

201701030323 (1244493-V)

**AirAsia Group Berhad
(Incorporated in Malaysia)**

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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

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

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

In the opinion of the directors, 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.

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Directors

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

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	Priyanka Jain
Aaron Ram Sarma	Lalitha a/p Sivanesar	Rahul Agarwal
Agnes Maranan	Lam Lo Sho Rose	Raymund C. Berja
Aireen Omar	Lee Teck Loong (Spencer)	Ravi Shankar Mallavarapu
Alejandro T. Yu	Leon Ruben	RD. Achmad Sadikin
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	Teoh Hooi Ling
Ikhlas bin Kamarudin	Cheong	Tharumalingam
Irwan Eka Sudarman	Navin Rajagopalan	a/l Kanagalingam
Jackson Pek	Nguyen Thi Bich Lien	Tommy Lo Seen Chong
Jeremiah Brian Rabe	Nipun Anand	Vishal Sharma
Joanna binti Ibrahim	Omar Salim-Dhanani	Vishal Singh Batra
Joanne Chin	Pablo Sanz Salcedo	V Loganathan S/O Velaitham
Joseph Omar A. Castillo	Panna Lal Anand	Veranita Yosephine
Jusuf Suherman	Pattra Boosarawongse	Wang Wenju
Karen Chan Ka Yan	Pawan Najunda Setty	Wee Choo Peng
Kaw Kok Hui	Philip Charles Mittleman	Wong Hee Chai
Keith Lingam	Phua Sheau Wei	Wuri Septiawan

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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	
Direct interests in the Company				
Datuk Kamarudin bin Meranun ²	2,000,000	-	-	2,000,000
Tan Sri Anthony Francis Fernandes ²	1,600,000	-	-	1,600,000
Dato' Abdel Aziz @ Abdul bin Abu Bakar	989,500	-	-	989,500
Dato' Mohamed Khadar bin Merican	250,000	-	-	250,000
Stuart L Dean	40,000	-	-	40,000

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Directors' interests (cont'd.)

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

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

¹ By virtue of their interests in shares of more than 20% in the substantial shareholders of the Company, Tune Air Sdn. Bhd. ² ("TASB") and TLSB ³, Tan Sri Anthony Francis Fernandes and Datuk Kamarudin bin Meranun are deemed to have interests in the Company to the extent of TASB's and TLSB's interests therein, in accordance with Section 8 of the Companies Act, 2016.

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

³ 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.

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Statutory information on the financial statements (cont'd.)

- (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.

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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

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**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 17 to 169 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 17 to 169 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

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**Independent auditors' report to the members of
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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 17 to 169.

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.

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**Independent auditors' report to the members of
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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.

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**Independent auditors' report to the members of
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Key Audit Matters (cont'd.)

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 Our response

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 RM9,423 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.

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;

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Key Audit Matters (cont'd.)

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

**a) Impairment assessment of right-of-use
assets ("ROUA") and property, plant and
equipment ("PPE") (cont'd.)**

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.

In addressing this area of audit focus, our audit procedures included, amongst others: (cont'd.)

- 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.

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Key Audit Matters (cont'd.)

Impairment assessment of non-financial assets Our response (cont'd.)
(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,

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.

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**Independent auditors' report to the members of
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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.

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**Independent auditors' report to the members of
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Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- 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.

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

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

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities 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.

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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

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

Kuala Lumpur, Malaysia
27 May 2021

AirAsia Group Berhad
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Income statements

For the financial year ended 31 December 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 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 carried forward		(5,551,299)	(521,660)	(257,139)	2,937,876

AirAsia Group Berhad
(Incorporated in Malaysia)

Income statements

For the financial year ended 31 December 2020 (cont'd.)

	Note	Group		Company	
		2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
(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	-	-
		<u>(336,629)</u>	<u>238,437</u>	<u>(4,461)</u>	<u>-</u>
Net loss/(profit) for the financial year		<u>(5,887,928)</u>	<u>(283,223)</u>	<u>(261,600)</u>	<u>2,937,876</u>
Net loss/(profit) for the financial year attributable to:					
- Owners of the Company		(5,111,667)	(315,807)		
- Non-controlling interests		<u>(776,261)</u>	<u>32,584</u>		
		<u>(5,887,928)</u>	<u>(283,223)</u>		
Loss per share attributable to owners of the Company (sen)					
- Basic	10	(153.0)	(9.4)		
- Diluted	10	<u>(153.0)</u>	<u>(9.4)</u>		

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

AirAsia Group Berhad
(Incorporated in Malaysia)

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
Other comprehensive (loss)/income					
<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.

AirAsia Group Berhad
(Incorporated in Malaysia)

Statements of financial position

As at 31 December 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-current assets					
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	-	-
		<u>17,104,717</u>	<u>20,302,355</u>	<u>8,470,832</u>	<u>8,571,876</u>
Current assets					
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
		<u>2,559,341</u>	<u>5,292,363</u>	<u>547,072</u>	<u>380,706</u>

AirAsia Group Berhad
(Incorporated in Malaysia)

Statements of financial position
As at 31 December 2020 (cont'd.)

	Note	Group		Company	
		2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
Less: Current liabilities					
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	-	-
		<u>8,461,829</u>	<u>7,135,469</u>	<u>471,014</u>	<u>1,846</u>
Net current (liabilities)/assets		<u>(5,902,488)</u>	<u>(1,843,106)</u>	<u>76,058</u>	<u>378,860</u>
Non-current liabilities					
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	-	-
		<u>14,772,023</u>	<u>15,548,509</u>	<u>-</u>	<u>-</u>
		<u>(3,569,794)</u>	<u>2,910,740</u>	<u>8,546,890</u>	<u>8,950,736</u>

AirAsia Group Berhad
(Incorporated in Malaysia)

Statements of financial position
As at 31 December 2020 (cont'd.)

	Note	Group		Company	
		2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
Capital and reserves					
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.

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AirAsia Group Berhad
(Incorporated in Malaysia)

Consolidated statement of changes in equity
For the financial year ended 31 December 2020

	<----- Attributable to owners of the Company ----->								
	<----- Non-distributable ----->					Distributable			
	Number of shares '000	Share capital RM'000 (Note 31)	Merger deficit RM'000 (Note 32)	Foreign exchange reserve RM'000	Other reserves RM'000 (Note 34)	Retained earnings/ Non-distributable accumulated losses RM'000 (Note 33)	Total RM'000	Non- controlling interests RM'000	Total equity RM'000
At 1 January 2020	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)
At 31 December 2020	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)

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AirAsia Group Berhad
(Incorporated in Malaysia)

Consolidated statement of changes in equity
For the financial year ended 31 December 2020 (cont'd.)

	<----- Attributable to owners of the Company ----->								
	<----- Non-distributable ----->			Distributable					
	Number of shares '000	Share capital RM'000 (Note 31)	Merger deficit RM'000 (Note 32)	Foreign exchange reserve RM'000	Other reserves RM'000 (Note 34)	Retained earnings RM'000 (Note 33)	Total RM'000	Non- controlling interests RM'000	Total equity RM'000
At 1 January 2019									
As previously stated	3,341,974	8,023,268	(5,507,594)	178,515	(451,447)	5,541,712	7,784,454	(1,599,189)	6,185,265
Effects of changes in accounting policy (Note 2.2)	-	-	-	-	-	(152,640)	(152,640)	(22,898)	(175,538)
As restated	3,341,974	8,023,268	(5,507,594)	178,515	(451,447)	5,389,072	7,631,814	(1,622,087)	6,009,727
Net (loss)/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
Transactions with owners:									
Dividends (Note 35)	-	-	-	-	-	(3,408,813)	(3,408,813)	-	(3,408,813)
At 31 December 2019	3,341,974	8,023,268	(5,507,594)	171,137	147,067	1,664,452	4,498,330	(1,587,590)	2,910,740

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

AirAsia Group Berhad
(Incorporated in Malaysia)

Statement of changes in equity
For the financial year ended 31 December 2020

			Non- distributable	Distributable	
	Number of shares '000	Share capital RM'000 (Note 31)	Fair value reserve RM'000 (Note 34)	Retained earnings RM'000 (Note 33)	Total equity RM'000
At 1 January 2019	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)
At 31 December 2019	3,341,974	8,023,268	60,345	867,123	8,950,736
At 1 January 2020	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)
At 31 December 2020	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.

AirAsia Group Berhad
(Incorporated in Malaysia)

Statements 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
Cash flows from operating activities					
(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)	(6,330)	(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 carried forward		(1,890,510)	2,014,380	(49,366)	(70,794)

AirAsia Group Berhad
(Incorporated in Malaysia)

Statements of cash flow

For the financial year ended 31 December 2020 (cont'd.)

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash flows from operating activities (cont'd.)					
Operating (loss)/profit carried forward		(1,890,510)	2,014,380	(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)	-	-
		<u>(1,292,803)</u>	<u>2,670,123</u>	<u>(49,662)</u>	<u>(89,527)</u>
Changes in working capital:					
Inventories		6,969	(38,547)	-	-
Receivables and prepayments		192,930	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		<u>(1,016,999)</u>	<u>15,918</u>	<u>54,008</u>	<u>(651,531)</u>
Cash (used in)/generated from operations		<u>(2,093,108)</u>	<u>2,675,796</u>	<u>12,423</u>	<u>(742,668)</u>
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		<u>(2,042)</u>	<u>(7,099)</u>	<u>-</u>	<u>-</u>
Net cash (used in)/generated from operating activities		<u>(2,168,248)</u>	<u>2,522,818</u>	<u>9,885</u>	<u>(724,435)</u>
Cash flows from investing activities					
Property, plant and equipment					
- Additions		(94,686)	(295,686)	-	-
- Proceeds from disposals		277,313	4,799,035	-	-
Addition in intangible assets	16	<u>(5,811)</u>	<u>(10,278)</u>	<u>-</u>	<u>-</u>
Net cash from investing activities carried forward		176,817	4,493,071	-	-

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AirAsia Group Berhad
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Statements of cash flow

For the financial year ended 31 December 2020 (cont'd.)

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash flows from investing activities (cont'd.)					
Net cash from investing activities brought forward		176,817	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	6,330	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	-	-
Net cash from investing activities		489,316	4,721,846	(50,152)	2,817,117

AirAsia Group Berhad
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Statements of cash flow

For the financial year ended 31 December 2020 (cont'd.)

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

AirAsia Group Berhad
(Incorporated in Malaysia)

Statements of cash flow

For the financial year ended 31 December 2020 (cont'd.)

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
Cash and cash equivalents at end of the financial year		465,905	2,492,276	859	41,126
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	<u>533,278</u>	<u>2,588,097</u>	<u>859</u>	<u>41,126</u>

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.

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.

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AirAsia Group Berhad
(Incorporated in Malaysia)

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 24 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.

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

2.1 Basis of preparation (cont'd.)

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 2.1 and 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

AirAsia Group Berhad
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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.

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

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to MFRS 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</i> : Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116 <i>Property, Plant and Equipment</i> : Property, Plant and Equipment – Proceeds before Intended Use	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
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> : Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates</i>	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. Summary of significant accounting policies (cont'd.)

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.

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

2.4 Basis of consolidation

2.4.1 Subsidiaries (cont'd.)

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

2.4.2 Transactions with non-controlling interests

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

2.4.3 Joint arrangements

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

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

2.4 Basis of consolidation (cont'd.)

2.4.3 Joint arrangements (cont'd.)

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.

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

2.4 Basis of consolidation (cont'd.)

2.4.4 Associates (cont'd.)

This does not include receivables for which adequate collateral exists. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

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

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

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

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

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

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

2.4 Basis of consolidation (cont'd.)

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

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

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

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

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

2.4 Basis of consolidation (cont'd.)

2.4.6 Internal reorganisation

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

- (a) The results of entities are presented as if the internal reorganisation occurred from the beginning of the earliest period presented in the financial statements;
- (b) The Company will consolidate the assets and liabilities of the acquired entities at their pre-combination carrying amounts. No adjustments are made to reflect fair values, or recognise any new assets or liabilities, at the date of the internal reorganisation that would otherwise be done under the acquisition method; and
- (c) No new goodwill is recognised as a result of the internal reorganisation. The only goodwill that is recognised is the existing goodwill relating to the combining entities. Any difference between the consideration paid/transferred and the equity acquired is reflected within equity as merger reserve or deficit.

2.5 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.

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

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

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.

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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.

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

2.6 Intangible assets (cont'd.)

2.6.1 Goodwill (cont'd.)

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.

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.

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

2.6 Intangible assets (cont'd.)

2.6.2 Other intangible assets (cont'd.)

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

(i) Research and development – internally developed software

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

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

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

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

(ii) Landing rights

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

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

2.7 Investments in subsidiaries, joint 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.

2.8 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.

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

2.9 Maintenance and overhaul (cont'd.)

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.

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.

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

2.10 Leases (cont'd.)

Group as a lessee (cont'd.)

ii) Lease liabilities

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

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

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

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

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

Group as a lessor

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

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

2.10 Leases (cont'd.)

Group as a lessor (cont'd.)

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.

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

2.10 Leases (cont'd.)

Group as a lessor (cont'd.)

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.

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.

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

2.11 Inventories (cont'd.)

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.

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

2.12 Financial assets (cont'd.)

2.12.2 Recognition and initial measurement

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

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

2.12.3 Subsequent measurement - gains and losses

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

(i) Amortised cost

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

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

(ii) Fair value through other comprehensive income

(a) Debt 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.

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

2.12 Financial assets (cont'd.)

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

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

(a) Debt instruments (cont'd.)

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).

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.

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

2.12 Financial assets (cont'd.)

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

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

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

2.13 Financial liabilities

2.13.1 Classification and measurement

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

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

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

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

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

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

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.

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

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.

2.18 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.

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

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.

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

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.

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

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

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).

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

2.22 Revenue and other income (cont'd.)

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

2.23 Foreign currencies (cont'd.)

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.

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.

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

2.2 Foreign currencies (cont'd.)

2.23.3 Group companies (cont'd.)

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.

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.

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

2.25 Contingent assets and liabilities (cont'd.)

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.

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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.

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

3.3 Deferred tax assets (cont'd.)

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.

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 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 value in use of assets have considered the impacts of the COVID-19 pandemic as disclosed in Note 45.

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

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

The Group's 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	2019	2020	2019
	RM'000	RM'000	RM'000	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	-	-
	<u>3,131,213</u>	<u>11,860,403</u>	<u>-</u>	<u>-</u>

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.

Aircraft operating lease income

The details of the operating lease income are as follows:

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

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

(a) Revenue (cont'd.)

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	-	-
	<u>3,131,213</u>	<u>11,860,403</u>	<u>-</u>	<u>-</u>

(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
	<u>471,561</u>	<u>648,826</u>	<u>3,774</u>	<u>3,011,253</u>

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

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5. Staff costs and directors' remuneration

(a) Staff costs

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	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
	<u>1,166,181</u>	<u>1,876,196</u>	<u>14,095</u>	<u>64,106</u>

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	2019	2020	2019
	RM'000	RM'000	RM'000	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
	<u>10,961</u>	<u>58,372</u>	<u>10,961</u>	<u>58,372</u>
Non-Executive Directors				
- fees	1,463	2,125	1,437	2,085
	<u>12,424</u>	<u>60,497</u>	<u>12,398</u>	<u>60,457</u>

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

(b) Directors' remuneration (cont'd.)

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

	Executive		Non-executive	
	2020	2019	2020	2019
Range of remuneration (RM)				
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	-	-

(c) Key Management Personnel

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

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	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
	<u>15,018</u>	<u>66,639</u>	<u>10,961</u>	<u>58,372</u>

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.

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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	320	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 (2019: RM Nil).

(b) Maintenance and overhaul

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

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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	-	-	-
	<u>115,944</u>	<u>119,990</u>	<u>298</u>	<u>18,733</u>

(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)
	<u>(713,651)</u>	<u>(775,733)</u>	<u>(2)</u>	<u>(2)</u>

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

(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)
	<u>444,763</u>	<u>105,973</u>	<u>533</u>	<u>(3,707)</u>

(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	-	-	-
	<u>(141,953)</u>	<u>(247,593)</u>	<u>-</u>	<u>-</u>

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.

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9. Taxation

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	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)	-	-
	<u>336,629</u>	<u>(238,437)</u>	<u>4,461</u>	<u>-</u>
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	-
	<u>17,803</u>	<u>34,815</u>	<u>4,461</u>	<u>-</u>
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)	-	-
	<u>318,826</u>	<u>(273,252)</u>	<u>-</u>	<u>-</u>
	<u>336,629</u>	<u>(238,437)</u>	<u>4,461</u>	<u>-</u>

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9. Taxation (cont'd.)

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

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
(Loss)/profit before taxation	<u>(5,551,299)</u>	<u>(521,660)</u>	<u>(257,139)</u>	<u>2,937,876</u>
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	313,583	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	<u>336,629</u>	<u>(238,437)</u>	<u>4,461</u>	<u>-</u>

* 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.

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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)	<u>(153.0)</u>	<u>(9.4)</u>

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.

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11. Property, plant and equipment

Group	At 1 January 2020 RM'000	Additions² RM'000	Disposals RM'000	Write off RM'000	Reclassi- fication¹ RM'000	Depreciation charge RM'000	Impairment loss RM'000	Exchange differences RM'000	At 31 December 2020 RM'000
Carrying amount									
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 ¹	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

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

² 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.

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

	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment loss RM'000	Carrying amount RM'000
Group (cont'd.)				
At 31 December 2020				
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
	2,276,068	(904,156)	(286,273)	1,085,639

201701030323 (1244493-V)

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

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

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

² Includes disposal of 14 aircraft of RM1.2 billion pursuant to the sale and leaseback to Castlake LP and Airastle Limited.

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

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

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

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

	Group	
	2020	2019
	RM'000	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	<u>288,786</u>	<u>388,359</u>

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	2019
	RM'000	RM'000
Unquoted investments, at cost		
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	<u>8,295,541</u>	<u>8,258,716</u>

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.

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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 a subsidiary 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 %	
Directly held by the Company				
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
Held by AAB				
AirAsia Go Holiday Sdn Bhd ("AGH")	Malaysia	100	100	Tour operating business
AirAsia (Mauritius) Limited ^f	Mauritius	100	100	Providing aircraft leasing facilities to Thai AirAsia Co Ltd

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12. Investment in subsidiaries (cont'd.)

Name of entity	Country of incorporation	Group's effective equity interest		Principal activities
		2020 %	2019 %	
Held by AAB (cont'd.)				
AirAsia Corporate Services Limited ^f	Malaysia	100	100	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
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") ⁺	Singapore	100	100	Under liquidation

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12. Investment in subsidiaries (cont'd.)

Name of entity	Country of incorporation	Group's effective equity interest		Principal activities
		2020 %	2019 %	
Held by AAD				
BIGLIFE Sdn Bhd ("BIG")	Malaysia	80	80	Financial services and managing customer loyalty points
Big Pay Pte Ltd (BPPL) ⁺	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") ⁺	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

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12. Investment in subsidiaries (cont'd.)

Name of entity	Country of incorporator	Group's effective equity interest		Principal activities
		2020 %	2019 %	
Held by AAD (cont'd.)				
RedBeat Academy Sdn Bhd (formerly known Format as Media Sdn Bhd)	Malaysia	100	100	Provision of media content services
Rokki Sdn Bhd ("Rokki")	Malaysia	-*	100	Trading of multimedia content and equipment
Held by AAIL				
AirAsia Inc ("PAA") ^f	Philippines	40	40	Commercial air transport services
AGZ	China	-*	100	Aviation and commercial services
PT AirAsia Indonesia TBK ("AAID") ^{+ ^}	Indonesia	49.3	49.3	Investment holding
Held by PAA				
Philippines AirAsia Inc ("PAAI") ^f	Philippines	39.9	39.5	Commercial air transport services
Asiawide Airways Inc ^f	Philippines	40	40	Dormant
Held by AAID				
PT Indonesia AirAsia ("IAA") ⁺	Indonesia	49.1	49.1	Commercial air transport services
Held by IAA				
PT Garda Tawang Reksa Indonesia ("GTRI") ^f	Indonesia	32.9	32.9	Provision of airport related services

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12. Investment in subsidiaries (cont'd.)

Name of entity	Country of incorporation	Group's effective equity interest		Principal activities
		2020 %	2019 %	
Held by AGH				
Teleport Platforms Pte Ltd (formerly known as AirAsia Exp Pte Ltd ("AAE")) ⁺	Singapore	-*	100	Investment holding
Held by Santan Food Sdn Bhd				
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
Held by AAC				
Asia Aviation Capital Pte. Ltd. ("AACPL") ⁺	Singapore	100	100	Providing supporting services to air transport
Rouge Aircraft 1 Limited	Labuan	100	100	Providing supporting services to air transport

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12. Investment in subsidiaries (cont'd.)

Name of entity	Country of incorporation	Group's effective equity interest		Principal activities
		2020 %	2019 %	
Held by AACPL				
Asia Aviation Capital Ireland Limited ("AACIL") ⁺	Ireland	100	100	Providing supporting services to air transport
AAC3 Pte Ltd ("AAC3") ⁺	Singapore	100	100	Dormant
AAC4 Pte Ltd ("AAC4") ⁺	Singapore	100	100	Dormant
Held by AACIL				
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
Held by BIG				
BIGLIFE Digital Singapore Pte Ltd ^f	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

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12. Investment in subsidiaries (cont'd.)

Name of entity	Country of incorporation	Group's effective equity interest		Principal activities
		2020 %	2019 %	
Held by BIG (cont'd.)				
BIGLIFE Hong Kong Co Ltd ^f	Hong Kong	80	80	Dormant
BIGLIFE India Pvt Ltd ⁺ (formerly known as BIG Loyalty India Pvt Ltd)	India	80	80	Marketing and distribution of loyalty programme
BIGLIFE Guangzhou Co Ltd (formerly known as BIG Loyalty Guangzhou Co Ltd)	China	80	80	Marketing and distribution of loyalty programme
BIGLIFE Philippines Inc ^f	Philippines	80	80	Marketing and distribution of loyalty programme
BIGLIFE Digital Sdn Bhd	Malaysia	80	80	Dormant
BIGLIFE Japan Co., Ltd ^f	Japan	80	80	Marketing and distribution of loyalty programme
BIGLIFE Vietnam Co. Ltd ^f (formerly known as BIGLIFE Vietnam Inc)	Vietnam	80	80	Marketing and distribution of loyalty programme
Held by BPPL				
BigPay Malaysia Sdn Bhd ("BigPay")	Malaysia	89.29	89.29	Provision of financial and other related services

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12. Investment in subsidiaries (cont'd.)

Name of entity	Country of incorporation	Group's effective equity interest		Principal activities
		2020 %	2019 %	
Held by BPPL (cont'd.)				
BigPay Singapore Pte Ltd ⁺	Singapore	89.29	89.29	Provision of financial services including but not limited to e-money products
BigPay (Thailand) Ltd ⁺	Thailand	89.29	89.29	Provision of financial and other related services
BigPay Later Sdn Bhd	Malaysia	89.29	-	Provision of other financial service activities
Held by Redtix				
Rokki Media Holdings Sdn Bhd	Malaysia	75	75	Dormant
Held by TES				
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 ⁺	Singapore	80	100	Research and development arm of TCM

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12. Investment in subsidiaries (cont'd.)

Name of entity	Country of incorporation	Group's effective equity interest		Principal activities
		2020 %	2019 %	
Held by TCM				
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 ⁺	Singapore	20	100	Research and development arm of TCM
Held by TPSB				
Teleport Platforms Pte Ltd (formerly known as AirAsia Exp Pte Ltd) ⁺	Singapore	100*	-	Online retail sales
Held by AA.Com				
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*	-	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

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12. Investment in subsidiaries (cont'd.)

Name of entity	Country of incorporation	Group's effective equity interest		Principal activities
		2020 %	2019 %	
Held by AA.Com (cont'd.)				
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
Held by AirAsia Com (Hong Kong) Ltd				
AirAsia Com Guangzhou Co. Ltd	China	100	-	Tour and travel services
Held by Rokki				
Ourfarm	Malaysia	-*	100	Wholesale of meat, fish, fruits, vegetables, flowers and plants

⁺ Audited by a member of Ernst & Young Global.

^f Audited by a firm other than Ernst & Young.

[^] Listed on the Indonesia Stock Exchange.

^{*} Transferred within the Group.

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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 RM9.9 million:

	2020
	RM
ADE	7,230,000
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
	9,914,788

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	2019
		RM'000	RM'000
Accumulated balances of material non-controlling interests:			
IAA		(782,018)	(386,154)
PAA		(1,531,904)	(1,176,679)
Other individually immaterial subsidiaries		(41,585)	(24,757)
		(2,355,507)	(1,587,590)

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12. Investment in subsidiaries (cont'd.)

Material partly-owned subsidiaries (cont'd.)

	Group	
	2020	2019
	RM'000	RM'000
(Loss)/profit allocated to material non-controlling interests:		
IAA	(394,711)	546
PAA	(357,368)	48,446
Other individually immaterial subsidiaries	(24,182)	(14,493)
	<u>(776,260)</u>	<u>34,499</u>

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	PAA	IAA	PAA
	RM'000	RM'000	RM'000	RM'000
Revenue	459,529	537,800	2,021,407	2,196,422
Depreciation and amortisation	(327,429)	(293,327)	(310,484)	(275,439)
Interest income	170	42	1,033	60
Interest expense	(76,762)	(50,180)	(99,676)	(100,469)
(Loss)/profit before taxation	(880,706)	(576,974)	25,133	88,538
Tax credit/(expense)	90,758	-	(28,463)	(7,242)
Net (loss)/profit for the financial year	(789,948)	(576,974)	(3,330)	81,296
Other comprehensive income/(loss)	14,484	(18,640)	4,402	(553)
Total comprehensive (loss)/income	(775,464)	(595,614)	1,072	80,743
Attributable to non-controlling interests	(394,711)	(357,368)	546	48,446

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

	2020		2019	
	IAA	PAA	IAA	PAA
	RM'000	RM'000	RM'000	RM'000
Non-current assets	1,679,657	942,253	1,938,573	1,214,953
Current assets	139,405	493,569	271,155	155,286
Non-current liabilities	(1,505,053)	(1,166,166)	(1,605,486)	(1,086,014)
Current liabilities	(1,141,737)	(2,389,957)	(565,483)	(2,156,890)
Net (liabilities)/assets	(827,728)	(2,120,301)	38,759	(1,872,665)

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12. Investment in subsidiaries (cont'd.)

Material partly-owned subsidiaries (cont'd.)

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

	2020		2019	
	IAA RM'000	PAA RM'000	IAA RM'000	PAA RM'000
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)
Net (decrease)/increase in cash and cash equivalents	(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.

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13. Investment in a joint venture (cont'd.)

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 %	
Held by RBA				
RRSB ^f	Malaysia	50	-	Music-based entertainment

^f 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	1,526,196	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	-	-
	<u>1,087,889</u>	<u>1,536,507</u>	<u>-</u>	<u>-</u>
Share of post-acquisition loss	(477,364)	(850,661)	-	-
Share of post-acquisition reserves	(68,499)	17,479	-	-
Impairment losses	(59,272)	-	-	-
As at 31 December	<u>482,754</u>	<u>703,325</u>	<u>-</u>	<u>-</u>

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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.

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 %	
Held by AAB				
AirAsia Philippines Inc	Philippines	39.9	39.9	Providing air transportation services, currently dormant

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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 %	
Held by AAB (cont'd.)				
Ground Team Red Holdings Sdn Bhd ("GTRH") ^f	Malaysia	50	50	Investment holding
Held by AAIL				
Thai AirAsia Co. Ltd ("TAA") ⁺	Thailand	45.0	45.0	Commercial air transport services
AAI ⁺	India	16.3*	49.0	Commercial air transport services
AirAsia Japan Co., Ltd ("AAJ") ^{+^}	Japan	66.9 [#]	66.9 [#]	Under bankruptcy proceedings
Held by GTRH				
Ground Team Red Sdn Bhd ("GTR") ^f	Malaysia	49	49	Ground handling services
SATS Ground Services Singapore Pte Ltd ^f ("SGSS")	Singapore	40	40	Ground handling services

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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 %	
Held by TES				
Teleport (Thailand) Co Ltd	Thailand	49	-	Logistics business
Teleport (Philippines) Co Ltd	Philippines	40	-	Logistics business
Held by Teleport Platform				
Teleport Commerce (Thailand) Co, Ltd	Thailand	49	-	Online retail sales
Held by MadCience Consulting Sdn Bhd				
Big Data for Human Limited ("BD4H") ^f	United Kingdom	42	42	Dormant

⁺ Audited by a member of Ernst & Young Global.

^f Audited by a firm other than Ernst & Young.

[^] These investees are deemed to be the associates of the Group as the Group has significant influence and not control over the relevant activities.

^{*} Transferred to investment securities.

[#] 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.

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14. Investment in associates (cont'd.)

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:

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

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.

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.

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14. Investment in associates (cont'd.)

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)/incor	(81,406)	(4,752)	(1,199,976)	16,945

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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	<u>1,081,550</u>	<u>1,162,956</u>	<u>-</u>	<u>270,557</u>
Group's interest in associates	50%	50%	45%	45%
Interest in associates	<u>540,775</u>	<u>581,478</u>	<u>-</u>	<u>121,751</u>
Carrying value at 31 December	<u>540,775</u>	<u>581,478</u>	<u>-</u>	<u>121,751</u>

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	<u>1,251</u>	<u>96</u>
Aggregate amounts of the Group's share of:		
Profit/(loss) from continuing operations	414	(361,768)
Other comprehensive income	-	-
Total comprehensive income/(loss)	<u>414</u>	<u>(361,768)</u>

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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	<u>220,054</u>	<u>413,827</u>	<u>132,614</u>	<u>267,391</u>
<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	<u>159,437</u>	<u>94,105</u>	<u>42,677</u>	<u>45,769</u>
<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	<u>93,228</u>	<u>95,283</u>	<u>-</u>	<u>-</u>
Total	<u>472,719</u>	<u>603,215</u>	<u>175,291</u>	<u>313,160</u>

Financial assets at fair value through other comprehensive income comprise investments in equity securities of listed and non-listed companies which were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature. The Group holds non-controlling interests of 14% and 2% in a listed equity security and an unlisted equity security, respectively. During the year, the Group received dividends in the amount of RM5 million (2019: RM6.3 million) from these companies.

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16. Intangible assets

Group	Goodwill RM'000	Landing rights RM'000	Internally developed software RM'000	Total RM'000
Cost				
At 1 January 2020	168,827	443,900	23,968	636,695
Additions	-	-	5,811	5,811
At 31 December 2020	<u>168,827</u>	<u>443,900</u>	<u>29,779</u>	<u>642,506</u>
Accumulated amortisation				
At 1 January 2020	-	-	(1,671)	(1,671)
Amortisation expense	-	-	(282)	(282)
At 31 December 2020	<u>-</u>	<u>-</u>	<u>(1,953)</u>	<u>(1,953)</u>
Carrying amount as at 31 December 2020	<u>168,827</u>	<u>443,900</u>	<u>27,826</u>	<u>640,553</u>
Group				
Cost				
At 1 January 2019	159,023	443,900	13,690	616,613
Additions	-	-	10,278	10,278
Acquisition of a subsidiary	9,804	-	-	9,804
At 31 December 2019	<u>168,827</u>	<u>443,900</u>	<u>23,968</u>	<u>636,695</u>
Accumulated amortisation				
At 1 January 2019	-	-	(1,200)	(1,200)
Amortisation expense	-	-	(471)	(471)
At 31 December 2019	<u>-</u>	<u>-</u>	<u>(1,671)</u>	<u>(1,671)</u>
Carrying amount as at 31 December 2019	<u>168,827</u>	<u>443,900</u>	<u>22,297</u>	<u>635,024</u>

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16. Intangible assets (cont'd.)

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.

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
CGU				
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	-	-
	<u>168,827</u>	<u>168,827</u>	<u>443,900</u>	<u>443,900</u>

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	2019	2020	2019
CGU				
BIG	2%	2%	16.0%	15.0%
IAA	2%	2%	12.5%	17.0%
PAA	2%	2%	9.0%	14.0%

16. Intangible assets (cont'd.)

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

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.

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.

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17. Deferred tax assets/(liabilities)

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

	Group	
	2020	2019
	RM'000	RM'000
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	<u>756,023</u>	<u>1,046,551</u>
Presented after appropriate offsetting as follows:		
Deferred tax assets	774,155	1,130,830
Deferred tax liabilities	<u>(18,132)</u>	<u>(84,279)</u>
	<u>756,023</u>	<u>1,046,551</u>

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

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

Deferred tax assets of the Group:

	Unabsorbed investment tax allowances RM'000	Unabsorbed capital allowances RM'000	Sales in advance RM'000	Derivatives RM'000	Unutilised tax losses RM'000	Provision for retirement benefits RM'000	Others RM'000	Total RM'000
At 1 January 2020	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
At 31 December 2020	625,529	69,011	137,155	24,656	137,905	13,651	16,290	1,024,198
At 1 January 2019	1,114,316	432,194	167,247	37,614	51,586	13,084	32,213	1,848,254
Recognised in profit or loss	(408,316)	(92,227)	(4,422)	22,032	(25,235)	2,034	(12,958)	(519,092)
Recognised in other comprehensive income	-	-	-	(60,293)	-	(1,429)	-	(61,722)
Exchange differences	-	-	-	-	2,716	37	738	3,491
At 31 December 2019	706,000	339,967	162,825	(647)	29,067	13,726	19,993	1,270,931

* Others include provisions and receivables.

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

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

Deferred tax liabilities of the Group:

	Property, plant and equipment RM'000	Fair value on intangible assets RM'000	Payables RM'000	Others RM'000	Total RM'000
At 1 January 2020	(34,168)	(114,440)	(71,219)	(4,553)	(224,380)
Recognised in profit or loss	8,221	-	(52,663)	647	(43,795)
At 31 December 2020	(25,947)	(114,440)	(123,882)	(3,906)	(268,175)
At 1 January 2019	(798,184)	(114,440)	(98,648)	(5,442)	(1,016,714)
Recognised in profit or loss	763,804	-	27,429	1,111	792,344
Exchange differences	212	-	-	(222)	(10)
At 31 December 2019	(34,168)	(114,440)	(71,219)	(4,553)	(224,380)

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

Deferred tax has not been recognised for the following items:

	Group	
	2020	2019
	RM'000	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
	<u>7,991,897</u>	<u>1,592,555</u>

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.

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18. Receivables and prepayments

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-current:				
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	-	-
	<u>3,106,941</u>	<u>3,423,984</u>	<u>-</u>	<u>-</u>
Current:				
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	-	-
	<u>903,294</u>	<u>1,133,011</u>	<u>18</u>	<u>2,724</u>

* 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).

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	-	-
	<u>227,419</u>	<u>255,528</u>	<u>-</u>	<u>-</u>

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18. Receivables and prepayments (cont'd.)

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	2019	2020	2019
	RM'000	RM'000	RM'000	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	<u>120,623</u>	<u>77,128</u>	<u>-</u>	<u>-</u>

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.

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

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

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18. Receivables and prepayments (cont'd.)

Deposits of the Group at the balance sheet date are with a number of external parties for which there is no expectation of default. The deposits include amount set aside for aircraft maintenance of major components amounting to 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	-	-
	<u>1,002,298</u>	<u>1,450,365</u>	<u>17</u>	<u>1,371</u>

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
Non-current				
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	<u>-</u>	<u>(64,818)</u>	<u>208,725</u>	<u>(73,350)</u>

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20. Derivative financial instruments (cont'd.)

	Group			
	2020		2019	
Current	Assets	Liabilities	Assets	Liabilities
	RM'000	RM'000	RM'000	RM'000
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	-
Total	77,808	(134,655)	230,479	(126,977)

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	Fair value	Notional amount	Fair value
	RM'000	RM'000	RM'000	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

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20. Derivative financial instruments (cont'd.)

(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: RM951 million).

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

(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.

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21. Inventories

	Group	
	2020	2019
	RM'000	RM'000
At cost		
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

	Company	
	2020	2019
	RM'000	RM'000
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.

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

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

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

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

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

23. Amounts due from/(to) associates

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Amounts due from associates	624,456	432,709	213,710	49,599
Less: Allowance for impairment	(264,071)	-	(213,710)	-
	<u>360,385</u>	<u>432,709</u>	<u>-</u>	<u>49,599</u>
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).

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

(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	<u>264,071</u>	<u>-</u>	<u>213,710</u>	<u>-</u>

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

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

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

* 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.

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

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

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

24. Amounts due from/(to) related parties

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Amounts due from related parties	750,368	135,333	637	384
Less: Allowance for impairment	(643,321)	(28,133)	-	-
	<u>107,047</u>	<u>107,200</u>	<u>637</u>	<u>384</u>
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.

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

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	<u>643,321</u>	<u>28,133</u>	<u>-</u>	<u>-</u>

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
<u>Receivables:</u>				
- 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	-	-
	<u>107,047</u>	<u>107,200</u>	<u>637</u>	<u>384</u>
<u>Payables:</u>				
- 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)	-	-
	<u>(49,923)</u>	<u>(260,354)</u>	<u>-</u>	<u>-</u>

* 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.

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)	-	-	-
	<u>107,047</u>	<u>107,200</u>	<u>637</u>	<u>384</u>
<u>Due to</u>				
Ringgit Malaysia	(7,043)	(108,958)	-	-
US Dollar	(42,880)	(151,396)	-	-
	<u>(49,923)</u>	<u>(260,354)</u>	<u>-</u>	<u>-</u>

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25. Deposits, cash and bank balances

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	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	2019	2020	2019
	RM'000	RM'000	RM'000	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.

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	-	-

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26. Trade and other payables

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Non-current:				
Other payables	273,455	320,455	-	-
Current:				
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
	<u>2,307,125</u>	<u>2,175,150</u>	<u>7,209</u>	<u>1,838</u>

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	2019	2020	2019
	RM'000	RM'000	RM'000	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	-	-
	<u>2,580,580</u>	<u>2,495,605</u>	<u>7,209</u>	<u>1,838</u>

27. Aircraft maintenance provisions and liabilities

	Group	
	2020	2019
	RM'000	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
	<u>5,569,056</u>	<u>5,292,933</u>

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

	Group	
	2020	2019
	RM'000	RM'000
Disclosed as		
Non-current	4,857,292	4,720,621
Current	711,764	572,312
	<u>5,569,056</u>	<u>5,292,933</u>

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

- (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.

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28. Borrowings

		Group	
		2020	2019
		RM'000	RM'000
Current			
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	-
		<u>1,016,312</u>	<u>342,152</u>
Non-current			
Term loans	(i)	266,447	86,714
Swap creditors loan	(iii)	6,110	-
		<u>272,557</u>	<u>86,714</u>
Total borrowings		<u>1,288,869</u>	<u>428,866</u>

(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.

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28. Borrowings (cont'd.)

	Group	
	2020	2019
	%	%
Weighted average interest rate		
Term loans	6.17	7.21
Commodity Murabahah Finance	-	5.27
Revolving credit	4.39	3.90
Swap creditors loan	6.39	-
	<u>6.39</u>	<u>-</u>

The borrowings are repayable as follows:

	Group	
	2020	2019
	RM'000	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
	<u>1,288,869</u>	<u>428,866</u>

The currency profile of borrowings is as follows:

	Group	
	2020	2019
	RM'000	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
	<u>1,288,869</u>	<u>428,866</u>

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

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

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28. Borrowings (cont'd.)

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	-	-
	<u>1,117,402</u>	<u>1,096,101</u>	<u>217,114</u>	<u>190,207</u>

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.

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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.

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

	Aircraft and spare engines RM'000	Land and building RM'000	Total RM'000
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
As at 31 December 2020	<u>9,403,629</u>	<u>41,317</u>	<u>9,444,946</u>
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)
As at 31 December 2019	<u>11,170,143</u>	<u>45,811</u>	<u>11,215,954</u>

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

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

	2020	2019
	RM'000	RM'000
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)
As at 31 December	<u>12,435,240</u>	<u>12,459,801</u>
Current	3,247,138	2,271,662
Non-current	9,188,102	10,188,139
	<u>12,435,240</u>	<u>12,459,801</u>

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

The following are the amounts recognised in profit or loss:

	2020	2019
	RM'000	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
Total amount recognised in profit or loss	<u>3,156,975</u>	<u>1,788,737</u>

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 rentals deferred during the year amounting to approximately RM1,511 million.

29. Leases (cont'd.)

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.

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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:

	2020	2019
	RM'000	RM'000
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)
As at 31 December	<u>938,165</u>	<u>1,221,000</u>
Current	432,666	293,571
Non-current	<u>505,499</u>	<u>927,429</u>
	<u>938,165</u>	<u>1,221,000</u>

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

	2020	2019
	RM'000	RM'000
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
Total undiscounted lease payments receivable	<u>1,044,306</u>	<u>1,366,412</u>
Unearned finance income	(106,141)	(145,412)
Net investment in the lease	<u>938,165</u>	<u>1,221,000</u>

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.

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29. Leases (cont'd.)**Group as a lessor - operating lease (cont'd.)**

	2020	2019
	RM'000	RM'000
Within one year	22,319	26,783
After one year but not more than five years	-	22,319
Total undiscounted lease payments	<u>22,319</u>	<u>49,101</u>

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

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

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	2019
	RM'000	RM'000
Present value of defined benefit obligation	<u>97,667</u>	<u>74,951</u>

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

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

	Group	
	2020	2019
	RM'000	RM'000
Defined benefit obligation at 1 January	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
Defined benefit obligation at 31 December	<u>97,667</u>	<u>74,951</u>

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

	2020	2019
Discount rate	3.78% - 7.80%	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	Decrease in assumption
		RM'000	RM'000
<u>2020</u>			
Annual discount rate	+/- 1%	(9,797)	12,040
Future annual salary increase rate	+/- 1%	11,709	(9,757)
<u>2019</u>			
Annual discount rate	+/- 1%	(4,491)	5,662
Future annual salary increase rate	+/- 1%	5,490	(4,439)

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31. Share capital

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

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	2019
	RM'000	RM'000
As at 1 January and 31 December	<u>(5,507,594)</u>	<u>(5,507,594)</u>

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.

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.

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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	<u>(18,640)</u>	<u>(101,222)</u>	<u>(105,506)</u>	<u>(225,368)</u>
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	<u>4,833</u>	<u>38,466</u>	<u>103,768</u>	<u>147,067</u>

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	<u>(81,901)</u>	<u>(81,901)</u>
At 1 January 2019	(61,305)	(61,305)
Net change in fair value	121,650	121,650
At 31 December 2019	<u>60,345</u>	<u>60,345</u>

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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
	<u>-</u>	<u>-</u>	<u>102</u>	<u>3,408,813</u>

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
	<u>124,855,115</u>	<u>99,673,261</u>

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
	<u>124,855,115</u>	<u>99,665,152</u>

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.

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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			
2020									
Segment results									
Revenue	2,035,481	537,848	461,473	1,842,393	982,260	45,637	1,879	(195,909)	5,711,062
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	(1,277,664)	(325,375)	(359,640)	(859,510)	(432,310)	(24,188)	-	-	(3,278,687)
- Maintenance and overhaul	(342,084)	(161,168)	(135,555)	(339,636)	(322,978)	(11,658)	1,967	103,185	(1,207,927)
- User charges	(141,429)	(36,010)	(44,636)	(153,739)	(116,856)	(11,822)	-	-	(504,492)
- Other operating expenses	(2,259,966)	(219,458)	(285,527)	(509,011)	(165,315)	(80,012)	(456,011)	362,507	(3,612,793)
Other income/(charges)	739,239	20,455	52,667	257,637	24,933	(225)	453,599	(741,700)	806,605
Operating loss	(3,333,867)	(616,995)	(791,544)	(1,080,318)	(635,864)	(156,910)	(108,039)	(600,568)	(7,324,105)
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	(3,752,679)	(715,564)	(868,113)	(1,320,426)	(770,350)	(160,213)	(110,846)	(601,516)	(8,299,707)

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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 Indonesia RM'000	Thailand RM'000	India RM'000	Japan RM'000	Non- Airline RM'000	Elimination adjustments RM'000	Total RM'000
2020 (cont'd.)									
Segment results (cont'd.)									
Net operating loss brought forward	(3,752,679)	(715,564)	(868,113)	(1,320,426)	(770,350)	(160,213)	(110,846)	(601,516)	(8,299,707)
Associate's results not consolidated	-	-	-	1,320,425	770,350	160,213	-	-	2,250,988
Net operating loss	(3,752,679)	(715,564)	(868,113)	(1)	-	-	(110,846)	(601,516)	(6,048,719)
Foreign exchange gains/(losses)	170,842	143,210	5,528	76,560	(44,611)	3,927	5,801	119,381	480,638
Fair value loss on derivatives	(52,717)	(12,041)	(19,055)	(4,996)	-	(1,689)	-	(58,140)	(148,638)
Share of results of associates	-	-	(430)	-	-	-	1,106	(63,930)	(63,254)
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	(3,634,554)	(584,395)	(882,070)	71,563	(44,611)	2,238	(104,632)	(374,838)	(5,551,299)

There is no single customer who contributed to 10% or more of the Group's total revenue.

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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 Indonesia RM'000	Thailand RM'000	India RM'000	Japan RM'000	Non- Airline RM'000	Elimination adjustments RM'000	Total RM'000
2020 (cont'd.)									
Segment Assets									
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	(16,394,384)	10,508,321
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	(11,719,108)	8,139,705
	<u>35,434,555</u>	<u>1,006,121</u>	<u>1,819,586</u>	<u>6,347,414</u>	<u>2,348,349</u>	<u>76,310</u>	<u>1,409,020</u>	<u>(28,777,297)</u>	<u>19,664,058</u>
Segment Liabilities									
Borrowings and lease liabilities	18,122,636	1,201,427	1,419,627	4,480,921	2,254,136	515	389,905	(14,239,724)	13,629,443
Others	7,991,538	2,333,570	1,233,488	2,338,153	988,786	399,288	744,146	(6,424,560)	9,604,409
	<u>26,114,174</u>	<u>3,534,997</u>	<u>2,653,115</u>	<u>6,819,074</u>	<u>3,242,922</u>	<u>399,803</u>	<u>1,134,051</u>	<u>(20,664,284)</u>	<u>23,233,852</u>

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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			
2019									
Segment results									
Revenue	7,699,365	2,196,422	2,017,593	5,384,207	1,954,287	152,822	480,734	(533,711)	19,351,719
Operating expenses									
- Staff costs	(1,306,567)	(251,305)	(238,882)	(902,776)	(315,824)	(130,291)	(79,442)	-	(3,225,087)
- Depreciation of property, plant and equipment and right-of-use assets	(1,169,087)	(275,439)	(310,484)	(781,843)	(269,367)	(40,499)	(5,380)	297,139	(2,554,960)
- Aircraft fuel expenses	(2,658,640)	(787,191)	(758,940)	(1,871,011)	(921,271)	(51,751)	-	-	(7,048,804)
- Maintenance and overhaul	(1,041,065)	(358,519)	(251,336)	(484,856)	(333,409)	(20,772)	-	319,660	(2,170,297)
- User charges	(1,184,718)	(277,209)	(296,762)	(687,111)	(294,779)	(50,967)	-	-	(2,791,546)
- Other operating expenses	(519,823)	(136,351)	(172,249)	(705,247)	(102,792)	(21,834)	(661,689)	339,628	(1,980,357)
Other income/(charges)	4,306,051	17,897	64,828	132,949	45,508	1,633	200,462	(3,940,414)	828,914
Operating profit/(loss)	4,125,516	128,305	53,768	84,312	(237,647)	(161,659)	(65,315)	(3,517,698)	409,582
Finance income	528,486	60	1,033	3,760	7,429	1	4,529	(414,118)	131,180
Finance costs	(981,706)	(100,469)	(99,676)	(214,156)	(54,894)	(18,617)	(11,832)	417,951	(1,063,399)
Net operating profit/(loss)	3,672,296	27,896	(44,875)	(126,084)	(285,112)	(180,275)	(72,618)	(3,513,865)	(522,637)

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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 Indonesia RM'000	Thailand RM'000	India RM'000	Japan RM'000	Non- Airline RM'000	Elimination adjustments RM'000	Total RM'000
2019 (cont'd.)									
Segment 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.

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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 Indonesia RM'000	Thailand RM'000	India RM'000	Japan RM'000	Non- Airline RM'000	Elimination adjustments RM'000	Total RM'000
2019 (cont'd.)									
Segment Assets									
Property, plant and equipment and right- of-use assets	20,354,127	1,147,460	1,836,519	6,135,119	1,496,129	29,991	21,624	(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
	<u>42,159,613</u>	<u>1,392,014</u>	<u>2,209,728</u>	<u>8,091,935</u>	<u>2,319,659</u>	<u>100,232</u>	<u>861,132</u>	<u>(31,539,595)</u>	<u>25,594,718</u>
Segment Liabilities									
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
	<u>28,687,141</u>	<u>3,242,904</u>	<u>2,170,969</u>	<u>7,329,204</u>	<u>2,508,527</u>	<u>258,612</u>	<u>770,491</u>	<u>(22,283,870)</u>	<u>22,683,978</u>

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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	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
(a) Income:				
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	-	-

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38. Significant related party transactions (cont'd.)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(a) Income (cont'd.):				
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	-	-
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	-	-

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38. Significant related party transactions (cont'd.)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(b) Recharges:				
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	-	-
(c) Other income/(expenses):				
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)	-	-

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38. Significant related party transactions (cont'd.)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(c) Other income/(expenses) (cont'd.):				
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

	Measured at amortised costs RM'mil	Measured at FVTPL RM'mil	Measured at FVOCI RM'mil	Total RM'mil
Group				
31 December 2020				
Financial assets as per statements of financial position				
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
Total	3,267	93	457	3,817

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39. Financial instruments (cont'd.)

Group (cont'd.)	Liabilities at fair value through and loss RM'mil	Other liabilities RM'mil	Total RM'mil
31 December 2020			
Financial liabilities as per statements of financial position			
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
Total	65	18,902	18,967

Group	Measured at amortised costs RM'mil	Measured at FVTPL RM'mil	Measured at FVOCI RM'mil	Total RM'mil
31 December 2019				
Financial assets as per statements of financial position				
Investment securities (Note 15)	-	95	508	603
Receivables (excluding prepayments and deposits for aircraft maintenance)	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
Total	3,517	300	742	4,558

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39. Financial instruments (cont'd.)

	Liabilities at fair value the profit and loss RM'mil	financial liabilities RM'mil	Total RM'mil
Group (cont'd.)			
31 December 2019			
Financial liabilities as per statements of financial position			
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
Total	60	18,373	18,433

	Measured at amortised costs RM'mil	Measured at FVOCI RM'mil	Total RM'mil
Company			
31 December 2020			
Assets as per statements of financial position			
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
Liabilities as per statements of financial position	
Trade and other payables (Note 26)	7
Amounts due to subsidiaries (Note 22)	462
	469

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39. Financial instruments (cont'd.)

Company	Measured at amortised costs RM'mil	Measured at FVOCI RM'mil	Total RM'mil
31 December 2019			
Assets as per statements of financial position			
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
	<u>379</u>	<u>313</u>	<u>692</u>
			Other financial liabilities RM'mil
Liabilities as per statements of financial position			
Trade and other payables (Note 26)			<u>2</u>

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.

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40. Financial risk management policies (cont'd.)

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.

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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.)

The Group manages its cash flow interest rate risk by entering into a number of immediate interest rate swap contracts and cross currency swap contracts that effectively converts its existing long-term floating rate debt facilities into fixed rate debt (Note 20).

If interest rate on USD denominated borrowings at 31 December 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	<u>(44.00)</u>	<u>(86.00)</u>	<u>(25.56)</u>	<u>(90.01)</u>

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
Cross currency interest rate swaps		-
Later than 5 years:		
Interest rate swaps	734	956
Cross currency interest rate swaps	-	261
	<u>734</u>	<u>1,510</u>

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.)

(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.

(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.

40. Financial risk management policies (cont'd.)

(b) Credit risk (cont'd.)

Credit risks are controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised by monitoring receivables regularly. In addition, credit risks are also controlled as majority of the Group's deposits and bank balances and derivative financial instruments are placed or transacted with major financial institutions and reputable parties. The Directors are of the view that the possibility of non-performance by the majority of these financial institutions is remote on the basis of their financial strength and support of their respective governments.

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

(c) Liquidity and cash flow risk

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

Following the COVID-19 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.

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40. Financial risk management policies (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
At 31 December 2020				
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	-	-	-
	<u>5,916</u>	<u>2,915</u>	<u>5,208</u>	<u>6,202</u>
At 31 December 2019				
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 and provisions	167	176	1,507	911
	261	2,500	-	-
Lease liabilities	2,329	2,171	5,022	5,470
Amounts due to associates	152	-	-	-
Amounts due to related parties	261	-	-	-
	<u>5,707</u>	<u>5,206</u>	<u>6,576</u>	<u>6,399</u>

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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.)

Company	Less than 1 year RM'mil	1-2 years RM'mil	2-5 years RM'mil	Over 5 years RM'mil
At 31 December 2020				
Trade and other payables	9	-	-	-
Amounts due to subsidiaries	462	-	-	-
	<u>471</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2019				
Trade and other payables	2	-	-	-
Amounts due to subsidiaries	-	-	-	-
	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>
Group	Less than 1 year RM'mil	1-2 years RM'mil	2-5 years RM'mil	Over 5 years RM'mil
At 31 December 2020				
Net-settled derivatives				
Trading	-	-	-	65
Hedging	115	-	-	-
	<u>115</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2019				
Net-settled derivatives				
Trading	7	-	20	33
Hedging	120	20	-	-
	<u>120</u>	<u>20</u>	<u>-</u>	<u>-</u>

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40. Financial risk management policies (cont'd.)

(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	2019	2020	2019
	RM'mil	RM'mil	RM'mil	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	<u>13,190</u>	<u>10,301</u>	<u>(1)</u>	<u>(41)</u>
Total equity	<u>(3,313)</u>	<u>2,911</u>	<u>8,543</u>	<u>8,951</u>
Net Gearing Ratio (times)	N/A	3.54	N/A	N/A

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.

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40. Financial risk management policies (cont'd.)

(e) Fair value measurement

The carrying amounts of cash and cash equivalents, trade and other current assets, and trade and other 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	Level 2	Level 3	Total
	RM'mil	RM'mil	RM'mil	RM'mil
Group				
31 December 2020				
Assets				
Derivatives used for hedging	-	78	-	78
Investment securities	220	92	160	472
	<u>220</u>	<u>170</u>	<u>160</u>	<u>550</u>

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40. Financial risk management policies (cont'd.)

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

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

	Level 1	Level 2	Level 3	Total
	RM'mil	RM'mil	RM'mil	RM'mil
Group				
31 December 2020 (cont'd.)				
Liabilities				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	65	-	65
Derivatives used for hedging	-	135	-	135
	-	200	-	200

	Level 1	Level 2	Level 3	Total
	RM'mil	RM'mil	RM'mil	RM'mil
Group				
31 December 2019				
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	205	-	205
Derivatives used for hedging	-	234	-	234
Investment securities	414	98	91	603
	414	537	91	1,042

Liabilities				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	60	-	60
Derivatives used for hedging	-	140	-	140
	-	200	-	200

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40. Financial risk management policies (cont'd.)

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

Company	Level 1 RM'mil	Level 2 RM'mil	Level 3 RM'mil	Total RM'mil
31 December 2020				
Assets				
Investment securities	133	43	-	176
31 December 2019				
Assets				
Investment securities	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.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group and Company then determines fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include certain bonds, government bonds, corporate debt securities, repurchase and reverse purchase agreements, loans, credit derivatives, certain issued notes and the Group's and Company's over the counter ("OTC") derivatives. Specific valuation techniques used to value financial instruments include:

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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.)

- 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.

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41. Unconsolidated structured entities (cont'd.)

The details of the Merah entities are as follows:

Name	Incorporation	Purpose
Merah Satu Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tiga Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah 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

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41. Unconsolidated structured entities (cont'd.)

The details of the Merah entities are as follows: (cont'd.)

Name	Incorporation	Purpose
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

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41. Unconsolidated structured entities (cont'd.)

The details of the Merah entities are as follows: (cont'd.)

Name	Incorporation	Purpose
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 aircraft 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.

(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.

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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.

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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 the 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.

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44. Other matters (cont'd.)

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.

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45. COVID-19 Pandemic (cont'd.)

Arising from the COVID-19 pandemic, the Group and the Company have implemented several measures to weather through this current challenging time. These efforts are ongoing 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 from a financial institution;
- 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.

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.

45. COVID-19 Pandemic (cont'd.)

b) Working capital management (cont'd.)

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.

45. COVID-19 Pandemic (cont'd.)

c) Capacity and Network Management and Marketing activities (cont'd.)

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.