisted equity securities</u>				
At 1 January	94,105	74,000	45,769	54,734
Addition during the year	6,738	30,965	6,738	7,444
Reclassified from investment in associates (Note 14)	76,456	-	-	-
Capital return	(2,361)	(16,409)	(2,361)	(16,409)
Fair value (loss)/gain				
- recognised in other comprehensive income	(15,501)	5,549	(7,469)	-
At 31 December	159,437	94,105	42,677	45,769
<u>Unquoted debt securities</u>				
At 1 January	95,283	66,536	-	-
Addition during the year	721	28,747	-	-
Redemption during the year	(2,776)	-	-	-
At 31 December	93,228	95,283	-	-
Total	472,719	603,215	175,291	313,160

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 equity interests of up to 14% each in 3 listed equity securities. In addition, the Group also holds non-controlling equity interest of 2% in an unlisted equity security. During the year, the Group received dividends in the amount of RM5 million (2019: RM6.3 million) from these companies.

## 16. Intangible assets

<b>Group</b>	<b>Goodwill RM'000</b>	<b>Landing rights RM'000</b>	<b>Internally developed software RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>				
At 1 January 2020	168,827	443,900	23,968	636,695
Additions	-	-	5,811	5,811
At 31 December 2020	168,827	443,900	29,779	642,506
<b>Accumulated amortisation</b>				
At 1 January 2020	-	-	(1,671)	(1,671)
Amortisation expense	-	-	(282)	(282)
At 31 December 2020	-	-	(1,953)	(1,953)
<b>Carrying amount as at 31 December 2020</b>	<b>168,827</b>	<b>443,900</b>	<b>27,826</b>	<b>640,553</b>
<b>Group</b>				
<b>Cost</b>				
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
<b>Accumulated amortisation</b>				
At 1 January 2019	-	-	(1,200)	(1,200)
Amortisation expense	-	-	(471)	(471)
At 31 December 2019	-	-	(1,671)	(1,671)
<b>Carrying amount as at 31 December 2019</b>	<b>168,827</b>	<b>443,900</b>	<b>22,297</b>	<b>635,024</b>

### 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.



# Notes to the Financial Statements For the financial year ended 31 December 2020

## 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 units ("CGUs") are as follows:

	Goodwill		Landing rights	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>CGU</b>				
BIG	102,926	102,926	-	-
IAA	38,394	38,394	374,600	374,600
PAA	-	-	69,300	69,300
AAIL	7,334	7,334	-	-
BigPay	5,275	5,275	-	-
Rokki	5,094	5,094	-	-
AA.Com	9,804	9,804	-	-
	<b>168,827</b>	<b>168,827</b>	<b>443,900</b>	<b>443,900</b>

The recoverable amounts of the CGUs have been measured based on their value in use 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>CGU</b>				
BIG	2%	2%	16.0%	15.0%
IAA	2%	2%	12.5%	17.0%
PAA	2%	2%	9.0%	14.0%

The calculation of value in use for the CGUs are 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.)**

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

The calculation of recoverable amounts of the CGUs which have been measured based on their value in use as described above has been made based on conditions existing at 31 December 2020 and has taken into consideration the impacts of the 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, depending on industry developments which may result in a material adjustment to the carrying amounts of the goodwill.

**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:

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
At beginning of year	1,046,551	831,540
Recognised in profit or loss (Note 9)	(318,826)	273,252
Recognised in other comprehensive income	23,679	(61,722)
Exchange differences	4,619	3,481
At end of year	756,023	1,046,551
Presented after appropriate offsetting as follows:		
Deferred tax assets	774,155	1,130,830
Deferred tax liabilities	(18,132)	(84,279)
	756,023	1,046,551

# Notes to the Financial Statements For the financial year ended 31 December 2020

## 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
<b>At 1 January 2020</b>	706,000	339,967	162,825	(647)	29,067	13,726	19,993	1,270,931
Recognised in profit or loss	(80,471)	(270,956)	(25,670)	1,107	104,219	443	(3,703)	(275,031)
Recognised in other comprehensive income	-	-	-	24,196	-	(517)	-	23,679
Exchange differences	-	-	-	-	4,619	-	-	4,619
<b>At 31 December 2020</b>	<b>625,529</b>	<b>69,011</b>	<b>137,155</b>	<b>24,656</b>	<b>137,905</b>	<b>13,652</b>	<b>16,290</b>	<b>1,024,198</b>
<b>At 1 January 2019</b>	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
<b>At 31 December 2019</b>	<b>706,000</b>	<b>339,967</b>	<b>162,825</b>	<b>(647)</b>	<b>29,067</b>	<b>13,726</b>	<b>19,993</b>	<b>1,270,931</b>

\* 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
<b>At 1 January 2020</b>	(34,168)	(114,440)	(71,219)	(4,553)	(224,380)
Recognised in profit or loss	8,221	-	(52,663)	647	(43,795)
<b>At 31 December 2020</b>	<b>(25,947)</b>	<b>(114,440)</b>	<b>(123,882)</b>	<b>(3,906)</b>	<b>(268,175)</b>
<b>At 1 January 2019</b>	(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)
<b>At 31 December 2019</b>	<b>(34,168)</b>	<b>(114,440)</b>	<b>(71,219)</b>	<b>(4,553)</b>	<b>(224,380)</b>

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

Deferred tax has not been recognised for the following items:

	Group	
	2020 RM'000	2019 RM'000
Deferred revenue	95,113	93,842
Deferred breakage	18,589	49,832
Provisions and others	1,561,111	41,487
Unabsorbed capital allowances	1,977,515	34,862
Unutilised tax losses	2,256,235	383,186
Unutilised investment tax allowances	2,083,333	989,346
	7,991,896	1,592,555

The recognised deferred tax assets is able to be utilised against future taxable 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 future taxable profits.

As disclosed in Note 3.3 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 expected future performance and taxable profits which have been adjusted for non-recurring circumstances and a reasonable growth rate.

**18. Receivables and prepayments**

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Non-current:</b>				
Other receivables*	351,758	454,393	-	-
Less: Allowance for impairment	(340,687)	-	-	-
	11,071	454,393	-	-
Prepayments	2,717,116	2,512,007	-	-
Deposits	378,754	457,584	-	-
	3,106,941	3,423,984	-	-
<b>Current:</b>				
Trade receivables	227,419	255,528	-	-
Less: Allowance for impairment	(120,623)	(77,128)	-	-
	106,796	178,400	-	-
Other receivables	294,755	272,255	17	1,371
Less: Allowance for impairment	(3,733)	-	-	-
	291,022	272,255	17	1,371
Prepayments	290,821	594,623	1	1,353
Deposits	214,655	87,733	-	-
	903,294	1,133,011	18	2,724

\* Included in non-current other receivables is a receivable of IDR1,187 billion (equivalent to RM340.7 million) arising from the disposal of a perpetual capital security which has been fully impaired during the year.

Credit terms of trade receivables range from 30 to 60 days (2019: 30 to 60 days).

# Notes to the Financial Statements For the financial year ended 31 December 2020

## 18. Receivables and prepayments (cont'd.)

The ageing analysis of trade receivables is as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Current	(224,110)	192,363	-	-
1 to 90 days	46,629	334,851	-	-
91 to 120 days	5,334	149,932	-	-
121 to 180 days	6,684	(502,247)	-	-
181 to 365 days	32,116	10,623	-	-
Over 365 days	360,766	70,006	-	-
	227,419	255,528	-	-

Negative balance relates to agents top-up sales of which the amount will be 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 RM224.1 million in 2020 relates substantially to advanced payments received from agents of which the amount will be utilised to purchase tickets for future flights for passengers.

Trade receivables that are neither past due nor impaired of RM192.4 million in 2019 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 RM331 million (2019: RM14 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January	77,128	118,095	-	-
Reversal (Note 6)	(6,218)	(2,638)	-	-
Impairment (Note 6)	53,539	5,415	-	-
Write off	(3,826)	(43,744)	-	-
At 31 December	120,623	77,128	-	-

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.

**18. Receivables and prepayments (cont'd.)**

(b) Trade receivables that are past due but not impaired (cont'd.)

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January	-	-	-	-
Impairment (Note 6)	344,420	-	-	-
At 31 December	344,420	-	-	-

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 RM239 million (2019: RM290 million).

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

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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Ringgit Malaysia	65,570	88,923	17	1,371
US Dollar	913,859	904,146	-	-
Others	22,869	457,296	-	-
	1,002,298	1,450,365	17	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			
	2020		2019	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
<b>Non-current</b>				
Interest rate swaps				
- held for trading	-	(64,818)	-	(53,186)
Forward foreign exchange contracts				
- held for trading	-	-	147,454	-
Cross currency interest rate swaps				
- held for trading	-	-	46,353	-
Commodity derivatives				
- cash flow hedges	-	-	14,918	(20,164)
Total	-	(64,818)	208,725	(73,350)

# Notes to the Financial Statements For the financial year ended 31 December 2020

## 20. Derivative financial instruments (cont'd.)

	Group			
	2020		2019	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
<b>Current</b>				
Interest rate swaps				
- held for trading	-	-	-	(7,022)
Forward foreign exchange contracts				
- held for trading	-	-	5,263	-
Commodity derivatives				
- cash flow hedges	77,808	(134,655)	219,425	(119,955)
Cross currency interest rate swaps				
- held for trading	-	-	5,791	-
<b>Total</b>	<b>77,808</b>	<b>(134,655)</b>	<b>230,479</b>	<b>(126,977)</b>

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 loss of RM360.5 million (2019: 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 40(e).

	Group			
	2020		2019	
	Notional amount RM'000	Fair value RM'000	Notional amount RM'000	Fair value RM'000
Interest rate caps	-	-	79,427	-
Interest rate swaps	734,257	(64,818)	1,527,159	(60,208)
Cross currency interest rate swaps	-	-	287,580	52,144
Forward foreign exchange contracts	-	-	663,202	152,717
Commodity derivatives	1,268,496*	(56,847)	11,386,771*	94,224

\* 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 2020 were RM Nil (2019: RM 951 million).

As at 31 December 2020, the Group has not hedged any of its USD liabilities pertaining to its aircraft (2019: RM Nil).

**20. Derivative financial instruments (cont'd.)**

## (ii) Interest rate contracts

The notional principal amounts of the outstanding interest rate contracts at 31 December 2020 were RM734 million (2019: RM1.607 billion).

As at 31 December 2020, the Group has not hedged any of its existing USD aircraft loans (2019: RM Nil).

## (iii) Fuel contracts

The outstanding number of barrels of Brent and Crack derivative contracts of the Group as at 31 December 2020 were 1.3 million barrels (2019: 11.4 million barrels).

As at 31 December 2020, the Group has entered into Brent fixed swap contracts which represents average of 16% (2019: 46%) of the Group's total expected fuel volume for the financial year 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 2020 are recognised in the income statement in the period or periods during which the hedged forecast transactions affect the income statements.

**20. Inventories**

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
<b>At cost</b>	<b>RM'000</b>	<b>RM'000</b>
Consumables, in-flight merchandise and others	141,421	146,086

During the year, the amount of the inventories recognised in operating expenses of the Group was RM77 million (2019: RM205 million).

**22. Amounts due from/(to) subsidiaries**

	<b>Company</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Amount due from subsidiaries		
- current	545,558	286,873
Amounts due to subsidiaries		
- current	(462,178)	-

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



# Notes to the Financial Statements For the financial year ended 31 December 2020

## 22. Amounts due from/(to) subsidiaries (cont'd.)

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

	Company	
	2020 RM'000	2019 RM'000
<u>Receivables:</u>		
- AAIL	270,072	277,349
- AAB	-	9,274
- AAD	275,328	250
- Others	158	-
	<hr/> 545,558	<hr/> 286,873
<u>Payables:</u>		
- AAB	(459,002)	-
- Others	(3,176)	-
	<hr/> (462,178)	<hr/> -

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

	Company	
	2020 RM'000	2019 RM'000
<u>Due from</u>		
Ringgit Malaysia	363,511	82,207
US Dollar	182,047	204,666
	<hr/> 545,558	<hr/> 286,873
<u>Due to</u>		
Ringgit Malaysia	(254,823)	-
US Dollar	(202,903)	-
Thai Baht	(4,452)	-
	<hr/> (462,178)	<hr/> -

**23. Amounts due from/(to) associates**

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Amounts due from associates	624,456	432,709	213,710	49,599
Less: Allowance for impairment	(264,071)	-	(213,710)	-
	360,385	432,709	-	49,599
Amounts due to associates				
- current	(35,907)	(151,812)	-	(8)

The amounts due from/(to) associates are trade balances and are unsecured, interest free and repayable on demand except for loan of JPY3 billion (equivalent to RM114.9 million) to AAJ, which bears interest of 8% per annum and another loan of USD12 million (equivalent to RM50.5 million) to AAJ which bear interests of 6% per annum. The loan of JPY3 billion was fully repaid during the year whilst the USD12 million loan has been fully impaired during the year pursuant to AAJ announcing that it had ceased its operations and commenced bankruptcy proceedings as disclosed in Note 42. Further to the announcement of the cessation of business, a term loan by AAJ had been fully repaid through the exercise of a bank guarantee issued in favour of AAJ by the Company.

## (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 RM244 million (2019: RM432.7 million).

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

Amounts due from associates that are past due and not impaired of the Group amounted to RM116 million (2019: RM Nil).

## (iii) Financial assets that are impaired

Amounts due from associates that are past due and impaired amounted to RM264 million (2019: RM Nil).

Movements on allowance for impairment of amounts due from/(to) associates are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January	-	-	-	-
Allowance for impairment (Note 6)	264,071	-	213,710	-
At 31 December	264,071	-	213,710	-

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

# Notes to the Financial Statements For the financial year ended 31 December 2020

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

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Receivables:</b>				
- AAI*	-	207,131	-	-
- TAA	354,759	47,556	-	-
- AAJ	-	173,461	-	49,599
- Others	5,626	4,561	-	-
	360,385	432,709	-	49,599
<b>Payables:</b>				
- TAA	(29,652)	(129,870)	-	(8)
- AAI*	-	(18,410)	-	-
- AAJ	(727)	(14)	-	-
- GTR	(5,524)	-	-	-
- Others	(4)	(3,518)	-	-
	(35,907)	(151,812)	-	(8)

\* Amounts have been reclassified to amount due from/(to) related parties arising from the disposal of 32.7% interest in AAI as disclosed in Note 42.

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Due from</b>				
US Dollar	257,362	432,709	-	49,599
Ringgit Malaysia	126,724	-	-	-
Chinese Renminbi	(21,789)	-	-	-
Others	(1,912)	-	-	-
	360,385	432,709	-	49,599
<b>Due to</b>				
US Dollar	(30,383)	(151,812)	-	(8)
Ringgit Malaysia	(5,524)	-	-	-
	(35,907)	(151,812)	-	(8)

**24. Amounts due from/(to) related parties**

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Amounts due from related parties	750,368	135,333	637	384
Less: Allowance for impairment	(643,321)	(28,133)	-	-
	107,047	107,200	637	384
Amounts due to related parties				
- current	(49,923)	(260,354)	-	-

The amounts due from/(to) 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.

On 6 October 2020, AirAsia X Berhad had announced that it proposed to undertake debt and corporate restructuring exercise. Following the announcement, the Group wrote down the debt due from AirAsia X Berhad. The amount due from AirAsia X Berhad is current and relating to critical services from the Group during the transition period and its repayable immediately. Due to the COVID-19 pandemic, travel restrictions have been placed internationally and decrease the revenue generation ability of the long haul business. The other amounts due from related parties have been impaired accordingly. Due to the COVID-19 pandemic, travel restrictions have been placed internationally and decrease the revenue generation ability of the long haul business. The other amounts due from related parties have been impaired accordingly.

Movements on allowance for impairment of amounts due from/(to) related parties are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January	28,133	28,133	-	-
Allowance for impairment (Note 6)	615,578	-	-	-
Reversal	(390)	-	-	-
At 31 December	643,321	28,133	-	-

The details of the receivables and payables due from/(to) related parties (net of impairment) are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Receivables:</b>				
- AirAsia X Berhad	5,887	21,671	637	384
- PT Indonesia AirAsia Extra	19,579	79,036	-	-
- AAI*	73,831	-	-	-
- Others	7,750	6,493	-	-
	107,047	107,200	637	384
<b>Payables:</b>				
- AirAsia X Berhad	(7,042)	(93,935)	-	-
- Thai AirAsia X Co. Ltd	(980)	(151,368)	-	-
- PT Indonesia AirAsia Extra	(38,295)	(12,526)	-	-
- AAI*	(3,605)	-	-	-
- Others	(1)	(2,525)	-	-
	(49,923)	(260,354)	-	-

\* Amounts have been reclassified from amount due from/(to) associates arising from the disposal of 32.7% interest in AAI as disclosed in Note 42.

# Notes to the Financial Statements For the financial year ended 31 December 2020

## 24. Amounts due from/(to) related parties (cont'd.)

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<u>Due from</u>				
Ringgit Malaysia	29,197	22,293	637	384
US Dollar	188,885	84,907	-	-
Others	(111,035)	-	-	-
	107,047	107,200	637	384
<u>Due to</u>				
Ringgit Malaysia	(7,043)	(108,958)	-	-
US Dollar	(42,880)	(151,396)	-	-
	(49,923)	(260,354)	-	-

## 25. Deposits, cash and bank balances

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Deposits with licensed banks	30,893	306,919	-	-
Cash and bank balances	502,385	2,281,178	859	41,126
Deposits, cash and bank balances	533,278	2,588,097	859	41,126
Deposits with licensed banks with maturity period of more than 3 months	(1,068)	(10,518)	-	-
Deposits pledged as securities and restricted cash	(66,305)	(85,303)	-	-
Cash and cash equivalents	465,905	2,492,276	859	41,126

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Ringgit Malaysia	239,343	467,145	67	25,473
US Dollar	215,539	812,310	792	15,653
Chinese Renminbi	12,836	844,032	-	-
Others	65,560	464,610	-	-
	533,278	2,588,097	859	41,126

Short-term deposits are made for varying period of eight days and twelve months (2019: varying periods of between one day and twelve months) depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

**25. Deposits, cash and bank balances (cont'd.)**

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

	Group		Company	
	2020 %	2019 %	2020 %	2019 %
Deposits with licensed banks	1.22	1.74	-	-

**26. Trade and other payables**

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Non-current:</b>				
Other payables	273,455	320,455	-	-
<b>Current:</b>				
Trade payables	1,218,091	448,995	44	-
Accrual for fuel	5,286	270,496	-	-
Collateral for derivatives	-	7,789	-	-
Other payables and accruals	1,083,748	1,447,870	7,165	1,838
	2,307,125	2,175,150	7,209	1,838

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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Ringgit Malaysia	884,326	1,130,531	7,209	1,838
US Dollar	1,294,310	767,428	-	-
Others	401,944	597,646	-	-
	2,580,580	2,495,605	7,209	1,838

**27. Aircraft maintenance provisions and liabilities**

	Group	
	2020 RM'000	2019 RM'000
Aircraft maintenance provisions (i)	1,367,752	1,274,338
Aircraft maintenance payables (ii)	2,377,065	2,435,499
Aircraft maintenance reserve fund (iii)	1,824,239	1,583,096
	5,569,056	5,292,933
Disclosed as		
Non-current	4,857,292	4,720,621
Current	711,764	572,312
	5,569,056	5,292,933

# Notes to the Financial Statements For the financial year ended 31 December 2020

## 27. Aircraft maintenance provisions and liabilities (cont'd.)

- (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	
	2020 RM'000	2019 RM'000
At 1 January		
Arose during the year	1,274,338	1,011,809
Utilised	192,163	608,692
At 31 December	(98,749)	(346,163)
	1,367,752	1,274,338

- (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) Aircraft maintenance reserve funds relate to payments made by the lessee for maintenance activities to be 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, any excess maintenance reserve is recognised in the profit and loss account.

## 28. Borrowings

		Group	
		2020 RM'000	2019 RM'000
<b>Current</b>			
Term loans	(i)	313,688	238,524
Revolving credit	(i)	120,000	3,628
Commodity Murabahah Finance	(ii)	-	100,000
Swap creditors loan and deferral	(iii)	582,624	-
		1,016,312	342,152
<b>Non-current</b>			
Term loans	(i)	266,447	86,714
Swap creditors loan	(iii)	6,110	-
		272,557	86,714
Total borrowings		1,288,869	428,866

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

(i) During the financial year, certain subsidiaries of the Group drawdown a term loan of RM280 million with a revolving credit of RM20 million at an interest rate of 7% per annum to be utilised as follows:

- RM170 million to establish and operate OURFARM digital food supply chain and cold chain facilities in Sabah;
- RM110 million to part-finance the project to turn Kota Kinabalu International Airport into an international hub;
- RM10 million revolving credit to enhance e-commerce platforms and marketability of Sabah products; and
- RM10 million revolving credit to further promote Sabah tourism destinations on airasia.com, the digital super app of AirAsia.

A portion of the remaining of the term loan are secured against the following:

- Assignment of rights under contract with Airbus over each aircraft;
- Assignment of insurance and reinsurance of each aircraft;
- Assignment of airframe and engine warranties of each aircraft; and
- Assignment of an office building in Indonesia.

(ii) The amount is fully repaid during the year.

(iii) During the financial year, the Group unwound and restructured its exposure in hedges through financing the commodity hedging contracts settlement either via deferral installment payments or conversion into working capital loan.

	Group	
	2020 RM'000	2019 RM'000
<b>Weighted average interest rate</b>		
Term loans	6.17	7.21
Commodity Murabahah Finance	-	5.27
Revolving credit	4.39	3.90
Swap creditors loan	7.00	-

The borrowings are repayable as follows:

	Group	
	2020 RM'000	2019 RM'000
Not later than 1 year	787,060	342,152
Later than 1 year and not later than 5 years	387,623	70,077
Later than 5 years	114,186	16,637
	1,288,869	428,866

The currency profile of borrowings is as follows:

	Group	
	2020 RM'000	2019 RM'000
Ringgit Malaysia	429,367	103,628
US Dollar	730,108	186,260
Philippine Peso	83,541	90,000
Indonesia Rupiah	45,853	48,978
	1,288,869	428,866



# Notes to the Financial Statements For the financial year ended 31 December 2020

## 28. Borrowings (cont'd.)

Total borrowings as at reporting date consist of the following banking facilities:

	Group	
	2020 RM'000	2019 RM'000
Fixed rate borrowings	1,117,402	217,114
Floating rate borrowings	171,467	211,752
	1,288,869	428,866

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

	Group			
	2020		2019	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Term loans	408,668	387,367	117,114	90,207
Revolving credit	120,000	120,000	100,000	100,000
Swap creditors loan	588,734	588,734	-	-
	1,117,402	1,096,101	217,114	190,207

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 4.90% to 7.23% (2019: 5.6% to 7.67%) per annum. The fair values of fixed rate borrowings are within level 2 of the fair value hierarchy.

## 29. Leases

### Group as a lessee

The Group leases various aircraft, spare engines and land and building. Leases of aircraft and spare engines 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.

**29. Leases (cont'd.)****Group as a lessee (cont'd.)**

Set out below are the carrying amounts of ROU assets recognised and the movements during the year:

	<b>Aircraft and spare engines RM'000</b>	<b>Land and building RM'000</b>	<b>Total RM'000</b>
As at 1 January 2020	11,170,143	45,811	11,215,954
Additions	575,351	-	575,351
Modifications	(93,632)	-	(93,632)
Depreciation	(1,915,773)	(6,305)	(1,922,078)
Impairment loss (Note 6)	(552,290)	-	(552,290)
Exchange movements	219,830	1,811	221,641
<b>As at 31 December 2020</b>	<b>9,403,629</b>	<b>41,317</b>	<b>9,444,946</b>
As at 1 January 2019	8,207,495	35,629	8,243,124
Additions	4,540,198	28,570	4,568,768
Modifications	(345,110)	-	(345,110)
Depreciation	(1,223,635)	(18,114)	(1,241,749)
Exchange movements	(8,805)	(274)	(9,079)
<b>As at 31 December 2019</b>	<b>11,170,143</b>	<b>45,811</b>	<b>11,215,954</b>

Set out below are the carrying amounts of lease liabilities recognised and the movements during the year:

	<b>2020 RM'000</b>	<b>2019 RM'000</b>
As at 1 January	12,459,801	9,691,604
Additions	482,919	4,794,078
Accretion of interest (Note 8(b))	578,211	503,093
Payments	(880,201)	(2,088,180)
Modifications	(93,632)	(374,322)
Exchange movements	(111,858)	(66,472)
<b>As at 31 December</b>	<b>12,435,240</b>	<b>12,459,801</b>
Current	3,247,138	2,271,662
Non-current	9,188,102	10,188,139
	<b>12,435,240</b>	<b>12,459,801</b>

The maturity analysis of lease liabilities are disclosed in Note 40 (c).

# Notes to the Financial Statements For the financial year ended 31 December 2020

## 29. Leases (cont'd.)

The following are the amounts recognised in profit or loss:

	2020 RM'000	2019 RM'000
Depreciation of right-of-use assets	1,922,078	1,241,749
Interest expense on lease liabilities	578,211	503,093
Expense relating to short-term leases	14,361	21,437
Impairment of right-of-use assets	552,290	-
Impairment of finance lease receivables	90,035	-
Gain on recognition of finance lease receivables	-	22,458
<b>Total amount recognised in profit or loss</b>	<b>3,156,975</b>	<b>1,788,737</b>

The Group had total cash outflows for leases of RM880 million in 2020 (2019: RM2,088 million). The Group also had non-cash additions to ROU assets and lease liabilities of RM575 million (2019: RM4,569 million) and RM483 million (2019: RM4,794 million), respectively.

Included in lease liabilities are lease rental deferred during the year amounting to approximately RM1,511 million.

### Impairment testing on right-of-use assets

During the year, the impairment loss of RM552.3 million relates to the write-down of certain right-of-use assets to the recoverable amount as a result of the COVID-19 pandemic. This was recognised in the income statement as other operating expenses.

The recoverable amounts were based on value in use as at 31 December 2020 and determined at the level of the CGUs of the airline operating centres in the respective countries that the Group is operating in. The recoverable amounts of the CGUs have been measured based on cash flow projections approved by the management. The airline CGU comprise right-of-use assets and aircraft related property, plant and equipment.

The discount rates applied to the cash flow projections ranged from 9% to 13.5% with the assumption of gradual recovery to pre-covid levels over the next few years. The assumptions used to determine the recoverable amounts include revenue per passenger, load factor and growth rate which may change significantly depending on the recovery of the aviation industry in the respective countries, regionally and internationally.

**29. Leases (cont'd.)****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:

	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
As at 1 January	1,221,000	1,373,545
New leases entered into during the financial year	-	195,657
Modifications during the year	(92,433)	-
Lease payments received during the financial year	(134,128)	(398,322)
Finance income	50,768	61,402
Impairment loss (Note 6)	(90,035)	-
Exchange movements	(17,007)	(11,282)
<b>As at 31 December</b>	<b>938,165</b>	<b>1,221,000</b>
Current	432,666	293,571
Non-current	505,499	927,429
	<b>938,165</b>	<b>1,221,000</b>

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date:

	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Within one year	473,667	356,901
After one year but not more than five years	472,567	813,573
More than five years	98,072	195,938
<b>Total undiscounted lease payments receivable</b>	<b>1,044,306</b>	<b>1,366,412</b>
Unearned finance income	(106,141)	(145,412)
<b>Net investment in the lease</b>	<b>938,165</b>	<b>1,221,000</b>

**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.

	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Within one year	22,319	26,783
After one year but not more than five years	-	22,319
<b>Total undiscounted lease payments</b>	<b>22,319</b>	<b>49,102</b>

# Notes to the Financial Statements For the financial year ended 31 December 2020

## 29. Leases (cont'd.)

### Group as a lessor - operating lease (cont'd.)

Lease income from lease contracts in which the Group acts as a lessor:

	2020 RM'000	2019 RM'000
<b>Finance lease</b>		
- Finance income on the finance lease receivables	50,768	61,402
<b>Operating lease</b>		
- Aircraft operating lease income	55,968	127,590

## 30. 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	
	2020 RM'000	2019 RM'000
Present value of defined benefit obligation	97,667	74,951

The movements in the present value of defined benefit obligation for the year ended 31 December are as follows:

	Group	
	2020 RM'000	2019 RM'000
<b>Defined benefit obligation at 1 January</b>	74,951	69,830
Recognised in income statement		
- Current service cost	13,529	10,324
- Interest cost	5,431	6,019
Benefits paid	(2,042)	(7,099)
Past service cost	(2,751)	-
Remeasurement loss/(gain) recognised in other comprehensive income		
- Changes in financial assumptions	8,899	1,628
- Experience adjustments	(3,699)	(6,838)
Exchange differences	3,349	1,087
<b>Defined benefit obligation at 31 December</b>	97,667	74,951

### 30. Provision for retirement benefits (cont'd.)

The principal actuarial assumptions used for the year ended 31 December are as follows:

	2020	2019
Discount rate	3.8% to 7.8%	5.0% - 8.0%
Salary increase rate per annum	5%	5%
Average employee service life	19 - 22 years	18 - 23 years

#### 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
<b>2020</b>			
Annual discount rate	+/- 1%	(9,797)	12,040
Future annual salary increase rate	+/- 1%	11,709	(9,757)
<b>2019</b>			
Annual discount rate	+/- 1%	(4,491)	5,662
Future annual salary increase rate	+/- 1%	5,490	(4,439)

### 31. Share capital

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Ordinary shares</b>				
<b>Issued and fully paid up:</b>				
As at 1 January and 31 December	8,023,268	8,023,268	8,023,268	8,023,268

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

### 32. Merger deficit

	Group	
	2020 RM'000	2019 RM'000
As at 1 January and 31 December	(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.

# Notes to the Financial Statements For the financial year ended 31 December 2020

## 33. (Accumulated losses)/retained earnings

In prior year, the retained earnings of the Company of RM1,664 million is available for distribution to shareholders of the Company.

## 34. Other reserves

### Group

	Remeasurement gain on employee benefits liability RM'000	Cash flow hedge reserve RM'000	Fair value reserve RM'000	Total RM'000
At 1 January 2020	4,833	38,466	103,768	147,067
Net change in fair value	(22,956)	(72,760)	(209,274)	(304,990)
Deferred tax recognised in other comprehensive income	( 517)	24,196	-	23,679
Amounts transferred to income statements	-	(22,625)	-	(22,625)
Share of other comprehensive income of an associate	-	(68,499)	-	(68,499)
At 31 December 2020	(18,640)	(101,222)	(105,506)	(225,368)
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

### Company

	Fair value reserve RM'000	Total RM'000
At 1 January 2020	60,345	60,345
Net change in fair value	(142,246)	(142,246)
At 31 December 2020	(81,901)	(81,901)
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

### 35. Dividends

Dividends declared or proposed by the Company are as follows:

	2020		2019	
	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
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

### 36. Commitments

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

	Group	
	2020 RM'000	2019 RM'000
Property, plant and equipment:		
- Approved and contracted for	124,855,115	99,665,152
- Approved but not contracted for	-	8,109
	124,855,115	99,673,261

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	
	2020 RM'000	2019 RM'000
Not later than 1 year	-	3,251,771
Later than 1 year and not later than 5 years	6,466,929	25,554,065
Later than 5 years	118,388,186	70,859,316
	124,855,115	99,665,152

### 37. 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.



# Notes to the Financial Statements For the financial year ended 31 December 2020

## 37. Segmental information (cont'd.)

The segmental information provided to the GCEO for the reportable segments are as follows:

	Airline						Non-Airline RM'000	Elimination adjustments RM'000	Total RM'000
	Malaysia RM'000	Philippines RM'000	Indonesia RM'000	Thailand RM'000	India RM'000	Japan RM'000			
<b>2020</b>									
Segment results									
Revenue	2,034,615	537,800	459,587	1,840,106	981,580	45,205	295,119	(195,909)	5,998,103
Operating expenses									
- Staff costs	(777,284)	(139,960)	(152,896)	(547,561)	(261,688)	(69,960)	(96,042)	-	(2,045,391)
- Depreciation of property, plant and equipment and right-of-use assets	(1,310,160)	(293,327)	(327,430)	(770,891)	(343,910)	(4,682)	(13,431)	(128,651)	(3,192,482)
- Aircraft fuel expenses	(1,277,665)	(325,375)	(359,640)	(859,510)	(432,310)	(24,188)	-	-	(3,278,688)
- Maintenance and overhaul	(342,175)	(161,168)	(135,555)	(339,636)	(333,464)	(61,562)	-	103,185	(1,270,375)
- User charges	(451,800)	(94,869)	(104,662)	(153,739)	(219,977)	(27,216)	-	4,553	(1,165,109)
- Other operating expenses	(1,969,211)	(160,599)	(225,502)	(391,611)	(51,708)	(14,713)	(453,907)	168,541	(3,098,710)
Other income/(charges)	977,990	20,504	54,553	259,924	25,536	207	160,215	(741,700)	757,229
Operating loss	(3,115,690)	(616,994)	(791,545)	(1,080,317)	(635,941)	(156,909)	(108,046)	(789,981)	(7,295,423)
Finance income	554,136	44	199	3,168	8,534	-	16,377	(454,810)	127,648
Finance costs	(972,948)	(98,613)	(76,768)	(243,276)	(143,020)	(3,303)	(19,184)	453,862	(1,103,250)
Net operating loss	(3,534,502)	(715,563)	(868,114)	(1,320,425)	(770,427)	(160,212)	(110,853)	(790,929)	(8,271,025)
Associate's results not consolidated	-	-	-	1,320,425	770,427	160,212	-	-	2,251,064
Net operating loss	(3,534,502)	(715,563)	(868,114)	-	-	-	(110,853)	(790,929)	(6,019,961)
Foreign exchange gains/(losses)	170,842	143,210	5,528	76,560	(44,611)	3,927	5,801	83,506	444,763
Fair value loss on derivatives	(52,717)	(12,041)	(19,055)	(4,996)	-	(1,689)	-	(51,456)	(141,954)
Share of results of associates	-	-	-	-	-	-	414	(63,236)	(62,822)
Share of results of a joint venture	-	-	-	-	-	-	-	(693)	(693)
Gain on disposal of investment in an associate	-	-	-	-	-	-	-	152,912	152,912
Fair value of retained interest in a previous associates	-	-	-	-	-	-	-	76,456	76,456
Profit/(loss) before taxation	(3,416,377)	(584,394)	(881,641)	71,564	(44,611)	2,238	(104,638)	(593,440)	(5,551,299)

There is no single customer who contributed to 10% or more of the Group's total revenue.

### 37. Segmental information (cont'd.)

The segmental information provided to the GCEO for the reportable segments are as follows: (cont'd.)

	Airline						Non-Airline	Elimination adjustments	Total
	Malaysia	Philippines	Indonesia	Thailand	India	Japan			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2020 (cont'd.)</b>									
<b>Segment Assets</b>									
Property, plant and equipment and right-of-use assets	17,721,840	888,657	1,498,533	4,670,469	1,734,490	30,559	358,157	(16,372,120)	10,530,585
Deposits, cash and bank balances	341,227	3,716	5,402	136,242	87,669	21,364	182,933	(245,275)	533,278
Investment in associates	900,557	-	-	-	-	-	727	(418,530)	482,754
Other assets	16,470,931	113,748	315,651	1,540,703	526,190	24,387	867,203	(11,741,372)	8,117,441
	35,434,555	1,006,121	1,819,586	6,347,414	2,348,349	76,310	1,409,020	(28,777,297)	19,664,058
<b>Segment Liabilities</b>									
Borrowings and lease liabilities	18,122,636	1,201,427	1,419,627	4,480,921	2,254,136	515	389,905	(14,145,058)	13,724,109
Others	7,991,538	2,333,570	1,233,488	2,338,153	988,786	399,288	744,146	(6,519,226)	9,509,743
	26,114,174	3,534,997	2,653,115	6,819,074	3,242,922	399,803	1,134,051	(20,664,284)	23,233,852

	Airline						Non-Airline	Elimination adjustments	Total
	Malaysia	Philippines	Indonesia	Thailand	India	Japan			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2019</b>									
<b>Segment results</b>									
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)
Net operating profit/(loss)	3,672,296	27,896	(44,875)	(126,084)	(285,112)	(180,275)	(72,618)	(3,513,865)	(522,637)

# Notes to the Financial Statements For the financial year ended 31 December 2020

## 37. 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				Non- Airline RM'000	Elimination adjustments RM'000	Total RM'000
			Indonesia RM'000	Thailand RM'000	India RM'000	Japan RM'000			
<b>2019 (cont'd.)</b>									
Segment results (cont'd.)									
Net operating profit/ (loss) brought forward	3,672,296	27,896	(44,875)	(126,084)	(285,112)	(180,275)	(72,618)	(3,513,865)	(522,637)
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.

	Malaysia RM'000	Philippines RM'000	Airline				Non- Airline RM'000	Elimination adjustments RM'000	Total RM'000
			Indonesia RM'000	Thailand RM'000	India RM'000	Japan RM'000			
<b>2019 (cont'd.)</b>									
<b>Segment Assets</b>									
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	18,603,439	12,417,530
Deposits, cash and bank balances	2,165,127	59,485	90,443	534,273	286,826	20,517	273,042	(841,616)	2,588,097
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	(11,904,587)	9,885,766
	42,159,613	1,392,014	2,209,728	8,091,935	2,319,659	100,232	861,132	(31,539,595)	25,594,718
<b>Segment Liabilities</b>									
Borrowings and lease liabilities	19,480,344	1,238,245	1,644,439	5,921,439	1,657,947	-	151,035	(17,204,782)	12,888,667
Others	9,206,797	2,004,659	526,530	1,407,765	850,580	258,612	619,456	(5,079,088)	9,795,311
	28,687,141	3,242,904	2,170,969	7,329,204	2,508,527	258,612	770,491	(22,283,870)	22,683,978

### 38. 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.

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>(a) Income:</b>				
Aircraft lease income owned and leased aircraft				
- Thai AirAsia Co. Ltd	7,369	28,455	-	-
- AirAsia Japan Co., Ltd	-	15,959	-	-
Office rental income				
- AirAsia X Berhad	1,029	3,360	-	-
In-flight entertainment system and software charged by Rokki Sdn Bhd				
- AirAsia X Berhad	1,183	4,476	-	-
Ground handling services charged by Ground Team Red Sdn Bhd				
- AirAsia X Berhad	7,769	39,763	-	-
Sale of loyalty point from BIGLIFE Sdn Bhd				
- AirAsia X Berhad	1,707	6,538	-	-
- Thai AirAsia Co. Ltd	6,855	-	-	-
- Thai AirAsia X Co. Ltd	612	2,917	-	-
Turnaround charges and marketing funds charged by AirAsia (Guangzhou) Aviation Service Limited				
- AirAsia X Berhad	3,225	5,089	-	-

# Notes to the Financial Statements For the financial year ended 31 December 2020

## 38. Significant related party transactions (cont'd.)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>(a) Income (cont'd.):</b>				
Travelling - Accommodation charged by Tune Hotel	-	3,252	-	-
Fees charged to associates and related parties providing commercial air transport services	37,487	109,450	-	-
Commission on travel insurance for passengers charged to Tune Insurance Malaysia Berhad	-	7,080	-	-
<b>(b) Recharges:</b>				
Recharges of expenses to				
- Thai AirAsia Co. Ltd	416,161	84,569	-	-
- AirAsia X Berhad	119,121	21,618	-	-
- AirAsia (India) Limited	227,561	35,445	-	-
- PT Indonesia AirAsia Extra	3,056	439	-	-
- Thai AirAsia X Co. Ltd	171,993	1,083	-	-
- AirAsia Japan Co., Ltd	9,061	2,272	-	-
<b>(c) Other income/(expenses):</b>				
Maintenance reserve fund charged to				
- Thai AirAsia Co. Ltd	160,851	283,929	-	-
- AirAsia (India) Limited	33,905	12,441	-	-
- PT Indonesia AirAsia Extra	10,438	34,928	-	-
- AirAsia Japan Co., Ltd	6,472	12,205	-	-
Purchase of cargo transportation capacity				
- AirAsia X Berhad	86,273	185,957	-	-
Provision of lounge services				
- AirAsia X Berhad	280	(1,832)	-	-
Management fees charged to PT Indonesia AirAsia				
- AirAsia X Berhad	-	(3,098)	-	-
Management fees paid to AirAsia SEA Ltd (formerly known as AirAsia Group (IHQ) Ltd)	-	-	(10,467)	(15,835)
Loyalty point redemption				
- AirAsia X Berhad	(3,693)	(17,738)	-	-
- Thai AirAsia Co. Ltd	(9,758)	(24,818)	-	-
- Thai AirAsia X Co. Ltd	(1,103)	(7,194)	-	-
Management fees charged to associates and related parties	5,596	15,378	-	-

## 39. Financial instruments

Group	Measured at amortised costs RM'mil	Measured at FVTPL RM'mil	Measured at FVOCI RM'mil	Total RM'mil
<b>31 December 2020</b>				
<b>Financial assets as per statements of financial position</b>				
Investment securities (Note 15)	-	93	379	472
Receivables (excluding prepayments and deposits for aircraft maintenance)	738	-	-	738
Amounts due from associates (Note 23)	360	-	-	360
Amounts due from related parties (Note 24)	107	-	-	107
Deposits on aircraft purchase (Note 19)	590	-	-	590
Derivative financial instruments (Note 20)	-	-	78	78
Deposits, cash and bank balances (Note 25)	534	-	-	534
Finance lease receivables (Note 29)	938	-	-	938
<b>Total</b>	<b>3,267</b>	<b>93</b>	<b>457</b>	<b>3,817</b>

Group	Liabilities at fair value through and loss RM'mil	Other liabilities RM'mil	Total RM'mil
<b>31 December 2020</b>			
<b>Financial liabilities as per statements of financial position</b>			
Borrowings (Note 28)	-	1,289	1,289
Derivative financial instruments (Note 20)	65	135	200
Trade and other payables (Note 26)	-	2,580	2,580
Aircraft maintenance payables and provisions (excluding provisions and maintenance reserve funds) (Note 27)	-	2,377	2,377
Amounts due to associates (Note 23)	-	36	36
Amounts due to related parties (Note 24)	-	50	50
Lease liabilities (Note 29)	-	12,435	12,435
<b>Total</b>	<b>65</b>	<b>18,902</b>	<b>18,967</b>

# Notes to the Financial Statements For the financial year ended 31 December 2020

## 39. Financial instruments (cont'd.)

Group	Measured at amortised costs RM'mil	Measured at FVTPL RM'mil	Measured at FVOCI RM'mil	Total RM'mil
<b>31 December 2019</b>				
<b>Financial assets as per statements of financial position</b>				
Investment securities (Note 15)	-	95	508	603
Receivables (excluding prepayments and deposits for aircraft maintenance)	1,160	-	-	1,160
Amounts due from associates (Note 23)	433	-	-	433
Amounts due from related parties (Note 24)	107	-	-	107
Deposits on aircraft purchase (Note 19)	596	-	-	596
Derivative financial instruments (Note 20)	-	205	234	439
Deposits, cash and bank balances				
Finance lease receivables (Note 29)	1,221	-	-	1,221
<b>Total</b>	<b>3,517</b>	<b>300</b>	<b>742</b>	<b>4,558</b>

Group (cont'd.)	Liabilities at fair value the profit and loss RM'mil	financial liabilities RM'mil	Total RM'mil
<b>31 December 2019</b>			
<b>Financial liabilities as per statements of financial position</b>			
Borrowings (Note 28)	-	429	429
Derivative financial instruments (Note 20)	60	140	200
Trade and other payables (Note 26)	-	2,496	2,496
Aircraft maintenance payables and provisions (excluding provisions and maintenance reserve funds) (Note 27)	-	2,435	2,435
Amounts due to associates (Note 23)	-	152	152
Amounts due to related parties (Note 24)	-	261	261
Lease liabilities (Note 29)	-	12,460	12,460
<b>Total</b>	<b>60</b>	<b>18,373</b>	<b>18,433</b>

## 39. Financial instruments (cont'd.)

	Measured at amortised costs RM'mil	Measured at FVOCI RM'mil	Total RM'mil
<b>Company</b>			
<b>31 December 2020</b>			
<b>Assets as per statements of financial position</b>			
Investment securities (Note 15)	-	175	175
Amount due from a subsidiary (Note 22)	546	-	546
Deposits, cash and bank balances (Note 25)	1	-	1
	547	175	722

	Other financial liabilities RM'mil
<b>Liabilities as per statements of financial position</b>	
Trade and other payables (Note 26)	7
Amounts due to subsidiaries (Note 22)	462
	469

	Measured at amortised costs RM'mil	Measured at FVOCI RM'mil	Total RM'mil
<b>Company</b>			
<b>31 December 2019</b>			
<b>Assets as per statements of financial position</b>			
Investment securities (Note 15)	-	313	313
Receivables (Note 18)	1	-	1
Amount due from a subsidiary (Note 22)	287	-	287
Amounts due from associates (Note 23)	50	-	50
Deposits, cash and bank balances (Note 25)	41	-	41
	379	313	692

	Other financial liabilities RM'mil
<b>Liabilities as per statements of financial position</b>	
Trade and other payables (Note 26)	2



# Notes to the Financial Statements For the financial year ended 31 December 2020

## 40. 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.

#### (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 2020 had been USD5 higher/lower with all other variables held constant, the impact on the post-tax profit and equity are as follows:

	2020		2019	
	+USD5 RM'mil	-USD5 RM'mil	+USD5 RM'mil	-USD5 RM'mil
Impact on other comprehensive income	26	(26)	231	(231)

#### (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).

#### 40. Financial risk management policies (cont'd.)

The policies in respect of the major areas of treasury activities are as follows (cont'd.):

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

##### (ii) Interest rate risk (cont'd.)

If interest rate on USD denominated borrowings at 31 December 2020 and 31 December 2019 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 2020 and 31 December 2019 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:

	2020		2019	
	+60bps RM'mil	-60bps RM'mil	+60bps RM'mil	-60bps RM'mil
Impact on post tax profits	(44)	(86)	(26)	(90)

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:

	2020	2019
Later than 1 year but less than 5 years:		
Interest rate caps	-	-
Interest rate swaps	-	293
Later than 5 years:		
Interest rate swaps	734	956
Cross currency interest rate swaps	-	261
	734	1,510

##### (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 2020, the Group has not hedged any of its USD denominated borrowings. In prior year, 69% of USD denominated borrowings are hedged by long dated foreign exchange forward contracts (Note 20).

In prior year, if RM had weakened/strengthened by 5% against the USD with all other variables held constant, post-tax profit for the financial year would have been RM15.1 million lower/higher. Similarly, the impact on other comprehensive income would have been RM Nil 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.

# Notes to the Financial Statements For the financial year ended 31 December 2020

## 40. Financial risk management policies (cont'd.)

The policies in respect of the major areas of treasury activities are as follows (cont'd.):

### (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.

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 pandemic, the liquidity of the Group is impacted as it is influenced by the booking and payment pattern of passengers which saw a decline. Further details are as disclosed in Note 45.

The management will continue to monitor liquidity reserves and rolling cash flow forecasts throughout the year based on the measures put in place as disclosed in Note 45 and also potential impact 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.

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

The policies in respect of the major areas of treasury activities are as follows (cont'd.):

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

Group	Less than 1 year RM'mil	1-2 years RM'mil	2-5 years RM'mil	Over 5 years RM'mil
<b>At 31 December 2020</b>				
Term loans	354	57	156	120
Revolving credit	121	-	-	-
Swap creditors loan	602	6	-	-
Trade and other payables (Note 26)	2,307	273	-	-
Aircraft maintenance payables	194	579	433	1,435
Lease liabilities	2,252	2,000	4,619	4,647
Amounts due to associates	36	-	-	-
Amounts due to related parties	50	-	-	-
	5,916	2,915	5,208	6,202
<b>At 31 December 2019</b>				
Term loans	258	39	47	18
Commodity Murabahah Finance	4	-	-	-
Revolving credit	100	-	-	-
Trade and other payables (Note 26)	2,175	320	-	-
Aircraft maintenance payables	167	176	1,507	911
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	-	-	-
	5,707	5,206	6,576	6,399
<b>Company</b>				
<b>At 31 December 2020</b>				
Trade and other payables	9	-	-	-
Amounts due to subsidiaries	462	-	-	-
	471	-	-	-
<b>At 31 December 2019</b>				
Trade and other payables	2	-	-	-
Amounts due to subsidiaries	-	-	-	-
	2	-	-	-

# Notes to the Financial Statements For the financial year ended 31 December 2020

## 40. Financial risk management policies (cont'd.)

The policies in respect of the major areas of treasury activities are as follows (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
<b>Group</b>				
<b>At 31 December 2020</b>				
Net-settled derivatives				
Trading	-	-	-	65
Hedging	115	-	-	-
<b>At 31 December 2019</b>				
Net-settled derivatives				
Trading	7	-	20	33
Hedging	120	20	-	-

### (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 2019.

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 lease liabilities less deposit, cash and bank balances.

The net gearing ratio as at 31 December 2020 and 31 December 2019 are as follows:

	Group		Company	
	2020 RM'mil	2019 RM'mil	2020 RM'mil	2019 RM'mil
Total borrowings (Note 28)	1,289	429	-	-
Lease liabilities (Note 29)	12,435	12,460	-	-
Less: Deposit, cash and bank balances (Note 25)	(534)	(2,588)	(1)	(41)
Net debts	13,190	10,301	(1)	(41)
Total equity	(3,313)	2,911	8,543	8,951
Net Gearing Ratio (times)	N/A	3.54	N/A	N/A

#### 40. Financial risk management policies (cont'd.)

The policies in respect of the major areas of treasury activities are as follows (cont'd.):

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

During the financial year, the Group's operations were significantly affected by the COVID-19 pandemic which led to operating losses. The Group has been relying on debt compared to its equity to finance the Group's operations which resulted in a negative net gearing ratio.

The Group is in compliance with all externally imposed capital requirements for the financial years ended 31 December 2020 and 31 December 2019.

##### (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);
- 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.

	Level 1 RM'mil	Level 2 RM'mil	Level 3 RM'mil	Total RM'mil
<b>Group</b>				
<b>31 December 2020</b>				
<b>Assets</b>				
Derivatives used for hedging	-	78	-	78
Investment securities	220	92	160	472
	220	170	160	550
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	65	-	65
Derivatives used for hedging	-	135	-	135
	-	200	-	200

# Notes to the Financial Statements For the financial year ended 31 December 2020

## 40. 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.)

Group	Level 1 RM'mil	Level 2 RM'mil	Level 3 RM'mil	Total RM'mil
<b>31 December 2019</b>				
<b>Assets</b>				
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
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	60	-	60
Derivatives used for hedging	-	140	-	140
	-	200	-	200
<b>Company</b>				
<b>31 December 2020</b>				
<b>Assets</b>				
Investment securities	133	43	-	176
	133	43	-	176
<b>31 December 2019</b>				
<b>Assets</b>				
Investment securities	267	46	-	313
	267	46	-	313

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.

#### 40. 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 determine 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;
- 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.

#### 41. 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 2020. 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.



# Notes to the Financial Statements For the financial year ended 31 December 2020

## 41. Unconsolidated structured entities (cont'd.)

The details of the Merah entities are as follows:

Name	incorporation	Principal activities
Merah Satu Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tiga Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Lima Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Enam Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tujuh Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah 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

## 42. Significant events

### (i) Sale and leaseback of seven (7) aircraft engines

During the financial year, the Group completed a sale and leaseback of five (5) A320 neo aircraft engines and two (2) A320 ceo engines for a disposal consideration of USD93.5 million (equivalent to RM400 million).

### (ii) Cessation of business and commencement of bankruptcy proceedings of AAJ

On 17 November 2020, the Group announced that AAJ will commence bankruptcy proceedings. Pursuant to this, the Group and the Company recognised losses to its income statements amounting to RM283.8 million and RM233.4 million, respectively. The losses incurred by the Group and the Company include impairment of amounts due from AAJ of RM264.1 million and RM213.7 million respectively.

#### 42. Significant events (cont'd.)

##### (iii) Sale of 32.7% of interests in AAI

On 29 December 2020, the Group announced that its wholly owned subsidiary, AAIL executed a Share Purchase Agreement ("SPA") with TSL to sell 32.7% of AAI, comprising 490 million ordinary shares of INR10 each, for a consideration of USD37.7 million (or approximately RM152.6 million).

The SPA also provides for an option for the sale of AAIL's remaining 16.3% stake in AAI. The total consideration in respect of the Option is USD18.8 million (or approximately RM76.3 million). The impact of the disposal is as disclosed in Note 14 to the financial statements.

#### 43. Subsequent events

##### (i) Private placement

On 21st January 2021, the Company announced that it proposed to undertake a private placement of up to 20% of the total number of issued shares of the Company or 668,394,816 shares ("Placement shares") ("Proposed Private Placement"). The Proposed Private Placement will be undertaken in accordance with the general mandate pursuant to Sections 75 and 76 of the Companies Act 2016 and the "Additional Temporary Relief Measures to Listed Issuers" announced by Bursa Malaysia Securities Berhad ("Bursa") on 16 April 2020 which increased the prescribed limit under Paragraph 6.03 of the Main Market Listing Requirements from 10% to 20%. The Company has obtained approval from its shareholders for the 20% General Mandate at its Annual General Meeting held on 28 September 2020.

The Placement Shares will rank equally in all aspects with the existing Company shares in issue. The actual amount of proceeds to be raised from the Proposed Private Placement will depend on the actual number of Placement Shares issued and the issue price of the Placement Shares.

On 10 February 2021, the Company announced that the first tranche of placement shares of 369,846,852 is price fixed at RM0.675 per share. On 9 March 2021, the Company announced that the second tranche of placement shares of 100,367,362 is price fixed at RM0.865 per share. The above two tranches raised a total of RM336.46 million.

##### (ii) Proposed establishment of Long Term Incentive Scheme of up to 10% of the total number of issued shares ("Proposed LTIS")

On 17 February 2021, the Company announced that it proposes to establish and implement a long term incentive scheme for eligible employees and directors of Group and its subsidiaries (excluding dormant subsidiaries) (collectively referred to as, "AAGB Group" or "Group") which consists of an employee share option scheme ("Proposed ESOS") and a share grant scheme ("Proposed SGS") (collectively referred to as, the "Proposed LTIS").

The Proposed ESOS is intended to allow the Company to reward selected eligible employees and directors (excluding non-executive directors), primarily key senior and critical junior talents, of the Group by granting them an option to subscribe for new ordinary shares in the Company at a pre-determined specified exercise price ("ESOS Option"), subject to the terms and conditions of the By-Laws.

The Proposed SGS is intended to allow the Group to award Company Shares ("SGS Award(s)") to selected senior employees of the Group, subject to certain performance conditions as set out in Group's annual bonus scheme, and as prescribed by the LTIS Committee, in lieu of cash bonus.

The above proposal is subject to shareholders approval.

# Notes to the Financial Statements For the financial year ended 31 December 2020

## 43. Subsequent events (cont'd.)

### (iii) Proposed acquisition of remaining 20% equity interest in BigLife Sdn Bhd

On 14 April 2021, the Company has entered into a share sale and purchase agreement ("SSPA") with AIMIA Holdings UK II Limited ("AIMIA") for the proposed acquisition of the remaining 1.7 million ordinary shares in BigLife, representing 20% of the equity interest in BigLife, from AIMIA for a purchase consideration of RM103 million to be satisfied wholly via the issuance of 85.9 million new ordinary shares of the Company at an issue price of RM1.20 per share. The completion of the sales and purchase agreement is subject to shareholders approval.

## 44. Other matters

### Litigations involving AAB and Malaysia Airports (Sepang) Sdn Bhd ("MASSB")

In prior years, 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 million (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 sum of RM479.8 million, 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.

Following to above, on 22 January 2021, MASSB filed a supplementary affidavit in an attempt to adduce fresh evidence in these appeals. On 5 February 2021, the Company filed motions to adduce fresh evidence in these appeals. In view of these developments, the hearing proper of the appeals were adjourned, pending the disposal of the Company's motions to adduce fresh evidence and MASSB's supplementary affidavits.

On 24 March 2021, the Court of Appeal allowed the Company's motions to adduce fresh evidence and Supplementary Records of Appeal consisting of the fresh evidence were filed on 5 April 2021 and served on 6 April 2021.

### Litigations involving AAB and Malaysia Airports (Sepang) Sdn Bhd ("MASSB")

On 14 April 2021, the Court of Appeal gave directions for the filing of written submissions and fixed the appeals for:-

- (a) e-Review case management on 12 January 2022; and
- (b) e-appellate hearing by Zoom on 27 January 2022.

The Company's application to expunge an affidavit filed by MASSB which contains without prejudice communications and negotiations regarding disputed matters that have not been concluded. The expungement application is fixed for decision on 12 March 2021 which was adjourned to 9 April 2021.

On 9 April 2021, The High Court fixed the Expungement Application for physical hearing and the Striking Out Application and FBP Application for case management on 27 July 2021.

#### 45. COVID-19 Pandemic

The COVID-19 pandemic ("COVID-19") has been declared a global health pandemic by the World Health Organization. COVID-19 has surfaced in nearly all regions of the world, which has driven the implementation of significant, government-imposed measures to prevent or reduce its spread, including travel restrictions, testing regimes, closing of borders, "stay at home" orders and business closures. In addition, the resurgence of COVID-19 cases in the respective countries have prompted the governments to impose domestic and international travel restrictions and these restrictions are hindering the recovery of demand for air travel. As a result, the Group has experienced an unprecedented decline in the demand for air travel, which resulted in a material deterioration in the Group's revenues and cashflows, as well as impairment of financial and non-financial assets. The total impairment recorded in respect of these assets amounted to RM2,023 million (comprising impairment of aircraft-related property, plant and equipment and right-of-use assets of RM596 million and impairment of receivables, amounts due from associates and related parties, and investment in an associate of RM1,427 million), all of which are non-cash in nature.

The Group reported a net loss of RM5,888 million for the financial year ended 31 December 2020 and the current liabilities exceeded its current assets by RM5,902 million as at 31 December 2020. In addition, the Group also reported a shareholders' deficit of RM1,214 million. The Company reported a net loss of RM262 million for the financial year ended 31 December 2020. The aforementioned events and 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.

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 its cash flow requirements. The following measures had been taken, with further additional efforts to be taken:

a) Funding

To shore up liquidity, the Group has completed the following initiatives as of 31 December 2020:

- i) Secured term loans and revolving credits of RM300 million secured from a financial institution; and
- ii) Sale and leaseback of 7 engines which raised approximately RM400 million; and
- iii) Disposed 33% equity interest in AAI which raised RM152.9 million.

Subsequent to the financial year end, the Group has completed 2 tranches of private placements of 470.2 million ordinary shares in total, raising total proceeds of RM336.46 million.

In addition to the above, the Group is currently undertaking the follow initiatives:

- i) Application of funding under the Danajamin PRIHATIN Guarantee Scheme ("DPGS") of amounts up to RM1 billion with the relevant financial institutions. As at the date of this report, the Group has received approval letters from certain banks amounting to RM300 million under the DPGS scheme. The Group is currently in various stages of discussion with other financial institutions to secure the remaining financing of up to RM700 million under the DPGS scheme.
- ii) Proposed issuance of a debt instrument to raise approximately RM1 billion.

# Notes to the Financial Statements For the financial year ended 31 December 2020

## 45. COVID-19 Pandemic (cont'd.)

### b) Working capital management

- (i) The Group is currently in discussion with its lessors to negotiate the restructuring of leases to waive the lease rentals in arrears as well as reducing future lease rates with a corresponding longer lease term where necessary. The lease rentals deferred as at 31 December 2020 is disclosed in Note 29 to the financial statements.
- (ii) During the financial year, the Group has significantly reduced its cash burn rate through various cost containment and optimization exercise, and working capital management which includes, amongst others:
  - Implementation of cost cutting measures such as right sizing of manpower, salary cuts for management, staff and directors;
  - Negotiation of deferrals with lessors, suppliers and partners;
  - Restructuring of fuel hedging positions;
  - Operational staffs were put on furlough, keeping only minimal operational staff based on current capacity; and
  - Closure of its AAJ's operations and partial disposal of its stake in AAI to TSL.

### c) 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 significantly reduced the passenger capacity ever since the outbreak of COVID-19 in March 2020. Passengers carried was at a low of 204,000 passengers during Q2 2020. As local travel restrictions eased, the number of flights and passengers flown increased, with passengers carried improving to 1.9 million passengers during Q3 2020 and 1.3 million passengers in Q4 2020. As of April 2021, the Group recorded 1.26 million passengers flown.

The Group implements continuous flight capacity and network revenue management in response to global travel restrictions and the current progressive uplifting of travel restriction by the respective countries. This can be seen through effective fleet management, with management making timely decisions to either reinstate flights or hibernate the fleet as and when necessary. The capacity of the flights moves in tandem with local regulatory requirements and developments of the active COVID-19 cases of the corresponding flight destinations.

The respective countries of which the Group operates in is currently in its various stages of rollout of vaccination programmes. Coupled with better education and testing and alongside strong support for leisure travel bubbles among low risk countries and territories and the push for global digital health passports are steadily paving way for major travel reboot. From the progress of vaccination in countries such as United States and United Kingdom, there is a clear correlation of significantly lesser daily cases when vaccination programmes reaches a larger population.

The Group consistently monitors the route profitability and concentrates its recovery on the most profitable and popular routes. Due to this uncertainty, the Group had and will continue to adjust future available capacity to match observed booking trends for future travel to optimise the load factors of each flight.

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. Should the going concern basis for the preparation of the financial statements be no longer appropriate, adjustments will have to be made to state the assets at their realisable values and to provide for further liabilities which may arise.

# ANALYSIS OF SHAREHOLDINGS

## as at 30 April 2021

### 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	354	0.37	6,995	0.00
100 – 1,000	23,892	24.69	16,305,076	0.43
1,001 – 10,000	51,389	53.11	240,286,102	6.30
10,001 – 100,000	19,072	19.71	580,070,435	15.22
100,001 to less than 5% of issued shares	2,054	2.12	1,950,034,606	51.15
5% and above of issued shares	3	0.00	1,025,485,082	26.90
	96,764	100.00	3,812,188,296	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:-

Name	DIRECT		INDIRECT	
	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
Tune Live Sdn. Bhd. (“TLSB”)	509,000,000 <sup>(1)</sup>	13.35	-	-
Tune Air Sdn Bhd (“TASB”)	516,485,082 <sup>(2)</sup>	13.55	-	-
Positive Boom Limited (“PBL”)	332,240,504 <sup>(3)</sup>	8.72	-	-
Tan Sri Anthony Francis Fernandes	1,600,000 <sup>(4)</sup>	0.04	1,025,485,082 <sup>(6)</sup>	26.90
Datuk Kamarudin bin Meranun	2,000,000 <sup>(5)</sup>	0.05	1,025,485,082 <sup>(6)</sup>	26.90
Choi Chiu Fai, Stanley	-	-	332,240,504 <sup>(7)</sup>	8.72

#### Notes:

- Shares held under RHB Capital Nominees (Tempatan) Sdn. Bhd. and HSBC Nominees (Tempatan) Sdn Bhd for TLSB.
- Shares held under HSBC Nominees (Tempatan) Sdn Bhd for TASB.
- Shares held under PBL, Kenanga Nominees (Asing) Sdn. Bhd. and Affin Hwang Nominees (Asing) Sdn Bhd for PBL.
- Shares held under HSBC Nominees (Tempatan) Sdn Bhd for Tan Sri Anthony Francis Fernandes.
- Shares held under HSBC Nominees (Tempatan) Sdn Bhd for Datuk Kamarudin bin Meranun.
- Deemed interested by virtue of Section 8 of the Companies Act, 2016 through a shareholding of more than 20% in TLSB and TASB.
- Deemed interested by virtue of Section 8 of the Companies Act, 2016 through a shareholding of more than 20% in PBL.

# Analysis of Shareholdings as at 30 April 2021

## 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:-

Name	← DIRECT →		← INDIRECT →	
	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
Tan Sri Anthony Francis Fernandes	1,600,000 <sup>(1)</sup>	0.04	1,025,485,082 <sup>(2)</sup>	26.90
Datuk Kamarudin bin Meranun	2,000,000 <sup>(1)</sup>	0.05	1,025,485,082 <sup>(2)</sup>	26.90
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	989,500 <sup>(3)</sup>	0.03	-	-
Dato' Fam Lee Ee	-	-	-	-
Stuart L Dean	40,000 <sup>(4)</sup>	0.00*	-	-
Dato' Mohamed Khadar bin Merican	250,000 <sup>(5)</sup>	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 Live Sdn Bhd and Tune Air Sdn Bhd.

(3) Shares held under Amsec Nominees (Tempatan) Sdn Bhd.

(4) Shares held under Cimsec Nominees (Asing) Sdn Bhd.

(5) Shares held under AllianceGroup Nominees (Tempatan) Sdn Bhd.

## LIST OF TOP 30 LARGEST SHAREHOLDERS

	No. of Shares Held	% of Issued Share Capital
1. HSBC Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account - Credit Suisse AG, Singapore For Tune Air Sdn. Bhd.</i>	516,485,082	13.55
2. RHB Capital Nominees (Tempatan) Sdn. Bhd. <i>RHB Islamic Bank Berhad Pledged Securities Account For Tune Live Sdn. Bhd.</i>	260,469,710	6.83
3. HSBC Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account - Credit Suisse AG, Singapore For Tune Live Sdn. Bhd.</i>	248,530,290	6.52
4. Positive Boom Limited	167,098,704	4.38
5. Kenanga Nominees (Asing) Sdn. Bhd. <i>Exempt An for Guotai Junan Securities (Hong Kong) Limited (Client Account)</i>	165,141,800	4.33
6. Amanahraya Trustees Berhad <i>Amanah Saham Bumiputera</i>	155,159,000	4.07
7. Citigroup Nominees (Tempatan) Sdn. Bhd. <i>Urusharta Jamaah Sdn. Bhd. (2)</i>	137,087,758	3.60
8. HSBC Nominees (Tempatan) Sdn. Bhd. <i>Exempt An for Credit Suisse (SG BR-TST-TEMP)</i>	120,000,000	3.15
9. HSBC Nominees (Tempatan) Sdn. Bhd. <i>Exempt An for BNP Paribas Singapore Branch (Local)</i>	70,000,000	1.84
10. HSBC Nominees (Asing) Sdn. Bhd. <i>Bjb Zur for Shiva Fernandes</i>	49,650,000	1.30
11. RHB Capital Nominees (Asing) Sdn. Bhd. <i>Aimia Inc.</i>	35,609,826	0.93
12. Amanah Trustees Berhad <i>Amanah Saham Bumiputera 2</i>	30,500,000	0.80
13. Cartaban Nominees (Tempatan) Sdn. Bhd. <i>Icapital.Biz Berhad</i>	26,282,200	0.69
14. HSBC Nominees (Asing) Sdn. Bhd. <i>JPMCB NA for Vanguard Emerging Markets Stock Index Fund</i>	20,384,358	0.53
15. Amanahraya Trustees Berhad <i>Amanah Saham Malaysia 2 - Wawasan</i>	20,000,000	0.52



# Analysis of Shareholdings as at 30 April 2021

## LIST OF TOP 30 LARGEST SHAREHOLDERS

	No. of Shares Held	% of Issued Share Capital
16. HSBC Nominees (Asing) Sdn. Bhd. <i>JPMCB NA for Vanguard Total International Stock Index Fund</i>	19,540,954	0.51
17. Amanahraya Trustees Berhad <i>Amanah Saham Malaysia</i>	18,498,800	0.49
18. Cartaban Nominees (Asing) Sdn. Bhd. <i>SSBT Fund PPES for Pimco Equity Series: Pimco Rae Fundamental Emerging Markets Fund</i>	18,496,900	0.49
19. Amanahraya Trustees Berhad <i>Amanah Saham Malaysia 3</i>	14,639,100	0.38
20. Cimsec Nominees (Tempatan) Sdn. Bhd. <i>CIMB for Lim Chee Hwa (PB)</i>	10,754,800	0.28
21. HSBC Nominees (Asing) Sdn. Bhd. <i>J.P. Morgan Securities Plc</i>	8,814,900	0.23
22. Affin Hwang Nominees (Asing) Sdn. Bhd. <i>Phillip Securities Pte Ltd for Rakuten Securities Inc.</i>	8,279,000	0.22
23. HSBC Nominees (Asing) Sdn. Bhd. <i>BNP Paribas Arbitrage SNC</i>	8,256,700	0.22
24. Amanahraya Trustees Berhad <i>ASN Umbrella for ASN Equity 3</i>	8,022,200	0.21
25. Cartaban Nominees (Asing) Sdn. Bhd. <i>SSBT Fund PPAD for PIMCO RAE Fundamental Emerging Markets Fund LLC</i>	7,218,600	0.19
26. Citigroup Nominees (Asing) Sdn. Bhd. <i>JP Morgan Sec LLC for David Bonderman</i>	7,121,965	0.19
27. Asia Contents Lab Sdn. Bhd.	7,078,600	0.19
28. Cartaban Nominees (Asing) Sdn. Bhd. <i>Exempt An for Barclays Capital Securities Ltd (SBL/PB)</i>	6,900,700	0.18
29. Kenanga Nominees (Asing) Sdn. Bhd. <i>Exempt An for Phillip Securities Pte Ltd (Client Account)</i>	6,685,100	0.18
30. Kenanga Nominees (Tempatan) Sdn. Bhd. <i>Kho Chai Yam</i>	6,667,000	0.17

# LIST OF PROPERTIES HELD UNDER AIRASIA GROUP

Owner of Building	Postal Address/Location Of Building	Description/Existing Use Of Building	Tenure/Date Of Expiry Of Lease	Built-Up Area	Approximate Age Of Building	Audited Net Book Value As At 31 Dec 2020 (RM'000)
AirAsia Berhad	Part of PT.39, Taxiway Charlie at KLIA, KLIA	Non-permanent structure/aircraft maintenance hangar	31 December 2021 <sup>(1)</sup>	2,400 sqm	18 years	1,416
	RedQ, Jalan Pekeliling 5, Kuala Lumpur International Airport 2 (klia2), KL International Airport, 64000 Sepang, Selangor Darul Ehsan.	Permanent Structure/Office building & car park	31 January 2034 <sup>(2)</sup>	56,000 sqm	50 months	149,227
	RedChain Engineering Building, Jalan KLIA S3, Southern Support Zone, 64000 KLIA, Selangor Darul Ehsan, Malaysia.	Permanent Structure/Office building	31 January 2034 <sup>(3)</sup>	21,206 sqm	10 months	46,447
						197,090

<sup>(1)</sup> 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.

<sup>(2)</sup> This refers to the date of expiry of the concession from Malaysia Airports Holdings Berhad for the plot of land occupied by AirAsia's Headquarters (RedQ).

<sup>(3)</sup> This refers to the date of expiry of the concession from Malaysia Airports Holdings Berhad for the plot of land occupied by the AirAsia Engineering Complex (RedChain).

AirAsia Group Berhad does not hold any properties under its name.

# List of Properties Held Under AirAsia Group

Owner of Building	Postal Address/Location Of Building	Description/Existing Use Of Building	Tenure/Date Of Expiry Of Lease	Built-Up Area	Approximate Age Of Building	Audited Net Book Value As At 31 Dec 2020 (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	6 years	361

## DESCRIPTION OF THE PREMISES

RedHouse is an office building with a total built-up area of 11,200 square metres situated on 12,463 square metres of land with the following attributes:

Key Information			
Registered Owner	PT AirAsia Mitra Investama		
Address	Jalan Marsekal Suryadharma, the Sub-District of Selapang Jaya, District of Batuceper, City of Tangerang, Province of Banten, Indonesia		
Type of Asset	Operational		
Year of Construction	2014		
Land Title	Under 13 Hak Guna Bangunan (Right to Build) and 2 Serifikat Hak Milik (Freehold) Land Certificate		
Land Use Planning	Trading and services (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	<table border="0"> <tr> <td style="vertical-align: top;"> <b>Main Building</b>            1<sup>st</sup> Floor Building – 1,847 sqm            2<sup>nd</sup> Floor Building – 1,558 sqm            3<sup>rd</sup> Floor Building – 1,833 sqm            4<sup>th</sup> Floor Building – 1,833 sqm            5<sup>th</sup> Floor Building – 690 sqm            Slab Concreate Building – 668 sqm            Flat Roof Building – 781 sqm         </td> <td style="vertical-align: top; border-left: 1px dashed black;"> <b>Supporting Building</b>            Management Building – 158 sqm         </td> </tr> </table>	<b>Main Building</b> 1 <sup>st</sup> Floor Building – 1,847 sqm 2 <sup>nd</sup> Floor Building – 1,558 sqm 3 <sup>rd</sup> Floor Building – 1,833 sqm 4 <sup>th</sup> Floor Building – 1,833 sqm 5 <sup>th</sup> Floor Building – 690 sqm Slab Concreate Building – 668 sqm Flat Roof Building – 781 sqm	<b>Supporting Building</b> Management Building – 158 sqm
<b>Main Building</b> 1 <sup>st</sup> Floor Building – 1,847 sqm 2 <sup>nd</sup> Floor Building – 1,558 sqm 3 <sup>rd</sup> Floor Building – 1,833 sqm 4 <sup>th</sup> Floor Building – 1,833 sqm 5 <sup>th</sup> Floor Building – 690 sqm Slab Concreate Building – 668 sqm Flat Roof Building – 781 sqm	<b>Supporting Building</b> Management Building – 158 sqm		

# SALES OFFICES & STATION

## 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 31A,  
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

Check in Counter Island D Counter D15  
Level 3 Terminal 1,  
Kota Kinabalu, International Airport  
88740 Kota Kinabalu, Sabah

MZL 06, Level 1, Airport Main Terminal,  
90000 Sandakan  
Sabah

FL 4, 1st Floor,  
Tawau Airport Building,  
Jalan Apas-Balun,  
91100 Tawau, Sabah

## PENANG

LOT 303B, 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

# Sales Offices & Stations

## SABAH

AirAsia Sales Centre  
TB228, Lot 5 Ground Floor,  
Istana Monaco Hotel,  
Jalan Bunga, Fajar Complex,  
91000 Tawau, Sabah

## PENANG

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

## PAHANG

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 China

### CHENGDU

No.172-5, East of Binjiang Road,  
Jinjiang District,  
Chengdu, China

### SHANGHAI

No.739, Changde Road,  
Jing'an District,  
Shanghai, China

### GUANGZHOU (Yuexiu)

Room L1004, Jiedeng plaza,  
Yuexiu District, Guangzhou,  
Guangdong

### KUNMING

No.1108 Huancheng South Road,  
Kunming, Yunnan, China

### XI'AN

No.6 Kejishangmao Building,  
East of Xidian University Community,  
Keji Road, Yanta District,  
Xian, Shaanxi

### NANNING

Level 1, 3 of Ziyun Xuan buiding 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, China

## HANGZHOU

No.567 Jianguo North Road  
(near Moyaying bus stop),  
Hangzhou, China

## SHENYANG

11 Door, Building C Zuanshixingzuo 222#,  
Nanjingbei ST, Heping, Shenyang, Liaoning

## WUHAN

Building 9-102, No.88,  
Hongqiyu Road, Jiangnan District, Wuhan  
China

## ZHUHAI

Room 1026-1027, No.68 Lingnan Road,  
Gongbei District, Zhuahi, China

## MACAO

No.7 South Bay Harbour Building  
Underground Building C  
Bei Di Xiang

## HONG KONG

174A, Peninsula Centre,  
67 Mody Road, Eat Tsim sha Tsui,  
Kowloon, Hong Kong

## 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, India

### BENGALURU

#54, 1st Floor,  
Monarch Plaza, Brigade Road,  
Bengaluru - 560 001, India

### KOCHI

XXVII/2605, Ground Floor Pulinadu Building,  
Altantis, M.G.Road,  
Kochi 682015, India

**JAPAN****TOKYO**

Shinjuku Westcourt 5F,  
7-2-11 Nishishinjuku, Shinjuku-ku  
Tokyo 160-0023 Japan

**MYANMAR****MANDALAY**

73rd Street (between 29th x 30th Street),  
Chan Aye Thazan Township, Mandalay

**YANGON**

No. (37), Level 1, Room 111,  
La Pyae Wun Plaza,  
Dagon Township,  
Yangon, Myanmar

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, Vietnam

**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, Vietnam

**CAMBODIA****PHNOM PENH**

No. 179, Street Sisowath,  
Sangkat Phsar Kandal 1,  
Khan Daun Penh,  
Phnom Penh, Cambodia

Phnom Penh, AEON MALL  
Ground Floor, No. 132,  
Street Samdach Sothearos,  
Sangkat Tonle Bassac,  
Phnom Penh, Cambodia

**SIEM REAP**

No. 30, Sivutha Boulevard,  
Mondol II Village, Svay Dongkom District,  
Siem Reap City, Siem Reap Province,  
Cambodia

**THAILAND****BANGKOK**

1st floor, double door KFC 1710  
Sukhumvit Road, Klong Toey  
Bangkok, 10110 Thailand

2nd Floor (Near Watsons) 1190,  
Phahonyothin Road, Jompol Jatujak,  
Bangkok, 10900 Thailand

127 Tanow Road, Bovornivet, Phra Nakorn,  
BKK 10200, Thailand

1st floor, Near 3bb shop, 829 Pracharat  
Sai 2 Rd., Bang Sue, Bang Sue,  
Bangkok, 10800 Thailand

**PHUKET**

2nd Floor (Near Foodcourt), 104,  
Chalermprakiat Road, Rasada Sub District,  
Muang District, Phuket, 83000 Thailand

**HATYAI**

69 Thamanoovitee Road, Hatyai 90110  
Thailand

**CHIANG MAI**

416, Thaphae Road, Chiang Mai 50300  
Thailand

**PATTAYA**

2nd Floor (opposite KFC) 408/2 Moo.12,  
Sukhumvit Road Nongprue, Banglamung,  
Chonburi 20150 Thailand

**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 cor. J.  
Vargas Ave., Mandaluyong City

576 San Andres St. Malate, Manila

Air Asia Sales Office (In-front of NAAI  
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 Int'l Airport

**TACLOBAN**

Stall no 13 DZR Airport San Jose  
Tacloban City

**MALDIVES****MALE**

H.Ruvaamaage Aage – 2nd Floor  
Janavaree Magu  
Male 20045,  
Republic of Maldives

**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

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, Pekanbaru -  
Riau 28289

**SALES OFFICE JAKARTA**

Sarinah Plaza, Jl. M. H Thamrin No. 11

**SALES OFFICE MEDAN**

Garuda Plaza Hotel Lobby Level, JL.  
Sisingamanga 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 journey flown by a one-way flight.



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# FORM OF PROXY

**AIRASIA GROUP BERHAD**  
 [Registration 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  
(COMPULSORY)

Company, hereby appoint \_\_\_\_\_  
(FULL NAME IN BLOCK LETTERS)

NRIC No./Passport No.: \_\_\_\_\_ of \_\_\_\_\_  
(COMPULSORY) (FULL ADDRESS)

\_\_\_\_\_ telephone no. \_\_\_\_\_, email address \_\_\_\_\_,  
(COMPULSORY)

and, \_\_\_\_\_ NRIC No./Passport No.: \_\_\_\_\_  
(FULL NAME IN BLOCK LETTERS) (COMPULSORY)

of \_\_\_\_\_  
(FULL ADDRESS)

telephone no. \_\_\_\_\_, email address \_\_\_\_\_  
(COMPULSORY)

\*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 Fourth Annual General Meeting ("4th AGM") 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 Thursday, 22 July 2021 at 10.00 a.m. and at any adjournment thereof, on the following resolutions referred to in the Notice of the 4th AGM, 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 2020		
Resolutions	Description	FOR	AGAINST
<b>Ordinary Business</b>			
Ordinary Resolution 1	To approve the Non-Executive Directors' Remuneration for the period from 23 July 2021 until the next Annual General Meeting of the Company to be held in the year 2022		
Ordinary Resolution 2	To re-elect Datuk Kamarudin bin Meranun as a Director of the Company, who retires by rotation pursuant to Rule 119 of the Company's Constitution		
Ordinary Resolution 3	To re-elect Tan Sri Anthony Francis Fernandes as a Director of the Company, who retires by rotation pursuant to Rule 119 of the Company's Constitution		
Ordinary Resolution 4	To re-appoint Ernst & Young PLT as Auditors of the Company and to authorise the Board of Directors to determine their remuneration		
<b>Special Business</b>			
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 the Company		

(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

- As part of the measures by the Company to curb the spread of COVID-19 and taking into consideration the paramount safety and well-being of the Company's shareholders, the 4th AGM of the Company will be conducted 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 5 March 2021 (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](http://www.airasia.com/aagbir).
- 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 together with essential individuals.
- 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 4th 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 4th 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 13 July 2021 ("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 RedQ, Jalan Pekeliling 5, Lapangan Terbang Antarabangsa Kuala Lumpur (klia2), 64000 KLIA Selangor, Malaysia or by electronic lodgement via the **TIIH Online** website at <https://tiih.online> 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 all 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 fully and wholly indemnify the Company on full indemnity basis (whether demanded or not) in respect of penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of the warranty.

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AFFIX  
STAMP

The Company Secretaries  
**AIRASIA GROUP BERHAD**  
[Registration No.: 201701030323 [1244493-V]]

RedQ, Jalan Pekeliling 5  
Lapangan Terbang Antarabangsa  
Kuala Lumpur (klia2), 64000 KLIA  
Selangor Darul Ehsan, Malaysia

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**AIRASIA GROUP BERHAD** (201701030323) (1244493-V)  
RedQ, Jalan Pekeliling 5, Lapangan Terbang Antarabangsa  
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