ANCILLARY

FILLING UP BELLY SPACE

2018 was a remarkable year for Ancillary, which saw us record an 11% increase in revenue to RM3.09 billion, contributing to 19% of AirAsia's total revenue. How was this achieved in a year marked by challenges? Simple: by expanding our range of products and services, and leveraging more heavily on data as well as digital technologies.

Among our new services was RedCargo Logistics, a Group enterprise set up in March 2018 to provide a single, integrated cargo platform for our AOCs, moving away from intermediaries so we can deal directly with customers. We have a new website for it, redcargo.asia, and have been developing a digital platform for cargo which won the SAP Asia-Pacific Japan Innovation Challenge 2018. We also implemented a cloud-based enterprise resource planning (ERP) solution that supports our entire supply chain spanning more than 115 airports in just three months. At KLIA itself, we helped our joint venture partner Ground Team Red Sdn Bhd (GTR) start its Cargo Terminal operations at the Free Commercial Zone (FCZ), handling non-palletised cargo.

WE ARE DEVELOPING AIRASIA.COM, OUR MAIN PLATFORM, TO MAKE IT EASIER FOR GUESTS TO AVAIL OF AN ENTIRE MICROCOSM OF PRODUCTS AND SERVICES, NOT JUST THE PURCHASE OF FLIGHTS AND RELATED PRODUCTS.

Through our platform, we are making it easier for customers to book cargo space, receive updates, track and trace their cargo, as well as lodge cargo claims. The efficiencies offered have not been lost on e-commerce players. In November, Shopee signed on RedCargo as its logistics partner in East Malaysia. As at end 2018, AirAsia Berhad, AirAsia X and Indonesia AirAsia had joined RedCargo, contributing to a turnover of RM206 million for the financial year. With a strong team of technologists, product developers, commercial, operations, customer service and corporate services members, RedCargo is on target to double its revenue by end 2019 as it continues to expand.

As with the RedCargo, we are developing airasia.com, our main platform, to make it easier for guests to avail of an entire microcosm of products and services, not just the purchase of flights and related products. Already, they can book hotel accommodation, holiday packages and tours. Soon, they will also be able to purchase a range of other lifestyle offerings. A key attraction will be the ability to take advantage of BIG Points for discounted flights as well as a form of currency on any of our platforms.

We have recently included OURSHOP on airasia.com. Launched in July 2018, our new inflight e-commerce marketplace currently offers specialty Asean products such as *kek lapis* and spices from Sarawak, instant biryani from MyChef, and ratan handbags from Bali. Items sold can be picked up inflight or at the airport, or even be delivered to the home.

Also integrated onto airasia.com is our own brand of travel protection, which grew 6% year-on-year with almost 5.5 million guests taking up a total gross written premium (GWP) of RM128.8 million in 2018. This growth was enhanced by a number of initiatives such as an attractive Annual Plan offering year-round travel protection on all airlines for frequent travellers departing from Malaysia, and an entirely new category of protection for damage and/or theft of gadgets. A third, and key, factor for the increased uptake was more individualised marketing based on guests' historical records.

Together with our data science partner Palantir Technologies, we are developing guest-obsessed data models that will enable deeper insight into our guests' behaviour through artificial intelligence (AI) and machine learning (ML). This will allow us to provide increasingly more personalised and targeted offerings, further enhancing revenue. With travel protection, for example, we expect AI, together with a better claims experience and other marketing improvements, to increase uptake by 10% in 2019.

In 2018, the biggest growth in revenue was seen in Duty Free, which expanded by 50.9% from RM14.10 million in 2017 to RM21.27 million. This quantum leap reflects an extended range of products which also cater to a range of budgets. Our offerings stand out from the norm as we make a conscious effort to include items not found in the average duty free shop. We are also now dealing directly with brand owners, instead of going through third parties, giving us access to product and marketing support while improving our margins.

Meanwhile, the biggest ancillary revenue contributor continued to be pre-booked baggage, which earned no less than RM1.48 billion, making up 48% of AirAsia's total ancillary revenue in 2018. This, too, despite airports not being vigilant enough to stop carry-ons weighing more than 7kg. The restriction we place is not, in fact, to increase our checked baggage revenue, but primarily to maintain safety standards. Overhead baggage space in our Airbus A320 aircraft is simply not large enough for bulky bags, while lifting heavy items into this compartment poses a risk to crew and guests.

ANCILLARY

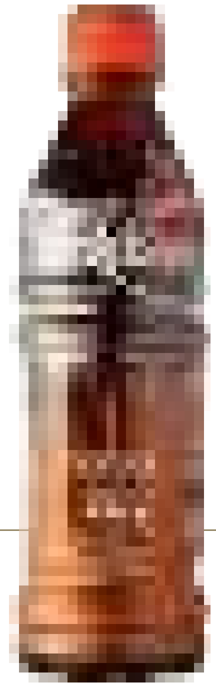
Other popular ancillary offerings - ie inflight meals and entertainment - also continued to grow.

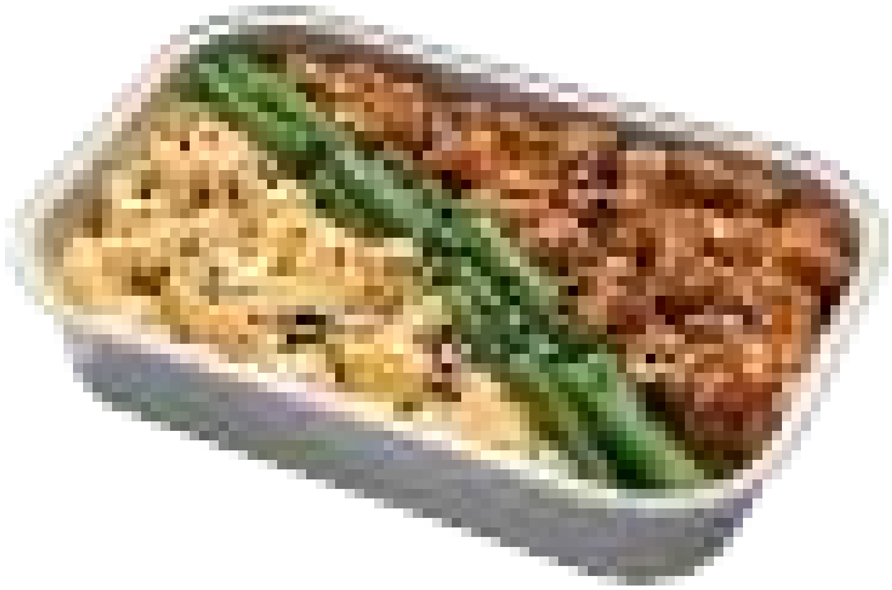
As always, we kept improving our inflight menu to satiate guests' gastronomic cravings. A key achievement in 2018, was to work with Asean F&B entrepreneurs and SMEs to bring on board their products, primarily snacks such as nuts, crisps and chocolates as well as locally produced mineral water and coconut water. Starting from 2019, we will be launching destination-specific menus while introducing coffee trolleys serving brews made from our own Asean blend beans, and attractively packaged 'food souvenirs' that guests can take home. We take pride in the quality of our cuisine and are even planning to open a Santan café on ground offering the same Asian delights and popular favourites that can be found inflight. In 2018, revenue from Santan increased 17% year-on-year from RM199.18 million to RM232.98 million.

STARTING FROM 2019, WE WILL BE LAUNCHING DESTINATION-SPECIFIC MENUS WHILE INTRODUCING COFFEE TROLLEYS SERVING BREWS MADE FROM OUR OWN ASEAN BLEND BEANS, AND ATTRACTIVELY PACKAGED 'FOOD SOUVENIRS' THAT GUESTS CAN TAKE HOME.

ROKKI, our inflight wifi and entertainment brand, is gaining traction as it is made available on more flights. By year end, ROKKI had been installed on 64 aircraft, up from 45 as at end 2017 – 52 aircraft belonging to AirAsia Malaysia, six to AirAsia Philippines, four to AirAsia India, and two to AirAsia Indonesia. Adding to its functions, guests can now top up their mobile prepaids with almost all major telcos in Asean. We have also secured landmark e-commerce merchants like KLIA Express, Xiaomi and smaller SMEs to offer local specialty products such as *kek lapis Sarawak* and seafood from Sabah.

To create greater awareness and encourage higher take-up of this service, ROKKI was provided for free to all AirAsia BIG members for a period of six months. We also ran a pilot project on 10 aircraft where the inflight Travel360 magazine was digitalised and made available only on ROKKI.





THERE ARE MANY PLANS TO FURTHER GROW OUR ANCILLARY BUSINESS, AS WE DEVELOP DISTINCT BRANDS ACROSS F&B MERCHANDISE AND DUTY FREE, WHILE FULLY LEVERAGING DATA FROM DOLLY EPOS TO TARGET-SELL BASED ON CUSTOMERS' HISTORICAL PURCHASES.

In 2019, we will be rolling out ROKKI on more aircraft across the Group while further enhancing the platform with a newer internet technology, Ka-band, which will enable faster speeds and a better overall experience. Through ROKKI, we also seek to promote a cashless environment on our flights by encouraging guests to pay using cards. This would create the dual convenience of guests not having to worry about being given change in a non-preferred currency, and our cabin crew not having to search for loose change.

There are many plans to further grow our Ancillary business, as we develop distinct brands across F&B merchandise and duty free, while fully leveraging data from Dolly ePOS to target-sell based on customers' historical purchases. At the same time, we will make our products more easily available. For seat selection, we aim to enable guests to place their choice from their mobile devices. Seat selection, baggage as well as meal inventories are managed on a Navitaire platform which was upgraded in February 2019 to enable us to offer these products when guests check in. Further enhancing the take-up of seat selection and baggage, in 2019 we intend to drive even more strategic route-level pricing, dynamic personalised promotional offerings, and high season pricing to monetise periods of high demand.

We are very excited about RedCargo's growth prospects and expect to double its revenue in 2019 as we integrate the cargo capacity of AirAsia Philippines onto the new platform, while beginning the process for AirAsia Thailand and AirAsia X Thailand. In Malaysia, we are looking to receive Dangerous Goods (DG) approval, which will significantly increase our cargo tonnage potential given that roughly 50% of e-commerce items comprise electronics, most of which are DG-classified items.

Meanwhile, the entire Ancillary business is being re-structured focusing on core, inflight and partner products. This new vertical approach will create greater product development and marketing clarity, while tying into the AirAsia cluster structure to reach all network markets. So, with new products, better and more integrated technologies as well as a more effective structure, there are great things happening with our Ancillary business, which is set to grow exponentially year-on-year.

SOCIAL MEDIA

A pregnant lady gets Pak Nasser's nasi lemak that she's been craving. Indian guests are able to fly to new destinations that they suggest. And airport authorities are put to task for not keeping their premises clean. All this, and more, keeps our fans and friends glued to our social media, where they express what they feel, share jibes, get updates and simply connect with others as well as, most importantly, with us.

Our social media story of the year has to be how Farizah Mohd Mostar got to satisfy a craving for Pak Nasser's nasi lemak – after husband Mohamad Azham Shah Johar asked in a tweet to AirAsia if it was possible to buy our best-selling inflight dish anywhere in Kuala Lumpur. AirAsia immediately replied in the negative but jokingly suggested that perhaps what Farizah really wanted was a Babymoon trip. Mohamad Azham's tweet and our reply were retweeted 7,800 and 2,500 times respectively. The exchange took place on a Tuesday in October. The very next day, at 6pm, Farizah received not just one but two packages of nasi lemak, courtesy of a guest who happened to fly into Kuala Lumpur from Kota Kinabalu.

Mohamad Azham said he and Farizah were deeply touched by the lady's kindness, and the sheer number of people who showed an interest in trying to help. His expecting wife's gnawing hunger for our nasi lemak was sparked by office colleagues raving about how good it is. It wasn't however, her first taste of the stellar dish, as she had had some when the couple flew to Kuching in 2012, before their first two children were born.

In India, where our associate airline has been launching a number of new destinations, there has been a frenzy of tweet requests for more. Twitter has also become a first source of information on new launches. On 3 May, Malaysia's daily The Edge Markets reported on the to-be-launched Kuala Lumpur-Amritsar route after reading about it in a tweet from Co-Group CEO, Tan Sri Tony Fernandes. The four times weekly flights took off mid-August.

THERE CAN BE NO DOUBT THAT SOCIAL MEDIA HAS BECOME THE GO-TO PLATFORM FOR OUR STAKEHOLDERS TO SHARE ANYTHING EXCITING, INTERESTING, UPSETTING OR EVEN CONTENTIOUS.

But nothing could beat the drama that unfolded when AirAsia Malaysia's Head of Communications posted a video on Twitter of maggots crawling all over a rubbish bin in klia2. Malaysia Airports Holdings Berhad (MAHB) made a police report on defamation and our Allstar, Aziz Laikar, was summoned to make a police statement. There was an outpouring of support for Aziz, which was much appreciated. More importantly, we hope this social media brouhaha has a happy ending with better, cleaner and more efficient facilities for our guests at the airport which handles more than 30 million passengers a year, most of whom fly AirAsia.

There can be no doubt that social media has become the go-to platform for our internal and external stakeholders to share anything exciting, interesting, upsetting and even contentious. Not many companies would be as willing to embrace this platform as readily as we do given its uncensored nature. We receive brickbats almost as often as we do positive comments, but welcome these. Complaints that are legitimate serve as useful feedback for us to fill in the gaps in our service delivery. As customer happiness is now a top priority, the more feedback we get the better.

FOLLOWER BASE

+7.2%

On our part, we keep rewarding guests who connect with us regularly on social media via competitions and attractive gifts or promotions. The hour-long #BeyondLowFares live session on Facebook was a prime example. Organised to celebrate our 10th Skytrax Best Low-Cost Airline win, we wanted to reinforce the fact that AirAsia is much more than just a low-fare airline. In addition to giving away a year's worth of free flights, we gave fans the opportunity to watch a live celebrity face-off between our Group CEO and Miss Universe 2015 Pia Wurtzbach; get insider low-fare hacks from AirAsia Group Director Noor Neelofa Mohd Noor and TV host, Nabil Ahmad; as well as take part in an interactive chat with our top female Allstars. The initiative proved so popular, it generated over 277,000 organic views.

Because of our genuine desire to connect with fans and friends on social media, this platform has been growing steadily over the years, both in terms of the number of platforms we engage in as well as the number of fans or followers we engage with. Just in 2018, we launched a new Facebook page in Cambodia, adding to a total Facebook page count of 15. These are complemented by six Twitter accounts, five Instagram accounts, and one account for each of the following: Weibo, YouTube (after merging the Global, Thailand and Singapore accounts in September), LINE, LinkedIn, KakaoStory, KakaoTalk Plus Friends, WeChat, TikTok and Pinterest.

While Twitter remains one of our most active platforms, the highest growth in terms of new fans/followers was seen in @airasia_bhsindonesia, our Indonesian Instagram account which grew by 121%, from 282,168 to 625,392 followers. In total, our fan/follower base grew 7.2% to 50,765,529.

Meanwhile, AirAsia was named Airline of the Week by Dragon Trail Interactive for the highest number of views on WeChat from 26 February to 4 March. WeChat is an immensely popular Chinese social media platform and app developed by Tencent. During our winning week, we had nine posts which attracted a total of 401,087 views. The top-ranking post, titled 'Demystifying 8 Common Complaints About Airlines', alone received 100,001 views.

We certainly aren't complaining, and if our guests are, we would definitely hear about it on social media.

DIGITAL & DATA

OBSESSING ABOUT TECHNOLOGY AS WE OBSESS ABOUT GUESTS

Perhaps the most exciting aspect of AirAsia today is our ongoing digital transformation. Since 2016, we have been investing in systems and processes to become an integrated, data-driven organisation. Last year saw us make considerable progress as we installed more mechanisms to gather data while transferring existing data onto a central Google cloud platform. The idea is to create a 360° view of our data landscape, which helps us cater better to our guests' needs while improving our operational efficiencies. Ultimately, this will translate into higher revenue from increased flight and ancillary sales, as well as lower costs from smoother operations.

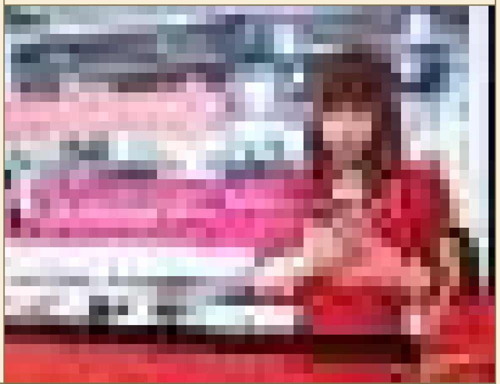
In terms of data conversion, in 2018 we migrated Duty Free and merchandise sales data from previous purchases onto the cloud. For fresh data gathering, we introduced Dolly ePOS, a hand-held device carried by cabin crew to key in all guest transactions on board flights.

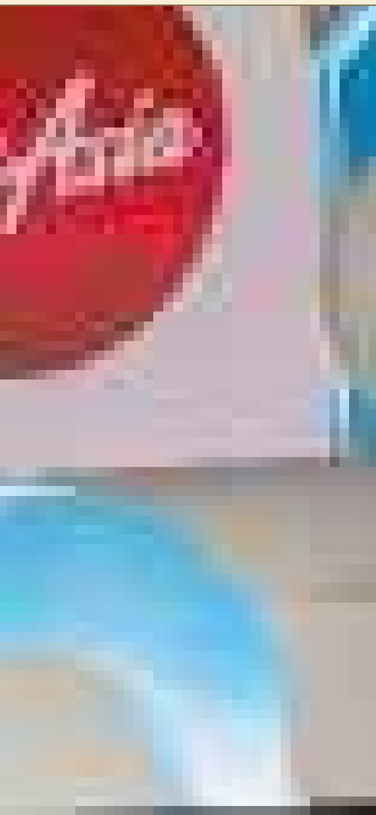
Digitalisation means repetitive tasks can be automated, freeing Allstars to focus on things that really matter. Such as making our guests happy. Using a real-time reporting dashboard, Allstars can make better guest-related decisions based on data. They can, for example, notify the operations team to prepare extra infant accessories onboard in response to data indicating a larger than usual number of very young guests. They are also better able to manage flight connections for guests in the event of delays.

In the office, the adoption of digital technologies is enabling Allstars to communicate and collaborate more efficiently. In November 2017, we started rolling out G Suite tools such as Google Docs, Sheets and Slides, which allow Allstars to work on the same documents at the same time. Our teams from different country operations are also able to conduct virtual meetings via Google Meet, saving time and the cost of travelling. As to be expected, there was some initial resistance to the changes. However, with the right kind of approach and training, Allstars have become adept with the new technologies and are able to see the benefits that they bring. New recruits are given sessions on systems currently being used such as Palantir, Salesforce, Google and Workday as part of their on-boarding programme.

At the vanguard of our digital revolution is a team of techies – from Digital & Data – who are working with Google Cloud engineers to solve specific business scenarios while gaining a solid foundation in artificial intelligence (AI) and machine learning (ML). Some members of this team have been enrolled in the same programme Google Cloud uses to train its engineers, allowing AirAsia to build our own internal AI and ML expertise.

Results of AI engagement at AirAsia will have been noticed, and appreciated, by our guests. In February 2018, we introduced the Fast Airport Clearance Experience System (FACES) at Senai International Airport, Johor Bahru. With the system, guests need not show any identification or travel documents prior to boarding, as a scanner reads their facial biometric data that is captured when they register into the system. Following the pilot run in Senai, we have further refined the technology and launched it in Kuching as well as Melbourne Avalon. Other airports we operate out of will follow. In the meantime, guests can avail of the mobile boarding pass scanner, also introduced during the year, to speed up their boarding process.





Many upgrades have been made to our mobile app too, making it much more than a tool to book flights. With the app, guests can now browse for hotels and activities in their holiday destinations, buy duty free items, check their flight status, look at all AirAsia destinations on a map, and even chat with AVA, our customer support chatbot introduced in early December. Currently able to answer general queries in English, Bahasa Indonesia, Bahasa Malaysia, Simplified Chinese, Traditional Chinese and Thai, AVA will soon be able to help guests make and manage their bookings as well as add ancillary products… in even more languages.

When booking a flight, moreover, guests may have noticed that suggested add-ons such as meals, baggage allowance, seats and insurance have been customised specifically for them, based on their previous purchases. Now, they can also get their booking confirmation as well as updates on their flights on their preferred social apps.

If there is anything about their experience they are not happy about, they can provide the relevant feedback through online surveys – one sent immediately after their booking, and the other after their trip. Data from these surveys are fed into our improved Net Promoter Score (NPS) system, which analyses the information and provides reports to the relevant departments for action.

Meanwhile, many more services and upgrades are in the pipeline. This year, we intend to encourage more direct bookings on airasia.com with greater variable pricing while using our guest data to up-sell ancillary products in a manner that they will appreciate. We also seek to introduce more biometric and other self-serve options to facilitate guest movement through the airport, reducing queues and time spent waiting.

Our ultimate goal is to develop next-generation tech infrastructure that creates greater efficiencies behind the scenes while enhancing guests' experience throughout the entire journey of planning a holiday until they return home. We are guest-obsessed and will leverage digital technology to create great outcomes.

ADJACENCY BUSINESSES

Over the years, we have entered into partnerships with third parties to create new streams of revenue, leveraging our assets and our partners' expertise. A number of our first-generation adjacency businesses, such as AirAsia Expedia, have been monetised. We are now in the process of consolidating our digital-based adjacency businesses – such as BIG Loyalty, BigPay and Vidi – under RedBeat Ventures (RBV) in order to fully develop a digital lifestyle vertical.

GROUND TEAM RED

Ground Team Red Holdings (GTRH), our 50:50 joint venture with Singapore's SATS Limited, provides technology-driven ground handling services. Established in October 2017, its business has grown from managing only AirAsia to include third-party airlines in Singapore and Malaysia. The team has also ventured into cargo handling.

A highlight in 2018 was the launch on 12 November of a fully digitalised Airport Control Centre in klia2. Guest service Allstars now use smartphones to manage functions such as boarding guests to ramp loading and baggage reconciliation at the carousel, enabling the convergence of real-time data at each stage through a digital dashboard. With the efficiencies enabled, GTR has set the target of achieving 25-minute aircraft turnaround while maintaining its high on-time performance (OTP) of 98%. The system also improves safety by enabling accurate measurement of aircraft weight while eliminating the need for paper-based loading instructions, which are difficult to manage at night and in bad weather conditions.

GTR staff, too, benefit. They can now clock in to work and receive their flight assignments via their handheld devices. With more efficient allocation of manpower, moreover, productivity is enhanced.

Another key feature of the control centre is a virtual reality training chamber with six modules – cargo, lavatory, water service, air-conditioning, ground power unit and aircraft marshalling – that will allow ground personnel to simulate and safely conduct real-world scenarios and training without the need for aircraft availability.

Three days after the Airport Control Centre was launched, GTR operationalised its 40,000sq ft Cargo Terminal in KLIA, with IndiGo Airlines as its first client. As of 23 November, it has also been managing AirAsia's express cargo. In January 2019, GTR's portfolio of clients further expanded to include China-based Guangxi Beibu Gulf Airlines and Malaysian cargo airline, Raya Airways.

Plans for 2019 include expanding to other AirAsia operations in the Philippines, Indonesia and Thailand while attracting the business of other third-party airlines, including full-service carriers, in KLIA with artificial intelligence-enhanced service. GTR also seeks to strengthen its cargo business by operationalising its 93,000sq ft warehouse located in the old Low-Cost Carrier Terminal, which has been converted into a cargo terminal.

BIG LOYALTY

BIG Loyalty, our joint venture with Canada-based Aimia Inc, manages the AirAsia BIG Loyalty programme. Established in 2011, the programme has been growing steadily, ending 2018 with over 22 million members. During the year, the number of points redeemed increased by a staggering 337%, the number of points issued grew 58%, app downloads almost doubled, while gross billing spiked by 54%.

These results were by and large the result of the Freedom Flyer Programme introduced in September 2017, along with implementation of BIG Points as a form of payment on AirAsia and a BIG Points Top-up feature on BIG Loyalty.

Unlike traditional loyalty programmes, the Freedom Flyer Programme rewards guests according to how often they fly as opposed to how much they spend. Each flight puts the guest a step closer to a higher membership status, affording him/her more BIG Points than in the previous band. Unlike other programmes, additionally, members do not need that many points to fly – just 500 BIG Points during the monthly sales is sufficient.

Following the Freedom Flyer launch, the number of points redeemed for Final Call Sale X increased 533%, for Free Seats/BIG Sale 166%, and for Fixed Points, 227%. The number of active members also increased, from 5.0 million at end 2017 to 6.9 million at end 2018. Given its success, the programme was also launched in Thailand, the Philippines and Indonesia.

Not resting on its laurels, the team continued to make BIG Loyalty even more attractive. In September, the BIG Xchange was introduced, earning the distinction of being the first points exchange hub within the airline industry. Using the exclusive app, members can convert their bank and other loyalty points to BIG Points seamlessly. The BIG Xchange was launched with Citi Malaysia followed by Citi Thailand, with more partners in the offing.

The team also further expanded its portfolio of credit cards, launching the AirAsia Credit Card with RCBC Bankard in the Philippines – the first ever AirAsia card in this country – and with Hong Leong Bank in Malaysia. Permata Bank in Indonesia will follow shortly. BIG Members who sign up for the AirAsia Credit Card enjoy attractive welcome bonuses and low daily spend while earning many BIG Points – directly, without the need for conversion. A strategic partnership with RHB Banking Group, meanwhile, enables RHB customers to accumulate BIG Points across selected retail banking products to enjoy free flights.

A key retail partnership entered into in 2018 in Malaysia was with popular discount entity, Fave. BIG Members can now enjoy up to 95% off FaveDeals, and earn 1 BIG Point for every RM1 spent, including on FavePay. Over 3 million Fave users have since been introduced to BIG privileges. In Indonesia, a similar strategic collaboration was formed with Go-Jek, under which Go-Points can be converted into BIG Points on the Go-Jek app.

Other than these two names, the list of BIG Loyalty's coalition partners includes top travel, lifestyle and financial entities in the region such as Agoda, Booking.com, Bangkok Bank, Maybank, Petron and King Power.

A milestone achievement during the year was crossing the 20 million membership mark. This led to campaigns such as #WeAre20MilBIG and BIG Fest in Malaysia, offering members incredibly attractive opportunities to win more BIG Points. The countries with the largest membership bases are Malaysia with 3.74 million, China with 2.45 million, Thailand with 2.25 million, Indonesia with 1.49 million and India with 1.26 million.

Given its never-ending innovation and growth, AirAsia BIG Loyalty continued to win a string of awards. In 2018, these included: the Best Use of Technology at the Loyalty Conference and Awards; Gold for Best Loyalty Programme - Travel/Hospitality at Loyalty & Engagement Awards 2018; Best eCommerce Merchant - Travel/Hospitality at the Asia eCommerce Awards 2018; and Silver and Bronze for Excellence in Loyalty Marketing at the Malaysian and Singaporean instalments of Marketing Excellence Awards, respectively.

Moving forward, AirAsia BIG Loyalty will continue to focus on rewarding our guests in ways that are exciting and meaningful. Using artificial intelligence and machine learning, it will deliver more enriched and relevant offers through better personalisation for every single one of the millions of BIG Members across the region. It has big plans for the future to bring bigger and better benefits to its members.

ADJACENCY BUSINESSES

VIDI

Vidi, which started off as Touristly Travel Sdn Bhd in 2015, is a fine example of how AirAsia has partnered with startups and helped them scale up. Since we acquired a 50% stake in the digital travel/ lifestyle company in April 2017, it has quadrupled its conversion rate while seeing revenue increase 3.5 times in 2017 and 2.1 times in 2018.

The company was rebranded as Vidi in February 2018 to communicate its vision to help people find and book new experiences through visual discovery – ie from videos uploaded by other travellers. A new Vidi app with user generated content was launched to the public in August, following a beta launch in February. With over 6,000 unique user-generated videos on the platform, user engagement in deal pages has increased 50%.

Leveraging access to the AirAsia network, in 2018 Vidi also launched a new bundling platform and worked with our marketing team on various sales campaigns such as the quarterly free seats and BIG Sale campaigns. In addition, it developed new technologies to offer more personalised content. For example, a new electronic direct mail (EDM) trigger changes dynamically based on traveller destinations; and a product widget will only display deals relevant to traveller preferences.

Continuing with the momentum of growth, in 2019 Vidi expects to integrate with our BIG Loyalty programme, which has a membership base of over 22 million, luring AirAsia guests with earn and burn features. It also seeks to partner our online travel magazine, travel360.com, to increase its reach to potential customers.

Intrepid travellers can look forward to some exciting developments, including a Vidi app and a more user-friendly web platform in the first quarter of the year. A large number of lifestyle deals will also be made available from the second quarter onwards, when Vidi integrates with our loyalty programme's highly anticipated BIGLIFE app.

vidi

BigPay

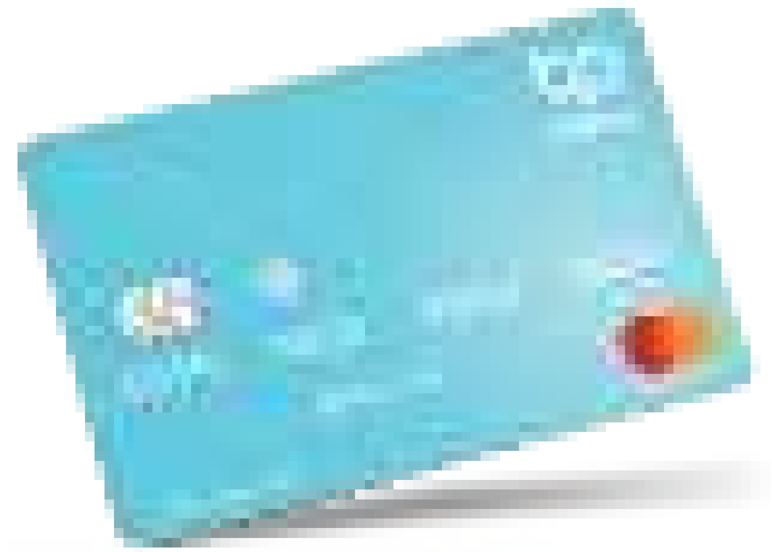
BIGPAY

Since launching in January 2018, BigPay has become one of the fastest growing fintech companies in Asean. Its app, available on both iOS and Android, already features among the most popular finance and banking applications in Malaysia.

Its popularity can be distilled to "keeping things simple, and building a useful, good value product that people genuinely like". This means offering functions such as spending analytics, contactless cards, the ability for users to split bills and request money, freeze cards, and live in-app chat assistance. Following the launch of a new look and design, these functions are now even easier to use. Feedback from users guides an ongoing process of product enhancement aimed at creating a best-in-class user experience.

To cater for its popularity, BigPay has a fully automated electronic know-your-customer (eKYC) process which enables the approval of large volumes of users in a matter of minutes.

In 2019, the focus will be on expanding and scaling the business across multiple markets in Asean while accelerating growth in Malaysia. New functions to be rolled out, such as remittance and lending products, will ensure even greater value and functionality, helping users manage their finances more efficiently. The team's ultimate vision is for BigPay to become the 'top of wallet' financial product for consumers in the region.



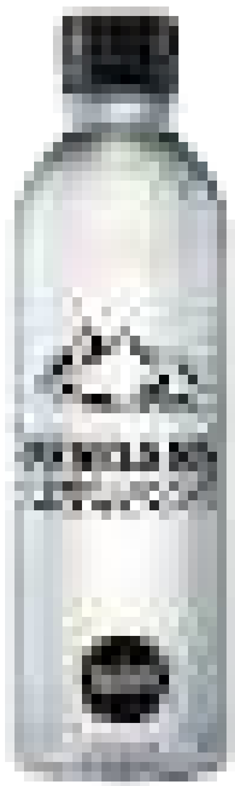
ADJACENCY BUSINESSES

T&CO

T&Co is our in-house café, providing inflight coffee, tea and snacks while also operating outlets on the ground. We entered into a partnership with the founders of the fledgling food and beverage enterprise in 2013 and now have 100% equity in the company that has invested in formulating hot beverages that taste good 30,000 feet in the air.

Forever innovating, T&Co scored a coup in May 2018 with the launch of the first premier Asean-blend drip coffee to be served in-flight, using beans from Laos as well as Thailand's Muser Coffee Hill – one of the social enterprises supported by AirAsia Foundation. This followed in the wake of introducing a refreshed 3-in-1 instant coffee formulation in April. It also made progress in its expansion plans. In the fourth quarter of the year, T&Co secured approvals from the relevant local authorities to supply its products to AirAsia Indonesia, AirAsia Philippines and AirAsia Thailand.

Certain other initiatives, however, have been put on hold. Although it has been working on a ready-to-drink coffee as well as ambient juice, these would cost significantly more than existing inflight offerings. T&Co is therefore waiting for the right time, or the opportunity to lower its cost, before introducing the items. It also delayed opening a new outlet while focusing on sales of the existing cafés – its flagship café in Mid Valley Megamall and an outlet in RedQ.



Going into 2019, T&Co seeks to brand itself more strongly as an Asean café serving only Asean coffee beans. This is to be complemented by expanding its food portfolio enabling people to take home souvenirs produced by Asean entrepreneurs. At the same time, it seeks to expand its presence in Thailand and the Philippines, and to trial its coffee trolley onboard in the third quarter.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7D Historical Yet Fun Japan

7D Amazing Onsen in Gunma

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9D All Styles in Shandong
~Apr-May: Peach Blossom, Lilac, Malus Spectabilis
~Oct-Nov: Maple, Chrysanthemum, Gingko

8D Hubei Mountains ~ Wudang & Shennongjia
~Mar-Apr: Sakura
~Jul: Lotus Flower
~Oct: Chrysanthemum

8D New Era of Fujian
~Apr-May: Rape Flowers, California Poppy
~Jun-Aug: Sunflowers, Zinnia, Lotus Flower
~Sep-Oct: Spiny Spiderflower, Coreopsis Grandiflora

8D Xian & Henan
~Apr: Peony Flower

Korea Scrumptious Seafood & 5 Star Hotel Stay

from RM 3,838

7D K-WAVE Mr Sunshine

8D KTX Train To Busan

Taiwan Leisure Floral & Food Tour

from RM 2,055

7D Flora Taiwan

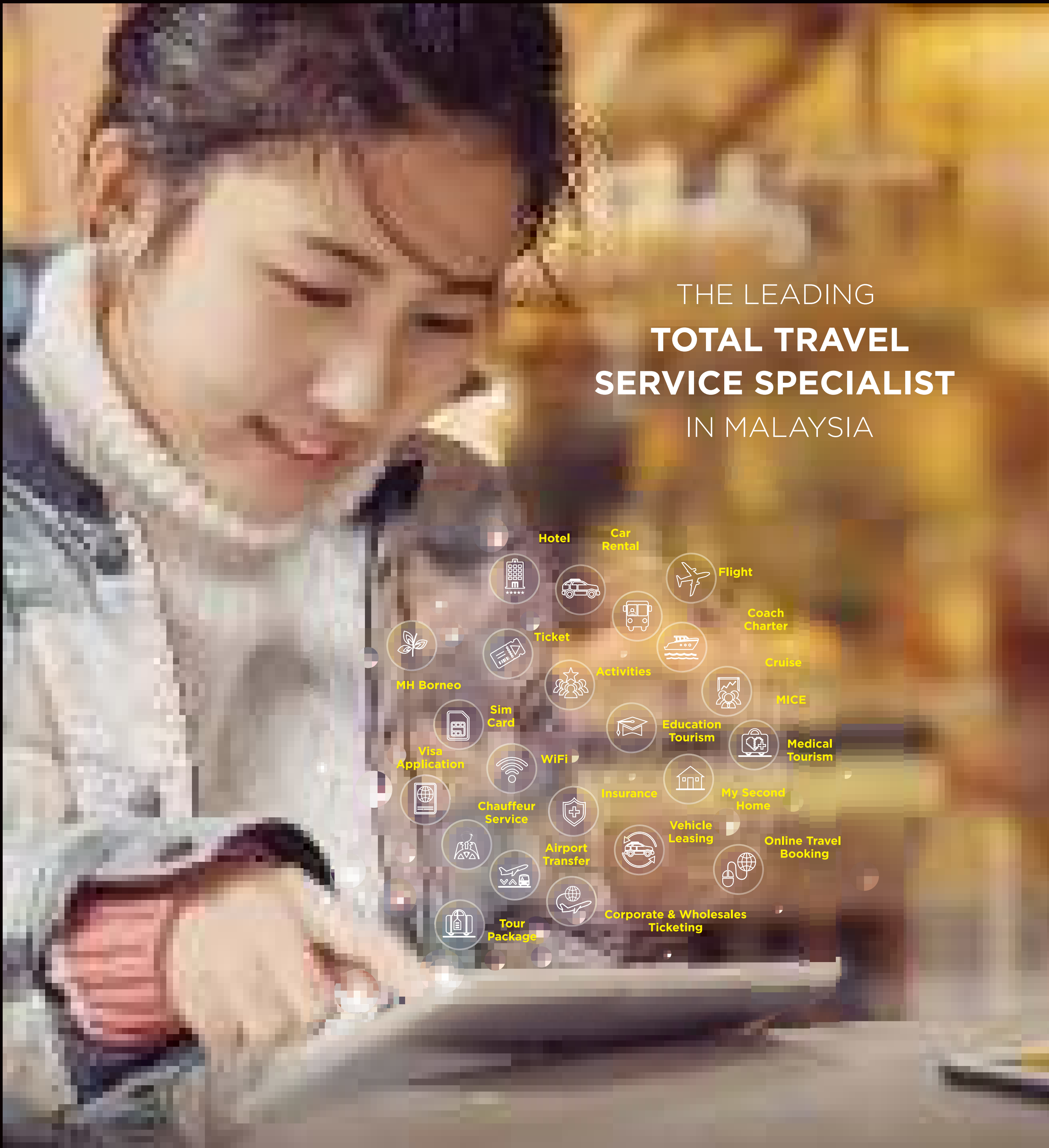
7D Yummilicious Taiwan

SCAN ME!

PARLO TOURS SDN.BHD. (24106-H) KPL.0218 (outbound) **Tour : 03 2726 6088 Ticketing : 03 2274 7896**

Ipoh (KPL5418) Jln Sultan Abdul Jalil : 05-255 9566 • Johor Bahru (KPL0218/6) Jln Permas 10 : 07-279 1510 • Penang (KPL0218/7) Jln Rangoon : 04-227 5600

* All branches & preferred agents own valid outbound license . * Prices are valid for cash term & subject to change without prior notice. * Surcharge applies for peak seasons & school holidays.
* Terms & conditions apply. * Working hours: 9am~5.30pm(mon-fri) / 9am~1pm(sat)


THE LEADING
TOTAL TRAVEL
SERVICE SPECIALIST
IN MALAYSIA
Hotel
Car Rental
Flight
Coach Charter
Ticket
Cruise
Activities
MH Borneo
MICE
Sim Card
Education Tourism
Medical Tourism
Visa Application
WiFi
Insurance
My Second Home
Chauffeur Service
Vehicle Leasing
Online Travel Booking
Airport Transfer
Tour Package
Corporate & Wholesales Ticketing

CHAMPIONING
GOOD• GREEN•GROWTH

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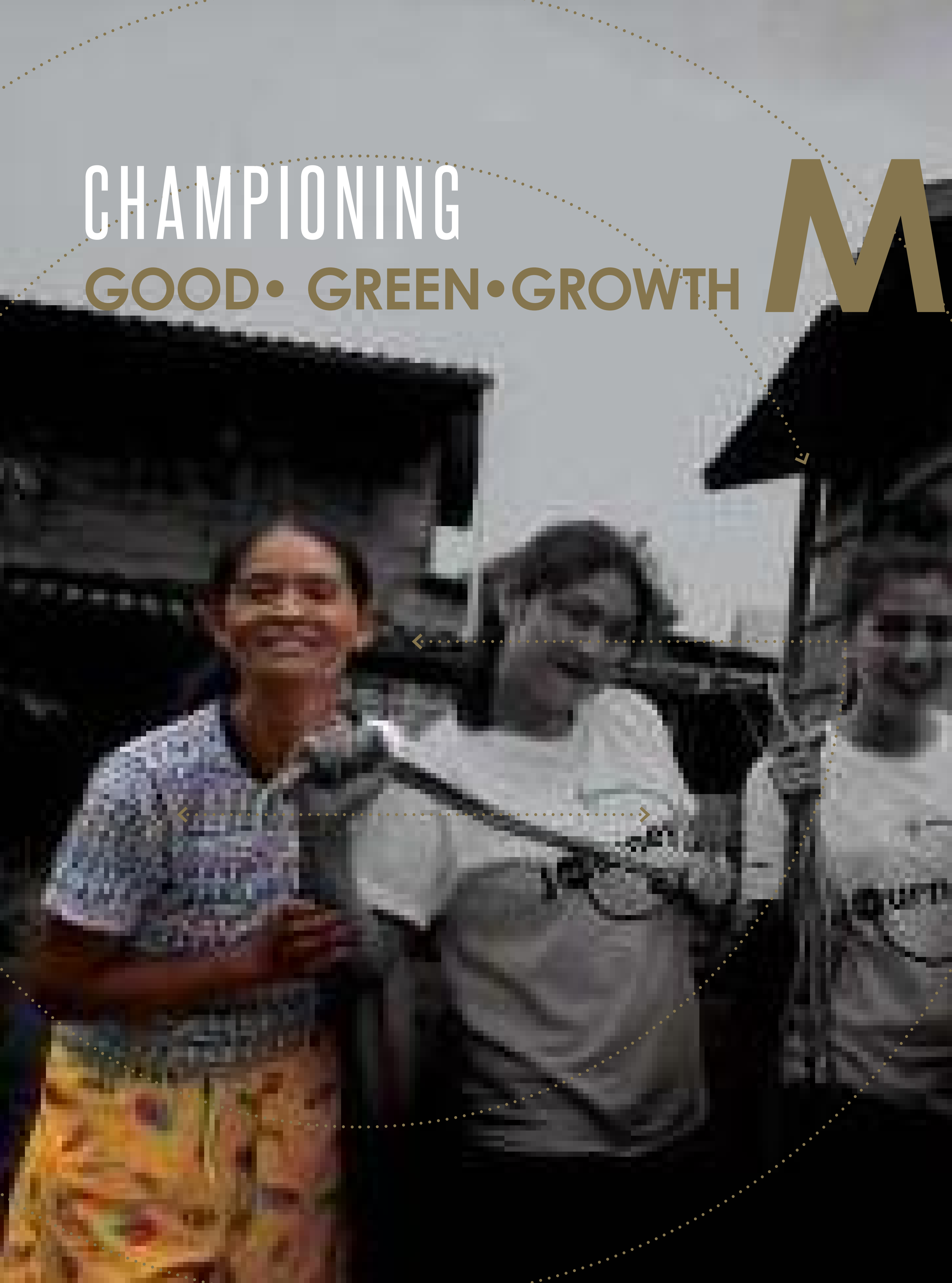


ISSIONS

WORLD AIRLINE SKYTRAX AWARDS 2018

Through Journey D, AirAsia has worked with local communities to help establish sustainable Community-Based Tourism

As a people-first brand, we care as much for our Allstars as we do for guests – what's important to them is important to us. We pledge our support to the causes close to the hearts of our Allstars while continuing to champion social missions that can make a real and lasting difference to the communities we serve.

We launched Taska Krista@RedQ to provide dedicated childcare facilities at a lower fee for the convenience of our workforce.

SUSTAINABILITY STATEMENT


6

SUSTAINABILITY STATEMENT

ABOUT OUR SUSTAINABILITY STATEMENT

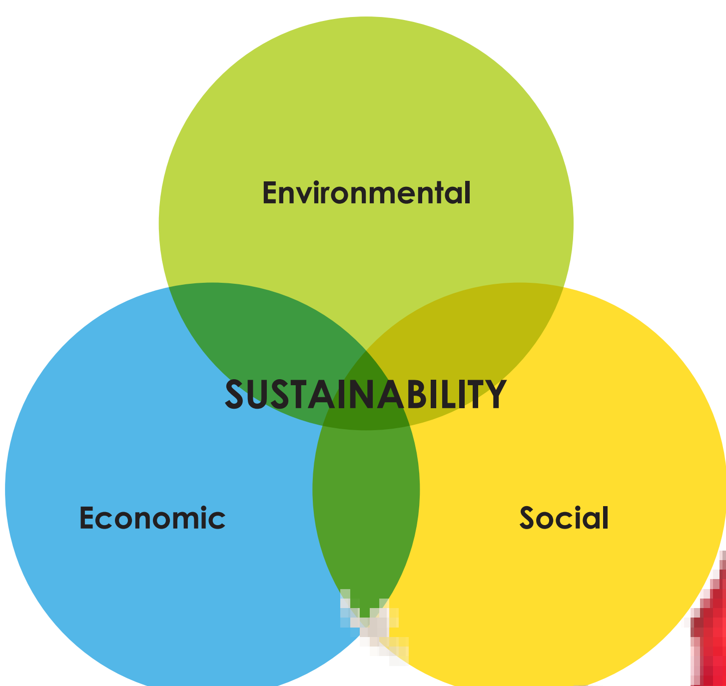
Our Sustainability Statements are produced for the express purpose of providing our stakeholders with a clear and comprehensive account of how we seek to create value for them. As with our business disclosure, we are transparent in detailing our goals, indicating targets where relevant and stating how well we have performed against these. Through these statements, we hope our stakeholders understand and appreciate our accountability in maintaining the highest level of integrity in everything that we do. At the heart of our sustainability framework is a robust governance structure which ensures we do the right thing at all times, for all the right reasons.

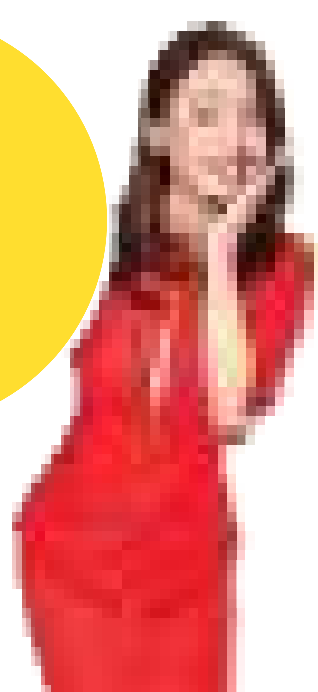
This year, for the first time, we have sought to include the sustainability efforts of our associate airlines in the region – namely AirAsia Thailand, AirAsia Indonesia, AirAsia Philippines, AirAsia India and AirAsia Japan – in addition to AirAsia Malaysia. Not all of our country operations have implemented the systems and processes required for disclosure in the material matters covered, however. In this statement, therefore, we are only able to present data that is available and hope to fill in the gaps in future statements.

All initiatives reported were undertaken during the financial year from 1 January to 31 December 2018.

This report has been prepared in accordance with the GRI Standards: Core Option. We welcome feedback, which can be channelled via sustainability@airasia.com.

Triple Bottom Line





OUR APPROACH TO SUSTAINABILITY

As the leading low-cost airline in Asean with aspirations of extending our dominance throughout Asia, AirAsia has an impact on the lives of countless stakeholders – from our guests and Allstars (as we call our employees) to shareholders, business partners, regulators and the community at large. We recognise the breadth and depth of our scope of influence and are committed to ensuring that all our actions and decisions help to create positive outcomes for a better, more equitable world.

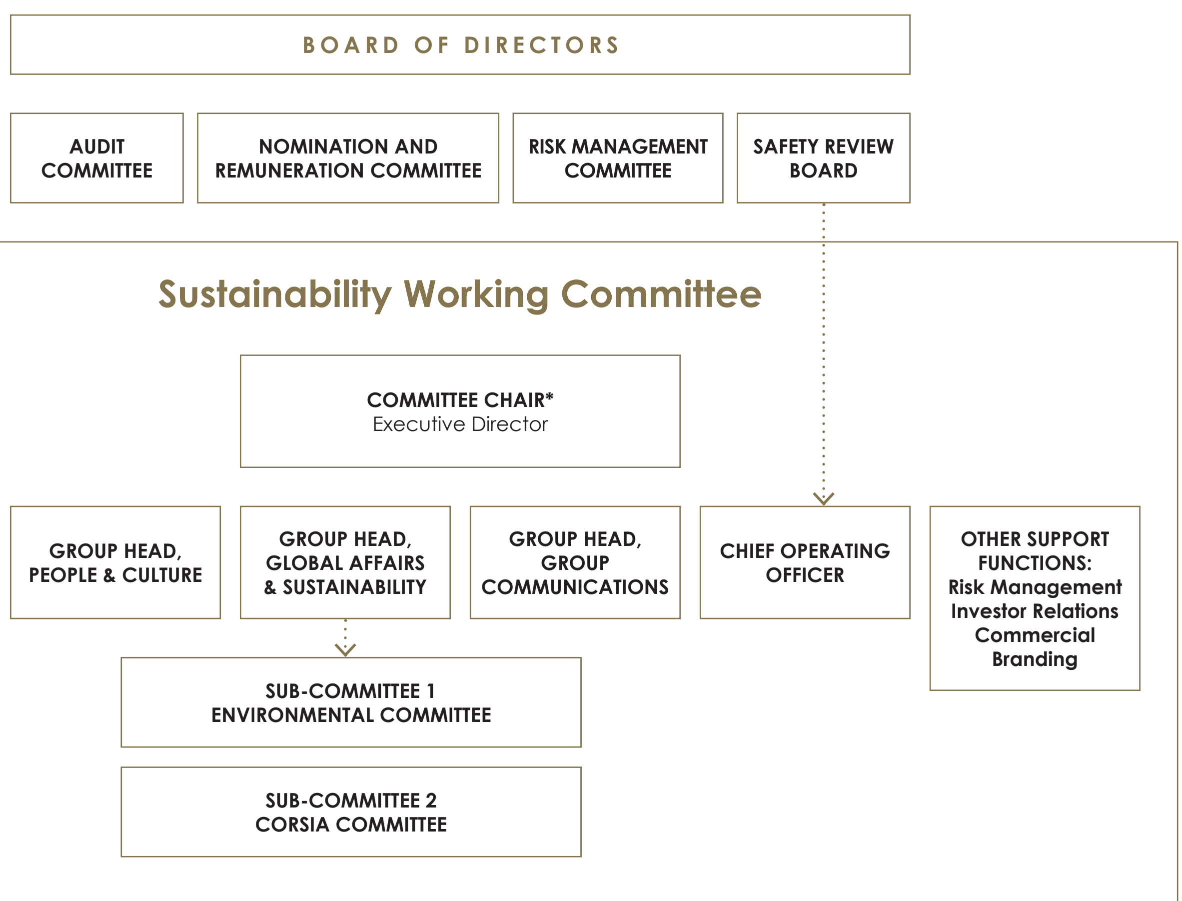
Our *raison d'etre* – namely to enable everyone to fly – has at its core a deep-seated belief in the equal rights of everyone to development and the privileges that it brings. Our approach to sustainability is anchored on the triple bottom line approach of creating socio-economic value for all; and, by extension, protecting the environment on which the well-being of everyone depends, both today and tomorrow. We recognise, further, that in taking care of our stakeholders' interests, we are also creating value for AirAsia through the effective management of our economic, environmental and social (EES) risks.

SUSTAINABILITY GOVERNANCE AT AIRASIA GROUP

Sustainability at AirAsia Group is governed by a Sustainability Working Committee with oversight from our Board of Directors. The Sustainability Working Committee, comprising Group Heads of Department, is chaired by Group CEO Tan Sri Tony Fernandes.

As the result of an internal restructuring, our Green and Environmental Affairs Department has been integrated with another department in Thailand whose focus was on creating social impact to form a new Group Sustainability department.

All sustainability matters are carried out together with the relevant departments, facilitated by Group Sustainability. Progress made in 2018 was reported to the Board through the Working Committee in November 2018 and March 2019. At the latter meeting, the Board was also apprised of plans going forward.



* The position of the Committee Chair will always be held by an Executive Director of AirAsia Berhad

SUSTAINABILITY STATEMENT

OUR MATERIAL MATTERS

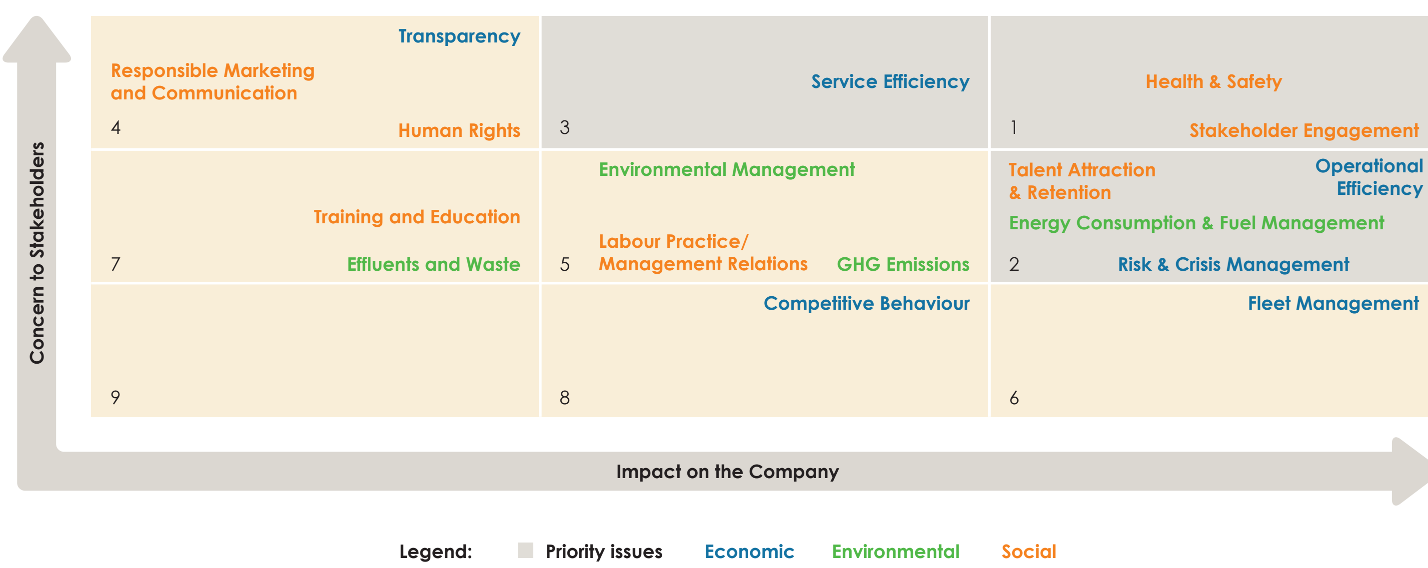
In 2016, we undertook a materiality assessment which identified seven matters that are important both to AirAsia as well as our stakeholders, and are therefore our high-priority matters. They are:

- Safety & Health
- Stakeholder Engagement
- Talent Attraction & Retention
- Operational Efficiency
- Service Efficiency
- Energy Consumption & Fuel Management
- Risk & Crisis Management

These seven matters guide our sustainability initiatives and form the essence of our Sustainability Statements. While they continue to be central themes in this year's statement, we have enhanced our disclosure by also reporting on another material matter that had been identified in the original material assessment (but which was seen to be of medium priority): Environmental Management. As ours is a fuel-intense business, we take seriously our impact on the environment, and have been placing increasing emphasis on improving our environmental scorecard. We believe our stakeholders would be interested in how we are managing environmental imperatives, hence the disclosure in this report.

AirAsia's Materiality Matrix

Materiality refers to issues that reflect an organisations' most significant economic, environmental and social impacts (X-axis), and the concern of stakeholders (Y-axis). Quadrants 1, 2 and 3 are prioritised issues, which we report on.



SAFETY & HEALTH

Nothing matters more to us than the safety of our Allstars and guests. We recognise that the safety of our flight operations depends on adhering to the strictest asset maintenance procedures, maintaining the highest level of engineering and piloting competencies, and constant vigilance to ensure there are no gaps in our safety nets.

Up to 2018, all our airline operating companies (AOCs) had their own Safety Policies which adhered to local regulations. With the formation of AirAsia Group, much time was spent during the year to formulate a new Group Safety Policy reflecting local and international standards. This policy is to be rolled out in 2019.

AIRASIA MALAYSIA'S SAFETY POLICY STATEMENT

We are committed to developing, implementing, maintaining and constantly improving our strategies and processes to achieve the highest level of safety performance and meet national and international standards, while delivering on our customer promise for affordable, reliable and convenient flight services. All Allstars are accountable for the delivery of our safety performance, starting with the Chief Executive Officer.

Our commitment is to:

- Support the management of safety through the provision of appropriate resources resulting in an organisational culture that fosters safe practices, encourages effective safety reporting and communication and actively manages safety with the same attention to results as the attention to the results of the other management systems of the organisation.
- Enforce the management of safety as a primary responsibility of all managers and Allstars
- Clearly define for Allstars, managers and employees alike their accountabilities and responsibilities for the delivery of the organisation's safety performance and the performance of our Safety Management System.
- Establish and operate hazard identification and risk management processes, including a hazard reporting system, in order to eliminate or mitigate the safety risks or the consequences of hazards resulting from our operations to a point which is as low as reasonably practicable.
- Ensure that no action will be taken against any employee who discloses a safety concern through the hazard reporting system, unless such disclosure indicates an illegal act or deliberate disregard of regulations and procedures.
- Comply with and, wherever possible, exceed legislative and regulatory requirements and standards.
- Ensure that sufficient skilled and trained Allstars are available to implement our safety strategies and processes.
- Ensure all Allstars are provided with adequate aviation safety information and training hence are competent in safety matters and are allocated only tasks commensurate with their skills.
- Establish and measure our performance against realistic safety performance indicators and targets.
- Continually improve our safety performance through management processes that ensure relevant safety action is taken and is effective.
- Ensure externally supplied systems and services to support our operations are delivered, meeting our safety performance standards.

SUSTAINABILITY STATEMENT

SAFETY MANAGEMENT SYSTEM (SMS)

Safety procedures, meanwhile, are guided by robust Safety Management Systems (SMS) encompassing hazard and risk management in line with the requirements of the International Civil Aviation Organization (ICAO). In March, the SMS was further strengthened by Ideagen Coruson's digital Safety and Quality Management System which captures all safety hazards and risks on one platform, enabling seamless integration with investigation and risk management processes.

IOSA ACCREDITATION

During the year, each AOC continued to work towards compliance with the International Air Transport Association (IATA) Operational Safety Audit (IOSA), with our Indonesian operations being registered under the IOSA in August, followed by Malaysia in September. The first AOC within the Group to gain IOSA accreditation was AirAsia X, in 2014. All the other AOCs are expected to undergo, and pass, the IOSA audit in early 2019. IOSA is widely regarded as the global benchmark for aviation safety management. The audit, conducted every two years, covers eight functional and operational areas: organisation and management system, flight operations, operational control and flight dispatch, aircraft engineering and maintenance, cabin operations, ground handling operations, cargo operations and security management.

SAFETY INITIATIVES

We recognise that, to maintain the highest level of safety at all times, constant effort has to be made to keep safety top of mind among Allstars while at work. This is achieved through various initiatives – from safety communiques to briefings, alerts, drills and workshops – organised at the Group and AOC levels.

At the Group level, the following initiatives were carried out:

One AirAsia Safety Day

This was organised on two separate days at the headquarters of the different AOCs, inclusive of AirAsia X – on 4 April in Thailand, Indonesia, the Philippines, India and Japan; and on 9 July 2018 for the Malaysian operations. The event saw different departments such as Engineering, Cabin Crew, Emergency Response Team, Flight Operations and Security set up booths for Allstars to discover how every department plays a part in upholding safety.

One AirAsia Safety Roadshows

We collaborated with Airports of Thailand (AOT) to organise Safety Roadshows at our stations in Krabi, Phuket, Hat Yai and Chiang Mai in June and September, followed by Roadshows in Kuching and Penang, Malaysia, in August and October. The roadshows ensured Allstars in our hubs receive the same information and value from our Safety Day. To make the event relevant, local safety issues were highlighted.

One AirAsia Safety and Flight Operation Conference

The conference in Beijing on 18-20 April brought all our AOCs together for a best industry practices sharing session, while also helping to build our relationship with the Civil Aviation Administration of China (CAAC). The aim was to understand CAAC's benchmarks and share our values and safety commitment with the regulator. Other than CAAC, we now have regular meetings with Australia's Civil Aviation Safety Authority (CASA), the US Federal Aviation Administration (FAA) and European Aviation Safety Agency (EASA).

Safety Hero Campaign

This Group-wide initiative was organised by the Safety departments in all AOCs to acknowledge Allstars who have helped to keep their colleagues and AirAsia guests safe. They include Allstars who reported safety incidents, or prevented an accident, or who literally saved lives and assets. The objective was to drive the idea that safety starts from each and every one of us.

Additionally, the following initiative was organised in Malaysia:

GSE Workshop

The Safety Team conducted a briefing at the new Ground Support Equipment (GSE) Workshop. This state-of-the-art workshop allows the GSE Team to conduct periodic maintenance and small repairs in a safe and conducive environment.

SAFETY TRAINING

Identified Allstars – from the ground level to CEOs – undergo safety training to ensure they are kept updated with our safety processes and policies. Safety induction is also part on the onboarding programme for all new recruits.

Emergency Response Training

Each AOC conducts at least one Emergency Response Training (ERP) table top exercise a year. In addition, on 29 October 2018 a Group ERP Table Top Exercise was held in Kuala Lumpur. On 1 April 2018, AirAsia Group also signed an agreement with an external consultant, Kenyon International Emergency Services, for the provision of ERP and related training. Following this agreement, all AOCs converged in Kuala Lumpur on 2-3 October 2018 for two programmes: *Commercial Aviation 12 Principles of Crisis Management* and *Humanitarian/SAT Member Training.*

Preparing for Emergencies the Red Cross Way

On 30 November 2018, AirAsia Malaysia CEO Riad Asmat signed an agreement with the International Federation of Red Cross and Red Crescent Societies (IFRC) to collaborate on readiness to respond to emergencies, first aid training and the provision of psychosocial support to those who have gone through trauma. The Group now has access to the resources of 20 national IFRC branches in Asia Pacific. The IFRC's stated goal is to train one billion people by 2025 to be more resilient in the face of crises, disasters and adversity.

SAFETY REVIEWS

Regular meetings are held at different levels to ensure we maintain a high level of safety in all our operations at all times.

At the Group level, we have a Safety Review Board (SRB) comprising the CEOs and Safety Directors. Chaired by the Chairman of the Safety Review Board, the SRB meets every quarter to review all safety risk mitigation measures and safety enhancements across the Group.

SUSTAINABILITY STATEMENT

At the AOC level, CEOs and Senior Managers – including the Directors of Safety and Flight Operations, Heads of Security, Engineering and Ground Operations, and Safety Managers – attend Safety Review Meetings (SRMs) at which they discuss recommendations and proposals and make decisions to further enhance our safety processes. SRMs are held on a monthly basis.

At the ground level, Safety Action Groups (SAGs) comprising line managers and front-line personnel meet every month or when needed to deal with safety implementation issues.

OCCUPATIONAL SAFETY AND HEALTH (OSH) COMMITTEE

In December 2017, a Safety and Health Committee was formed comprising representatives from AirAsia Malaysia, AirAsia X and Ground Team Red (GTR). The committee held its first meeting on 8 January 2018. We are currently in the process of creating a Group OSH Committee to streamline and standardise processes and procedures across all our operations.

Various OSH-related activities were organised during the year in Malaysia. They included the following:

- Scheduled waste management training (Storage and Disposal) – held in Langkawi and Kuala Lumpur for AirAsia Malaysia and AirAsia X, as per the Department of Environment (DoE)'s requirements
- Establishment of a Safety Committee in Kuching, which achieved an A in a Department of Occupational Safety and Health (DOSH) self-workplace audit
- Safety briefing for AirAsia Malaysia's Engineering team
- Chemical Health Risk Assessment (CHRA) – as required under the Use and Standard of Exposure Chemical Hazardous to Health Regulations 2000 (USECHH Regulations)
- Checks to ensure Allstars are not exposed to noise levels above those stipulated under the Noise Exposure Regulation 1989 under the Factories and Machineries Act (FMA).

FOOD SAFETY

We seek to implement Quality Chain Management Systems (QCMS) in all our AOCs to ensure inflight food is safe and of a consistently high quality. Our food chain encompasses suppliers of perishable meals and packaging as well as our warehouses.

The QCMS, already implemented in Malaysia, was extended to AirAsia Thailand's new warehouse, which also attained the Good Manufacturing Practices (GMP) certification, in 2018. Our Malaysian operations maintained the ISO 22000 certification, and kept well within the 3.0 complaints per million passengers (cpm) limit with an actual complaints rate of 1.14 cpm. We also passed all quarantine checks on food onboard.

Meanwhile, as part of plans to obtain the ISO 22000 certification in all other AOCs, food safety assessments were carried out, and appropriate action taken to rectify gaps identified. Our AOCs' caterers were also audited, and achieved the minimal Hazard Analysis and Critical Control Points (HACCP) standard. Our Regional Quality Assurance (QA) team supported our Philippine associate to carry out multiple assessments on a new caterer, which eventually acquired the HACCP certification within the agreed timeline.

Audits were completed as planned for all new and existing perishables suppliers, and suggestions provided for improvement. Various initiatives were undertaken by our suppliers to enhance their quality standards:

- One of the new SME suppliers obtained HACCP certification, with guidance from AirAsia
- Two meal suppliers invested in X-ray machines for physical hazard detection
- AirAsia Thailand's meal supplier moved into a new and more hygienic design plant

During the year, no critical issue was reported on non-compliance with food safety, halal or any other regulatory matter in Malaysia.

SECURITY PRACTICES

Our security personnel are provided training in line with aviation security regulations. We adhere to limits of authority (LOA), where incidents that escalate beyond our security personnel's LOA are referred to the appropriate authorities, such as police or immigration officers.

STAKEHOLDER ENGAGEMENT

We define our key stakeholders as those who are impacted by and/or who impact our business and performance. The six groups that meet these criteria are: the governments in the countries where we operate, our guests, members of the public/community, our Allstars, investors and business partners.

Stakeholders who influence our business are necessarily important to us while, as a responsible organisation, we take seriously the outcomes of our actions on the many lives we touch in one way or another.

We seek to understand our stakeholders' needs and their expectations of us while also communicating our strategy and business direction. This is achieved through regular engagement. Different platforms are used to engage with the different stakeholder groups.

Stakeholder Group (Malaysia)	Why It Is Important to Engage With Them	Type of Engagement	Frequency/Availability in 2018
Government	To ensure alignment of best interests of the government, aviation industry and the company.	Face-to-face meetings	Scheduled and/or ad hoc
		Parliamentary sessions	3 sessions in 2018
		Formal meetings with government officials initiated by AirAsia	82 times in 2018
		Tours and familiarisation visits to AirAsia and our operating units	43 times in 2018
Guests	We exist to serve our guests and strive to meet, if possible exceed, their expectations	Call Centres	Available in 15 countries, operating hours as provided on airasia.com
		Online submissions	24/7 in 8 languages
		Live Chat / AVA	24/7 in 8 languages
		Twitter (@AirAsiaSupport)	24/7 (English & Bahasa Malaysia)
		AirAsia Sales Offices	Location and operating hours available on airasia.com
		AirAsia Travel & Service Centres	Location and operating hours available on airasia.com

SUSTAINABILITY STATEMENT

Stakeholder Group (Malaysia)	Why It Is Important to Engage With Them	Type of Engagement	Frequency/Availability in 2018
The Public/ Community	The support of our local communities is important to our brand reputation and long-term sustainability.	#AirAsiaMAKNA events	At least 15 times a year
		#GirlsCanDoAnything campaign	Ongoing since 2016
		AirAsia Runway Ready Designer Search (AARRDS)	Annual event since 2015
		AirAsia Badminton Academy	Ongoing since 2012
		Swim clinics with Olympian Ben Proud for young talent	Ongoing since 2017
		Funding of social enterprises through AirAsia Foundation	Ongoing since 2012
		Journey D	6 workshops with the community & 24 test trips to the community
		Need to Feed the Need	6 times
Allstars	Our Allstars form the backbone of the company. Without them, we could not function.	Open office layout promotes constant conversation	24/7
		Townhall sessions	4 times in 2018
		Workplace by Facebook	24/7
		Cultural, sports, well-being, appreciation events	- 4 cultural celebrations - Weekly sports events - 2 other major events involving all Allstars
Investors	Our shareholders and the investment community at large need to have clear understanding of the company's performance and growth strategies.	Analyst and investor briefings by senior management	Quarterly Please refer to the 2018 Investor Calendar, on page 46 and 47
		Non-deal roadshows (NDR), investor conferences, corporate forums	Please refer to the 2018 Investor Calendar, on page 46 and 47
		Investor meetings and conference calls (excluding NDR and conferences)	All formal requests for investor/ analyst meetings and conference calls were met. A total of 108 meetings (excluding NDRs, conferences and forums) were recorded in 2018 and reported to senior management via daily and weekly IR reports.
		Annual General Meetings & Extraordinary General Meetings	Please refer to the 2018 Investor Calendar, on page 46 and 47
		IR website at https://airasia.com/aagbir and app	24/7
Business Partners	We depend on financing facilities from financial institutions and operating lessors to support our fleet expansion. Our aim is to secure competitive, mixed financing. Engagement with financial institutions, banks and operating lessors start a year before the anticipated aircraft deliveries to ensure we meet our commitments for large aircraft orders. We also collaborate with business partners such as Airbus and GE on fuel-efficient initiatives.	Financial institutions and aircraft investor credit roadshows	Twice a year to selected key markets of financial institutions
		Global aviation finance conferences	At least once every quarter
		Face-to-face meetings, phones calls, workshops, seminars with banks, aircraft operating lessors and the manufacturers, Airbus, GE and CFM	Ongoing
		Technical support, based in Red Q	24/7
		Commercial support with GE based in KL, and Airbus based in Singapore	24/7

GOVERNMENT RELATIONS

Maintaining good government relations is key to achieving our company goals, as well as for better One AirAsia integration for the whole Group. We regularly engage with various levels of people from the government, ranging from ministers to officers, and highlight AirAsia's contributions towards the aviation industry, especially in the low-cost travel sector where we drive high volume of tourism activities and boost local economies. In the other countries where our AOCs are based, we continuously engage with counterparts to network with the ministries of transport and other authorities. The idea is to lobby and tackle common issues that benefit the company and the industry, such as airport tax, incentives, aeronautical charges, flight frequencies and airport slots as well as daily operational issues that require government approvals.

ENGAGING WITH OUR GUESTS

AirAsia is 'guest-obsessed'. Pleasing our guests is one of our top priorities. In order to do this, we engage with them to find out how we can make their experience with AirAsia as good as possible. To read more about how we seek to please our guests, please refer to the section on Service Efficiency on pages 187.

INVESTOR RELATIONS

The support of investors is critical to realising the company's growth plans. Concerned with the views of the investment community, AirAsia has a dedicated Investor Relations (IR) team that constantly relays feedback to management. Both management and our IR team provide a clear and transparent picture of the company's strategy and performance to investors through multiple avenues of communication. These include attending investor conferences where management devotes time to meet investors face-to-face, as well as maintaining a comprehensive and up-to-date IR website. We also actively communicate with the 21 research houses that provide coverage on AirAsia.

BUILDING SOUND BUSINESS PARTNERSHIPS

We rely on leading players in aerospace, engineering and digital technologies as well as communication – such as Aerospace, Airbus, Navitaire, Google, Dell and Dentsu – to keep our business going smoothly. We truly value the expertise of these third-party vendors and treat them as business partners.

Engagement with our business partners takes place over a newly installed Oracle system, which creates better control and governance while promoting collaboration. The system is still being developed to contain all the information that our business partners need in order to carry out transactions with AirAsia, including a Suppliers' Code of Conduct. Given the close relationship we develop with our business partners, it is only possible for us to work with those who have a similar outlook to our social and environmental obligations in addition to supporting our financial performance. We are currently working on clauses against bribery and corruption, as well as our whistle-blowing policy, which will be included in our contracts in due course.

SUSTAINABILITY STATEMENT

SERVING THE COMMUNITY

We believe in supporting the underserved in any way we can that creates sustainable or meaningful change. A key impetus is to share our positive outlook and inspire everyone – especially those who may be struggling against the odds (as we did when we started out) – to dare to dream. Other than initiatives undertaken by the Group, our Foundation is also focused on uplifting marginalised communities through effective social enterprise.

- ***Hope to Cancer Patients***

Partnering the National Cancer Council of Malaysia (MAKNA), we have been helping to raise cancer awareness and support underprivileged cancer fighters since 2015. In 2018, through our #AirAsiaMAKNA campaign, we raised RM300,300 from the sale of limited edition pilot and cabin crew design t-shirts. The campaign is driven by Allstars who have either survived cancer or are/have been caregivers to cancer patients. Through the campaign, we also promote non-discriminatory HR policies towards cancer patients. At AirAsia, we have cancer fighters at various levels, from executives to cabin crew to even a Chairwoman. To date, we have channelled a total of RM1 million to MAKNA.

- ***Fighting AIDS with (RED)***

AirAsia has joined forces with (RED) in its global mission to fight AIDS. Through the (AirAsia)RED partnership, funds generated will go directly to the Global Fund to support HIV/AIDS programmes in Asean, home to nearly 1.8 million people living with HIV, according to 2017 UNAIDS data. (AirAsia)RED is collaborating with Asian music label 88rising to launch a new Asean music and arts festival in 2019 to drive awareness of HIV/AIDS in the region. The partnership also saw the unveiling of a (WEAREALLCHAMPIONS) RED livery.

- ***Runway to Fashion Fame***

This year, AirAsia Runway Ready Designer Search (AARRDS) celebrated 10 Asean designers at the Kuala Lumpur Fashion Week (KLFW) 2018 whose careers in the fashion industry have taken off after participation in the competition. The highlight of the show was Tran Thi Tu's The Women of Illusion collection, in which she debuted 16 looks from her label, Tu Bong. From Hanoi, Vietnam, Tran Thi Tu was the grand prize winner of AARRDS 2017. She has since been featured in Harper's Bazaar Vietnam as well as fashion programmes on national television. Her success continues as her upcoming ready-to-wear capsule collection is set to be sold on fashionvalet.com.

The year also saw the competition continue in Malaysia, with five finalists given the opportunity to participate in the KLFW. Daphne Lim Wen Sin was crowned the winner with her ais-kacang inspired collection.

- ***Empowering Women***

AirAsia has been empowering girls/women through our #GirlsCanDoAnything campaign launched in 2016. For the third installation of this campaign, we once again partnered The Star Media Group to organise a Women's Fiesta at The Starling Mall, Petaling Jaya, Malaysia on 10 March and to produce inspiring editorial content in the daily newspaper. The articles featured AirAsia Indonesia's first female captain, Monika Anggerik; AirAsia's Commercial team, the majority of whom are female; and four females whose careers soared leveraging AirAsia's low-cost air connectivity. AirAsia also supported the Women of Future Awards South East Asia 2018 by flying the nominees to Singapore for the award ceremony. Among the nominees was AirAsia Director Noor Neelofa Mohd Noor whose name was put up in the Arts & Culture category.

- ***Promoting Local Sports Talent***

AirAsia is an avid supporter of local sporting talent, contributing in various ways to promote sports personalities from the region. Over the last few years, we have been inspiring young talent and nurturing their potential through our #DARETODREAM campaign. We were the Official Supporter of the AFF Suzuki Cup 2018, which took on a different format with each participating country hosting a number of games. As a sponsor, we facilitated the air travel of the participating national football federations as well as the travelling fans. Additionally, AirAsia X flew Australian Youth Touch Football teams to Kuala Lumpur for the Youth Touch World Cup 2018; and announced its inaugural scholarship in partnership with UFC under which a promising mixed martial arts athlete from Asia Pacific will get to train at the UFC Performance Institute® in Las Vegas, Nevada. This is the first scholarship of its kind in UFC's history.

Badminton is another sport that we support, through our Badminton Academy. Since it was set up in September 2012, the academy has trained 368 shuttlers and produced a number of national players. Coaches include former national stars such as Rashid Sidek. This year, one of the academy's elite players won a bronze at the BWF World Championship, while the junior team reached the quarter finals of the AirAsia-BAM Junior League.

- ***Journey D***

Journey D (Journey of Development) is a long-term sustainable and responsible tourism project initiated by Allstars in Thailand. The main objectives are to help local communities to establish Community-Based Tourism (CBT) by connecting and enabling them with experts and organisations that:

- Provide international tourism standards guidance & compliance, including food safety & hygiene as well as waste management to the local community
- Enhance the communication skills of the local community, especially in the English language
- Provide product development, design & marketing knowledge to the local community to cater to a wider audience as their CBT destination grows

To deliver this framework, AirAsia works with Local Alike, a travel social enterprise expert, to organise workshops for community tourism leaders to improve their skills in areas such as homestay standards, waste management, tourism site management, communication, pricing and capital management and activity design.

There are currently four Journey D communities across Thailand, namely:

- Koh Klang in Krabi
- Khok Muang in Buriram
- Pha Mi in Chiang Rai
- Phrom Lok in Nakhon Si Thammarat

At the heart of Journey D is volunteerism by Allstars who are encouraged to participate via any of the following activities:

- Joining Journey D trips as 'Professional Responsible Tourists'
- Teaching English to the communities via 'English on Air'
- Using their expertise to aid in community tourism development, for example:
    - AirAsia engineers improved the safety of an Akha Swing in Pha Mi community in Chiang Rai, Thailand.
    - Allstars with medical experience provided medical health checks for the communities and trained them on responding to medical emergency cases while hosting tourists.

Following a feasibility study undertaken in November 2018, there are plans to take the programme to Malaysia and Indonesia in the first half of 2019.

SUSTAINABILITY STATEMENT

AIRASIA FOUNDATION

Through our philanthropic arm, AirAsia Foundation, we engage with and support various communities across Asean. Social enterprises apply for grants from our Foundation and those found to have strong growth potential are awarded funding to help them scale up. To date, the Foundation has supported 24 social enterprises in seven countries – Cambodia, Indonesia, Malaysia, Myanmar, the Philippines, Thailand, Vietnam – directly benefiting 2,535 individuals and indirectly enhancing the lives of some 8,151 family and community members.

In 2018, AirAsia Foundation provided the following five enterprises with more than RM285,000 in grants.

Balay Balay

Balay Balay in Davao, Philippines, employs local artisans from indigenous tribes to craft architectural puzzles for use as educational tools in schools, at the same time helping to preserve a dying heritage of traditional Mindanao architecture.

AirAsia Foundation's grant of PHP706,500 is to:

- Purchase equipment and tools to increase toy puzzle production.
- Develop untapped trade skills among indigenous communities through puzzle workshops.
- Train indigenous community members in carpentry and painting to increase their employability.

Kapwa Greens

Kapwa Greens trains and employs displaced women in Laguna as well as indigenous communities living in the mountainous Ifagao region of the Philippines to produce premium Tsaa Laya herbal teas. While providing them with a sustainable livelihood, the social enterprise is promoting the medicinal qualities of local herbs.

AirAsia Foundation's grant of PHP992,500 will go towards:

- Establishing a tea farmers' cooperative.
- Providing technical training in food safety and good manufacturing practices, IT-based communication, and business development.
- Procuring additional machines and facilities to improve production output.

Limpapeh

Limpapeh is the social enterprise arm of Lembaga Pengkajian dan Pemberdayaan Masyarakat (LP2M), a women-based organisation in West Sumatra that works to improve the livelihood of Minangkabau women through songket weaving in order to preserve their traditional heritage.

AirAsia Foundation's grant of IDR211,570,000 is to:

- Improve product offerings through prototyping and development.
- Conduct research and document the traditional craft and its symbolic meanings.
- Produce a technical guidebook for existing and future weavers.

Bluebear

Bluebear trains marginalised girls in Malaysia in menstrual hygiene management through the sale and distribution of Athena pad, a reusable and eco-friendly sanitary product that empowers women to be more conscious about health and sustainability while providing an additional source of income.

AirAsia Foundation's RM31,028 grant is to:

- Organise menstrual hygiene workshops in indigenous villages in Kota Belud, Sabah.
- Empower trained women to become sales representatives and micro-entrepreneurs.
- Expand Blubear's distribution channels for Athena pads to reach remote rural areas.

Parastoo Theatre

Parastoo Theatre empowers Afghan refugees in Kuala Lumpur to gain self-confidence and skills through interactive stage performances that encourage the audience to participate in tackling social issues.

AirAsia Foundation's RM59,750 grant is to:

- Perform 10 ticketed shows throughout the year.
- Train 20 new actors.
- Produce marketing materials to be promoted through online and social media.
- Generate revenue from merchandise and ticket sales.

Allstars Get Involved

More than 120 Allstars volunteered their time and effort in an AirAsia collaboration with APE Malaysia to transport about 2,600kg of decommissioned firehoses and tools to Wildlife Friends Foundation Thailand and Taman Margasatwa Ragunan, Jakarta. The two organisations use old firehoses to make hammocks, sacks, climbing ropes and feeders for captive animals. The materials were flown to Phetchaburi, Thailand, on 5 & 6 May, and to Jakarta, on 13 & 14 October. APE Malaysia is a social enterprise that focuses on conservation-made enrichment items for animals kept in captivity. It is one of AirAsia Foundation's grant recipients.

On 26 November, RedQ hosted more than 100 refugees and members of the public at an intimate community festival aimed at helping Malaysians to understand the challenges refugees face. Called 'In Search of Home', the festival included a photo exhibition by UNHCR and a powerful play on child marriage titled 'Screaming in Silence' performed by Parastoo Theatre, a troupe of Afghan refugees. Dinner was provided by award-winning social enterprise Picha Project, which empowers refugees from Syria, Palestine and Iraq by catering food cooked by them.

ALLSTAR ENGAGEMENT

We recognise that employee engagement is critical to their job satisfaction, and have created many platforms through which Allstars are kept updated of important corporate developments, and are enabled to have their voices heard. Regular Townhall sessions are held at the atrium in RedQ, led by top management, some of which are streamed live to our colleagues in other AOCs. Allstars also engage effortlessly with each other through Workplace.

Enter the Virtual Workplace

As more and more Allstars adopt Workplace, we are making it even more useful as a connectivity tool as well as source of information. This year, we launched Buster, a jargon bot that helps deconstruct technical terms that describe all the different aspects of our operations; and Visitor Bot on Workchat to make it easier for visitors to register at RedQ. As of end 2018, some 91% (or 16,600) of Allstars have Workplace accounts and are active mobile users, while Workchat usage has equalled that of email, with an average of 53,000 messages sent daily. Workplace Lives is used to celebrate highlights and bring Allstars closer together. AirAsia was recognised for the Most Innovative Use of Workplace at the #WorkplaceTransform2018 awards.

Other than Allstar engagement, we ensure our people are kept happy in the firm belief that this creates a happy organisation. *For more details about how we achieve a healthy and dynamic work space, read the 'Talent Attraction & Retention' section that follows.*

TALENT ATTRACTION & RETENTION

AirAsia has always taken pride in the fact that we are a democratic, people-centric organisation. We believe all our successes to date are the result of the passion and dedication of our Allstars, who have always gone beyond the call of duty to give their best to the organisation. When bringing new talent on board, we pay attention not only to the candidates' academic and professional credentials but also their work ethic and general attributes to ensure a good fit with our culture.

Part of the attraction of working with AirAsia is the reputation we have created for being dynamic, different and daring – dynamic in the way we embrace change, and the speed with which we are able to achieve targets set; different in the way we approach everything – our low-cost model, which many naysayers said wouldn't work certainly would not have worked had we not been 'different'. Finally, we dare to dream and encourage all our stakeholders to do the same.

We advertise for fresh talent on our website and through the usual online portals. Recruitment drives are held in every country where we operate. Every year, we also take in a substantial number of interns – 127 in 2018 – and offer full-time employment to those who demonstrate the ability and desire to be Allstars. In recent years, we have started establishing partnerships with local colleges and universities, which serves as an additional conduit for young graduates to join the organisation.

SUSTAINABILITY STATEMENT

During the year, the following activities were held:

- Nottingham University - Fieldtrip for computer science students at RedQ
- University Putra Malaysia – On-campus career talk
- Inti College KL - Cabin crew walk-in interview & networking session on campus
- University of Malaya - Fieldtrip for computer science students at RedQ
- Berjaya College - RedQ visit and intern partnership with Guest Services
- New Era College - Cabin crew walk-in interview on campus
- Inti Nilai - Fieldtrip for computer science students at RedQ

WELCOME ONBOARD!

We run a two-day onboarding programme for new recruits during which they are provided a comprehensive insight into who we are, what we stand for and the way we work. The programme includes an account of the AirAsia story, an introduction to our Allstar Values as well as our safety policy and procedures. New recruits are also introduced to the digital tools and systems that we employ, such as Workday, Workplace, Google suites and RedIcons. The best introduction to AirAsia, of course, is to meet people from the different functions. Hence a tour is organised during which new Allstars are introduced to others. Because we are, at the end of the day, an airline that promises 'Now Everyone Can Fly', recruits also spend half a day experiencing the core of our business – at our airport departure hall.

We retain our people by living up to the promise of truly respecting each and every Allstar, listening to them, and offering as flat an organisational hierarchy as possible.

ALLSTAR VALUES

With the many changes taking place as we transform into One AirAsia, we felt a need to reinforce the values that define us and the way we operate. This saw us launch an all-out Allstar Values campaign in 2018. We distributed Allstar Values posters and postcards made of FSC-approved paper from sustainable sources to all our AOCs and stations. We also produced an Allstar Values video featuring Allstars from across the Group who were nominated based on living our values. A roadshow was organised and even our onboarding programme was revamped to be more values-based. Our six values – namely Dare to Dream, Make it Happen, People First, One AirAsia, Be Guest-Obsessed, and Safety Always – will drive the way we think about individual and team performance, and identify future talent.

TRAINING AND EMPOWERMENT

We believe passionately that we are only as good as our people, hence much emphasis is placed on empowering our Allstars to realise their true potential. Given the open layout at RedQ, Allstars can approach their managers and even our leadership team at any point during the day to discuss an idea or thrash out an issue. Allstars who show a desire to advance in their careers are positively encouraged to pursue their dreams. A lot of informal mentoring and coaching is given, as well as the opportunity to try out different functions for experience and exposure. Efforts such as these not only enhance our collective skills and competencies but also serve to maintain high levels of motivation and job satisfaction.

In July 2018, we introduced our first in-house blended learning programme. Called OMNI Learning, the programme is an integrated platform that captures data and provides actionable analytics. Learning initiatives – encompassing an Essentials Programme, Leadership Development, Digital Acumen and Work of Managerial Skills – are now accessible via web and mobile to our Allstars. To date, 746 Allstars across the Group have made use of this digital initiative.

On top of OMNI, we invest heavily on technical programmes for operational Allstars, ie those in flight operations, engineering, security and safety, as well as cabin crew. We also sponsored seven of our top performers to be the first Google Advanced Solution Lab (ASL) trainees in Asia. ASL is where Google engineers innovate on product offerings to develop more disruptive technology. The fact that Google chose AirAsia as its first customer in Asia for this exclusive programme is a privilege and indicates that Google sees AirAsia as an innovative global partner.

We are committed to building a leadership pipeline, and provide various opportunities for high-potential Allstars to develop through sponsored MBA programmes and other internationally recognised qualifications or certifications. In 2018, we sent six of our leaders to the Leadership Energy Summit Asia (LESA) held on 14-15 November in Kuala Lumpur which saw distinguished personalities from all over the world speak on leadership.

First MBA Scholars Graduate!

The year marked a milestone in our training history. Four Allstars from the first batch to attend the MBA programme at the Asia School of Business graduated at a ceremony held on 25 March 2018 at the Majestic Hotel, Kuala Lumpur. The four – Mohd Afdhal Mohd Nayan, Lee Kwee Kang, Sylvia Lian and Dabraj Sing – have since assumed leadership roles, contributing to AirAsia's transformation into a travel and digital platform company. Another four Allstars – Trevor Wong, Ivan Ramdani, June Allenie Caccam and Mohamad Hezamuddin bin Md Amin – are currently undergoing the programme while the search in on for the third batch. The 18-month MBA programme is run in partnership with MIT Sloan School of Management.

Heads of Department nominate Allstars for the programme, based on their performance over two or three years, and especially on their contributions to enhancing our cost efficiencies.

A GREAT PLACE TO WORK

For many years, AirAsia operated out of rented premises above the Low-Cost Carrier Terminal (LCCT) in Sepang. Although this served our purpose well enough, we felt it did not capture the heart and soul of the airline – our dynamic and youthful energy, creativity and passion (for fun and work). Hence, RedQ was designed – a home that reflects who we are. Both spacious (occupying 18,000sqm) and filled with natural light (built around a central, multi-storey atrium), our headquarters has a slide that goes down three floors, bean bags for Allstars to lounge around on, an excellent selection of food and coffee, a convenience store, laundromat, gymnasium, a daycare centre for young parents to leave their children, a hairdressing salon, clinic and a Physio Lab.

RedQ has truly become Allstars' second home, so much so that they have even adopted some stray dogs living in the area. Volunteers feed the dogs and take them for walks every day during the week while our Security team takes over with their care over the weekends. Food, veterinary costs, toys, treats, etc, for the pack are paid for entirely using Allstar donations. Recently, we extended the dog house so the canines can enjoy a larger space in which to play.

For Allstar Kiddies

On the first floor of RedQ is our very own daycare centre for Allstars' children. The centre, operated by early childhood education experts Krista Education, includes four classrooms with multimedia facilities and learning aids, a nursing lounge, sick bay, child-sized toilets, dining area, pantry, drying room, administration office, and indoor as well as outdoor play areas filled with developmentally appropriate toys. The daycare centre opened its doors in January 2018, with 36 young ones. As of end January 2019, there were 50 children aged 11 months to six years. These baby Allstars are looked after by seven qualified staff. Taska Krista@ RedQ is open from 7am to 7pm Mondays to Fridays.

Physio Lab

Our Physio Lab started welcoming Allstars on 2 January 2018, and treated a total of 893 patients by year end. Of the patients, 732 have been fully rehabilitated.

Muhammad Fakhruddin Khiruddin
Maintenance Operation, Part 145
Technician

Fakhruddin joined the back rehabilitative programme due to fear of attaining a slipped disc as some other colleagues have done. At the Physio Lab, he has learnt how to handle heavy spare parts without causing any physical injury, and is now much more confident at work.

Mohamad Khairin Naim bin
Mohamad Arif
GTR Ramp Agent

Khairin developed severe back pain from repetitive lifting of heavy loads, and was worried that his condition would worsen. After completing two sessions of pain management and corrective muscle rehabilitation, his pain reduced significantly and Khairin has resumed work at the cargo hole. He has been taught maintenance exercises to prevent future injuries.

SUSTAINABILITY STATEMENT

In addition to an attractive workspace, we provide a full range of employee benefits benchmarked against industry best practices. These include:

- Annual Leave
- Hospitalisation and Surgical Expenses
- Medical Benefits for Dependents (Spouse and Children)
- Insurance (Accident and Life Coverage)
- Travel Benefits – such as yearly free flight coupons
- Up to 90% discounts on Concession Travel
- Maternity (60 days) and Paternity Leave (2 days)
- Seven days' Exam Leave
- Four days' Compassionate Leave

Cultural and Other Events

Our People and Culture team organise a number of events throughout the year to keep the energy flowing and enable Allstars from different levels and functions to get to know each other better.

Event	Date	Description
CNY Celebration, Malaysia, Thailand, Philippines, Indonesia	27 Feb	More than 1,500 Allstars joined in the festivities at RedQ that included an acrobatic lion dance performance, and tossing of yee sang with our founders, Tan Sri Tony Fernandes and Datuk Kamarudin Meranun, who also handed out ang pow.
Hari Raya/Eid Celebration, Malaysia, Indonesia	26 Jun	More than 2,000 Allstars joined in the festivities which included a pot luck feast. To inspire truly scrumptious dishes, an inter-department competition was held for the best food.
Skytrax Celebration Party, All AOCs	17 July	About 2,500 Allstars gathered to celebrate our 10th consecutive Skytrax win with band performances, games and food truck grub. Tan Sri Tony gave a heart-warming speech thanking everyone for his/her hard work and dedication. All Allstars received AirAsia jackets produced specially for the occasion
Deepavali Celebration, Malaysia, India	1 Nov	More than 1,500 Allstars enjoyed our first ever banana leaf party at RedQ, where they were served by fellow Allstars, heads of department and even Riad Asmat, CEO of AirAsia Malaysia. Allstar entertainment was provided and the best dressed won prizes.
Annual Party, KL Convention Centre	10 Dec	Our Feather & Leather themed annual party was attended by some 4,000 Allstars dressed to the hilt. Other than fun photo walls, games, lucky draws and Allstar performances, professional entertainment was provided by Ella Eyre, Tinie Tempah and DJ Soda.
Christmas Party Celebration	21 Dec	More than 1,000 Allstars gathered at the atrium for some carolling and feasting. Other than Christmas cake, there was bread and butter pudding and salmon puff as well as chocolates and candy giveaways, courtesy of Mars Wrigley Confectionery. Allstars with the ugliest sweaters were also 'compensated'!

EMPLOYEE DEMOGRAPHICS

That we truly are an Asean company can be seen in our employee profile. Out of a total of 25,110 Allstars, 44.6% are Malaysian nationals, 24.9% are Thai, 8.4% Filipino, 7.4% Indonesian (representing a total of 85.3% from Asean), while 9.2% are Indian, 1.7% Japanese, 1.0% Chinese, and 2.8% from other countries. We are also a very youthful company, with more than half our Allstars aged under 30 years and only 3.4% above the age of 50 years.

ALLSTARS BY NATIONALITY

Malaysia	11,197
Thailand	6,248
India	2,315
Philippines	2,116
Indonesia	1,846
Japan	431
China	245
Others (53 nationalities)	712

Employee Category	Age Group (years)						Total
	Below 30		30 - 49		Above 50		
Cabin Crew	3,736	61%	2,393	39%	5	0%	6,134
Corporate Office	1,289	41%	1,723	55%	107	3%	3,119
GTR	1,849	58%	1,325	41%	36	1%	3,210
Licensed Aircraft Engineer	55	12%	355	77%	52	11%	462
Operations	4,708	52%	4,074	45%	334	4%	9,116
Pilot	1,035	34%	1,706	56%	328	11%	3,069
TOTAL	12,672	50.5%	11,576	46.1%	862	3.4%	25,110

Employee Category	Gender				Total
	Female		Male		
Cabin Crew	4,271	70%	1,863	30%	6,134
Corporate Office	1,601	51%	1,518	49%	3,119
GTR	616	19%	2,594	81%	3,210
Licensed Aircraft Engineer	16	3%	446	97%	462
Operations	2,157	24%	6,959	76%	9,116
Pilot	194	6%	2,875	94%	3,069
TOTAL	8,855	35.3%	16,255	64.7%	

DIVERSITY & EQUAL OPPORTUNITY

Not only do we have a diverse workforce in terms of ethnicity, nationalities and ages, we also provide equal employment opportunities to persons with disabilities. We currently have two differently-abled Allstars working in the Customer Happiness department and Cabin Crew department's office. To cater for them, we provide facilities such as differently-abled parking spaces and more.

Meanwhile, women make up more than a third of our complete workforce (35.3%) and occupy more than half (51%) of all corporate positions, reflecting gender neutrality in regard to recruitment and career progression. We also make a conscious effort to support women Allstars with young families in ways that we can. The opening of the daycare centre is one positive step in this direction.

Inclusivity at AirAsia is underlined by our Code of Ethics which states our commitment "to create an environment free from any discrimination, whether due to colour, religion, race, gender, sexual orientation, nationality, marital status, ancestry, socio-economic status or physical disabilities."

The Code further specifies that "We won't accept bullying, harassment or any behaviour that can be seen as degrading and threatening. We'll focus on what brings people together rather than on what keeps them apart."

During the year, there were no reported incidents of discrimination at work.

COMPLIANCE WITH LABOUR LAWS

We comply with all Labour Laws in the countries where we operate, including those related to child labour and forced labour. As firm believers and supporters of human rights, we adhere to minimum wages, we do not employ anyone under the age of 18, or coerce any individual to work for the Group.

OPERATIONAL EFFICIENCY

Operating efficiently is key to our business model of keeping our costs at a minimum. Right from the start, AirAsia has placed great emphasis on trimming unnecessary costs. As we grow, it has become even more imperative to keep looking at ways to ensure optimum operational efficiencies. The creation of One AirAsia has been a major strategy towards this end. The restructuring that took place in 2018 as we integrated our AOCs resulted in streamlining and centralising many functions – such as legal, procurement, investor relations, human resources, finance and treasury – which has allowed us to reduce our manpower needs as well as simplify our systems and procedures, bringing substantial amounts in terms of savings.

SUSTAINABILITY STATEMENT

Our ongoing digital transformation is also creating greater efficiencies in the way we operate. A milestone in 2018 was the launch by Ground Team Red (GTR) of a digitalised control centre for ground handling services in klia2, which is the first of its kind in Malaysia. All guest service Allstars now use smartphones to record data on guest boarding, baggage reconciliation and ramp loading activities. This data will automatically be integrated and accessible on a dashboard enabling 100% accurate aircraft weight and balance readings for flight planning purposes, eliminating the need for paper-based Loading Instructions, and creating a seamless workflow.

The control centre also provides a virtual reality training chamber with six modules – for cargo, lavatory, water service, air-conditioning, ground power unit and aircraft marshalling - that allow Allstars to practise managing real-world scenarios without the need for aircraft availability.

We are also using digital technologies for predictive purposes. Inflight, we have installed 20,000 sensors in our aircraft which allow us to plan our maintenance, reduce spare part costs and enhance our on-time performance (OTP). Using meteorological data, we can predict weather patterns hence also forecast delays and convey this to our guests.

DOLLY EPOS

In April 2017, we transitioned from ePOS, used by cabin crew to capture purchases on board, to Dolly, which collects data from Santan, merchandise and Duty Free, providing us a 360 degree view of guests' purchasing behaviour. Through greater insight of individual preferences, we are better able to upsell our products with more personalised, hence impactful, promotions and strategies.

PARTNERING LEADERS IN DIGITAL TECHNOLOGIES

- We are working with Google Cloud to integrate machine learning and artificial intelligence (ML/AI) into every aspect of our business and culture. Operationally, Google Cloud will enable us to reduce risks and costs through predictive maintenance, real-time weather forecasting and crew optimisation. Our engineers will be enrolled in the same programme Google Cloud uses to train its engineers, allowing us to build our own ML/AI expertise.
- We have entered into a five-year partnership with Palantir as our strategic data science partner. With Palantir, we will conduct big data analysis to improve our guest experience, inflight sales, route revenue, finance, security, flight operations, network planning, cargo, supply chain management, commercial and people development.
- We have also become an anchor partner of Plug and Play Tech Center, a global startup innovation platform headquartered in Silicon Valley, providing us with immediate access to ground-breaking technologies as these emerge.

SERVICE EFFICIENCY

We believe that being low-cost does not excuse us from not delivering the highest level of service. We have always placed importance on pleasing our guests, but recognise that exponential growth over the years has created some gaps which need to be rectified. Hence our mantra today, which is to be 'guest-obsessed'. Being guest-obsessed is one of our six AirAsia Values, and requires everyone at AirAsia to constantly think of how we can further enhance our guest experience – from the time they go onto our website to research holiday destinations through to their flight and accommodation booking, their experience at the airport, inflight baggage collection and departure from the airport.

While interpersonal interaction, as always, is important we are also leveraging data and digital technologies to make our guest experience as smooth and pleasant as possible.

DIGITAL SERVICES

- ***AVA***

On 4 December, we introduced the AirAsia Virtual Allstar (AVA), a chatbot, that currently is able to answer general queries in English, Bahasa Indonesia, Bahasa Malaysia, Simplified Chinese, Traditional Chinese and Thai. In 2019, we envisage AVA being able to help guests to make and manage their bookings as well as add ancillary products… in even more languages. The idea is to assist guests quickly and consistently. AVA is available on Live Chat and our customer support page.

- ***ROKKI***

Recognising travellers' desire to remain connected, even in the air, we have been extending our ROKKI (wifi) service to more aircraft. As of December 2018, a total of 64 aircraft across the Group are ROKKI-enabled – 52 in AirAsia Malaysia, six in AirAsia Philippines, four in AirAsia India and two in AirAsia Indonesia. On average, we have been installing ROKKI wifi in about 13 aircraft per year. However, this number is expected to double in 2019. Various ROKKI plans are available to suit different needs. In addition to internet plans, ROKKI also offers free entertainment – with a choice of music, videos, movies, TV series and games – and the ability to shop online and have the goods delivered to your doorstep.

- ***Mobile App***

We keep enhancing our mobile app to include a wider range of functions. Now, users can view details of upcoming flights, access quick links to BigPay, enjoy search shortcuts (using a recent search menu), look for hotels and activities in various destinations, use FACES for faster immigration clearance and chat with AVA, among others. As we make the app more functional, the number of users keeps increasing. By end 2018, we had 47.8% more app users than we did a year previously, while the number of bookings made via the app also increased,

MOBILE APP STATISTICS

	2016 (mil)	2017 (mil)	2018 (mil)	Growth (2017 v 2018)
Users	63.9	103.3	198	47.80%
Bookings	1.3	3.7	5.8	36.20%
App downloads	7.8	10.4	11.4	8.80%
Mobile check-in	3.7	6.2	7.15	13.30%
Mobile check-in contribution	6%	9%	9%	-

- ***Website***

To support greater usage of mobile services, we have upgraded our website to be more mobile friendly in terms of speed and layout. It also remembers users' last searches and bookings so they can quickly return to their previous activity. Another significant enhancement has been the provision of more accurate information on the status of flights – whether they have been delayed or have departed, landed or been cancelled. The upgrade translates into faster flight searches and bookings which, moreover, can be done on the go.

- ***BIGLIFE***

In 2018, we worked on a new travel and lifestyle app which uses AI and ML to help people find the best deals. BIGLIFE, as it is called, will combine travel, lifestyle, content, media and social platforms into one. Integrating with AirAsia's ecosystem, it will be able to target the right customer with the right product at the right time.

- ***FACES***

In February, we implemented a Fast Airport Clearance Experience System (FACES) in Senai Airport, Johor Bahru, to speed up the boarding process. Guests who want to make use of this facial recognition system 'enrol' by creating a biometric token at specific kiosks available. As at 31 December 2018, 145,148 guests had done so. In early 2019, we extended the system to the airports in Melbourne Avalon and Kuching. We will be rolling it out in Kuala Lumpur, Kota Kinabalu, Penang, Langkawi, Surabaya, Medan and Jakarta before year end.

SUSTAINABILITY STATEMENT

WHAT OUR GUESTS THINK OF US

Following a simplification of our Guest Satisfaction Survey, we are receiving more feedback from our guests. Their comments are fed into an in-house dashboard that is visible to all relevant departments, allowing Allstars to understand and appreciate our guests' AirAsia flying experience. About 301 different persons-in-charge currently use the dashboard, while analyses are conducted and highlighted based on departments, AOCs and routes. Palantir is guiding us to mine the data for in-depth sentimental analysis which will enable us to better understand what our guests want and whether they feel they are getting it from AirAsia.

In 2019, we will be expanding our Net Promoter Score (NPS) scope to new avenues of business such as linking it to revenue growth, new innovations driven by customer feedback and closing the loop by referring back to detractors.

ENERGY CONSUMPTION & FUEL MANAGEMENT

Flying produces carbon emissions as a result of jet fuel combustion. Jet turbine engines release around 3.16kg of CO2 for every kilogramme of jet fuel burnt. Although the industry as a whole is responsible for only 2% of man-made CO2 emissions, we still believe we have an important role to play in contributing towards global efforts to manage climate change through better energy management. Our aim is to reduce as far as possible our fuel consumption to reduce our carbon footprint. As fuel is one of our major operational costs, being energy efficient also enables us to keep our costs low.

Various initiatives are undertaken to enhance our fuel management:

- **One engine taxi.** This entails using only one engine when taxi-ing out before take-off and taxi-ing in upon landing. In congested airports where the taxi time is considerably long, single engine taxi-ing can bring considerable fuel savings. The procedure also reduces brake wear and tear. It saves us about nine litres of fuel per flight, equivalent to 28kg of CO2 emissions.

- **Packs off take-off.** This reduces fuel consumption while enabling higher thrust power for take-off.

- **Opti Climb.** Instead of using a managed ascent speed, AirAsia X has started engaging a digital Opti Climb system that determines the optimal speed of an aircraft for minimal fuel burn. The pilot manually controls the aircraft's speed accordingly. Since implementation of this system, we have saved an average of 100kg of fuel per sector on long-haul flights.

- **Reduced flap landing.** This reduces drag, enhancing fuel conservation and reducing noise.

- **Idle reverse landing.** This reduces fuel consumption, carbon emissions and noise.

- **Required navigation performance (RNP).** This refers to the performance of aircraft navigation capability under Performance Based Navigation (PBN) which enables navigation with a high level of accuracy and the ability to determine aircraft position with both accuracy and integrity. RNP offers safety benefits by means of its precision and accuracy while reducing the cost of operational inefficiencies through shorter distances flown, multiple step-down non-precision approach, etc. All AirAsia aircraft are equipped with RNP 0.3 navigation system, meaning they can fly procedures that require tolerance of 0.3 of a nautical mile.

- **Electronic Flight Bag (EFB).** The EFB replaces 23kg of charts and manuals on our short-haul flights and 55kg on long-haul flights, saving about 1.24kg of fuel per sector on short-haul and 14.03kg per sector on long-haul flights.

FUEL SAVINGS (IN TONNES) FROM VARIOUS INITIATIVES

	MAA		TAA		IAA		PAA		AAI		Group	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
One Engine Taxi on Departure	1,378.70	1,381.73	148.05	902.42	110.82	523.13	-	8.38	137.70	279.32	4,590.92	3,491.54
Packs OFF Take-off	229.02	266.40	156.04	174.97	44.25	38.08	34.99	55.67	36.66	58.99	1,036.09	866.06
Reduce Flap Landing	1,685.15	2,007.50	1,292.88	1,430.19	357.98	426.95	140.25	282.84	217.57	328.62	7,841.29	6,484.76
Idle Reverse Landing	684.23	993.19	668.44	681.61	223.41	217.78	123.39	166.62	130.84	192.60	3,889.50	3,397.87
One Engine Taxi on Arrival	1,550.89	1,763.49	1,023.16	904.87	494.57	556.35	380.53	641.87	268.42	330.64	7,584.14	6,363.89
RNP	-	262.27	-	-	-	-	-	-	-	-	-	262.27
Class-1 EFB	-	277.16	-	-	-	-	-	51.94	-	44.69	-	373.79
Total	**5,527.98**	**6,951.72**	**3,288.56**	**4,094.05**	**1,231.03**	**1,762.29**	**679.16**	**1,207.31**	**791.19**	**1,234.86**	**24,941.92**	**21,240.17**

EMISSIONS SAVINGS (IN TONNES) FROM VARIOUS INITIATIVES

	MAA		TAA		IAA		PAA		AAI		Group	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
One Engine Taxi on Departure	4,356.68	4,366.26	467.83	2,851.63	350.19	1,653.09	-	26.47	435.14	882.66	14,507.29	11,033.27
Packs OFF Take-off	723.70	841.82	493.10	552.91	139.82	120.34	110.57	175.92	115.85	186.41	3,274.03	2,736.74
Reduce Flap Landing	5,325.07	6,343.68	4,085.49	4,519.39	1,131.20	1,349.16	443.18	893.77	687.51	1,038.45	24,778.46	20,491.84
Idle Reverse Landing	2,162.16	3,138.46	2,112.26	2,153.87	705.97	688.18	389.93	526.52	413.44	608.61	12,290.81	10,737.25
One Engine Taxi on Arrival	4,900.80	5,572.63	3,233.18	2,859.40	1,562.85	1,758.06	1,202.47	2,028.30	848.19	1,044.82	23,965.88	20,109.90
RNP	-	828.77	-	-	-	-	-	-	-	-	-	828.77
Class-1 EFB	-	875.82	-	-	-	-	-	164.13	-	141.22	-	1,181.17
Total	**17,468.41**	**21,967.45**	**10,391.85**	**12,937.20**	**3,890.05**	**5,568.84**	**2,146.14**	**3,815.11**	**2,500.14**	**3,902.16**	**78,816.47**	**67,118.94**

Legend:

MAA	AirAsia Malaysia
TAA	AirAsia Thailand
IAA	AirAsia Indonesia (QZ & XT A320)
PAA	AirAsia Philippines
AAI	AirAsia India

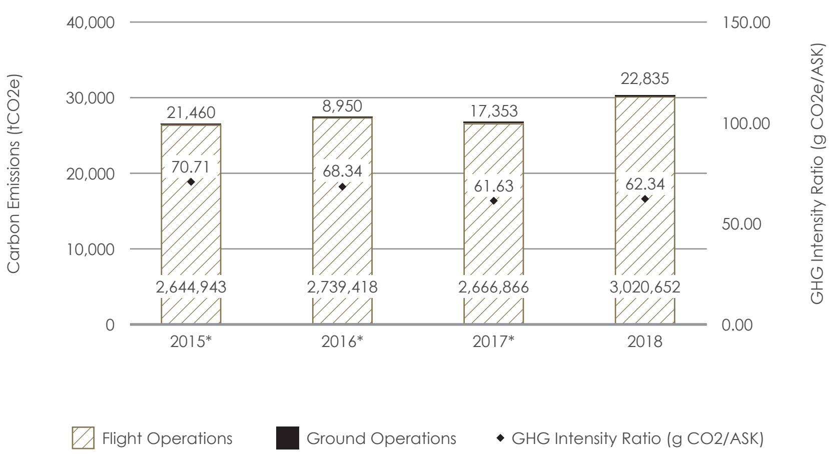
SUSTAINABILITY STATEMENT

CARBON EMISSIONS FROM FUEL CONSUMPTION

This year, we are reporting on carbon emissions from fuel consumption only for AirAsia Malaysia, as the data from the other AOCs is not available. However, we implemented a Group-wide carbon dashboard in June, which will allow us to report on Group greenhouse gas (GHG) emissions from 2019 onwards. The dashboard has been developed in-house as part of our commitment to the Carbon Offsetting & Reduction Scheme for International Aviation (CORSIA) by ICAO.

Fuel is consumed not only by our aircraft but also, to a much smaller extent, ground vehicles. During the year, our GHG intensity ratio from fuel consumption as measured by grams of CO2 equivalent emitted per available seat kilometre (ASK) increased slightly from 61.63 to 62.34. This was due to a decrease in the average distance per flight. Per flight, our average CO2e emissions decreased from 14,667kg to 14,388kg.

AIRASIA MALAYSIA C02e EMISSIONS



CORSIA

On 26 June 2018, the ICAO Council officially adopted the Carbon Offsetting & Reduction Scheme for International Aviation (CORSIA) to achieve carbon-neutral growth from year 2020 onwards from a 2019-2020 baseline. Having committed to CORSIA, during the year the Green Team continued to lay the groundwork for AirAsia's compliance. A carbon dashboard, which monitors carbon emissions by the Group's domestic and international flights, went online in June. With the dashboard in place, we will be able to ascertain the Group's carbon emissions baseline and start implementing offsetting activities beginning in 2024 with all AOCs except AirAsia India which will join the rest of the Group in offsetting its carbon emissions in 2027.

AirAsia held our first regional meeting on CORSIA on 7 February 2018, followed by regional Emissions Monitoring Plan (EMP) Workshops on 13 & 19 September to help all AOCs prepare their EMPs for submission to the relevant state authorities.

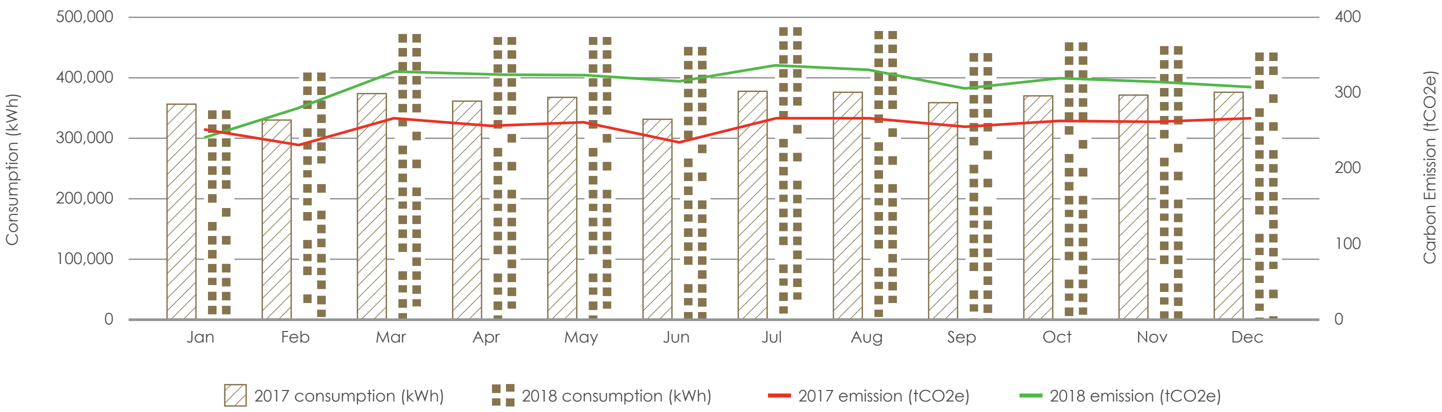
ELECTRICITY CONSUMPTION AT OUR PREMISES

We started measuring the electricity consumption at RedQ and Red House, our headquarters in Malaysia and Indonesia respectively, in 2017; hence are able to provide a comparison of data for the years 2017 and 2018. For the rest of our headquarters, consumption measurement began only in 2018.

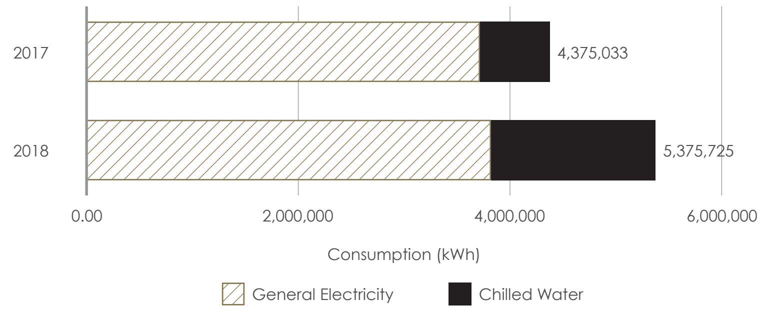
ELECTRICITY CONSUMPTION AT REDQ AND REDHOUSE IN 2017 & 2018

	RedQ		RedHouse	
	2017	2018	2017	2018
Electricity consumption (kWh)	4,375,033	5,375,725	1,328,838	1,293,201
Tonnes CO2e	3,036.27	3,730.75	1,165.39	1,134.14

ELECTRICITY CONSUMPTION IN REDQ IN 2017 & 2018



ELECTRICITY CONSUMPTION IN REDQ BY USAGE IN 2017 & 2018



In RedQ, general electricity usage increased by 5.9% from 3,693,947kWh in 2017 to 3,910,236 kWh. The increase was due to construction works on the rooftop and interior design enhancements throughout 2018, along with the full operations of facilities in the building such as the childcare centre, gym, Physio Lab and laundrette.

Electricity consumption for chilled water increased 129.8% from 681,186kWh in 2017 to 1,565,399kWh. This exponential hike was mainly the result of a faulty chilled water meter, which had recorded inaccurate data in 2017. Since the meter was re-calibrated in February 2018, all readings have been accurate and consistent.

In Jakarta, RedHouse recorded a reduction of 2.7% in electricity consumption, attributable to fewer total working days in 2018 compared to 2017.

ELECTRICITY CONSUMPTION AT OUR HEADQUARTERS (KWH), 2018

Malaysia	5,375,725
Thailand	2,322,980
Indonesia	1,293,201
Philippines	18,936
India	123,630
Japan	631,955

SUSTAINABILITY STATEMENT

ENVIRONMENTAL MANAGEMENT

Other than reduce our carbon footprint, we are conscious of the need to manage our consumption of critical natural resources (such as water), and goods that are made from natural resources (such as paper). In addition, we aim to reduce the impact of waste generated by our operations.

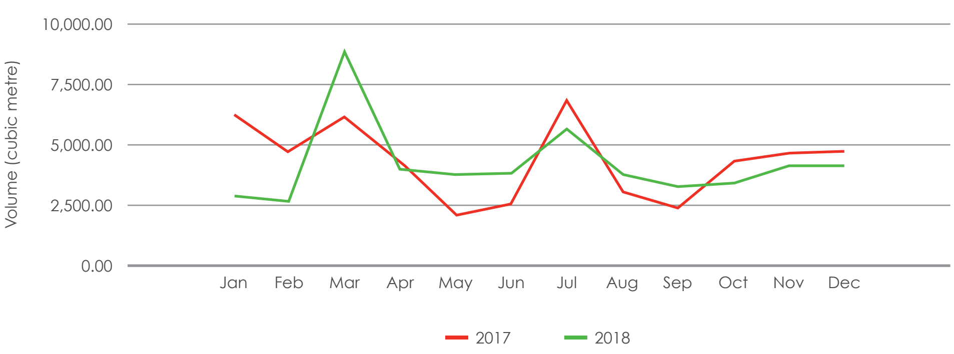
WATER MANAGEMENT

Water is essential to certain aspects of our operations – such as cleaning engines and our premises. Recognising that water is a limited resource and becoming increasingly scarce the world over, we seek to minimise water waste. We began monitoring water consumption in RedQ in 2017 and RedHouse in 2018, with plans to do the same in our other AOCs.

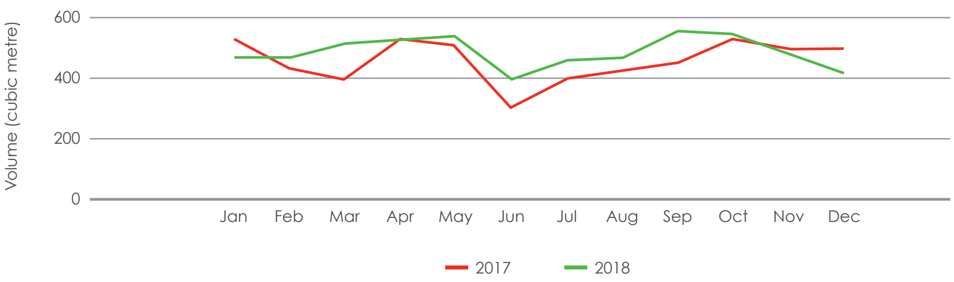
In RedQ, there was a 3.2% increase in water usage from 50,961 cubic metres in 2017 to 52,595 cubic metres in 2018. This was due to the rooftop construction works and interior design enhancement that took place in 2018, as well as the full operations of facilities such as our childcare centre, gym, Physio Lab and laundry shop.

Water usage in RedHouse, meanwhile, decreased 5.9% from 5,794 cubic metres in 2017 to 5,449 cubic metres again due to a decrease in total working days in 2018 compared to 2017.

WATER CONSUMPTION IN REDQ IN 2017 & 2018



WATER CONSUMPTION IN REDHOUSE IN 2017 & 2018



WASTE MANAGEMENT

AirAsia produces two main categories of waste – scheduled waste (ie waste that is potentially toxic to people and the environment) and non-scheduled waste. All scheduled waste produced Group-wide is disposed of according to the relevant environmental regulations in the respective countries, while conscientious efforts are made to reduce our non-scheduled waste as well as to recycle these to minimise our waste to landfill.

Scheduled Waste

Key scheduled waste from AirAsia includes:

- Spent lead acid batteries
- Waste from electric and electronic assemblies
- Waste containing mercury or its components
- Fluorescent lamps
- Spent oils
- Contaminated soil/absorbent, containers, gloves, rags and filters

We have a team of competent persons who ensure scheduled waste is stored in appropriate containers in designated areas in airports and disposed of by specialist collectors. All our scheduled waste collectors in Malaysia are approved by the relevant authorities. During the year, nine more Allstars in Malaysia were certified as competent persons. There were no significant spills across the Group during the year.

Non-Scheduled Waste

We try to reduce all recyclable wastes in our office premises as well as our cabins. RedQ started the process of full recycling in 2017, followed by RedHouse in 2018. This means bins are made available at strategic locations within our premises for Allstars to dispose of paper, metal and glass waste (separately). Our other country operations will follow suit.

RECYCLABLES COLLECTED IN REDQ IN 2017 & 2018

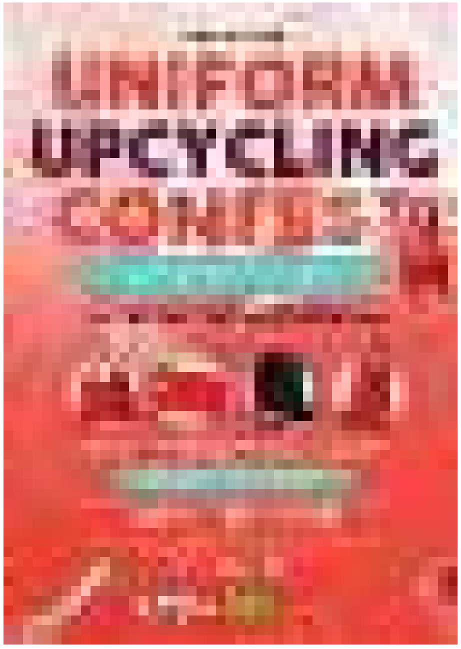
	2017	2018
Plastic (kg)	745	467
Paper (kg)	18,842	14,524
Metal (kg)	1,524	2,675
Total (kg)	20,751	17,666
mtCO2e	*40.73*	*44.60*

We were pleased to see a year-on-year reduction in total volume of recyclables in RedQ from 20,751kg in 2017 to 17,666kg.

In August 2018, the Green Team also introduced e-waste recycling in RedQ. Allstars have been educated about e-waste and encouraged to avail of two bins that have been installed in our headquarters for its collection. The bins will be emptied by Alam Flora, and the waste processed accordingly. Response to e-waste management has been positive, with Allstars expressing pleasure at having an environmentally-responsible method of disposing of their e-waste which they previously would have deposited along with normal waste.

Recyclable cabin waste is also segregated by some AOCs within the Group. The initiative started in India in 2016 and was adopted by Malaysia in 2017. Now, our Philippine and Indonesian associates as well as AirAsia X are also recycling cabin waste. The different countries and even states within countries have different procedures for treating waste, which we have to take into account. Some of the airports served by AirAsia X do not provide facilities to recycle the waste, hence the bags are returned to Kuala Lumpur where they are disposed of along with other cabin recyclables.

A total of 23,107kg of cabin recyclables was collected by the Malaysian operations in 2018, representing a 67.1% increase from 13,830kg in 2017.



Uniform Upcycling Contest

Taking our recycling initiatives a notch higher, in 2018 the Green Team organised a contest requiring participants to design innovative products using old AirAsia cabin crew, ramp agent and other uniforms. Cabin crew are required to change their uniforms every year while other uniformed Allstars change theirs every two years. This results in an average of five tonnes of used uniforms being disposed of every year. To prevent the used garments from ending up in landfills that are already overflowing, we seek to upcycle them and sell the winning three products on AirAsia flights, with a small percentage of the proceeds going back to the design originators. The contest was launched regionally in April 2018, receiving 144 submissions from all countries across AirAsia, 42 of which were shortlisted.

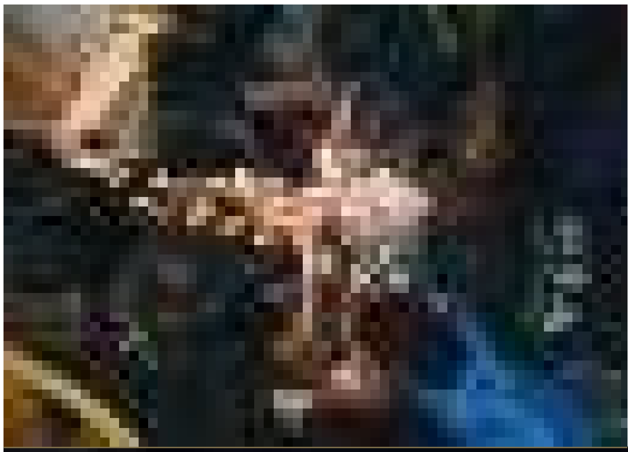
ENVIRONMENTAL MANAGEMENT SYSTEM

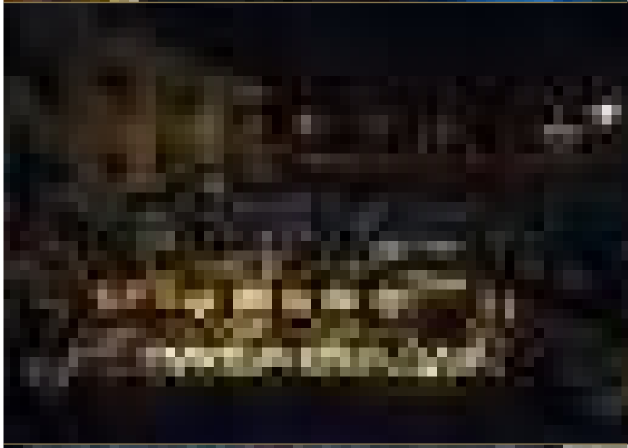
To date, our environmental initiatives have been managed by various departments, including Safety, Facilities and Well-being. Since the formation of the Green Team in 2017, however, there has been better coordination of efforts and better monitoring as well as measurement of our performance. Upon the team's recommendation and the Management's approval, we are in the process of implementing a structured Environmental Management System (EMS). Workshops have been conducted with the various operational departments, and work is ongoing to establish a framework to support the system in Malaysia. Once proven, the EMS will be replicated across the other AOCs. The process of implementing EMS across the Group will necessarily take time and we will keep our stakeholders updated on progress in our annual sustainability statements.

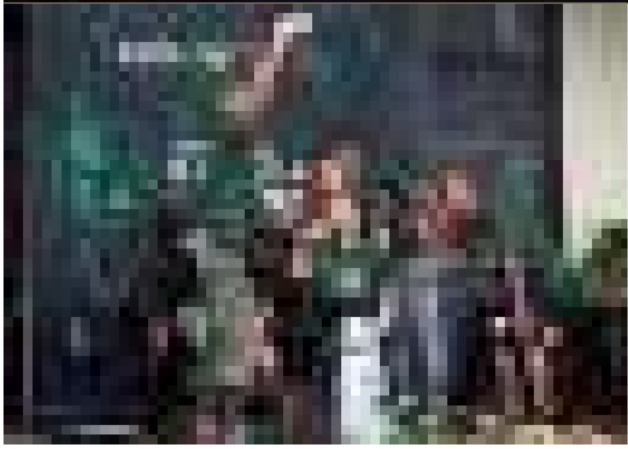
Along with the EMS, we will be conducting Supplier Environmental Assessments. This, again, is a work in progress and we hope to have positive updates to report on in the coming years.

Regional Earth Hour

Being environment-conscious, we have always paid heed to Earth Hour. This year, we did not just switch off all lights during the designated hour; 100 Allstars from across the Group (Japan, India, Malaysia, Indonesia, China and the Philippines) got together on a special Treasure Hunt revolving around the theme of battling plastic pollution. The highly educational docu-movie STRAWS was aired to increase Allstars' general understanding of the issue, while also containing clues for the hunt.







RISK & CRISIS MANAGEMENT

AirAsia faces many uncertainties which are inherent in the aviation industry. As taking risks is a part of being in business, it is the responsibility of every Allstar to practise good risk management. We enable this by having internal controls which are not only efficient but also carry acceptable levels of risk to safeguard the company's assets and mitigate the impact of any negative outcomes.

The Enterprise Risk Management (ERM) Framework of AirAsia standardises and governs the processes of identifying, evaluating and managing significant risks faced by the Group and establishes bottom-up reporting of risks and top-down oversight and management. During the year, robust risk awareness sessions were conducted for all business units across the Group to promote the importance of risk management among ground level employees and the Management team.

Further information on the ERM Framework including our significant risks are disclosed in the Statement of Risk Management & Internal Control on pages 216 to 222 of this Annual Report.

BUSINESS CONTINUITY MANAGEMENT

A key component of the ERM Framework is Business Continuity Management (BCM). The objective of BCM is to ensure we are able to operate even in the event of a crisis. We have in place a BCM team whose purpose is to build our organisational resilience and capability to respond effectively should an event disrupt our operations. In 2018, we enhanced our BCM team, conducted more tests while setting up an alternate site where critical business processes can be relocated should the need arise.

SUSTAINABILITY STATEMENT

GRI CONTENT INDEX LIST

GENERAL STANDARD DISCLOSURES			
GRI STANDARDS	**DISCLOSURE**	**DISCLOSURE TITLE**	**PAGE REFERENCE**
GRI 102: General Disclosures 2016		ORGANISATIONAL PROFILE	
	102-1	Name of the organisation	43, 252
	102-2	Activities, brands, products and services	120-160
	102-3	Location of headquarters	43, 252
	102-4	Location of operations	43, 120-160, 252
	102-5	Ownership & legal form	252
	102-6	Markets served	43, 120-160, 252
	102-7	Scale of the organisation	91
	102-8	Information on employees and other workers	91, 184-185
	102-9	Supply chain	148
	102-10	Significant changes to the organisation and its supply chain	252
	102-11	Precautionary principle or approach	169
	102-12	External initiatives	175-180
	102-13	Membership of associations	None
		STRATEGY	
	102-14	Statement from senior decision-maker	102
		ETHICS & INTEGRITY	
	102-16	Values, principles, standards and norms of behaviour	223
		GOVERNANCE	
	102-18	Governance structure	169
		STAKEHOLDER ENGAGEMENT	
	102-40	List of stakeholder groups	175-176
	102-41	Collective bargaining agreements	None
	102-42	Identifying and selecting stakeholders	175-176
	102-43	Approach to stakeholder engagement	175-176
	102-44	Key topics & concerns raised	175-176
		REPORTING PRACTICE	
	102-45	Entities included in the consolidated financial statements	120-160
	102-46	Defining report content and boundaries	170
	102-47	List of material topics	170
	102-48	Restatements of information	None
	102-49	Changes in reporting	None
	102-50	Reporting period	169
	102-51	Date of most recent report	25 May 2018
	102-52	Reporting cycle	169
	102-53	Contact point for questions regarding the report	43
	102-54	Claims of reporting in accordance with GRI Standards	168
	102-55	GRI Content Index	196-199
	102-56	External assurance	None

MATERIAL TOPICS				
	GRI STANDARDS	DISCLOSURE	DISCLOSURE TITLE	PAGE REFERENCE
Stakeholder Engagement	GRI 103: Management Approach 2016		MANAGEMENT APPROACH	
		103-1	Explanation of the material topic and its boundary	175
		103-2	The management approach and its components	175-176
		103-3	Evaluation of the management approach	177-180
	GRI 203: Indirect Economic Impacts		INDIRECT ECONOMIC IMPACTS	
		203-2	Significant indirect economic impacts	179-180
Risk and Crisis Management	GRI 103: Management Approach 2016		MANAGEMENT APPROACH	
		103-1	Explanation of the material topic and its boundary	195
		103-2	The management approach and its components	195
		103-3	Evaluation of the management approach	219-221
	GRI 102: General Disclosures 2016 (Governance)		GENERAL DISCLOSURES (GOVERNANCE)	
		102-30	Effectiveness of risk management processes	217-218
Safety and Health	GRI 103: Management Approach 2016		MANAGEMENT APPROACH	
		103-1	Explanation of the material topic and its boundary	171
		103-2	The management approach and its components	171-172
		103-3	Evaluation of the management approach	172-175
	GRI 403: Occupational Health and Safety 2018		OCCUPATIONAL HEALTH AND SAFETY	
		403-1	Occupational health and safety management system	172
		403-2	Hazard identification, risk assessment, and incident investigation	173-174
		403-3	Occupational health services	174
		403-4	Worker participation, consultation, and communication on occupational health and safety	175
		403-5	Worker training on occupational health and safety	173-174
		403-6	Promotion of worker health	173
		403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	173
		403-9	Work-related injuries	n/a*

* AirAsia is considering implementing a system to collect and analyse OHS performance.

SUSTAINABILITY STATEMENT

MATERIAL TOPICS				
	GRI STANDARDS	DISCLOSURE	DISCLOSURE TITLE	PAGE REFERENCE
Talent Attraction and Retention	GRI 103: Management Approach 2016		MANAGEMENT APPROACH	
		103-1	Explanation of the material topic and its boundary	181
		103-2	The management approach and its components	181-182
		103-3	Evaluation of the management approach	184
	GRI 404: Training and Education		TRAINING AND EDUCATION	
		404-2	Programmes for upgrading employee skills and transition assistance programmes	183
Operational Efficiency	GRI 103: Management Approach 2016		MANAGEMENT APPROACH	
		103-1	Explanation of the material topic and its boundary	185-186
		103-2	The management approach and its components	185-186
		103-3	Evaluation of the management approach	185-186
Service Efficiency	GRI 103: Management Approach 2016		MANAGEMENT APPROACH	
		103-1	Explanation of the material topic and its boundary	187-188
		103-2	The management approach and its components	187-188
		103-3	Evaluation of the management approach	187-188
Energy Consumption & Fuel Management	GRI 103: Management Approach 2016		MANAGEMENT APPROACH	
		103-1	Explanation of the material topic and its boundary	188
		103-2	The management approach and its components	190-194
		103-3	Evaluation of the management approach	189-194
	GRI 302: Energy 2016		ENERGY	
		302-1	Energy consumption within the organisation	191
		302-4	Reduction of energy consumption	189
	GRI 303: Water 2016		WATER	
		303-1	Water withdrawal by source	192
	GRI 305: Emissions 2016		EMISSIONS	
		305-1	Direct (Scope 1) GHG emissions	190
		305-2	Energy indirect (Scope 2) GHG emissions	190
		305-4	GHG emissions intensity	190, 191
		305-5	Reduction of GHG emissions Reporting	189
			EFFLUENTS AND WASTE	
	GRI 303: Effluents and Waste 2016	306-2	Waste by type and disposal method	193

CARGO SPACE AGENT

Cargo Space Agent Sdn Bhd

[illegible]

AIR PLANNERS
SINGAPORE

We are the premier provider of cargo space for AirAsia flights operating out of Singapore. We also provide cost effective cross border Mail transportation solutions to eCommerce shippers through our various Mail consolidation hubs operating in Asia.

Air Planners (S) Pte Ltd

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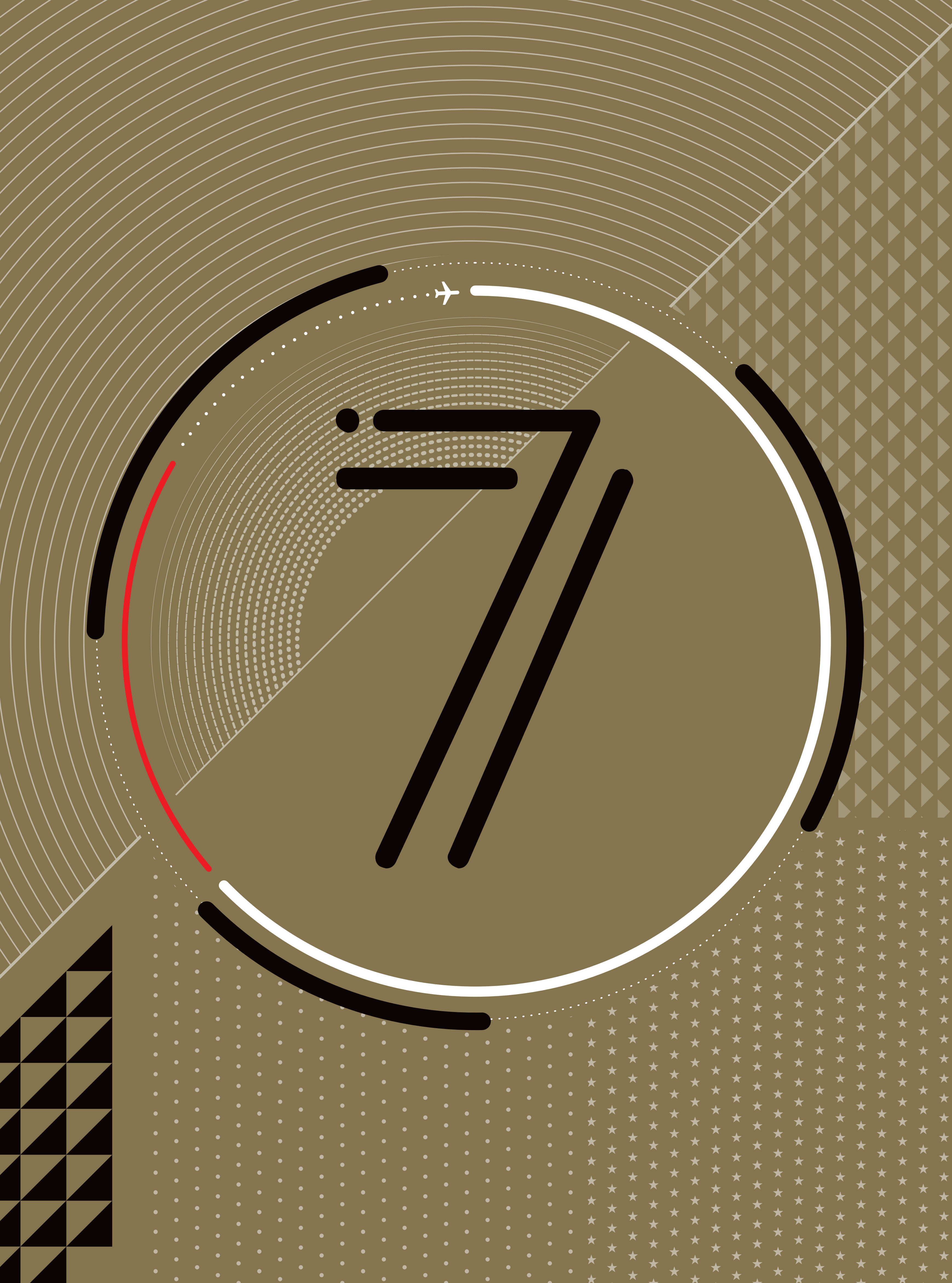
FINANCIAL STATEMENTS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CORPORATE GOVERNANCE OVERVIEW STATEMENT

This Corporate Governance Overview Statement discloses AirAsia Group Berhad's ("AAGB" or "the Company") corporate governance practices for the financial year ended 2018 ("the Financial Year").

The Board of Directors ("the Board") of AAGB is committed to ensuring good corporate governance standards across the group of companies of AirAsia ("the Group"). Save as disclosed otherwise, the Board considers it has complied with the principles, and recommendations set out in the Malaysian Code on Corporate Governance ("MCCG") released by the Securities Commission Malaysia in 2017 and the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia") during the Financial Year.

In building a sustainable business for a leading low-cost airline operating primarily in the Asian region, the Board is mindful of its accountability towards its shareholders and various stakeholders. Following the release of the revised MCCG in April 2017, the Company Secretaries, AAGB's Legal team and the external auditors have conducted briefings on the new requirements for the benefit of the Board and the Senior Management, to enable the Board and the Senior Management to lead AAGB in keeping to the spirit of the MCCG in the performance of day-to-day duties. The Board's commitment towards ensuring excellence in its corporate governance standards is reflected in the explanation set out in AAGB's Corporate Governance Report. This statement is guided by key practices of the MCCG and should be read together with AAGB's Corporate Governance Report 2018 published on AAGB's website at www.airasia.com.

The Board presents this statement to provide an insight into the Corporate Governance practices of AAGB under the leadership of the Board with reference to the following principles –
(a) board leadership and effectiveness;
(b) effective audit and risk management; and
(c) integrity in corporate reporting and meaningful relationship with stakeholders.

Principle A: Board Leadership and Effectiveness

1. Board Responsibilities

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

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

2. Board Composition

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

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

AAGB's diverse Board includes and makes good use of differences in skills, regional and industry experience, background, race, gender, ethnicity, age and other attributes of the Directors. The Board has a composition with a majority comprising independent and non-executive directors. While AAGB had only one (1) woman director represented on the Board for the Financial Year, AAGB aims to achieve at least 30% representation of women by 2021.

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

The NRC also reviews the composition of the Board and its Committees annually. During the Financial Year, the NRC assessed the performance and effectiveness of the Board and Board Committees, as well as that of individual Board and Committee members. In addition, it reviewed and assessed the independence of the Independent Directors of AAGB.

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

3. Board Committees

To assist the Board in discharging its duties, the Board has established a number of Board Committees whose composition and terms of reference are in accordance with the Bursa Malaysia's MMLR and consistent with the recommendations of the MCCG. These Board Committees are:

(a) Audit Committee ("AC");
(b) NRC;
(c) Risk Management Committee ("RMC"); and
(d) Safety Review Board ("SRB").

The following table shows the attendance of members at the Board and Committees meeting of AAGB held in the Financial Year:

DIRECTOR	BOARD	AC	NRC	RMC	SRB
Datuk Kamarudin bin Meranun *Non-Independent Executive Chairman* *Appointed on 30 March 2018*	4/4				
Tan Sri Anthony Francis Fernandes *Non-Independent Executive Director and Group Chief Executive Officer* *Appointed on 30 March 2018*	3/4				
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar *Non-Independent Non-Executive Director* *Appointed on 30 March 2018*	4/4	6/6	4/4	3/3	
Dato' Fam Lee Ee *Senior Independent Non-Executive Director* *Appointed on 30 March 2018*	4/4	6/6	4/4	3/3	
Dato' Mohamed Khadar bin Merican *Independent Non-Executive Director* *Appointed on 30 March 2018*	4/4	6/6			2/2
Stuart L Dean *Independent Non-Executive Director* *Appointed on 30 March 2018*	4/4		4/4	3/3	2/2
Noor Neelofa binti Mohd Noor *Independent Non-Executive Director* *Appointed on 30 March 2018*	3/4				1/2

The same Board Committees will assist the Board of AAGB in discharging its duties in the next financial year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

4. Professional Development of Directors

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

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

Name	Programmes
Datuk Kamarudin bin Meranun	• Ansara-MPC's Competitive Malaysia Series at PJ Hilton, Selangor, on 20 March 2018. • Boeing Asia Pacific Airlines Symposium 2018 at Four Seasons Resort Hualalai, Kona Island, Hawaii, on 1 November 2018.
Tan Sri Anthony Francis Fernandes	• WEF, Davos on 22 January 2018. • Visa Asia Pacific Senior Client Council meeting Seoul, 23 February 2018. • Sarawak Dialogue, 26 February 2018. • Money 2020 in Singapore, 15 March 2018. • ASEAN Australian Business Summit, Sydney Australia, 16 March 2018. • Credit Suisse Asian Investment Conference, Hong Kong, 19 March 2018. • Deconomy 2018, Seoul, 3 April 2018. • 2018 Pitch@Palace 9.0 London, 26 April 2018. • Bank Negara Forum Remittances, Kuala Lumpur, 8 May 2018. • ASEAN Business Club & CARI roundtable, Kuala Lumpur, 15 May 2018. • Pampanga Chamber of Commerce & Industry, Manila, 17 May 2018. • Milken Global Conference, Singapore, 14 September 2018. • Google Next, London, 10 October 2018. • Bloomberg New Economy Forum, Singapore, 6 November 2018. • Credit Suisse Young Investors Organisation, Phuket, 10 November 2018. • Vietnam Economic Forum 2018, Hanoi, 6 December 2018.
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	• Understanding Artificial Intelligence, Machine Intelligence and Machine Learning, Blockchain and 5G Networks. 12 November 2018. Google. • 30% Club Business Leaders Roundtable Meeting and 30% Club Board Mentoring Scheme Event.

Name	Programmes
Dato' Fam Lee Ee	• Speaker at Malaysia-Guangdong Chamber of Investment Promotion 10th Anniversary Forum. • International Digital Economy Summit at Shijiazhuang, Hebei Province, PRC. • Company Law 2018 in-house training. • Understanding Artificial Intelligence, Machine Intelligence and Machine Learning, Blockchain and 5G Networks. 12 November 2018. Google. • The Digital Entrepreneurship: Ignite Your Entrepreneurship Within organised by Malaysia-China Business Council.
Dato' Mohamed Khadar bin Merican	• International U.S. Retail Study Tour Programme. Los Angeles. 4 March 2018 to 8 March 2018. Organised by Professor Dale Archibald, Santa Clara University. • Asia Pacific Regional Masterclass Series - Shaping the Future of Retailing with Better Strategy, Data Analytics and Customer Experience. KL. 26 June 2018. Organised by Professor Dr Ronald Hess, Raymond A Mason School of Business. • Understanding Artificial Intelligence, Machine Intelligence and Machine Learning, Blockchain and 5G Networks. 12 November 2018. Google.
Stuart L Dean	• ICDM Enhancing Board Effectiveness at the SEC. • 30% Club Business Leaders Roundtable Meeting and 30% Club Board Mentoring Scheme Event.
Noor Neelofa binti Mohd Noor	• Mandatory Accreditation Programme (MAP) held on 12 - 13 March 2018

5. Remuneration

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

Director	Fees	Other Fees	Salaries	Bonuses	Total	Meeting, travelling and other allowance~
Executive Directors	-	-	-	-	-	-
Datuk Kamarudin bin Meranun	-	-	5,763,710*	12,000,000	17,673,710	-
Tan Sri Anthony Francis Fernandes	-	-	5,673,387*	15,000,000	20,673,387	-
Non-Executive Directors	-	-	-	-	-	-
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	145,833**	35,000^^ +20,417## +32,083<	-	-	233,333	22,000
Dato' Fam Lee Ee	145,833**	35,000^^ +32,083# +20,417<<	-	-	233,333	22,000
Dato' Mohamed Khadar bin Merican	145,833**	43,750^ +20,417** +3,111<<<	-	-	213,111	16,000
Stuart L Dean	145,833**	20,417## +32,083> +20,417<<	-	-	218,750	16,000
Noor Neelofa binti Mohd Noor	145,833**	20,417>>	-	-	166,250	4,000

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(a) * From 29 March 2018 to 31 December 2018;
(b) ** From 1 June 2018 to 31 December 2018, pro-rated based on the basic Board fee of RM250,000 each per annum;
(c) ^ From 1 June 2018 to 31 December 2018, pro-rated based on the AC Chairman fee of an additional RM75,000 each per annum;
(d) ^^ From 1 June 2018 to 31 December 2018, pro-rated based on the AC Member fee of an additional RM60,000 each per annum;
(e) # From 1 June 2018 to 31 December 2018, pro-rated based on the NRC Chairman fee of an additional RM55,000 each per annum;
(f) ## From 1 June 2018 to 31 December 2018, pro-rated based on the NRC Member fee of an additional RM35,000 each per annum;
(g) > From 1 June 2018 to 31 December 2018, pro-rated based on the SRB Chairman fee of an additional RM55,000 each per annum;
(h) >> From 1 June 2018 to 31 December 2018, pro-rated based on the SRB Member fee of an additional RM35,000 each per annum;
(I) < From 1 June 2018 to 31 December 2018, pro-rated based on the RMC Chairman fee of an additional RM55,000 each per annum;
(j) << From 1 June 2018 to 31 December 2018, pro-rated based on the RMC Member fee of an additional RM35,000 each per annum;
(k) <<< From 29 November 2018 to 31 December 2018, pro-rated based on the RMC Member fee of an additional RM35,000 each per annum; and
(l) ~ The meeting allowance shall be RM2,000 per meeting.

6. Limits of Authority

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

7. Review and Adopting a Strategic Plan

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

8. Remuneration and Succession Planning

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

Principle B: Effective Audit and Risk Management

1. Audit Committee

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

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

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

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

The Audit Committee's report is set out on pages 211 to 215 of the Annual Report 2018.

2. Risk Management Committee

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

The RMC oversees the risk management matters of the Group. It supports the Board in fulfilling its responsibilities in identifying significant risks. It also implements and maintains sound Enterprise Risk Management ("ERM") frameworks to manage the Group's overall risk exposure. AAGB's ERM frameworks aim to identify, assess, manage and monitor the Group's strategic, financial, operational and compliance risks. It covers the following key features:

(a) Roles and responsibilities of the RMC, Group Risk Department, Senior Management and the business units;
(b) Guidance on the risk management process and the associated methodologies and tools; and
(c) Guidance on risk register and controls assessment.

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

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

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

The Statement on Risk Management and Internal Control is set out on pages 216 to 222 of the Annual Report 2018.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

1. Effective Communication with Shareholders and Investors

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

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

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

2. AGM

Given the size and geographical diversity of the Group's shareholders, the AGM is another important forum for interaction with this group of stakeholders. All shareholders will be notified of the meeting and provided with a copy of Annual Report at least 28 days before the meeting. At the 1st AGM of AAGB held on 25 June 2018, all members of the Board save for one (1) member who had an urgent overseas assignment, were present to respond to questions raised by the shareholders or proxies. Voting at the 1st AGM was conducted through an electronic poll voting system and scrutinised by an independent scrutineer. AAGB will continue to leverage technology to enhance the quality of its shareholders engagement and facilitate further participation by shareholders at AAGB's AGMs.

This Corporate Governance Overview Statement was approved by the Board of AAGB on 29 March 2019.

AUDIT COMMITTEE REPORT

This report outlines the activities of the Audit Committee ("the AC") of AirAsia Group Berhad ("AAGB") for the financial year ended 31 December 2018 ("the Financial Year").

This Report has been reviewed by the AC and approved by the Board of Directors ("the Board") of AAGB on 29 March 2019, for inclusion in this Annual Report.

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

Composition of the Audit Committee

The AC has been established by the Board and comprises two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. Members of the AC elect among themselves an Independent Director, who is not the Chairman of AAGB, as Chairman of the AC. The Terms of Reference of the AC are approved by the Board and complies with the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The composition of the AC complies with the requirements of paragraph 15.09(1)(c) of the MMLR. Members of the AC are subject to annual evaluations, and its composition is reviewed annually by the Board.

Training

The training attended by the members of the AC during the Financial Year is set out in AAGB's Corporate Governance Overview Statement ("CGOS") on page 204 to 210.

Attendance of Meetings

A total of six (6) meetings were held for the Financial Year. Members of the AC, together with details of their attendance at the AC meetings held during the year, are set out in the CGOS on page 204 to 210.

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

Summary of the work of the Audit Committee

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

In discharging its duties and responsibilities, the AC is guided by the AC Charter, which was approved by the Board and is aligned to the provisions of the MMLR of Bursa Malaysia, Malaysian Code on Corporate Governance 2017 ("MCCG"), and Corporate Governance Guide: Executive Summary.

AUDIT COMMITTEE REPORT

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

Internal Audit

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

External Audit

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

Financial Reporting

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

For purposes of the above, the AC considered changes in accounting policies and practices, compliance with accounting standards and other legal and regulatory requirements, significant and unusual events, significant adjustments arising from the audit process, material litigation, the going concern assumption and where applicable, comply with the disclosure requirements of Bursa Malaysia.

Related Party Transactions

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

Investigations

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

Internal Controls

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

- Reviewed the employee code of business practice, vendor code of business practice, the whistleblowing policy and the outcome of any cases investigated.

Annual Review of the Terms of Reference of the Audit Committee

- Reviewed the terms of reference of the AC, and where necessary, obtained the assistance of the Group's External Auditors and external legal counsel, and recommended changes to the Board for approval.

AUDIT COMMITTEE REPORT

INTERNAL AUDIT FUNCTION

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

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

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

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

On 19 February 2019, GIAD confirmed its organisational independence to the AC, where the Group Head, GIAD and all the internal auditors had signed the Annual Code of Ethics and Conflict of Interest Declaration for the Financial Year that they were and had been independent, objective and in compliance with the Code of Ethics and Conflict of Interest as per IPPF in carrying out their duties for the Financial Year.

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

The total costs incurred by GIAD in discharging its functions and responsibilities in 2018 amounted to RM4,059,382 as compared to RM3,393,479 in 2017.

INTERNAL AUDIT ACTIVITIES DURING THE FINANCIAL YEAR

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

The GIAD continues its commitment to equip our internal auditors with adequate knowledge and proficiency. About RM36,140 was spent on training in the areas of auditing skills, technical skills and personal development. As at 31 December 2018, the average training days attended by each staff are five (5) days.

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

During the Financial Year, audit reviews were conducted based on the internal audit plan approved by the AC. The GIAD and IADs in other AOCs completed and reported on 128 audit assignments, including ad-hoc requests, which were requested by the Board, AC or Senior Management, and those which arose from reports pursuant to the Group's Whistleblowing Policy. The audits conducted covered a wide range of areas, which included key areas such as Operations, Financial management, Sales and marketing, Human resource management, Regulatory compliance, Call centre and customer care management, Security management, Asset management, Network and Information Technology.

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

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

GIAD digitalisation initiatives in 2018

GIAD has embraced digitalisation aligned with the Group strategy and implemented the following initiatives:

- Using Google Data Studio / Dashboard as a reporting tool for our reporting to the AC and other relevant stakeholders.
- Using Coruson as an audit management software for station audits and exploring for other types of audits.
- Using Palantir as a data analytics tool embedded into the internal audit process, where applicable.

Moving forward into 2019, GIAD is exploring the possibility of using Google and Palantir to enhance reporting to relevant stakeholders, improve efficiency and delivery of results.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

As part of our corporate governance and in line with best practices, AirAsia Group Berhad ("AAGB" or "the Company") is committed to maintaining a comprehensive and robust risk management and internal control system. The Board of Directors ("the Board") of AAGB is guided by the requirements set out within Paragraph 15.26 (b) of the Main Market Listing Requirements ("MMLR") issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia") as well as the Malaysian Code on Corporate Governance 2017 released by the Securities Commission Malaysia. The following statement outlines the nature and scope of the Group's internal controls and risk management framework for the financial year ended 2018 ("Financial Year").

RESPONSIBILITIES OF THE BOARD

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

AUDIT COMMITTEE

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

The AC, established by the Board in the year 2018, comprises of two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. The AC Report is disclosed on pages 211 to 215 of this Annual Report.

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

RISK MANAGEMENT COMMITTEE

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

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

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

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

MANAGEMENT

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

GROUP RISK DEPARTMENT

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

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

GROUP INTERNAL AUDIT DEPARTMENT

The GIAD regularly reviews the Group's systems of internal controls and evaluates the adequacy and effectiveness of the controls, risk management and governance processes implemented by Management. It integrates a risk-based approach in determining the auditable areas and frequency of audits. The annual audit plan for the Group is reviewed and approved by the AC. GIAD is guided by its Internal Audit Charter that provides independence and reflects the roles, responsibilities, accountability and scope of work of the department. For any significant gaps identified in the governance processes, risk management processes and controls during the engagements, GIAD provides recommendations to Management to improve their design and effectiveness of controls where applicable. The GIAD's functions are disclosed in the AC Report on pages 211 to 215 of this Annual Report.

RISK MANAGEMENT FRAMEWORK

The ERM Framework standardises the process of identifying, evaluating and managing significant risks faced by the Group for the year under review.

The ERM Framework covers the following key features:

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

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

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

RISK MANAGEMENT INITIATIVES IN 2018

The Group made significant efforts to improve and enhance its risk management and internal control systems in 2018 through the following initiatives:

- Robust awareness sessions for all business units across the Group
- Focused risk assessment sessions to ascertain key risk and mitigation plans
- Review of risk parameters to quantify potential risks

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

SIGNIFICANT RISKS

RISK	MITIGATION ACTION
STRATEGIC RISKS	
Sales Shocks - Changes in demand caused by events such as political unrest or market downturns could impact our revenue stream significantly.	The Commercial Department conducts periodic market analysis and coordinates responses to market events. The Group has also launched low-fare promotions from time to time to generate sales in periods of low demand.
Competition - Intense competition from expansion of competitor's network and price erosion stemming from price wars.	Strategic network expansion into greenfield markets to achieve "first entrant" incentives such as lower airport charges. The Group also utilises revenue modelling to lower price points for targeted routes to maximise profitability.
Negative Publicity - Reputational risk stemming from social networks that serve as platforms for airing consumer grievances or anti-organisation campaigns.	The Group conducts annual brand health assessments the results of which have been used to execute positive public relation actions including targeted marketing campaigns.
OPERATIONAL RISKS	
System Outages - Outages of mission-critical systems required for the continuity of flight operations and revenue channels have occurred more frequently in the commercial aviation industry over the past 12 months resulting in significant losses to the affected airlines.	The Group has developed, implemented and tested systems-specific backup and failovers to reduce the impact of systems outages. The Group has developed an IT Emergency Response Plan and a complementary Group Operational Response Plan to ensure that the business continues to run in the event of a critical systems outage.
Supply Chain - Failure in airport services such as airport fuelling systems, baggage handling systems or customs, immigration and quarantine processing could lead to significant delays and business disruption.	The Group has created incident-specific business continuity plans for our main hubs while partnering closely with airport operators and authorities.
FINANCIAL RISKS	
Fuel Price - A surge in fuel price would have a significant impact on the Group profits with fuel making up one of the key cost components for operations.	The Group manages the exposure to jet fuel price risk arising from fluctuations in the prices of jet fuel through hedging strategies.
Foreign Currency - Unexpected massive currency depreciation, in particular the Malaysian Ringgit to the US Dollar, will have a detrimental effect on the Group's cost of financing.	The Group manages these exposures by hedging strategies including derivative products.

CYBER SECURITY RISK	
Cyber Threats - The Group is exposed to cyber threats due to our heavy focus on online sales channels, guest feedback, help channels and other digital solutions.	Group ICT has a dedicated security team focused on detecting, containing and remediating cyber threats. We have achieved ISO/IEC 27001 Information Security Management System certification for our systems and follow this global standard via our processes and procedures. The team and technology partners perform regular security assessments, penetration tests and source code reviews on our systems to ensure cyber resilience. The team uses various technologies/ tools to mitigate emerging threats and constantly assess and implement new technology to address the fact that cyber threats are constantly evolving.
COMPLIANCE RISKS	
Non-Compliance to Regulatory Requirements - The Group must meet regulatory requirements of local aviation and consumer authorities in multiple jurisdictions.	The Group maintains a high level of engagement with local regulators and authorities to ensure any new regulatory requirement is understood and swiftly adhered to. In addition, we constantly monitor the local regulatory landscape for new or amended regulations affecting the Group.
Data Governance – The Group must ensure that data governance and associated regulations are fully adhered to.	The Group has established a data governance working group in 2018 to review existing policies and ensure compliance to laws, regulations and best practices.
SAFETY RISK	
General Safety Risk Exposure – The Group's exposure to operational safety hazards and risks may increase as we grow our routes, flights and passenger volume.	Although air travel remains the safest mode of transport, airlines are constantly exposed to certain unavoidable risks. These risks are identified, assessed and managed to an As Low As Reasonably Practicable (ALARP) level where necessary mitigation actions are implemented through our robust Safety Management System. The Safety Review Board ("SRB") oversees the Group's safety performance, not only to ensure all safety targets are met but the highest safety and quality standards are upheld throughout the Group. New safety risk management initiatives such as centralised use of operational safety data, expansion of safety performance indicators and improving procedures in relation to dangerous goods handling ensure that our operational risks are always kept to an acceptable level. In addition to routine audits conducted by respective Air Operating Company's ("AOC") Civil Aviation Authority, who issues operating licenses to airlines, five of AirAsia Group's airline (Malaysia AirAsia, Indonesia AirAsia, Philippines AirAsia, AirAsia X and Thai AirAsia X) are also certified with IATA Operational Safety Audit (IOSA), which is an internationally recognized and accepted evaluation system designed to assess the operational management and control systems of airlines.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

SUSTAINABILITY RISK	
Environmental Risk – The Group is subject to environmental regulations and other environment-related schemes such as the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA).	The Group has established a dedicated Environmental Affairs team within the Group Sustainability team to steer the Group towards proactive participation in global sustainability matters and ensure compliance to environmental regulatory requirements.

INTERNAL CONTROL FRAMEWORK

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

Board Governance

The Board has governance over the Group's operations. The Board is kept updated on the Group's activities and operations on a timely and regular basis through Board meetings with a formal agenda on matters for discussion. The Board of AAGB has established four (4) Board Committees, namely the AC, RMC, Nomination and Remuneration Committee and SRB, to assist it in executing its governance responsibilities. Further information on the various Board Committees is provided in the Corporate Governance Overview Statement from pages 204 to 210 of this Annual Report.

Senior Management Responsibilities

Regular management and operations meetings are conducted by Senior Management, comprises the Group Chief Executive Officer ("GCEO"), Deputy Group Chief Executive Officers ("DGCEOs"), Chief Executive Officers of various AOCs, and Heads of Department.

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

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

Segregation of Duties

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

Internal Policies and Procedures

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

Financial Budgets

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

People Management

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

Limits of Authority

The Group documented its Limits of Authority ("LOA") clearly defining the level of authority and responsibility in making operational and commercial business decisions. Approving authorities cover various levels of Management and the Board. The LOA is reviewed regularly and any amendments made must be tabled to and approved by the Board. The latest version of LOA together with group level authorities were approved by the Board of AAB in November 2017 and AAGB has adopted the same LOA.

Insurance

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

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

Information Security

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

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

- Establishing an Information Security Management System to design, implement and maintain a coherent set of policies and processes to manage information risks
- Conducting penetration tests, system vulnerability assessments and reviews to minimise IT security incidents

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

Code of Conduct

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

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

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

Whistleblowing Policy

The Board of AAGB reviewed and approved the revised Whistleblowing Policy in 2018 which provides a platform for employees or third parties to report instances on unethical behaviour, actual or suspected fraud or dishonesty, or a violation of the Code. It provides protection for the whistle-blowers from any reprisals as a direct consequence on making such disclosures. It also covers the procedures for disclosure, investigation and the respective outcomes of such investigations. The Group expects its employees to act in AAGB's best interests and to maintain high principles and ethical values. The Group will not tolerate any irresponsible or unethical behaviour that would jeopardise its good standing and reputation.

As the custodian of the Whistleblowing Policy, GIAD has consistently conducted internal control, fraud and whistleblowing awareness briefings to all new hires through the Regional Orientation Programme conducted at least once a month in 2018 in collaboration with People & Culture Department. GIAD also shares information and articles regarding whistleblowing and fraud through AAGB's internal sharing platform, Workplace, which is accessible to all employees.

Conclusion

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

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

Review of the Statement by External Auditors

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

This statement is in accordance with the resolution of the Board of Directors of AAGB on 29 March 2019.

ADDITIONAL COMPLIANCE INFORMATION

The information set out below is disclosed in compliance with the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia") for the financial year ended 31 December 2018 ("Financial Year") for AirAsia Group Berhad ("AAGB" or "the Company"):-

1. UTILISATION OF PROCEEDS FROM CORPORATE PROPOSAL

During the Financial Year, the AAGB Group had completed the transfer of 79 aircraft and 14 aircraft engines receiving total gross proceeds of USD1,085.5 million (approximately RM4,382.1 million). The disposal of the remaining five (5) aircraft will not take place as the agreements had lapsed.

The details of the utilisation of proceeds raised from the above-mentioned disposal completed on 9 January 2019 are as follows: -

	Proposed Utilisation RM'mil (based on exchange rate of RM:USD3,9215)	**Utilisation to date RM'mil** (based on exchange rate of RM:USD4.0369)	**Balance RM'mil**
Prepayment of bank borrowings	792.7	*624.7	-
Defray estimated expenses for disposal of aircraft leasing operations	112.6	*116.2	-
Funding for aircraft and associated pre-delivery payments	769.4	*773.9	-
Prepayment of unsecured term loan facilities	231.0	231.0	-
Remaining Proceeds	2,486.3	-	-
- Dividend	-	1,336.8	-
- Working Capital	-	1,299.5	-
Total	**4,392.0**	**4,382.1**	**-**

* The deviation is as a result of exchange rates and timing of settlement.

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

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

3. AUDIT AND NON-AUDIT FEES

The audit and non-audit fees of AAGB and its Group as below are also disclosed in the Audited Financial Statements set out under Note 6 to the Financial Statements on page 283 of this Annual Report:-

Audit Fees	**Company RM'000**	**Group RM'000**
Audit fees paid to the External Auditors for the Financial Year	150	2,227

Non-Audit Fees	***Company RM'000**	**Group RM'000**
Non-audit fees paid to the External Auditors for the Financial Year in connection with advisory related work	15	2,163

ADDITIONAL COMPLIANCE INFORMATION

** Nature of the services rendered :*
- review of impact of adoption of MFRS 15, MFRS 9 and MFRS 16
- reporting accountant work for Proposed sales and leaseback of aircraft
- review of limits of authority, enterprise risk management and business continuinty plan

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

At the Annual General Meeting ("AGM") of AAGB held on 20 June 2018, AAGB had obtained a mandate from its shareholders for AAGB and/or its subsidiaries to enter into recurrent related party transactions ("RRPTs") of a revenue or trading nature.

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

No.	Transacting Parties	Nature of RRPT	Class and relationship of the Related Parties	Actual value
Revenue/income				
1.	AirAsia X Berhad ("AAX") (Company No. 734161-K)	Provision of the following range of services by AirAsia Berhad ("AAB") to AAX: (a) Commercial - Sales and distribution - Sales support - Direct channel - Branding and Creative • Protection of brand to ensure proper public perception is built • Manage communication imagery, sponsorships (e.g. sports and youth marketing) and commercial branding • Creative includes graphic designs supporting branding activities - Web team: Manage, plan, build and develop airasia.com website - Marketing - Ancillary (b) Treasury - Fuel procurement - Fuel hedging (c) Quality Assurance – Credit card fraud unit (d) Cargo (e) Manpower cost (affiliate of companies in China) (f) IT Internal Audits (g) Ground Operations (h) Group Inflight Ancillary (i) Engineering (j) Legal (k) Operations Control Centre (l) Corporate Quality (m) Flight Attendant Department (n) Innovation, Commercial and Technology - Involves all services related to information technology	**Interested Directors and Major Shareholders** Tan Sri Anthony Fernandes ("Tan Sri Tony") Datuk Kamarudin bin Meranun ("Datuk Kamarudin")	RM17,082,260

No.	Transacting Parties	Nature of RRPT	Class and relationship of the Related Parties	Actual value
2.	AAX	Provision of the rights by AAGB to AAX as a licensee to operate scheduled air services under the trade name and livery of AirAsia	**Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin	RM 8,530,027
3.	AAX	Provision of charter services to Beirut, Lebanon to be provided by AAX for the Malbatt contingent	**Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin	RM0
4.	AAX	Provision of the following shared services by AirAsia SEA Sdn Bhd (Formerly known as AirAsia Global Shared Services Sdn Bhd) (Company No.: 1045172-A) ("AASEA") to AAX: (a) Finance and accounting support operation services; (b) People department support operation services; (c) Information and technology operation support services; and (d) Sourcing and procurement operation support services.	**Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin	RM 3,239,321
5.	AAX	Provision of ground handing services by Ground Team Red Sdn Bhd. (Company No.: 800730-V) to AAX at Kuala Lumpur International Airport 2 (KLIA 2) and diversion airports at Penang and Langkawi, if required.	**Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin	RM 21,894,402
6.	Tune Protect Group Berhad (Company No. 948454-K) ("TPB")	Provision of the right to access AAB's customer database by AAGB to TPB to conduct marketing on TPB's and/or third party insurance products and the provision of management services by TPB to AAB's travel insurance business	**Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin	RM 31,780
7.	Tune Insurance Malaysia Berhad (Company No. 30686-K)	Provision of travel insurance to AAB's customers for journeys originated from Malaysia resulting in sales commission received by AAB	**Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin	RM 11,396,564
8.	Thai AirAsia X Co. Ltd (Company No. 0105556044936) ("TAAX")	Provision of the rights by AAB to TAAX as a licensee to operate scheduled air services under the trade name and livery of AirAsia	**Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin	RM 22,690,162
9.	TAAX	Provision of price risk management through fuel hedging by AAB with hedging counterparties, on behalf of TAAX	**Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin	RM 179,000

ADDITIONAL COMPLIANCE INFORMATION

No.	Transacting Parties	Nature of RRPT	Class and relationship of the Related Parties	Actual value
10.	TAAX	Provision of the following shared services by AASEA to TAAX: (a) Finance and accounting support operation services; (b) People department support operation services; (c) Information and technology operation support services; (d) Sourcing and procurement operation support services; and (e) Innovation, commercial and technology services	**Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin	RM 1,442,532
11.	PT Indonesia AirAsia Extra (Registration No. 09.03.1.51.89121) ("IAAX")	Provision of price risk management through fuel hedging by AAB with hedging counterparties, on behalf of IAAX	**Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin	RM 144,000
12.	IAAX	Provision of the rights by AAB to IAAX as a licensee to operate scheduled air services under the trade name and livery of AirAsia	**Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin	RM 9,015,225
13.	IAAX	Provision of leasing of aircraft by Asia Aviation Capital Limited (Company No. LL11196) ("AACL") to IAAX	**Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin	USD 16,758,000
14.	IAAX	Provision of the following shared services by AASEA to IAAX: (a) Finance and accounting support operation services; (b) People department support operation services; (c) Information and technology operation support services; (d) Sourcing and procurement operation support services; and (e) Innovation, commercial and technology services.	**Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin	RM 1,390,548
Expense				
15.	AAX	Provision of lounge services to the Company's passengers by subscribing to the AirAsia Premium Lounge operated by AAX	**Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin	RM1,788,107
16.	AAX	Purchase of AAX's cargo transportation capacity by RedCargo Logistics Sdn Bhd. (Company No.: 1271940-D) on routes operated by AAX	**Interested Directors and Major Shareholders** Tan Sri Tony Datuk Kamarudin	RM 88,407,366

The shareholdings of the interested Directors and Major Shareholders in the Company as at 27 March 2019 were are as follows:

	<------------ Direct ------------>		<------------ Indirect --------->	
	No. of Shares	**%**	**No. of Shares**	**%**
Tan Sri Anthony Francis Fernandes	1,600,000	0.05	* 1,075,485,082	32.18
Datuk Kamarudin bin Meranun	2,000,000	0.06	* 1,075,485,082	32.18

Note:

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

Please refer to the note of Section 2.3 of the Circular to shareholders dated 25 May 2018 and 30 April 2019 respectively on the directorships and shareholdings of the interested Directors and Major Shareholders in the transacting parties.

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

Principal activities

The principal activity of the Company is that of 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
Profit net of tax	1,695,394	3,075,893
Profit attributable to:		
Owners of the Company	1,967,006	3,075,893
Non-controlling interests	(271,612)	-
	1,695,394	3,075,893

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than, in respect of the Group, a gain on loss of control of a subsidiary amounting to RM885,029,000 as disclosed in Note 13 to the financial statements.

Dividends

The dividends on ordinary shares paid by the Company since 31 December 2017 were as follows:

	RM'000
In respect of the financial year ended 31 December 2018,	
First interim tax exempt single-tier dividend of 12 sen per ordinary share each on 3,341,974,082 ordinary shares, paid on 13 July 2018	401,037
Special dividends of 40 sen per ordinary share each on 3,341,974,082 ordinary shares, paid on 28 December 2018	1,336,790
	1,737,827

In respect of financial year ended 31 December 2018, the directors recommend	
Second interim tax exempt single-tier dividend of 12 sen per ordinary share each on 3,341,974,082 ordinary shares, will be paid on 10 April 2019	401,037

The Second interim dividend is not reflected in the current year's financial statements. The dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2019.

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

Directors

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

Ching Koon Kah @ Chin Kon Kah	(Appointed on 24 August 2017 and resigned on 1 April 2018)
Jasmindar Kaur a/p Sarban Singh	(Appointed on 24 August 2017 and resigned on 1 April 2018)
Datuk Kamarudin bin Meranun*	(Appointed on 30 March 2018)
Tan Sri Anthony Francis Fernandes*	(Appointed on 30 March 2018)
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	(Appointed on 30 March 2018)
Dato' Fam Lee Ee*	(Appointed on 30 March 2018)
Stuart L Dean*	(Appointed on 30 March 2018)
Dato' Mohamed Khadar bin Merican	(Appointed on 30 March 2018)
Noor Neelofa binti Mohd Noor	(Appointed on 30 March 2018)

* 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:

Aireen Omar
Ambassador Alfredo M. Yao
Anajuk Chareonwongsak
Anita Ler
Antonio O.Cojuangco
Arifin Prasetyo
Brendan Mccauley
Capt. Dexter M. Comendador
Christopher Davison
Colin Joyce
Dato' Mohd Shukrie bin Mohd Salleh
Dendy Kurniawan
Dinesh Kumar
Eric Lim Soon Huat
Heru Susilo
How Kim Lian
Ikhlas bin Kamarudin
Iwona Halpin
Jeremiah Brian Rabe
Jose Leandro Ramos
Karena Fernandes
Lee Teck Loong (Spencer)
Leong Chin Tung
Lu Kee Hong
Lui Yew Lee Dennis Paul
Mahisa Adhitya Rachman
Manjul Taneja
Marianne B Hontiveros
Michael L.Romero
Mohd Rozainol bin Mohd Bahari
Nathaniel Nicholas Felsher
Natacha Sabrina Kong Hung Cheong
Navin Rajagopalan
Pattra Boosarawongse
Pawan Najunda Setty
Phua Sheau Wei
Omar Salim-Dhanani
Rahul Agarwal
RD. Achmad Sadikin
Riad Asmat
Rifai
Robert Aaron Milton
Roisin Dixon
Rozman bin Omar
Rudy Effendi
Sabrina Kong Hung Cheong
Sami Joseph El Hadery
Shailesh Singh Baidwan
Siegtraund Teh Siew Foong
Simon Perkins
Tassapon Bijleveld
Tay Kuan Ming
Tay Tuan Leng
Teoh Hooi Ling
Tharumalingam A/L Kanagalingam
Tommy Lo Seen Chong
V Loganathan S/O Velaitham
Wong Hee Cha
Wuri Septiawan

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' REPORT

Directors' benefits

During and at the end of the financial year ended 31 December 2018, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

Issuance of shares

During the year, the Company increased its share capital by 3,341,974,080 ordinary shares in exchange of 3,341,974,080 ordinary shares in AirAsia Berhad (“"AAB"”) pursuant to the internal reorganisation by way of Members' Scheme of Arrangement under Section 366 of the Companies Act 2016, as detailed in Note 43 (iii) to the financial statements. Consequently, the Company is the new holding company of AAB Group and assumed the listing status of AAB on the Main Market of Bursa Securities.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

Directors' interests

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

	Number of ordinary shares			
	At 1.1.2018	**Acquired[1]**	**Disposed**	**At 31.12.2018**
Direct interests in the Company				
Ching Koon Kah @ Chin Kon Kah	1	-	-	1
Jasmindar Kaur a/p Sarban Singh	1	-	-	1
Datuk Kamarudin bin Meranun[3]	-	2,000,000	-	2,000,000
Tan Sri Anthony Francis Fernandes[3]	-	1,600,000	-	1,600,000
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar[5]	-	29,500	-	29,500
Dato' Mohamed Khadar bin Merican	-	180,000	-	180,000
Stuart L Dean	-	40,000	-	40,000
Indirect interests in the Company				
Tan Sri Anthony Francis Fernandes[2]	-	1,075,485,082	-	1,075,485,082
Datuk Kamarudin bin Meranun[2]	-	1,075,485,082	-	1,075,485,082

1 Pursuant to the completion of the internal reorganisation of AAB, the shares held previously in AAB have been exchanged for the shares in the Company.
2 By virtue of their interests in shares in the substantial shareholder of the Company, Tune Air Sdn Bhd[3] ("TASB") and Tune Live Sdn Bhd[4] ("TLSB"), Tan Sri Anthony Francis Fernandes and Datuk Kamarudin bin Meranun are deemed to have interests in the Company to the extent of TASB's and TLSB's interests therein, in accordance with Section 8 of the Companies Act 2016.
3 Shares held under HSBC Nominees (Tempatan) Sdn Bhd.
4 Shares held under RHB Capital Nominees (Tempatan) Sdn Bhd and HSBC Nominees (Tempatan) Sdn Bhd.
5 Including shares acquired during the year.

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 positions of the Group and of the Company were made out, the directors took reasonable steps:

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

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

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

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

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

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

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

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

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

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

(f) In the opinion of the directors:

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

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

DIRECTORS' REPORT

Significant events

Details of significant events are disclosed in Note 43 to the financial statements.

Subsequent events

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

Auditors

The auditors, Ernst & Young, 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, 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 during or since the financial year.

Signed on behalf of the Board in accordance with a resolution of the board of directors dated 5 April 2019.

Datuk Kamarudin bin Meranun

Tan Sri Anthony Francis Fernandes

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Datuk Kamarudin bin Meranun and Tan Sri Anthony Francis Fernandes, being two of the Directors of AirAsia Group Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 240 to 354 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 2018 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 5 April 2019.

Datuk Kamarudin bin Meranun

Tan Sri Anthony Francis Fernandes

STATUTORY DECLARATION
PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, Pattra Boosarawongse, being the officer primarily responsible for the financial management of AirAsia Group Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 240 to 354 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 Pattra Boosarawongse
at Kuala Lumpur in Malaysia
on 5 April 2019

Pattra Boosarawongse

Before me,

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of AirAsia Group Berhad, which comprise the statements of financial position as at 31 December 2018 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 240 to 354.

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 2018, 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 Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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. The key audit matters for the audit of the financial statements of the Group are described below. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Recognition of revenue from passenger seat sales and sales in advance	**Our response**
Refer to Note 4(a) to the financial statements for revenue and statement of financial position for sales in advance. Revenue from passenger seat sales represent 72% of the total revenue of the Group for the year ended 31 December 2018.	Our audit sought to place a high level of reliance on the Group's information technology systems and key controls which the management relies on in recording revenue from passenger seats sales. As the flight reservation system is managed by a third party vendor, we obtained and evaluated the external auditors' report on the operating effectiveness of the key controls over the flight reservation system.

Key Audit Matters (cont'd.)

Recognition of revenue from passenger seat sales and sales in advance (cont'd.)	**Our response (cont'd.)**
The Group relies on an integrated information technology system (including the flight reservation system) in accounting for its passenger seat sales revenue. Such information system processes large volumes of data which are individually low value transactions. The flight reservation system is managed by a third party vendor. The accounting for passenger seat sales involves manual posting of journal entries into general ledger based on the data provided by the flight reservation system. The above factors gave rise to higher risk of material misstatement in the timing and amount of revenue recognised from passenger seats sales. Accordingly, we identified revenue recognition to be an area of focus.	We involved our information technology specialists to test the operating effectiveness of the automated controls of the other key modules of the information technology system. We also tested the non-automated controls in place to ensure completeness and accuracy of revenue recognised, including timely updating of approved changes to base fares and ancillary fares. In addition, we also performed, amongst others, the following procedures: • Performed data analytics to reconcile the revenue recognised in respect of passenger seats sales and the amount of sales in advance to the payments received from passengers; • Performed procedures to corroborate the occurrence of revenue by tracing samples of revenue recognised to settlement reports from financial institutions; • Tested the reconciliation of data between the flight reservation system and the general ledger to corroborate the completeness of revenue; and • Performed cut-off procedures to determine if revenue from passenger seats sales are recorded in the correct accounting period.
Aircraft maintenance provisions	**Our response**
Refer to Note 3.3 and Note 28 to the financial statements. As at 31 December 2018, aircraft maintenance provisions of the Group amounted to RM1,012 million. The Group operates aircraft which are either owned or held under operating lease arrangement. In respect of the aircraft held under operating lease arrangements, the Group is contractually obligated to maintain the aircraft during the lease period and to redeliver the aircraft to the lessors at the end of the lease term, in certain pre-agreed conditions. Accordingly, the Group estimates the aircraft maintenance costs required to fulfil these obligations at the end of the lease period and recognise a provision for these costs at each reporting date. A provision by its nature is more uncertain than most other items in the statement of financial position. The estimates of the outcome and financial effects are determined by the judgement of the management, supplemented by experience from similar transactions. Due to the magnitude of the provision and the significant judgment involved in estimating the cost to be incurred and timing of cash outflows, we consider this to be an area of audit focus.	In addressing this area of audit focus, our audit procedures included, amongst others: • Read the lease agreements to determine the Group's contractual obligations in respect of aircraft maintenance; • Evaluated the significant assumptions on cost to be incurred applied by the Group in estimating the aircraft maintenance provision costs by comparing these assumptions to past industry experience, supplemented by expectations of the future economic conditions; and • Tested the accuracy of the computation of the aircraft maintenance provisions as at reporting date.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AIRASIA GROUP BERHAD
(INCORPORATED IN MALAYSIA)

Key Audit Matters (cont'd.)

Derivative financial instruments	Our response
Refer to Note 20 to the financial statements. As at 31 December 2018, the Group's derivative financial assets and liabilities amounted to RM650.4 million and RM664.6 million, respectively. Net gains and losses on effective cash flow hedges arising during the financial year were recognised in other comprehensive income. The gain or loss arising from ineffective hedge is recognised immediately in the income statement. The Group enters into various derivative financial instruments as part of the Group's overall hedging strategy to manage its exposure to fuel price risk, foreign currency risk and interest rate risk. These instruments comprised forward foreign currency contracts, interest rate swaps, interest rate caps, cross-currency interest rate swaps, fuel options and fuel swap contracts. Valuation models used to estimate the fair value of derivative financial instrument can be subjective in nature and involve various assumptions regarding future market conditions, such as risk free rates, interest rate volatility and forward rates. The use of different valuation techniques and assumptions could produce significantly different estimates of fair value and/or hedge effectiveness. Due to the complexity involved and the magnitude of the balance, we consider the fair value measurement of derivative financial instruments to be an area of audit focus.	In addressing this area of audit focus, our audit procedures included, amongst others: • Involved our valuation specialists in assessing the methodology and valuation models used to estimate the fair value of the derivative financial instruments. Our valuation specialists also evaluated the key inputs applied in the valuation model such as contractual cash flows, risk free rates, interest rate volatility and forward rates, by benchmarking them with external data; and • Obtained third party confirmations to corroborate the existence of the derivative financial instruments.
Impairment assessment of intangible assets	**Our response**
Refer to Note 3.4 and Note 16 to the financial statements. The Group is required to perform annual impairment test of cash generating units (CGUs) to which intangible assets have been allocated. The Group estimated the recoverable amount of its CGUs allocated based on fair value less costs to sell (FVLCTS). Estimating the FVLCTS of CGUs involves estimating the future cash inflows and outflows that will be derived from the CGUs, and discounting them at an appropriate rate. Included in the Group's intangible assets as at 31 December 2018 are: (a) goodwill amounted to RM103 million arising from step-up acquisition of Big Loyalty Sdn Bhd (f.k.a. Think Big Digital Sdn Bhd); (b) goodwill arising from consolidation of IAA amounted to RM38 million; and	In addressing this area of audit focus, our audit procedures included, amongst others: • Obtained an understanding and assessed the management's internal control over the estimations of recoverable amounts of the CGU; • Evaluated the assumptions applied on revenue growth, cost escalation rates, terminal value and discount rates by comparing these assumptions to industry analysis and future economic conditions; • Analysed the sensitivity of the key assumptions by assessing the impact of changes to the recoverable amounts; and • Evaluated the adequacy of the Group's disclosures of key assumptions used in estimations.

Key Audit Matters (cont'd.)

Impairment assessment of intangible assets (cont'd.)	
(c) landing rights arising from consolidation of IAA and PAA amounted to RM375 million and RM69 million, respectively. We focused on the impairment assessment of the intangible assets due to the magnitude of the balance and the subjectivity involved. Specifically, we focused on the assumptions applied in respect of revenue growth, cost escalation rates, terminal value and discount rates.	
Gain on loss of control of a subsidiary	**Our response**
Refer to Note 13 to the financial statements. On 30 October 2017, the Group entered into share sale agreements to dispose 50% of its equity interest in Ground Team Red Holdings Sdn Bhd ("GTRH") to SATS Ltd. ("SATS"). This transaction was completed on 14 February 2018 via both exchange of shares, and for cash. As a result, GTRH became a joint venture of the Group, requiring its retained interest to be measured at fair value, pursuant to MFRS 10 *Consolidated Financial Statements.* The loss of control in GTRH, from 100% to 50%, has resulted in the following accounting impact at AAGB Group: (a) Gain on disposal of a subsidiary amounting to RM350.3 million; and (b) Remeasurement gain on retained interest in a former subsidiary of RM534.7 million. Due to magnitude of the balance and the complexity arising from the accounting treatment of this multi-staged transaction, we consider this matter to be an area of audit focus.	In addressing this area of audit focus, our audit procedures included, amongst others: • Assessed whether management's accounting for the transaction is consistent with the underlying legal agreements; • Obtained the understanding of the methodology adopted in arriving at the fair value of the retained interest in GTRH; • Involved our valuation specialists in assessing the methodology and valuation models used to estimate the fair value of the retained interest in GTRH; • Tested the calculation of the gain on disposal and remeasurement gain on retained interest in a former subsidiary; and • Tested the receipts of cash proceeds and exchange of shares.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the annual report 2018, 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.

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

Information Other than the Financial Statements and Auditors' Report Thereon (cont'd.)

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

- 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.

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.

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

Ernst & Young
AF: 0039
Chartered Accountants

Nurida Salwa

Nurida Salwa binti Mohd Muhili
No. 03371/06/2020 J
Chartered Accountant

Kuala Lumpur, Malaysia
5 April 2019

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Group		Company	
	Note	2018 RM'000	*2017 RM'000	1.1.2018 to 31.12.2018 RM'000	24.8.2017 to 31.12.2017 RM'000
Revenue	4(a)	10,638,296	9,709,721	-	-
Other income	4(b)	1,193,276	799,306	3,128,025	-
Operating expenses					
- Staff costs	5(a)	(1,669,918)	(1,607,046)	(46,410)	-
- Depreciation of property, plant and equipment	11	(584,748)	(863,989)	-	-
- Aircraft fuel expenses		(3,908,417)	(2,821,124)	-	-
- Maintenance and overhaul		(938,369)	(650,401)	-	-
- User charges	7	(1,576,018)	(1,263,282)	-	-
- Aircraft operating lease expenses		(1,155,680)	(650,695)	-	-
- Other operating expenses	6	(779,486)	(491,706)	(5,062)	(6)
Operating profit/(loss)		1,218,936	2,160,784	3,076,553	(6)
Finance income	8(a)	63,333	55,670	3	-
Finance costs	8(b)	(474,761)	(577,748)	-	-
Net operating profit/(loss)		807,508	1,638,706	3,076,556	(6)
Foreign exchange gains/(loss)	8(c)	126,833	187,059	(663)	-
Fair value losses on derivatives	8(d)	(200,173)	(140,602)	-	-
Impairment of investment in a joint venture	13	(5,596)	-	-	-
Impairment of other investment	15	(5,438)	-	-	-
Gain on disposal of investment in an associate	14	181,914	-	-	-
Remeasurement gain on retained interest in a former subsidiary	13	534,712	-	-	-
Gain on remeasurement of previously held interest in associates	12	-	214,350	-	-
Gain on bargain purchase on consolidation	12	-	121,045	-	-
Share of results of joint ventures		11,083	19,923	-	-
Share of results of associates		(115,610)	47,307	-	-
Profit/(loss) before taxation carried forward		1,335,233	2,087,788	3,075,893	(6)
Taxation					
- Current taxation	9	(38,965)	(52,660)	-	-
- Deferred taxation	9	399,126	(463,754)	-	-
		360,161	(516,414)	-	-
Net profit/(loss) for the financial year		1,695,394	1,571,374	3,075,893	(6)
Net profit/(loss) for the financial year attributable to:					
- Owners of the Company		1,967,006	1,628,774		
- Non-controlling interests		(271,612)	(57,400)		
		1,695,394	1,571,374		
Earnings per share attributable to owners of the Company (sen)					
- Basic	10	58.9	49.3		
- Diluted	10	58.9	49.3		

* Refer to Note 45 for the basis of preparation for comparatives.

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group *2017 RM'000	Company 1.1.2018 to 31.12.2018 RM'000	Company 24.8.2017 to 31.12.2017 RM'000
Net profit/(loss) for the financial year		1,695,394	1,571,374	3,075,893	(6)
Other comprehensive income/(loss)					
Items that may be subsequently reclassified to profit or loss					
Remeasurement gain/(loss) on employee benefits liability, net of tax		11,294	(691)	-	-
Net movement on available-for-sale financial assets	15	-	(55,087)	-	-
Cash flow hedges		(185,658)	(222,660)	-	-
Share of other comprehensive income of an associate	14	(55,682)	-	-	-
Foreign currency translation differences		(17,535)	149,057	-	-
Items that may be subsequently reclassified to profit or loss					
Net movement on investment securities	15	(147,637)	-	(61,305)	-
Other comprehensive loss for the financial year, net of tax		(395,218)	(129,381)	(61,305)	-
Total comprehensive income/(loss) for the financial year		1,300,176	1,441,993	3,014,588	(6)
Total comprehensive income/(loss) attributable to:					
- Owners of the Company		1,565,632	1,499,393		
- Non-controlling interests		(265,456)	(57,400)		
		1,300,176	1,441,993		

* Refer to Note 45 for the basis of preparation for comparatives.

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

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group *2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Non-current assets					
Property, plant and equipment	11	2,851,917	12,303,522	-	-
Investment in subsidiaries	12	-	-	8,055,838	-
Investment in joint ventures	13	583,854	5,596	-	-
Investment in associates	14	282,738	548,558	-	-
Available-for-sale financial assets	15	-	301,518	-	-
Investment securities	15	477,860	-	200,475	-
Intangible assets	16	615,413	609,329	-	-
Deferred tax assets	17(a)	891,445	486,880	-	-
Receivables and prepayments	18	3,067,583	2,301,531	-	-
Deposits on aircraft purchase	19	578,002	412,272	-	-
Derivative financial instruments	20	383,111	382,177	-	-
		9,731,923	17,351,383	8,256,313	-
Current assets					
Inventories	21	106,326	68,234	-	-
Receivables and prepayments	18	1,394,970	1,482,291	47	-
Deposits on aircraft purchase	19	398,215	503,914	-	-
Derivative financial instruments	20	267,311	205,380	-	-
Amount due from a subsidiary	22	-	-	250	-
Amounts due from associates	23	404,139	147,617	-	-
Amounts due from joint ventures	24	6,792	4,893	-	-
Amounts due from related parties	25	124,277	7,875	-	-
Tax recoverable		13,576	20,296	-	-
Deposits, cash and bank balances	26	3,326,921	1,882,195	1,357,538	**
Assets classified as held for sale	31	2,775,321	-	-	-
		8,817,848	4,322,695	1,357,835	**

	Note	Group 2018 RM'000	Group *2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Less: Current liabilities					
Trade and other payables	27	2,680,025	2,148,682	771	6
Aircraft maintenance provisions	28	168,041	178,569	-	-
Sales in advance		1,128,447	938,342	-	-
Amounts due to subsidiaries	22	-	-	313,354	-
Amounts due to associates	23	32,228	59,499	-	-
Amounts due to a joint venture	24	11,032	-	-	-
Amounts due to related parties	25	103,078	94,019	-	-
Borrowings	29	423,163	1,821,847	-	-
Tax payables		4,741	18,033	-	-
Derivative financial instruments	20	465,277	74,852	-	-
Liabilities directly associated with the assets held for sale	31	1,834,326	-	-	-
		6,850,358	5,333,843	314,125	6
Net current assets/(liabilities)		1,967,490	(1,011,148)	1,043,710	(6)
Non-current liabilities					
Other payables	27	3,513,909	1,239,024	-	-
Aircraft maintenance provisions	28	843,768	559,069	-	-
Deferred tax liabilities	17(b)	59,905	104,954	-	-
Amounts due to associates	23	45,436	86,292	-	-
Amounts due to a related party	25	-	10,939	-	-
Borrowings	29	781,966	7,486,787	-	-
Derivative financial instruments	20	199,334	70,883	-	-
Provision for retirement benefits	30	69,830	72,207	-	-
		5,514,148	9,630,155	-	-
		6,185,265	6,710,080	9,300,023	(6)
Capital and reserves					
Share capital	32	8,023,268	**	8,023,268	**
Merger (deficit)/reserve	33	(5,507,594)	2,515,278	-	-
Foreign exchange reserve		178,515	196,050	-	-
Retained earnings/(accumulated losses)	34	5,541,712	5,404,393	1,338,060	(6)
Other reserves	35	(451,447)	(67,608)	(61,305)	-
Total shareholders' fund/(deficit)		7,784,454	8,048,113	9,300,023	(6)
Non-controlling interests		(1,599,189)	(1,338,033)	-	-
Total equity		6,185,265	6,710,080	9,300,023	(6)

* Refer to Note 45 for the basis of preparation for comparatives.
** Represents RM2.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		<---------------- Attributable to owners of the Company					--------------->		
		<-------------- Non-distributable			-------------->	Distributable			
	Number of shares '000	Share capital RM'000 (Note 32)	Merger reserve/ (deficit) RM'000 (Note 33)	Foreign exchange reserve RM'000	Other reserves RM'000 (Note 35)	Retained earnings RM'000 (Note 34)	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2018									
As previously stated	***	**	2,515,278	196,050	(67,608)	5,404,393	8,048,113	(1,338,033)	6,710,080
Effects of changes in accounting policy (Note 2.2)	-	-	-	-	-	(11,175)	(11,175)	1,565	(9,610)
As restated	***	**	2,515,278	196,050	(67,608)	5,393,218	8,036,938	(1,336,468)	6,700,470
Net profit/(loss) for the financial year	-	-	-	-	-	1,967,006	1,967,006	(271,612)	1,695,394
Other comprehensive loss	-	-	-	(17,535)	(383,839)	-	(401,374)	6,156	(395,218)
Total comprehensive (loss)/income	-	-	-	(17,535)	(383,839)	1,967,006	1,565,632	(265,456)	1,300,176
Transactions with owners:									
Issuance of shares pursuant to internal reorganisation (Note 32)	3,341,974	8,023,268	(8,022,872)	-	-	-	396	-	396
Dividends (Note 36)	-	-	-	-	-	(1,737,827)	(1,737,827)	-	(1,737,827)
Acquisition of non-controlling interest in subsidiaries (Note 12)	-	-	-	-	-	(84,789)	(84,789)	6,839	(77,950)
Dilution of interest in a subsidiary (Note 12)	-	-	-	-	-	4,104	4,104	(4,104)	-
At 31 December 2018	3,341,974	8,023,268	(5,507,594)	178,515	(451,447)	5,541,712	7,784,454	(1,599,189)	6,185,265

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

	Number of shares '000	Share capital RM'000 (Note 32)	Merger reserve RM'000 (Note 33)	Foreign exchange reserve RM'000	Other reserves RM'000 (Note 35)	Retained earnings RM'000 (Note 34)	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
	<---------------- Attributable to owners of the Company						--------------->		
		<-------------- Non-distributable			-------------->	Distributable			
At 1 January 2017*	***	**	2,515,278	46,993	210,830	4,866,084	7,639,185	(5,206)	7,633,979
Net profit/(loss) for the financial year	-	-	-	-	-	1,628,774	1,628,774	(57,400)	1,571,374
Other comprehensive income/(loss)	-	-	-	149,057	(278,438)	-	(129,381)	-	(129,381)
Total comprehensive income/(loss)	-	-	-	149,057	(278,438)	1,628,774	1,499,393	(57,400)	1,441,993
Transactions with owners:									
Dividends (Note 36)	-	-	-	-	-	(802,050)	(802,050)	-	(802,050)
Acquisition of non-controlling interest in subsidiaries (Note 12)	-	-	-	-	-	(288,459)	(288,459)	283,817	(4,642)
Dilution of interest in subsidiaries	-	-	-	-	-	44	44	442,482	442,526
Non-controlling interest arising from business combinations	-	-	-	-	-	-	-	(2,001,726)	(2,001,726)
At 31 December 2017	***	**	2,515,278	196,050	(67,608)	5,404,393	8,048,113	(1,338,033)	6,710,080

* Refer to Note 45 for the basis of preparation for comparatives.
** Represents RM2.
*** Represents 2 shares.

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

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Number of shares '000	Share capital RM'000 (Note 32)	Fair value reserve RM'000 (Note 35)	(Accumulated Losses)/ Retained earnings RM'000 (Note 34)	Total equity RM'000
At date of incorporation	***	**	-	-	-
Net loss for the financial period	-	-	-	(6)	(6)
At 31 December 2017	***	**	-	(6)	(6)
Net profit for the financial year	-	-	-	3,075,893	3,075,893
Other comprehensive loss	-	-	(61,305)	-	(61,305)
Total comprehensive (loss)/income	-	-	(61,305)	3,075,893	3,014,588
Issuance of shares pursuant to internal reorganisation (Note 32)	3,341,974	8,023,268	-	-	8,023,268
Dividends (Note 36)	-	-	-	(1,737,827)	(1,737,827)
At 31 December 2018	3,341,974	8,023,268	(61,305)	1,338,060	9,300,023

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

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

STATEMENTS OF CASH FLOW
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group *2017 RM'000	Company 1.1.2018 to 31.12.2018 RM'000	Company 24.8.2017 to 31.12.17 RM'000
Cash flows from operating activities					
Profit/(loss) before taxation		1,335,233	2,087,788	3,075,893	(6)
Adjustments for:					
Property, plant and equipment					
- Depreciation	11	584,748	863,989	-	-
- Gain on disposals	4(b)	(298,816)	(64,281)	-	-
- Write off	11	31,836	-	-	-
Amortisation of intangible assets	16	611	284	-	-
Impairment of:					
- trade receivables	6	70,325	16,229	-	-
- related parties	6	28,133	-	-	-
- investment in a joint venture	13	5,596	-	-	-
- investment securities	15	5,438	-	-	-
Dividend income from:					
- investment securities	4(b)	(3,078)	(5,336)	-	-
- a subsidiary	4(b)	-	-	(3,128,025)	-
Share of results of					
- joint ventures		(11,083)	(19,923)	-	-
- associates		115,610	(47,307)	-	-
Gain on disposal of investment in:					
- a subsidiary	4(b)	(350,317)	-	-	-
- a joint venture	4(b)	-	(167,688)	-	-
- an associate	14	(181,914)	-	-	-
Gain on remeasurement of:					
- retained interest in a former subsidiary	13	(534,712)	-	-	-
- previously held interest in associates	12	-	(214,350)	-	-
Gain on bargain purchase on consolidation	12	-	(121,045)	-	-
Provision for retirement benefits		17,725	6,124	-	-
Aircraft maintenance provisions	28	539,728	318,905	-	-
Fair value losses on derivatives	8(d)	200,173	140,602	-	-
Net unrealised foreign exchange (gain)/loss		(138,704)	(196,692)	549	-
Operating profit/(loss) carried forward		1,416,532	2,597,299	(51,583)	(6)

STATEMENTS OF CASH FLOW

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group *2017 RM'000	Company 1.1.2018 to 31.12.2018 RM'000	Company 24.8.2017 to 31.12.17 RM'000
Cash flows from operating activities (cont'd.)					
Operating profit/(loss) brought forward		1,416,532	2,597,299	(51,583)	(6)
Acquisition costs arising from reverse acquisition	12	-	9,235	-	-
Interest expense	8(b)	474,761	577,748	-	-
Interest income	8(a)	(63,333)	(55,670)	-	-
		1,827,960	3,128,612	(51,583)	(6)
Changes in working capital:					
Inventories		(38,843)	(3,772)	-	-
Receivables and prepayments		(949,355)	304,731	(47)	-
Payables and provisions		39,074	(964,408)	765	6
Sales in advance		164,144	1,577	-	-
Amounts due from/to subsidiaries, associates, joint venture and related parties		(396,831)	124,808	50,775	-
Cash generated from/(used in) operations		646,149	2,591,548	(90)	-
Interest paid		(323,126)	(444,957)	-	-
Interest received		78,431	25,755	-	-
Taxes paid		(44,988)	(15,166)	-	-
Retirement benefits paid		(3,385)	(3,122)	-	-
Net cash from/(used in) operating activities		353,081	2,154,058	(90)	-
Cash flows from investing activities					
Property, plant and equipment					
- Additions		(1,123,720)	(1,976,655)	-	-
- Proceeds from disposals		9,815,005	88,045	-	-
Addition in intangible assets	16	(6,695)	-	-	-
Additional deposit for aircraft purchases		(41,426)	(239,570)	-	-
Net cash inflow from partial disposal of interest in a subsidiary	13	352,695	-	-	-
Net cash from/(used in) investing activities carried forward		8,995,859	(2,128,180)	-	-

	Note	Group 2018 RM'000	*2017 RM'000	Company 1.1.2018 to 31.12.2018 RM'000	24.8.2017 to 31.12.17 RM'000
Cash flows from investing activities (cont'd.)					
Net cash from/(used in) investing activities carried forward		8,995,859	(2,128,180)	-	-
Proceeds from disposal of:					
- an associate	14	245,754	-	-	-
- interest in a joint venture	13	-	375,921	-	-
Net changes:					
- Deposits pledged as securities and restricted cash		(150)	51,359	-	-
- Deposits with licensed banks with maturity period of more than 3 months		(19,143)	-	-	-
- Investment securities		(41,405)	-	-	-
Dividend received from:					
- investment securities	4(b)	3,078	5,336	-	-
- subsidiary		-	-	3,128,025	-
- associates		167,918	132,643	-	-
Acquisition of:					
- subsidiaries net of cash acquired	12	-	114,500	(32,570)	-
- other investments		(26,217)	-	-	-
- a joint venture		-	(5,596)	-	-
- non-controlling interest in subsidiaries	12	(77,944)	(4,642)	-	-
Dilution of interest in a subsidiary		-	950	-	-
Additional subscription of shares in					
- associate	14	(175,246)	(126,398)	-	-
- joint venture	13	(23,200)	-	-	-
Net cash from/(used in) investing activities		9,049,304	(1,584,107)	3,095,455	-

STATEMENTS OF CASH FLOW
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group *2017 RM'000	Company 1.1.2018 to 31.12.2018 RM'000	Company 24.8.2017 to 31.12.17 RM'000
Cash flows from financing activities					
Proceeds from issuance of shares		-	1,006,200	-	**
Proceeds from borrowings		1,203,073	1,276,785	-	-
Repayment of borrowings#		(7,551,916)	(1,959,627)	-	-
Dividends paid to shareholders		(1,737,827)	(802,050)	(1,737,827)	-
Net cash used in financing activities		(8,086,670)	(478,692)	(1,737,827)	**
Net increase for the financial year		1,315,715	91,259	1,357,538	**
Currency translation differences		109,718	100,722	-	-
Cash and cash equivalents at beginning of the financial year		1,867,581	1,675,600	**	-
Cash and cash equivalents at end of the financial year		3,293,014	1,867,581	1,357,538	**

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

	Note	Group 2018 RM'000	Group *2017 RM'000	Company 1.1.2018 to 31.12.2018 RM'000	Company 24.8.2017 to 31.12.17 RM'000
Cash and cash equivalents at end of the financial year		3,293,014	1,867,581	1,357,538	**
Add:					
Deposits pledged as securities and restricted cash		14,764	14,614	-	-
Deposits with licensed banks with maturity period of more than 3 months		19,143	-	-	-
Deposits, cash and bank balances at the end of the financial year	26	3,326,921	1,882,195	1,357,538	**

The deposits and restricted cash amounting to RM14,764,000 (2017: RM14,614,000) are pledged as securities for banking facilities granted to the Group.

Repayment of borrowings includes settlement of borrowings for aircraft that were disposed under the divestment of aircraft leasing operations as disclosed in Note 43 (ii).

* Refer to Note 45 for the basis of preparation for comparatives.

** Represents RM2.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

1. General information

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

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

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

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

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

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

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

The financial statements were authorised for issue by the board of directors in accordance with resolution of the directors on 5 April 2019.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

The Group has applied the following amendments for the first time for the financial year beginning on 1 January 2018:

- MFRS 2 *Classification and Measurement of Share-based Payment Transactions* (Amendments to MFRS 2)
- MFRS 9 *Financial Instruments*
- MFRS 15 *Revenue from Contracts with Customers*
- MFRS 140 *Transfers of Investment Property* (Amendments to MFRS 140)
- Amendments to MFRS *128 Investments in Associates and Joint Ventures* (Annual Improvements to MFRS Standards 2014 – 2016 Cycle)
- IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

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

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that applies to revenue arising from contracts with customers and supersedes the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Upon adoption of MFRS 15, the Group had deferred revenue from processing fees and change fees upon flown dates which were previously accounted for at transaction dates. Further, revenue associated with the sale of points to merchant partners under the customer loyalty programme is recognised when the sale is completed instead of upon redemption of points by the members. This resulted in a net decrease in opening retained earnings at 1 January 2018 of RM11.2 million.

The Group applied the modified retrospective approach which requires the impact of the adoption to be included in the opening retained earnings on 1 January 2018.

The effects arising from initial application of MFRS 15 is as follows:

	Under MFRS 118 balances as at 31.12.2017 RM'000	Adjustments RM'000	Under MFRS 15 balances as at 1.1.2018 RM'000
Investment in associates	548,558	(5,976)	542,582
Sales in advance	938,342	35,228	973,570
Trade and other payables	2,148,682	(24,745)	2,123,937
Deferred tax liabilities	104,954	(6,849)	98,105
Retained earnings	5,404,393	(11,175)	5,393,218
Non-controlling interests	(1,338,033)	1,565	(1,336,468)

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

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

MFRS 9 Financial Instruments

MFRS 9 Financial Instruments replaces MFRS 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018. Retrospective application is required, but comparative information is not compulsory.

In the adoption of MFRS 9, the following transitional exemptions as permitted by the standards have been adopted:

(i) The Group and the Company have not restated comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of MFRS 9, but rather those of MFRS 139, Financial Instruments: Recognition and Measurement.

(ii) Assessments have been made based on the facts and circumstances that existed at the date of initial application on the designation of investments in equity instruments not held for trading as at Fair Value through Other Comprehensive Income ("FVOCI").

(iii) Loss allowance for receivables (other than trade receivables) is recognised at an amount equal to lifetime expected credit losses until the receivable is derecognised. The expected credit losses on trade receivables is estimated using a provision matrix with reference to historical credit loss experience.

The new requirements introduced for all three aspects of the accounting for financial instruments is as follows:

(a) Classification and measurement

MFRS 9 contains three principal classifications categories for financial assets: measured at amortised cost, FVOCI and fair value through profit or loss ("FVTPL"). The standard eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale.

Following the adoption of MFRS 9, both quoted and unquoted equity instruments which are not held for trading which was previously classified as Available-for-sale financial assets are now classified as "Investment Securities" and measured either as FVTPL or FVOCI.

Loans and receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under MFRS 9. Therefore, reclassification for these instruments is not required.

(b) Impairment

The adoption of MFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing MFRS 139's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The Group does not have other financial assets other than trade and other receivables, for which the Group has applied the standard's simplified approach and calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment in which the business is operating in.

The impact upon application of the new impairment model does not have a material impact on the opening retained earnings of the Group.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

(c) Hedge accounting

The new hedge accounting rules aligned the accounting for hedging instruments, especially on fuel, more closely with the Group's risk management and hedging practices. More hedge relationships is eligible for hedge accounting as MFRS 9 introduces a more principles based approach. The Group's current hedging relationships continue to qualify for hedge accounting under MFRS 9.

Amendments to MFRS 128 Investments in Associates and Joint Ventures (Annual Improvements to MFRSs 2014-2016 Cycle)

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, then it may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments do not have any impact on the Group's financial statements.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's financial statements.

2.3 Standards issued but not yet effective

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

Description	**Effective for annual periods beginning on or after**
MFRS 16 *Leases*	1 January 2019
MFRS 128 *Long-term Interests in Associates and Joint Ventures* (Amendments to MFRS 128)	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle	1 January 2019
MFRS 119 *Plan Amendment, Curtailment or Settlement* (Amendments to MFRS 119)	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 3 *Business Combinations*	1 January 2020
Amendments to MFRS 101 *Presentation of Financial Statements*	1 January 2020
Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*	1 January 2020
Amendments to MFRS 10 *Consolidated Financial Statements* and MFRS 128 *Investments in Associates and Joint Ventures:* Assets between an Investor and its Associate or Joint Venture	Deferred

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

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

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, other than those described below:

MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117. The Group has a number of operating leases for assets which includes aircraft, property and other equipments.

MFRS 16 will be adopted by the Group from 1 January 2019 using the modified retrospective transition approach which measures the lease liabilities based on the present value of future lease payments calculated using the incremental borrowing rate and exchange rate at date of transition. Lease payments would be split into principal and interest payments, using the effective interest method.

Correspondingly, the right-of-use ("ROU") assets will be the present value of the liability at the commencement date of the lease, adding any directly attributable costs. The ROU asset will be depreciated on a straight-line basis over the shorter of the lease term and useful life of the leased asset.

The following practical expedients as permitted by the standards have been adopted:

- leases of less than 12 months duration and leases for low value items are excluded. Rental payments associated with these leases will be recognised in the income statement on a straight-line basis over the life of the lease;

- initial direct costs incurred on leases are excluded from the measurement of the ROU assets at the date of initial application; and

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics.

The adoption of MFRS 16 will require the Group to make judgment on the discount rates used on transition to discount future lease payments (i.e. Group's incremental borrowing rates). These rates have been calculated to reflect the underlying lease terms and observable inputs. The risk-free rate component has been based on LIBOR rates available in the same currency and over the same term as the lease and has been adjusted for credit risk.

For future reporting periods after adoption, foreign exchange movements on lease obligations, which are predominantly denominated in US dollars, will be remeasured at each balance sheet date, however the ROU asset will be recognised at the historical exchange rate.

The Group expects that the following assets and liabilities will be recognised on the consolidated statement of financial position at 1 January 2019 on adoption of MFRS 16:

	Audited 31.12.2018 RM'000	Preliminary MFRS 16 adjustments RM'000	After adoption of MFRS 16 RM'000
Statement of financial position			
Property, plant and equipment	2,851,917	9,661,773	12,513,690
Borrowings	1,205,129	9,829,300	11,034,429
Retained earnings	5,541,712	(167,527)	5,374,185

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

MFRS 16 Leases (cont'd.)

The assessment is based on present day available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in the financial year ending 31 December 2019 when the Group adopts MFRS 16.

2.4 Basis of consolidation

2.4.1 Subsidiaries

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

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

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

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

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

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

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

2.4 Basis of consolidation (cont'd.)

2.4.2 Transactions with non-controlling interests

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

2.4.3 Joint arrangements

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

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

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

2.4.4 Associates

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

2.4 Basis of consolidation (cont'd.)

2.4.4 Associates (cont'd.)

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.

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

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

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

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

2.4.6 Internal reorganisation

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

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

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

2.4 Basis of consolidation (cont'd.)

2.4.6 Internal reorganisation (cont'd.)

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

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

Significant parts of an item of property, plant and equipment are depreciated separately over their estimated useful lives in accordance with the principle in MFRS 116 'Property, Plant and Equipment'. Depreciation is calculated using the straight-line method to write-off the cost of the assets to their residual values over their estimated useful lives.

The useful lives for this purpose are as follows:

Aircraft	
- engines, airframes and spare engines excluding service potential	25 years
- service potential of engines	8 or 10 years
- service potential of airframes	13 years
- service potential of spare engines	11 years
Aircraft spares	10 years
Aircraft fixtures and fittings	Useful life of aircraft or remaining lease term of aircraft, whichever is shorter
Building	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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

The useful lives for this purpose are as follows (cont'd.):

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

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

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

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 2018, the estimated residual value for aircraft airframes and engines excluding service potential is 10% of their cost (2017: 10% of their cost).

An element of the cost of an acquired aircraft is attributed on acquisition to its service potential, reflecting the maintenance condition of its engines and airframes. This cost, which can equate to a substantial element of the total aircraft cost, is amortised over the shorter of the period to the next checks or the remaining life of the aircraft.

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

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

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

2.6 Intangible assets

2.6.1 Goodwill

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

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

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

2.6 Intangible assets (cont'd.)

2.6.1 Goodwill (cont'd.)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

2.6 Intangible assets (cont'd.)

2.6.2 Other intangible assets (cont'd.)

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.

(ii) Landing rights

Landing rights relate to traffic rights and landing slots for destinations operated by the Group's airline operating centres. These rights are expected to be renewed yearly, subject to minimum time performance, timely payment by the airlines, as well as minimum 80% utilisation. As there is no evidence of non-renewal, the useful lives of the landing rights are estimated to be indefinite. Management believes there is no foreseeable limit to the period over which the landing rights are expected to generate net cash inflows for the Group.

2.7 Investments in subsidiaries, joint ventures and associates

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

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

2.8 Impairment of non-financial assets

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

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

2.9 Maintenance and overhaul

Owned aircraft

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

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

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

Lessee

Finance leases

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

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

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

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

Operating leases

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

Sale and leaseback transactions

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

2.10 Leases (cont'd.)

Lessee (cont'd.)

Sale and leaseback transactions (cont'd.)

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

- If the sale price is below fair value then the gain or loss is recognised immediately other than to the extent that a loss is compensated for by future rentals at below market price, then the loss is deferred and amortised over the period that the asset is expected to be used.

- If the sale price is above fair value, then any gain is deferred and amortised over the useful life of the asset.

- If the fair value of the asset is less than the carrying amount of the asset at the date of the transaction, then that difference is recognised immediately as a loss on the sale.

Lessor

Operating leases

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

2.11 Inventories

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

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

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

2.12 Financial assets

2.12.1 Classification

During the year, the Group and the Company adopted MFRS 9 as disclosed in Note 2.2 above. 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. The classification depends on the purpose for which financial assets were acquired. Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively unless as permitted by MFRS 9 whereby the Group and the Company have elected not to restate the comparatives.

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

2.12 Financial assets (cont'd.)

2.12.1 Classification (cont'd.)

Current financial year

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', 'amount due from associates, joint ventures and related parties', 'deposits on aircraft purchase' and 'deposits, cash and bank balances' in the statements of financial position.

Previous financial year

Loans and receivables

Loans and receivables classification were non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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 loans and receivables comprise 'receivables', 'amounts due from associates, joint ventures and related parties', 'deposits on aircraft purchase' and 'deposits, cash and bank balances' in the statements of financial position.

Available-for-sale financial assets

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 becomes a party to the contractual provisions of the instrument.

Current financial year

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.

Previous financial year

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

2.12.3 Subsequent measurement - gains and losses

Current financial year

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 in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(i) Amortised cost

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

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

(ii) Fair value through other comprehensive income

(a) Debt investments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investments, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

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

2.12 Financial assets (cont'd.)

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

Current financial year (cont'd.)

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

(a) Debt investments (cont'd.)

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).

Previous financial year

Available-for-sale financial assets, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are subsequently carried at fair value. Loans and receivables and financial assets carried at amortised costs are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividend income are recognised in profit or loss in the period in which the changes arise.

Changes in the fair value of available-for-sale financial assets and financial assets at fair value through other comprehensive income are recognised in other comprehensive income, except for impairment losses (see accounting policy Note 2.12.4) and foreign exchange gains and losses on monetary assets. The exchange differences on monetary assets are recognised in the income statement, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

2.12 Financial assets (cont'd.)

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

Previous financial year (cont'd.)

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

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

When financial assets through other comprehensive income are derecognised, the accumulated amount in reserve is transferred to retained earnings.

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

2.12.4 Subsequent measurement - impairment of financial assets

Current financial year

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.

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.)

Current financial year (cont'd.)

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

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

Previous financial year

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

For debt securities, the Group uses criteria and measurement of impairment loss applicable for 'assets carried at amortised cost or fair value through other comprehensive income' above.

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

2.13 Financial liabilities

2.13.1 Classification and measurement

Current and previous financial year

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

2.13 Financial liabilities (cont'd.)

2.13.1 Classification and measurement (cont'd.)

Current and previous financial year (cont'd.)

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

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

2.14 Offsetting financial instruments

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

2.15 Derivatives and hedge accounting

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

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

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

Before 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Beginning 1 January 2018, 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.

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

2.15 Derivatives and hedge accounting (cont'd.)

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

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

Cash flow hedge

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

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

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

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

2.16 Cash and cash equivalents

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

2.17 Provisions

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

2.17 Provisions (cont'd.)

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.

2.19 Treasury shares

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

2.20 Borrowings and borrowing costs

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

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

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

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

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

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

2.20 Borrowings and borrowing costs (cont'd.)

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

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

2.21 Current and deferred income tax

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

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

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

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

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

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

2.22 Employee benefits

2.22.1 Short term employee benefits

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

2.22 Employee benefits (cont'd.)

2.22.2 Defined contribution retirement plan

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

2.22.3 Defined benefit plan

The costs of providing benefits under defined benefit plans are determined separately for each plan using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognised actuarial gains and losses for each individual plan at the end of the previous reporting year exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plans.

The past service cost is recognised as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognised immediately.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognised, reduced by past service cost not yet recognised and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognised net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

If the asset is measured at the aggregate of cumulative unrecognised net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan:

- Net actuarial losses of the current period and past service cost of the current period are recognised immediately to the extent that they exceed any reduction in the present value of those economic benefits. If there is no change or an increase in the present value of the economic benefits, the entire net actuarial losses of the current period and past service cost of the current period are recognised immediately.

- Net actuarial gains of the current period after the deduction of past service cost of the current period exceeding any increase in the present value of the economic benefits stated above are recognised immediately. If there is no change or a decrease in the present value of the economic benefits, the entire net actuarial gains of the current period after the deduction of past service cost of the current period are recognised immediately.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognised as a separate asset at fair value when and only when reimbursement is virtually certain.

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

2.23 Revenue and other income

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

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

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

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

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

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

2.23.1 Passenger revenue

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

2.23.2 Aircraft operating leases

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

2.23.3 Freight services

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

2.23.4 Rental income and brand license

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

2.23.5 Interest income

Interest income is recognised using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

2.23 Revenue and other income (cont'd.)

2.23.6 Sale of loyalty points

The Group operates a frequent flyer programme where members accumulate points for purchases made which entitle them to discounts on future purchases. Revenue from the award points is recognised as deferred revenue (included in trade and other payables) upon issuing the points, and recognised upon redemption of loyalty points by members. The amount of revenue recognised is computed based on the number of points redeemed and the redemption value of each point which is calculated on a weighted average basis. Effective from 1 January 2017, award points do not expire unless there is no activity in 36 months consecutively. Revenue associated with the sale of points to merchant partners under the customer loyalty programme is recognised when the obligation is completed.

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

2.24 Foreign currencies

2.24.1 Functional and presentation currency

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

2.24.2 Transactions and balances

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

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

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

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

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

2.24 Foreign currencies (cont'd.)

2.24.3 Group companies

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

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

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

- all resulting exchange differences are recognised as a separate component of other comprehensive income.

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

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

2.25 Trade payables

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

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

2.26 Contingent assets and liabilities

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

2.26 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.

2.27 Segment reporting

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

2.28 Maintenance reserve funds

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

3. Critical accounting estimates and judgments

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

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

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

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

Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives and residual values of aircraft airframes and engines as disclosed in Note 2.5, would increase the recorded depreciation charge and decrease the carrying amount of property, plant and equipment. A reduction in 5% in the residual value of aircraft airframes and engines would increase the depreciation charge for the financial year ended 31 December 2018 by RM10,277,000 (2017: RM28,798,000) and decrease the carrying amount of property, plant and equipment as at 31 December 2018 by RM66,189,000 (2017: RM115,194,000) for the Group.

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

3.2 Deferred tax assets

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

3.3 Provision for aircraft maintenance and overhaul costs

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

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

3.4 Impairment assessment of intangible assets

Goodwill, landing rights and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value in use 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, the key assumptions applied in the impairment assessment of goodwill and landing rights and sensitivity analysis to changes in the assumptions are given in Note 16.

4. Revenue and other income

(a) Revenue

	Group		Company	
	2018 RM'000	2017 RM'000	1.1.2018 to 31.12.2018 RM'000	24.8.2017 to 31.12.2017 RM'000
Passenger revenue				
- seat sales	7,656,780	6,859,805	-	-
- others	1,840,494	1,668,939	-	-
Freight services	292,121	189,428	-	-
Aircraft operating lease income	848,901	991,549	-	-
	10,638,296	9,709,721	-	-

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

(a) Revenue (cont'd.)

Revenue by reportable geographical segment is as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	1.1.2018 to 31.12.2018 RM'000	24.8.2017 to 31.12.2017 RM'000
Malaysia	7,845,383	7,156,371	-	-
Philippines	1,602,142	1,351,910	-	-
Indonesia	1,190,771	1,201,440	-	-
	10,638,296	9,709,721	-	-

(b) Other income

	Group		Company	
	2018 RM'000	2017 RM'000	1.1.2018 to 31.12.2018 RM'000	24.8.2017 to 31.12.2017 RM'000
Gain on disposal of property, plant and equipment	298,816	64,281	-	-
Gain on disposal of investment in a subsidiary	350,317	-	-	-
Gain on disposal of investment in a joint venture	-	167,688	-	-
Fees charged to associates providing commercial air transport services	74,291	76,310	-	-
Fees charged to related parties providing commercial air transport services	40,235	30,467	-	-
Dividend income from investment in securities	-	-	3,128,025	-
Dividend income from a related party	3,078	5,336	-	-
Aircraft wet lease income	76,928	187,298	-	-
Others	349,611	267,926	-	-
	1,193,276	799,306	3,128,025	-

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

5. Staff costs and directors' remuneration

(a) Staff costs

	Group		Company	
			1.1.2018 to 31.12.2018	24.8.2017 to 31.12.2017
	2018 RM'000	2017 RM'000	RM'000	RM'000
Salaries, bonus, allowances and other employee benefits	1,545,983	1,494,803	41,437	-
Defined contribution retirement plan	123,935	112,243	4,973	-
	1,669,918	1,607,046	46,410	-

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	
			1.1.2018 to 31.12.2018	24.8.2017 to 31.12.2017
	2018 RM'000	2017 RM'000	RM'000	RM'000
Executive Directors				
- salaries, bonus, allowances and other employee benefits	44,050	48,680	41,437	-
- defined contribution plan	5,286	5,842	4,973	-
	49,336	54,522	46,410	-
Non-Executive Directors				
- fees	1,933	2,321	1,145	-
	51,269	56,843	47,555	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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	
	2018	2017*	2018	2017*
Range of remuneration (RM)				
0 to 50,000	-	-	-	1
150,001 to 200,000	-	-	1	-
200,001 to 250,000	-	-	2	-
250,001 to 300,000	-	-	2	-
500,001 to 550,000	-	-	-	1
550,001 to 600,000	-	-	-	1
600,001 to 650,000	-	-	-	2
3,300,001 to 3,350,000	-	1	-	-
3,800,001 to 3,850,000	-	1	-	-
21,000,001 to 21,050,000	-	1	-	-
24,550,001 to 24,600,000	1	-	-	-
24,750,001 to 24,800,000	1	-	-	-
26,300,001 to 26,350,000	-	1	-	-

* Represents the number of directors of AAB, as this consolidated financial statements of the Company is a continuation of AAB Group. Refer to Note 45 for the basis of preparation for comparatives.

(c) Key Management Personnel

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

	Group		Company	
	2018 RM'000	2017 RM'000	1.1.2018 to 31.12.2018 RM'000	24.8.2017 to 31.12.2017 RM'000
Salaries, bonus, allowances and other employee benefits	51,967	60,264	41,437	-
Defined contribution plan	6,018	7,071	4,973	-
	57,985	67,335	46,410	-

Included in the key management compensation are Executive Directors' remuneration for the years 2017 and 2018 which were approved by the Nomination and Remuneration Committee during the current year.

6. Other operating expenses

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

	Group		Company	
			1.1.2018 to 31.12.2018	24.8.2017 to 31.12.2017
	2018 RM'000	2017 RM'000	RM'000	RM'000
Impairment of:				
- Amount due from related parties (Note 25)	28,133	-	-	-
- Trade and other receivables (Note 18)	70,325	16,229	-	-
Rental of land and building	53,008	40,766	-	-
Auditors' remuneration				
- audit fees	2,227	2,025	150	-
- non-audit fees	2,163	1,486	15	-
Rental of equipment	1,714	1,642	-	-
Advertising costs	151,429	113,926	-	-

7. User charges

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

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

(a) Finance income

	Group		Company	
			1.1.2018 to 31.12.2018	24.8.2017 to 31.12.2017
	2018 RM'000	2017 RM'000	RM'000	RM'000
Interest income from:				
- deposits with licensed banks	21,430	13,088	-	-
- amounts due from associates	-	605	-	-
Impact of discounting effect on financial instruments	26,938	21,923	-	-
Others	14,965	20,054	3	-
	63,333	55,670	3	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

(b) Finance costs

	Group		Company	
	2018 RM'000	2017 RM'000	1.1.2018 to 31.12.2018 RM'000	24.8.2017 to 31.12.2017 RM'000
Interest expense				
- bank borrowings	(331,276)	(495,385)	-	-
Impact of discounting effect on financial instruments	(119,425)	(47,806)	-	-
Bank facilities and other charges	(24,060)	(34,557)	-	-
	(474,761)	(577,748)	-	-

(c) Foreign exchange gains/(losses)

	Group		Company	
	2018 RM'000	2017 RM'000	1.1.2018 to 31.12.2018 RM'000	24.8.2017 to 31.12.2017 RM'000
Borrowings:				
- foreign exchange (losses)/gains	(35,521)	564,631	-	-
- fair value movement recycled from cash flow hedge reserve	(25,007)	(148,901)	-	-
Operations	192,913	(9,804)	(663)	-
Amounts due to/(from) associates and joint ventures	(5,552)	(218,867)	-	-
	126,833	187,059	(663)	-

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

	Group		Company	
	2018 RM'000	2017 RM'000	1.1.2018 to 31.12.2018 RM'000	24.8.2017 to 31.12.2017 RM'000
Losses from fuel hedging contracts	(41,198)	(13,287)	-	-
Losses from foreign currency hedging contracts	(169,565)	(163,892)	-	-
Gains from interest rate hedging contracts	10,590	36,577	-	-
	(200,173)	(140,602)	-	-

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

(d) Fair value losses on derivatives (cont'd.)

Since the previous financial year, the Group hedged the foreign currency spot translation on the lease income for aircraft that are sub-leased on operating lease basis to its associate companies against the foreign currency spot translation on the aircraft borrowing repayments. This is to hedge the foreign currency risk arising from operating lease income that the Group is exposed to. Gains and losses recognised in the hedging reserve in equity as of end of reporting date will be continuously released to the income statements within foreign exchange gains/(losses). Following the divestment of the leasing operations, the aircraft borrowings related to the disposed aircraft have been settled. As such, the related hedging reserve for the said aircraft borrowings have been recycled to income statements.

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

9. **Taxation**

	Group		Company	
	2018 RM'000	2017 RM'000	1.1.2018 to 31.12.2018 RM'000	24.8.2017 to 31.12.2017 RM'000
Current taxation				
- Malaysian tax	21,924	16,570	-	-
- foreign tax	17,041	36,090	-	-
Deferred taxation (Note 17)	(399,126)	463,754	-	-
	(360,161)	516,414	-	-
Current taxation				
- current financial year	24,097	49,306	-	-
- underprovision of income tax in respect of previous years	14,868	3,354	-	-
	38,965	52,660	-	-
Deferred taxation				
- origination and reversal of temporary differences	(393,878)	394,625	-	-
- (over)/underprovision of deferred tax in respect of previous years	(5,248)	69,129	-	-
	(399,126)	463,754	-	-
	(360,161)	516,414	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

9. Taxation (cont'd.)

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

	Group		Company	
			1.1.2018 to 31.12.2018	24.8.2017 to 31.12.2017
	2018 RM'000	2017 RM'000	RM'000	RM'000
Profit/(loss) before taxation	1,335,233	2,087,788	3,075,893	(6)
Tax calculated at Malaysian tax rate of 24% (2017: 24%)	320,456	501,069	738,214	(1)
Tax effects of:				
- expenses not deductible for tax purposes	171,404	274,065	12,512	1
- income not subject to tax	(325,828)	(224,776)	(750,726)	-
- associates' results reported net of tax	27,746	(11,354)	-	-
- joint venture's result reported net of tax	(2,660)	(4,782)	-	-
- different tax rates in other countries	(73,140)	(416)	-	-
- underprovision of income tax in respect of previous years	14,868	3,354	-	-
- deferred tax assets not recognised on deductible temporary differences and tax losses	63,309	16,179	-	-
- (over)/underprovision of deferred tax in respect of previous years	(5,248)	69,129	-	-
- deferred tax asset derecognised/(recognised) on investment tax allowance ("ITA")*	283,007	(106,054)	-	-
- reversal of deferred tax liabilities*	(834,075)	-	-	-
Taxation	(360,161)	516,414	-	-

* 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 divestment of the Group's aircraft leasing operations as detailed in Note 43 (ii).

10. Earnings per share

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

	Group	
	2018	2017*
Net profit for the financial year attributable to owners of the Company (RM'000)	1,967,006	1,628,774
Weighted average number of ordinary shares in issue ('000)	3,341,974	3,303,586
Basic and diluted earnings per share (sen)	58.9	49.3

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

** This consolidated financial statements of the Group is a continuation of AAB Group. Refer to Note 45 for the basis of preparation for comparatives.*

11. Property, plant and equipment

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

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

2 Includes disposal of 75 aircraft and 14 spare engines of RM6.9 billion pursuant to the divestment of aircraft leasing operations as disclosed in Note 43(ii).

3 The reclassification amounting to RM2,775.3 million is related to assets classified as held for sale as disclosed in Note 31.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

	At 1 January 2017 RM'000	Additions RM'000	Deemed acquisition of subsidiaries RM'000 (Note 12)	Disposals RM'000	Write off RM'000	Depreciation charge RM'000	Exchange differences RM'000	At 31 December 2017 RM'000
Group								
Carrying amount								
Aircraft engines, airframes and service potential	10,369,963	1,546,393	666,130	-	-	(764,664)	(68,370)	11,749,452
Aircraft spares	136,241	41,078	47,963	(41)	-	(35,210)	(5,022)	185,009
Aircraft fixtures and fittings	57,934	38,711	36	-	-	(23,653)	16	73,044
Buildings	159,311	-	-	-	-	(5,383)	-	153,928
Motor vehicles	4,866	13,693	2,852	(3)	-	(4,594)	(299)	16,515
Office equipment, furniture and fittings	45,835	18,066	7,944	157	(35)	(20,549)	(827)	50,591
Office renovation	13,163	5,060	1,343	(99)	(110)	(4,932)	(140)	14,285
Simulator equipment	1,044	-	-	(294)	-	(39)	-	711
Operating plant and ground equipment	12,987	9,919	380	(185)	-	(4,747)	(40)	18,314
In-flight equipment	406	221	157	-	-	(218)	(13)	553
Training equipment	1	-	-	-	-	-	-	1
Work in progress*	24,931	14,288	2,469	(309)	-	-	(260)	41,119
	10,826,682	1,687,429	729,274	(774)	(145)	(863,989)	(74,955)	12,303,522

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

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

	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment loss RM'000	Carrying amount RM'000
Group				
At 31 December 2017				
Aircraft engines, airframes and service potential	15,641,580	(3,892,128)	-	11,749,452
Aircraft spares	410,311	(221,569)	(3,733)	185,009
Aircraft fixtures and fittings	192,689	(119,645)	-	73,044
Buildings	160,655	(6,727)	-	153,928
Motor vehicles	33,184	(16,669)	-	16,515
Office equipment, furniture and fittings	194,111	(118,580)	(24,940)	50,591
Office renovation	42,425	(28,140)	-	14,285
Simulator equipment	964	(253)	-	711
Operating plant and ground equipment	53,450	(35,136)	-	18,314
In-flight equipment	3,244	(2,691)	-	553
Training equipment	4,418	(4,417)	-	1
Work in progress	41,119	-	-	41,119
	16,778,150	(4,445,955)	(28,673)	12,303,522

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

	Group 2018 RM'000	Group 2017 RM'000
Carrying amount of owned aircraft sub-leased to associates	364,854	1,694,717
Aircraft pledged as security for borrowings	4,639,953	8,840,989

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.

12. Investment in subsidiaries

	Company 2018 RM'000	Company 2017 RM'000
Unquoted investments, at cost		
At 1 January	-	-
Additions during the year	8,055,838	-
At 31 December	8,055,838	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12. Investment in subsidiaries (cont'd.)

Additional investments during the financial year ended 31 December 2018

(a) On 16 April 2018, the Company completed the internal reorganisation by way of a scheme of arrangement (refer to Note 43 (iii)). As a result, AAB became a wholly owned subsidiary of the Company, in which the cost of investment in AAB is recorded based on the net book value of AAB Group of RM8,023 million as at the completion date.

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

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

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

Details of the subsidiaries are as follows:

Name of entity	Country of incorporation	Group's effective equity interest 2018 %	2017 %	Principal activities
Directly held by the Company				
AirAsia Berhad ("AAB")	Malaysia	100	-	Commercial air transport services
RedBeat Ventures Sdn Bhd ("RBV")	Malaysia	100	-	Investment holding
AirAsia Group (IHQ) Ltd ("AAIHQ")	Malaysia	99.99	-	Management services
AirAsia Investment Ltd ("AAIL")	Malaysia	100**	-	Investment holding
Held by AAB				
AAIL	Malaysia	-	100	Investment holding
AirAsia Go Holiday Sdn Bhd ("AGH")	Malaysia	100	100	Tour operating business
AirAsia (Mauritius) Limited	Mauritius	100	100	Providing aircraft leasing facilities to Thai AirAsia Co Ltd
AirAsia Corporate Services Limited	Malaysia	100	100	Facilitate business transactions for AirAsia Group with non-resident goods and service providers
Ground Team Red Sdn Bhd ("GTR")	Malaysia	49*	100	Providing ground handling services
Koolred Sdn Bhd	Malaysia	100	100	Investment holding
AirAsia SEA Sdn Bhd (formerly known as AirAsia Global Shared Services Sdn Bhd ("AGSS")	Malaysia	100	100	To provide shared services and outsourcing for its affiliates
Asia Aviation Capital Limited ("AAC")	Malaysia	100	100	Providing aircraft leasing facilities
MadCience Consulting Sdn Bhd	Malaysia	100	100	Provision of central depository services for its affiliates
T & Co Coffee Sdn Bhd ("T&Co")	Malaysia	100	80	Trading in coffee and tea related products
Santan Cafe Sdn Bhd	Malaysia	100	-	Provision of inflight meal products
BigPay Malaysia Sdn Bhd	Malaysia	-**	100	Provision of financial and other related services
Rokki Sdn Bhd ("Rokki")	Malaysia	-**	83	Trading of multimedia content and equipment

12. Investment in subsidiaries (cont'd.)

Name of entity	Country of incorporation	Group's effective equity interest 2018 %	2017 %	Principal activities
Held by AAB (cont'd.)				
BIGLIFE Sdn Bhd (formerly known as Think Big Digital Sdn Bhd) ("BIG")	Malaysia	-**	69.3	Financial services and managing customer loyalty points
Big Pay Pte Ltd+ ("BPPL")	Singapore	89.29	100	Investment holding
RedTix Sdn Bhd ("RedTix")	Malaysia	-**	75	Event ticketing business
Ground Team Red Holdings Sdn Bhd ("GTRH")	Malaysia	50*	100	Investment holding
AirAsia India Technology Centre India Private Limited ("AITCIPL")	India	100	-	Consultancy and service in the areas of information technology design, development and implementation
AirAsia Global Notes Limited	Labuan	100	100	Dealings in capital market
AirAsia Corporate Charter Sdn Bhd	Malaysia	100	100	Charter and private unscheduled business jet operator
Held by RBV				
BIGLIFE Sdn Bhd (formerly known as Think Big Digital Sdn Bhd) ("BIG")	Malaysia	80**	-	Financial services and managing customer loyalty points
Rokki	Malaysia	100**	-	Trading of multimedia content and equipment
RedTix	Malaysia	75**	-	Event ticketing business
RedCargo Logistic Sdn Bhd ("RCL")	Malaysia	100	-	Logistics business
Travel360 Sdn Bhd	Malaysia	100	-	Inflight magazine content
Shop365 Sdn Bhd	Malaysia	100	-	Inflight shop
RedBeat Ventures Inc	United States	100	-	Dormant
Held by AAIL				
AirAsia Inc ("PAA")+	Philippines	40	40	Commercial air transport services
AirAsia Pte Ltd ("AAPL")+	Singapore	100	100	Airline operation services
AirAsia (Guangzhou) Aviation Service Ltd Company	China	100	100	Aviation and commercial services
PT AirAsia Indonesia TBK ("AAID")+^	Indonesia	49.3	47.7	Investment holding
Held by PAA				
Philippines AirAsia Inc ("PAAI")+	Philippines	39.5	39.5	Commercial air transport services
Asiawide Airways Inc+	Philippines	40	40	Dormant
Held by AAID				
PT Indonesia AirAsia ("IAA")+	Indonesia	49.1	48.3	Commercial air transport services
Held by IAA				
PT Garda Tawang Reksa Indonesia ("GTRI")f	Indonesia	32.9	32.4	Provision of airport related services

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12. Investment in subsidiaries (cont'd.)

Name of entity	Country of incorporation	Group's effective equity interest 2018 %	2017 %	Principal activities
Held by AGH				
AirAsia Exp Pte Ltd ("AAE")+	Singapore	100	100	Investment holding
Held by T&Co				
T&Co Café Sdn Bhd	Malaysia	100	100	Food and beverages
Held by AAC				
Asia Aviation Capital Private Limited ("AACPL")	Singapore	100	100	Providing supporting services to air transport
Rouge Aircraft 1 Limited	Labuan	100	-	Providing supporting services to air transport
Merah Aviation Asset Holding Limited ("Merah Aviation")	Ireland	100	-	Owning, leasing and/or financing of aircraft
Held by AACPL				
Asia Aviation Capital Ireland Limited ("AACIL")+	Ireland	100	100	Providing supporting services to air transport
AAC1 Pte Ltd ("AAC1")+	Singapore	100	100	Providing supporting services to air transport
Freightchains Technologies Pte Ltd (formerly known as AAC2 Pte Ltd)+	Singapore	100	100	Research and development arm of RCL
AAC3 Pte Ltd ("AAC3")+	Singapore	100	100	Providing supporting services to air transport
AAC4 Pte Ltd ("AAC4")+	Singapore	100	100	Providing supporting services to air transport
AAC5 Pte Ltd ("AAC5")+	Singapore	100	-	Providing supporting services to air transport
Held by AACIL				
Clifden Aviation 1 Limited ("CA1")+	Ireland	100	100	Providing supporting services to air transport
Clifden Aviation 2 Limited ("CA2")+	Ireland	100	100	Providing supporting services to air transport
Clifden Aviation 3 Limited ("CA3")+	Ireland	100	100	Providing supporting services to air transport
Clifden Aviation 4 Limited ("CA4")+	Ireland	100	100	Providing supporting services to air transport
Clifden Aviation 5 Limited ("CA5")	Ireland	100	-	Providing supporting services to air transport
Clifden Aviation 6 Limited ("CA6")	Ireland	100	-	Providing supporting services to air transport

12. Investment in subsidiaries (cont'd.)

Name of entity	Country of incorporation	Group's effective equity interest 2018 %	2017 %	Principal activities
Held by BIG				
BIGLIFE Digital Singapore Pte Ltd (formerly known as Think BIG Singapore Digital Pte Ltd)[f]	Singapore	100	100	Marketing and development of loyalty program
Tune Money Co Ltd[f]	Thailand	49**	-	Marketing arm of BIG
PT Tune Money[f]	Indonesia	100**		Marketing arm of BIG
BIGLIFE Hong Kong Co Ltd (formerly known as Think BIG Hong Kong Co Ltd)[f]	Hong Kong	100**	-	Marketing arm of BIG
BIG Loyalty India Pvt Ltd[f]	India	100	-	Marketing arm of BIG
BIG Loyalty Guangzhou Co Ltd[f]	China	100	-	Marketing arm of BIG
Held by Rokki				
Rokki Avionics Sdn Bhd	Malaysia	100	100	Trading of multimedia content and equipment
Held by BPPL				
BigPay Malaysia Sdn Bhd ("BigPay")	Malaysia	89**	-	Provision of financial and other related services
BigPay Singapore Pte Ltd	Singapore	100	-	Provision of financial services including but not limited to e-money products
Held by BigPay				
Tune Money Capital Sdn Bhd[@]	Malaysia	-[@]	100	Dormant
Tune Money Co Ltd[f]	Thailand	-**	49	Marketing arm of BIG
PT Tune Money[f]	Indonesia	-**	100	Marketing arm of BIG
BIGLIFE Hong Kong Co Ltd (formerly known as Think BIG Hong Kong Co Ltd)[f]	Hong Kong	-**	100[#]	Marketing arm of BIG
Held by Redtix				
Rokki Media Holdings Sdn Bhd	Malaysia	100	100	Dormant
Held by RCL				
RedBox Logistics Sdn Bhd ("RBL")	Malaysia	100	-	Logistics business

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12. Investment in subsidiaries (cont'd.)

+ Audited by a member of Ernst & Young Global.
f Audited by a firm other than Ernst & Young.
^ Listed on the Indonesia Stock Exchange.
@ Striked off during the year.
* Subsequent to the partial disposal, this subsidiary became a joint venture of the Group as disclosed in Note 13.
** Transferred within the Group.
# Held via nominee.

Acquisition of non-controlling interest in subsidiaries during the financial year ended 31 December 2018

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

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

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

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

Dilution of interest in BPPL resulting in no loss of control during the financial year ended 31 December 2018

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

Acquisition of Rouge Aircraft 1 Limited during the financial year ended 31 December 2018

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

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

12. Investment in subsidiaries (cont'd.)

Incorporation of subsidiaries during the financial year ended 31 December 2018

During the year, the Group incorporated the following subsidiaries for a total paid up ordinary share capital of RM3,668,749:

	2018 RM
AAIHQ	2,580,025
BIG Loyalty Guangzhou Co Ltd	1,081,659
BIG Loyalty India Pvt Ltd	5,800
AAC5	414
CA5	414
CA6	414
AITCIPL	59
Merah Aviation	4
RedBeat Ventures Inc	4
BigPay Singapore Pte Ltd	3
RCL	2
RBL	2
RBV	2
Santan Café Sdn Bhd	2
Shop365 Sdn Bhd	2
Travel360 Sdn Bhd	2
	3,668,808

<u>2017</u>

Deemed acquisition of subsidiaries in prior year

In the first quarter of 2017, AAB entered into a Supplementary Brand License Agreement ("BLA") with each IAA and PAA. Effective from 1 January 2017, the effective date specified in the Supplementary BLAs, the respective investees have undertaken to comply at all times with the recommendations made by AAB under the BLAs. Pursuant to this, in accordance with MFRS 10, these investees are deemed as subsidiaries for accounting consolidation purpose and accordingly, these investees are deemed as subsidiaries of AAB.

The gain on remeasurement of previously held interest in associates immediately before obtaining control are as follows:

	Group 2017	
	PAA RM'000	**IAA RM'000**
Fair value of previously held interest	840,300	1,092,702
Less: Carrying amount of previously held interest	(748,484)	(970,168)
Gain on remeasurement of previously held interest	91,816	122,534

Total remeasurement gain on consolidation of RM214.4 million was recognised in the income statements of the Group in 2017.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12. Investment in subsidiaries (cont'd.)

2017 (cont'd.)

Deemed acquisition of subsidiaries in prior year (cont'd.)

Details of the assets, liabilities and net cash outflow arising from prior year's deemed acquisition of IAA and PAA were as follows:

IAA

	2017 Fair value recognised on acquisition RM'000	Carrying amount RM'000
Assets		
Non-current assets		
Property, plant and equipment (Note 11)	650,684	650,684
Intangible assets (Note 16)	374,600	-
Deferred tax assets (Note 17)	142,930	236,580
Other receivables	104,135	104,135
	1,272,349	991,399
Current assets		
Cash and bank balances	79,403	79,403
Trade and other receivables	77,066	77,066
Inventories	10,197	10,197
Derivative financial instruments	37,460	37,460
	204,126	204,126
Total assets	1,476,475	1,195,525
Liabilities		
Non-current liabilities		
Finance lease liabilities	358,484	358,484
Trade and other payables	52,029	52,029
Employee benefits liability (Note 30)	53,476	53,476
	463,989	463,989
Current liabilities		
Finance lease liabilities	79,642	79,642
Trade and other payables	484,689	484,689
	564,331	564,331
Total liabilities	1,028,320	1,028,320

12. Investment in subsidiaries (cont'd.)

2017 (cont'd.)

Deemed acquisition of subsidiaries in prior year (cont'd.)

IAA (cont'd.)

	2017 RM'000
Fair value of net identifiable assets	448,155
Less: Non-controlling interests' share of net identifiable assets as reported at IAA level	(1,638)
Adjusted fair value of net identifiable assets	446,517
Less: Perpetual capital securities issued by IAA (subscribed fully by AAB)	(1,638,265)
	(1,191,748)
Less: Non-controlling interests' share of losses at 51%	607,791
Group's interest in fair value of net identifiable liabilities	(583,957)
Add: Perpetual capital securities issued by IAA (subscribed fully by AAB)	1,638,265
Goodwill on acquisition (Note 16)	38,394
Deemed net assets acquired by the Group	1,092,702

	Group 2017 RM'000
Cost of acquisition	-*
Less: Cash and cash equivalents of subsidiary acquired	(79,403)
Net cash inflow on deemed acquisition of subsidiary	(79,403)

* The cost of acquisition is nil as this is a deemed acquisition of a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12. Investment in subsidiaries (cont'd.)

2017 (cont'd.)

Deemed acquisition of subsidiaries in prior year (cont'd.)

PAA

	2017 Fair value recognised on acquisition RM'000	Carrying amount RM'000
Assets		
Non-current assets		
Property, plant and equipment (Note 11)	78,590	78,590
Intangible assets (Note 16)	69,300	-
Other receivables	72,131	72,131
	220,021	150,721
Current assets		
Cash and bank balances	30,166	30,166
Trade and other receivables	1,715,366	1,715,366
Inventories	10,399	10,399
Derivative financial instruments	34,187	34,187
	1,790,118	1,790,118
Total assets	**2,010,139**	**1,940,839**
Liabilities		
Non-current liabilities		
Other payables	76,901	76,901
Employee benefits liability (Note 30)	14,831	14,831
Deferred tax liabilities	21,975	1,185
	113,707	92,917
Current liabilities		
Trade and other payables	1,993,244	1,993,244
Borrowings	337,123	337,123
	2,330,367	2,330,367
Total liabilities	2,444,074	2,423,284

12. Investment in subsidiaries (cont'd.)

2017 (cont'd.)

Deemed acquisition of subsidiaries in prior year (cont'd.)

PAA (cont'd.)

	2017 RM'000
Fair value of net identifiable liabilities	(433,935)
Less: Non-controlling interests' share of net identifiable liabilities as reported at PAA level	753,027
Adjusted fair value of net identifiable assets	319,092
Less: Perpetual capital securities	(1,389,513)
	(1,070,421)
Less: Non-controlling interests' share of losses at 60%	642,253
Group's interest in fair value of net identifiable liabilities	(428,168)
Add: Perpetual capital securities	1,389,513
Gain on bargain purchase	(121,045)
Deemed net assets acquired by the Group	840,300

	Group 2017 RM'000
Cost of acquisition	-*
Less: Cash and cash equivalents of subsidiary acquired	(30,166)
Net cash inflow on deemed acquisition of subsidiary	(30,166)

* The cost of acquisition is nil as this is a deemed acquisition of a subsidiary.

Acquisition of non-controlling interest in PAAI by a subsidiary, PAA, in prior year

On 19 December 2017, PAA entered into an agreement to purchase 87,250,000 shares of PHP1.00 each in PAAI, a subsidiary of PAA representing 49.8% equity interest in PAAI for a total cash consideration of PHP26.5 million (equivalent to RM2.1 million). Pursuant to this acquisition, the Group's effective interest in PAAI has increased from 19.6% to 39.5% and the financial effects of this transaction, amounting to RM285.7 million, is debited to retained earnings as disclosed in the consolidated statement of changes in equity.

Reverse acquisition of AAID by IAA in prior year

On 29 August 2017, AAB executed Conditional Sale of Perpetual Capital Securities agreements with PT Fersindo Nusaperkasa ("FNP") and AAIL respectively. Perpetual Capital Securities ("PERPS"), with a nominal value of IDR1,326,510,000,000 (equivalent to RM426.1 million) and IDR1,274,490,000,000 (equivalent to RM409.4 million), were sold to FNP and AAIL accordingly.

Subsequently, PT AirAsia Indonesia TBK (formerly known as PT Rimau Multi Putra Pratama TBK) ("AAID"), a company listed on the Indonesia Stock Exchange conducted a rights issue of up to 13,646,388,139 new rights shares at a nominal value of IDR250. Pursuant to this rights issue, FNP and AAIL had subscribed to 5,306,040,000 and 5,097,960,000 AAID shares, respectively, and these subscriptions were settled in-kind by the transfer of the full amount of PERPS owned by FNP and AAIL to AAID. Upon completion of the rights issue, AAID had converted IDR241,066,000,000 PERPS into 241,066 new common shares of IDR1,000,000 each in IAA, which is equivalent to 57.25% of the share capital of IAA.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12. Investment in subsidiaries (cont'd.)

2017 (cont'd.)

Reverse acquisition of AAID by IAA in prior year (cont'd.)

On 29 December 2017, AAID had completed the acquisition of shares in IAA. This is treated as a reverse acquisition for accounting purposes as IAA became the controlling shareholder of AAID. Accordingly, IAA (being the legal subsidiary) is regarded as the accounting acquirer and AAID (being the legal parent) is regarded as the accounting acquiree. IAA is deemed to have issued equity shares as purchase consideration for the assets and liabilities of AAID as AAID's operation did not constitute a business at the time of completion of the reverse acquisition.

The acquisition costs (listing expenses) arising from the reverse acquisition was determined using the fair value of the issued equity of AAID before the acquisition which is RM15.4 million which represents the market value of AAID based on the quoted and trade price of the shares as at 29 December 2017. The net assets of AAID was RM6.2 million. The difference between the purchase consideration and identifiable net assets of AAID amounting to RM9.2 million has been recognised as acquisition costs incurred by IAA.

The identifiable assets of AAID were as follow:

	2017 Fair value recognised on acquisition RM'000	Carrying amount RM'000
Assets		
Non-current assets		
Deferred tax assets (Note 17)	52	52
Current assets		
Cash and bank balances	4,931	4,931
Trade and other receivables	4,371	4,371
	9,302	9,302
Total assets	9,354	9,354
Liabilities		
(Non-current liabilities)		
Employee benefits liability (Note 30)	207	207
Current liabilities		
Trade and other payables	2,919	2,919
Total liabilities	3,126	3,126
Fair value of net identifiable assets		6,228
Acquisition cost (listing expenses)		9,235
Deemed purchase consideration (fair value of issued equity of AAID)		15,463

12. Investment in subsidiaries (cont'd.)

2017 (cont'd.)

Reverse acquisition of AAID by IAA in prior year (cont'd.)

	Group 2017 RM'000
Cost of acquisition	-*
Less: Cash and cash equivalents arising from the reverse acquisition	(4,931)
Net cash inflow on reverse acquisition	(4,931)

* The cost of acquisition is nil as this was via conversion of PERPS.

As a result of the reverse acquisition, the Group's effective interest in IAA was diluted by 0.7% from 49% to 48.3% and the financial effects of the reverse acquisition amounting to RM441.5 million has been credited to non-controlling interests as disclosed in the statement of changes in equity.

Acquisition of non-controlling interest in Rokki in prior year

On 7 June 2017, AAB acquired 120,000 ordinary shares of RM1.00 each in Rokki, representing 10% equity interest in Rokki for a total cash consideration of RM2,500,000. Pursuant to this acquisition, AAB's interest in Rokki increased from 73% to 83% and the financial effects of this transaction amounting to RM2.7 million is debited to retained earnings as disclosed in the consolidated statement of changes in equity.

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 2018	2017
IAA	Indonesia	49.1	48.3
PAA	Philippines	40.0	40.0

	Group 2018 RM'000	2017 RM'000
Accumulated balances of material non-controlling interests:		
IAA	(370,589)	(243,631)
PAA	(1,216,630)	(1,081,011)
Other individually immaterial subsidiaries	(11,970)	(13,391)
	(1,599,189)	(1,338,033)
(Loss)/profit allocated to material non-controlling interests:		
IAA	(127,221)	(78,715)
PAA	(131,278)	30,666
Other individually immaterial subsidiaries	(6,957)	(9,351)
	(265,456)	(57,400)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12. Investment in subsidiaries (cont'd.)

Material partly-owned subsidiaries (cont'd.)

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:

	2018		2017	
	IAA RM'000	**PAA RM'000**	**IAA RM'000**	**PAA RM'000**
Revenue	1,190,771	1,602,142	1,201,440	1,351,910
Depreciation and amortisation	(50,464)	(20,973)	(53,858)	(19,881)
Interest income	838	30	1,530	68
Interest expense	(23,519)	(16,161)	(26,542)	(22,552)
(Loss)/profit before taxation	(302,423)	(224,386)	75,884	33,488
Tax credit/(expense)	45,359	-	(230,510)	-
Net (loss)/profit for the financial year	(257,064)	(224,386)	(154,626)	33,488
Other comprehensive income	7,612	5,589	-	-
Total comprehensive (loss)/income	(249,452)	(218,797)	(154,626)	33,488
Attributable to non-controlling interests	(127,221)	(131,278)	(78,715)	30,666

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

	2018		2017	
	IAA RM'000	**PAA RM'000**	**IAA RM'000**	**PAA RM'000**
Non-current assets	633,232	115,279	666,646	117,987
Current assets	145,291	103,229	176,474	183,876
Non-current liabilities	(197,792)	(103,078)	(353,577)	(251,822)
Current liabilities	(811,251)	(2,000,010)	(478,868)	(1,599,569)
Net (liabilities)/assets	(230,520)	(1,884,580)	10,675	(1,549,528)

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

	2018		2017	
	IAA RM'000	**PAA RM'000**	**IAA RM'000**	**PAA RM'000**
Operating	(103,099)	14,513	36,124	65,097
Investing	94,322	(20,883)	6,330	(26,950)
Financing	(21,830)	(23,346)	(19,978)	(22,243)
Net (decrease)/increase in cash and cash equivalents	(30,607)	(29,716)	22,476	15,904

13. Investment in joint ventures

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Unquoted investments, at cost	578,367	5,596	-	-
Less: Impairment of investment	(5,596)	-	-	-
Share of post-acquisition profits	11,083	-	-	-
	583,854	5,596	-	-

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

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

	Group RM'000
Assets	
Non-current asset	
Property and equipment (Note 11)	17,933
Current assets	
Cash and bank balances	6,079
Trade and other receivables	8,743
	14,822
Total assets	32,755
Liabilities	
Current liabilities	
Trade and other payables, representing total liabilities	9,137
Net assets disposed	23,618
Less: Non-controlling interests' share of net assets	(303)
Total disposal proceeds	(358,774)
Fair value of retained interest in a former subsidiary	(549,570)
Gain on loss of control of a subsidiary	(885,029)
Cash consideration received	358,774
Cash and cash equivalents of subsidiary disposed	(6,079)
Net cash inflow of the Group	352,695

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

	Group RM'000
Gain on loss of control comprises:	
- Gain on disposal of investment in a subsidiary	350,317
- Remeasurement gain on retained interest in a former subsidiary	534,712
	885,029

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

Name of entity	Principal place of business/ country of incorporation	Group's effective equity interest 2018 %	2017 %	Principal activities
Held by AAB				
Ground Team Red Holdings Sdn Bhd ("GTRH")	Malaysia	50	100*	Investment holding
Held by AAIL				
Touristly Travel Sdn Bhd[f]	Malaysia	-	50	Tour and travel services
Held by RBV				
Touristly Travel Sdn Bhd	Malaysia	50	-	Tour and travel services
Held by GTRH				
Ground Team Red Sdn Bhd	Malaysia	49	100*	Ground handling services
SATS Ground Services Singapore Pte Ltd[f]	Singapore	40	-	Ground handling services

[f] Audited by a firm other than Ernst & Young.
* Subsequent to the partial disposal, GTRH became a joint venture of the Group, previously held as subsidiary.

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

The joint ventures listed above are private companies for which there are no quoted market price available for their shares.

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

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

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

	GTRH 2018 RM'000	2017 RM'000
Non-current assets	1,130,737	-
Current assets	23,200	-
Current liabilities	(23,239)	-

Summarised income statements as at 31 December are as follows:

	GTRH 2018 RM'000	2017 RM'000
Revenue	-	-
Net profit for the financial year, representing total comprehensive income	22,166	-
Dividends received from joint ventures	-	-

Reconciliations of summarised financial information

	GTRH 2018 RM'000	2017 RM'000
Opening net assets at 1 January	-	-
Acquisition of investments via shares	1,099,142	-
Issuance of ordinary shares	46,400	-
Profit for the financial year	22,166	-
Closing net assets at 31 December	1,167,708	-
Group's interest in a joint venture	50%	-
Interest in a joint venture	583,854	-
Carrying value at 31 December	583,854	-

Acquisition of additional interests in a joint venture during the financial year ended 31 December 2018

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

Disposal of a joint venture in prior year

On 24 August 2017, AAB entered into a Share Purchase Agreement ("SPA") with CAE International Holding Ltd, ("CAE") to dispose the AAB's entire shareholding in AACOE, comprising 82,780,000 ordinary shares which is equivalent to 50% of the issued and outstanding shares of AACOE, to CAE for a total consideration of USD90.0 million (approximately RM375.9 million). The sale was completed on 28 December 2017 and a gain on disposal of RM167.7 million was recorded at the Group.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14. Investment in associates

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Unquoted investments, at cost	672,187	511,999	-	-
Share of post-acquisition (loss)/profit	(333,767)	36,559	-	-
Share of post-acquisition reserves	(55,682)	-	-	-
	282,738	548,558	-	-

The details of the associates are as follows:

Name of entity	Principal place of business/ country of incorporation	Group's effective equity interest 2018 %	Group's effective equity interest 2017 %	Principal activities
Held by AAB				
AirAsia Philippines Inc	Philippines	39.9	39.9	Providing air transportation services, currently dormant
Held by AAE				
AAE Travel Pte Ltd ("AAE Travel")+	Singapore	-	25.0	Online travel agency
Held by AAIL				
Thai AirAsia Co. Ltd ("TAA")+	Thailand	45.0	45.0	Commercial air transport services
AirAsia (India) Limited ("AAI")+	India	49.0	49.0	Commercial air transport services
AirAsia Japan Co., Ltd ("JAA")+^	Japan	66.9	56.9	Commercial air transport services
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.

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

All of the associates have the same reporting period as the Group except for AAI 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.

14. Investment in associates (cont'd.)

The Group has not recognised losses relating to AAI, where its share of losses exceeds the Group's interest in this associate. The Group's cumulative share of unrecognised losses at the reporting date was RM173.3 million (2017: RM18.4 million), of which RM31.4 million (2017: RM4.2 million) was the share of current year's losses. The Group has no obligation in respect of these losses.

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

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

Acquisition of additional interests in associates during the financial year ended 31 December 2018

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

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

Acquisition of additional interests in associates in prior year

On 14 April 2017, AAIL, a wholly owned subsidiary of AAB, subscribed to 13,999,999 shares in JAA for a cash consideration of JPY980.0 million (equivalent to RM38.3 million). On 16 October 2017, AAIL subscribed to an additional 33,501,194 shares in JAA for a cash consideration of JPY2,345.1 million (equivalent to RM88.1 million). Following both subscriptions, the Group's equity interest in JAA has increased from 49% to 56.9%. JAA officially started operations on 29 October 2017.

Disposal of an associate

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

Impairment testing on investment in an associate

As at 31 December 2018, the Group's investment in JAA was tested for impairment due to additional investments from the Company to address their continuing losses incurred. The recoverable amount of the investment was computed using the value in-use method based on discounted cash flow projections covering a five-year period from 2019 to 2023. Assumptions applied in determining the recoverable amount include operational fleet size, load factor, average fare and jet fuel price. Based on the valuation, no impairment is required for the investment.

The key assumptions used in determining the recoverable amount of the investment in JAA are as follows:

- Discount rate of 9.5%
- Long-term growth rate of 1%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14. Investment in associates (cont'd.)

Valuation process

The finance department of the Group includes a team that performs the valuations of the investments in associates required for financial reporting purposes, including level 3 fair values. The team reports directly to the Group Chief Financial Officer. The main level 3 inputs used by the Group are derived and evaluated as follows:

- Discount rates are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.

- Long-term growth rate are estimated based on market information for similar types of companies in similar geographical location.

Material associates

The Directors consider TAA as a material associate 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.

Summarised financial information for associate

The tables below provide summarised financial information for TAA that is material to the Group. The information disclosed reflects the amounts presented in the financial statements of TAA 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 statement of financial position

	TAA	
	2018	**2017**
	RM'000	**RM'000**
Non-current assets	4,042,160	3,354,201
Current assets	801,605	1,108,225
Non-current liabilities	(2,442,377)	(2,166,196)
Current liabilities	(1,407,790)	(1,348,860)

Summarised statement of comprehensive income

	TAA	
	2018	**2017**
	RM'000	**RM'000**
Revenue	5,028,029	4,723,919
Net (loss)/profit for the financial year	(14,174)	340,576
Other comprehensive loss	(122,776)	(3,374)
Total comprehensive (loss)/income	(136,950)	337,202
Dividends received from associates	167,918	77,340

14. Investment in associates (cont'd.)

Summarised statement of comprehensive income (cont'd.)

Reconciliations of summarised financial information

	TAA	
	2018 RM'000	**2017 RM'000**
Opening net assets at 1 January	989,747	844,050
Effects of changes in accounting policies	(13,293)	-
Dividend paid	(373,151)	(171,866)
(Loss)/profit for the financial year	(14,174)	340,576
Other comprehensive loss	(122,776)	(3,374)
Foreign exchange differences	(39,010)	(19,639)
Closing net assets at 31 December	427,342	989,747
Group's interest in associates	45%	45%
Interest in associates	192,304	445,386
Carrying value at 31 December	192,304	445,386

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	
	2018 RM'000	**2017 RM'000**
Aggregate carrying amount of individually immaterial associates	90,434	103,172
Aggregate amounts of the Group's share of:		
Loss from continuing operations	(137,666)	(81,263)
Other comprehensive income	-	-
Total comprehensive loss	(137,666)	(81,263)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15. Investment securities/ Available-for-sale financial assets

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Listed equity securities				
At 1 January	296,080	351,167	-	-
Addition during the year	207,595	-	207,595	-
Fair value loss				
- recognised in other comprehensive income	(165,802)	(55,087)	(61,305)	-
Foreign exchange	(549)	-	(549)	-
At 31 December	337,324	296,080	145,741	-
Unlisted equity securities				
At 1 January	-	-	-	-
Addition during the year	55,835	-	54,734	-
Fair value gain				
- recognised in other comprehensive income	18,165	-	-	-
At 31 December	74,000	-	54,734	-
Unquoted debt securities				
At 1 January	5,438	5,438	-	-
Addition during the year	66,536	-	-	-
Impairment	(5,438)	-	-	-
At 31 December	66,536	5,438	-	-
Total	477,860	301,518	200,475	-

During the financial year, the Group and the Company invested in listed equity securities of USD50.0 million (equivalent to RM207.6 million) and unlisted equity securities of USD13.4 million (equivalent to RM54.7 million) as part of the purchase consideration in relation to the Group's divestment of its aircraft leasing operations, as detailed in Note 43 (ii).

Financial assets at fair value through other comprehensive income comprise investments in equity securities of listed and non-listed companies which were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature. The Group holds non-controlling interests between 2% to 14% in these companies. During the year, the Group received dividends in the amount of RM3.1 million from these companies.

16. Intangible assets

	Goodwill RM'000	Landing rights RM'000	Internally developed software RM'000	Total RM'000
Group				
Cost				
At 1 January 2018	159,023	443,900	6,995	609,918
Additions	-	-	6,695	6,695
At 31 December 2018	159,023	443,900	13,690	616,613
Accumulated amortisation				
At 1 January 2018	-	-	(589)	(589)
Amortisation expense	-	-	(611)	(611)
At 31 December 2018	-	-	(1,200)	(1,200)
Carrying amount as at 31 December 2018	159,023	443,900	12,490	615,413
Group				
Cost				
At 1 January 2017	120,629	-	1,505	122,134
Additions	-	-	5,490	5,490
Deemed acquisitions of subsidiaries (Note 12)	38,394	443,900	-	482,294
At 31 December 2017	159,023	443,900	6,995	609,918
Accumulated amortisation				
At 1 January 2017	-	-	(305)	(305)
Amortisation expense	-	-	(284)	(284)
At 31 December 2017	-	-	(589)	(589)
Carrying amount as at 31 December 2017	159,023	443,900	6,406	609,329

Landing rights

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

16. Intangible assets (cont'd.)

Impairment testing for goodwill and landing rights

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

	Goodwill 2018 RM'000	Goodwill 2017 RM'000	Landing rights 2018 RM'000	Landing rights 2017 RM'000
CGU				
BIGLIFE Sdn Bhd ("BIG")	102,926	102,926	-	-
PT Indonesia AirAsia ("IAA")	38,394	38,394	374,600	374,600
AirAsia Inc Group ("PAA")	-	-	69,300	69,300
AirAsia Investment Ltd ("AAIL")	7,334	7,334	-	-
BigPay Malaysia Sdn Bhd ("BigPay")	5,275	5,275	-	-
Rokki Sdn Bhd ("Rokki")	5,094	5,094	-	-
	159,023	159,023	443,900	443,900

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

	Growth rates 2018	Growth rates 2017	Discount rates 2018	Discount rates 2017
CGU				
BIG	2%	2%	15.0%	15.0%
IAA	3%	4%	18.5%	16.5%
PAA	2%	2%	17.0%	14.5%

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

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

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

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

Description	Unobservable inputs*	Inputs	Relationship of unobservable inputs to fair value
IAA	Discount rate	18.5%	Increased discount rate of 1% would decrease fair value by RM152,000,000
	Long-term growth rate per annum	3%	Decreased long-term growth rate by 1% would decrease the fair value by RM92,000,000

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

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

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	
	2018 RM'000	2017 RM'000
At beginning of year	381,926	749,211
Effects of changes in accounting policies (Note 2.2)	6,849	-
Deemed acquisition of subsidiaries (Note 12)	-	121,007
Recognised in profit or loss (Note 9)	399,126	(463,754)
Recognised in other comprehensive income	42,260	-
Exchange differences	1,379	(24,538)
At end of year	831,540	381,926
Presented after appropriate offsetting as follows:		
Deferred tax assets	891,445	486,880
Deferred tax liabilities	(59,905)	(104,954)
	831,540	381,926

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

(a) Deferred tax assets

	Group	
	2018 RM'000	2017 RM'000
At start of financial year	486,880	749,211
Effects of changes in accounting policies	5,821	-
Reverse acquisition (Note 12)	-	52
Credited/(charged) to income statements		
- Property, plant and equipment	941,260	(129,412)
- Unabsorbed capital allowances	(291,225)	(232,553)
- Unabsorbed investment tax allowances	(220,632)	60,892
- Unutilised tax losses	(777)	777
- Sales in advance	5,971	9,144
- Receivables	(25,166)	20,434
- Payables	16,105	(114,753)
- Derivatives	(68,813)	118,450
- Provisions and others	(2,604)	4,638
	354,119	(262,383)
Credited to statements of other comprehensive income	45,196	-
Exchange differences	(571)	-
At end of financial year	891,445	486,880

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

The movements in the deferred tax assets and liabilities of the Group and the Company during the financial year are as follows (cont'd.):

(a) Deferred tax assets (cont'd.)

	Group	
	2018 RM'000	**2017 RM'000**
Deferred tax assets (before offsetting)		
Unabsorbed capital allowances	432,194	723,419
Unabsorbed investment tax allowances	1,114,316	1,334,948
Unutilised tax losses	8,803	9,580
Sales in advance	166,381	154,589
Provisions and others	28,811	31,986
Receivables	146	25,312
Derivatives	37,614	61,231
	1,788,265	2,341,065
Offsetting	(896,820)	(1,854,185)
Deferred tax assets (after offsetting)	891,445	486,880
Deferred tax liabilities (before offsetting)		
Property, plant and equipment	(798,172)	(1,739,432)
Payables	(98,648)	(114,753)
	(896,820)	(1,854,185)
Offsetting	896,820	1,854,185
Deferred tax liabilities (after offsetting)	-	-

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

The movements in the deferred tax assets and liabilities of the Group and the Company during the financial year are as follows (cont'd.):

(b) Deferred tax liabilities

	Group 2018 RM'000	Group 2017 RM'000
At start of financial year	(104,954)	-
Effects of changes in accounting policies	1,028	-
Deemed acquisition of subsidiaries	-	120,955
Credited/(charged) to income statements		
- Property, plant and equipment	(622)	1,736
- Unutilised tax losses	42,720	(193,037)
- Provision for retirement benefits	1,678	2,230
- Others	1,231	(12,300)
	45,007	(201,371)
Charged to statements of other comprehensive income	(2,936)	-
Exchange differences	1,950	(24,538)
At end of financial year	(59,905)	(104,954)
Deferred tax assets (before offsetting)		
Property, plant and equipment	2,662	3,218
Provision for retirement benefits	13,084	14,253
Unutilised tax losses	43,377	63
below is a subtotal		
Others	866	-
	59,989	17,534
Offsetting	(59,989)	(17,534)
Deferred tax assets (after offsetting)	-	-
Deferred tax liabilities (before offsetting)		
Property, plant and equipment	(202)	(12)
Fair value on intangible assets	(114,440)	(114,440)
Others	(5,252)	(8,036)
	(119,894)	(122,488)
Offsetting	59,989	17,534
Deferred tax liabilities (after offsetting)	(59,905)	(104,954)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

Deferred tax has not been recognised for the following items:

	Group 2018 RM'000	Group 2017 RM'000
Deferred revenue	95,653	95,653
Deferred breakage	34,157	34,157
Provisions and others	26,641	26,641
Unutilised tax losses	263,788	-
	420,239	156,451

Deferred tax assets in respect of the above items arose from subsidiaries which have not been recognised as it is not probable that it will utilise the benefits therefrom in the short to medium term.

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

18. Receivables and prepayments

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Non-current:				
Other receivables	518,938	462,095	-	-
Prepayments	2,011,181	1,620,145	-	-
Deposits	537,464	219,291	-	-
	3,067,583	2,301,531	-	-
Current:				
Trade receivables	211,883	243,656	-	-
Less: Allowance for impairment	(118,095)	(47,839)	-	-
	93,788	195,817	-	-
Other receivables	392,120	523,850	-	-
Prepayments	829,872	582,679	47	-
Deposits	79,190	179,945	-	-
	1,394,970	1,482,291	47	-

Credit terms of trade receivables range from 30 to 60 days (2017: 30 to 60 days).

18. Receivables and prepayments (cont'd.)

The ageing analysis of trade receivables is as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current	64,743	81,932	-	-
1 to 90 days	(26,082)	73,535	-	-
91 to 120 days	(2,089)	31,574	-	-
121 to 180 days	7,348	(23,044)	-	-
181 to 365 days	21,519	20,859	-	-
Over 365 days	146,444	58,800	-	-
	211,883	243,656	-	-

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

Trade receivables that are neither past due nor impaired of RM64.7 million in 2018 (2017: RM81.9 million) are substantially due from companies with good collection track records with the Group.

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

Trade receivables for the Group of RM29 million (2017: RM114 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 January	47,839	33,958	-	-
Reversal	-	(2,348)	-	-
Impairment (Note 6)	70,325	16,229	-	-
Foreign exchange movement	(69)	-	-	-
At 31 December	118,095	47,839	-	-

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

Included in non-current other receivables is a receivable of IDR1,327 billion (equivalent to RM381,206,000) (2017: RM426,113,300) arising from the disposal of perpetual capital security which is repayable over 10 years.

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 RM246 million (2017: RM164 million).

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

18. Receivables and prepayments (cont'd.)

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Ringgit Malaysia	268,530	307,090	-	-
US Dollar	698,541	290,045	-	-
Others	654,429	983,863	-	-
	1,621,500	1,580,998	-	-

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			
	2018		2017	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
Non-current				
Interest rate swaps				
- cash flow hedges	15,003	(28,465)	6,772	(50,745)
Interest rate swaps				
- held for trading	-	(9,521)	4,219	(20,138)
Interest rate caps				
- held for trading	2	-	12	-
Forward foreign exchange contracts				
- cash flow hedges	99,411	-	239,902	-
Forward foreign exchange contracts				
- held for trading	114,020	-	54,309	-
Cross currency interest rate swaps				
- cash flow hedges	6,547	-	38,802	-
Cross currency interest rate swaps				
- held for trading	65,971	-	38,161	-
Commodity derivatives				
- cash flow hedges	82,157	(161,348)	-	-
Total	383,111	(199,334)	382,177	(70,883)

20. Derivative financial instruments (cont'd.)

	Group			
	2018		2017	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
Current				
Interest rate swaps				
- cash flow hedges	-	(1,418)	-	(3,103)
Interest rate swaps				
- held for trading	-	-	106	(18,609)
Forward foreign exchange contracts				
- cash flow hedges	7,605	-	41,758	-
Forward foreign exchange contracts				
- held for trading	23,513	-	58,779	(1,602)
Commodity derivatives				
- cash flow hedges	229,249	(450,223)	-	-
Commodity derivatives				
- held for trading	6,944	(13,636)	102,452	(51,538)
Cross currency interest rate swaps				
- held for trading	-	-	2,285	-
Total	267,311	(465,277)	205,380	(74,852)

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 RM456.0 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 41(e).

	Group			
	2018		2017	
	Notional amount RM'000	Fair value RM'000	Notional amount RM'000	Fair value RM'000
Interest rate caps	183,301	2	233,112	12
Interest rate swaps	2,221,683	(24,401)	3,258,863	(81,498)
Cross currency interest rate swaps	356,473	72,518	336,309	79,248
Forward foreign exchange contracts	1,095,251	244,549	1,515,904	393,146
Commodity derivatives	11,876,467*	(306,857)	771,487*	50,914

* in barrels

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 2018 were RM1.992 billion (2017: RM1.852 billion).

As at 31 December 2018, the Group has hedged approximately 69% (2017: 46%) of its USD liabilities pertaining to its aircraft into Malaysian Ringgit ("RM") by using long dated foreign exchange forward contracts and cross currency interest rate swaps to manage its foreign currency risk. The weighted average of USD:RM forward exchange rate is 3.2320 (2017: 3.2355). Gains and losses recognised in the hedging reserve in equity on hedging instruments as of 31 December 2018 will be continuously released to the income statement within foreign exchange gains/(losses) until the full repayment of the term loans.

(ii) Interest rate contracts

The notional principal amounts of the outstanding interest rate contracts at 31 December 2018 were RM2.405 billion (2017: RM3.492 billion).

The Group has entered into interest rate contracts to hedge against fluctuations in the USD LIBOR on its existing floating rate aircraft financing for aircraft delivered from 2005 to 2017. As at 31 December 2018, the Group has hedged 100% of its existing USD aircraft loans at rates from 1.8% to 5.1% per annum (2017: 1.8% to 5.2% per annum) via interest rate swaps, interest rate caps and cross-currency swaps. Gains and losses recognised in the hedging reserve in equity on hedging instruments as of 31 December 2018 will be continuously released to the income statement within finance cost until the full repayment of the term loans.

(iii) Fuel contracts

The outstanding number of barrels of Brent and Crack derivative contracts of the Group as at 31 December 2018 were 11.9 million barrels (2017: 0.8 million barrels).

As at 31 December 2018, the Group has entered into Brent option, Crack option, Brent fixed swap and Crack fixed swap contracts which represent an average of 33% (2017: 13%) of the Group's total expected fuel volume for the financial year 2019 to 2021. This is to hedge against the fuel price risk that the Group and the Company are exposed to. Gains and losses recognised in the hedging reserve in equity on fuel derivative contracts as of 31 December 2018 are recognised in the income statement in the period or periods during which the hedged forecast transactions affect the income statements.

21. Inventories

	Group	
At cost	**2018 RM'000**	**2017 RM'000**
Consumables, in-flight merchandise and others	106,326	68,234

During the year, the amount of the inventories recognised in operating expenses of the Group was RM100,597,082 (2017: RM113,584,640)

22. Amounts due from/(to) subsidiaries

	Company 2018 RM'000	Company 2017 RM'000
Amount due from a subsidiary	250	-
Amounts due to subsidiaries	(313,354)	-
	(313,104)	-

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

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

	Company 2018 RM'000	Company 2017 RM'000
Receivable:		
- RedBeat Ventures Sdn Bhd	250	-
	250	-
Payables:		
- AirAsia Berhad	(311,641)	-
- AirAsia Group (IHQ) Ltd	(1,713)	-
	(313,354)	-

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

	Company 2018 RM'000	Company 2017 RM'000
Due from		
Ringgit Malaysia	250	-
	250	-
Due to		
Ringgit Malaysia	(44,299)	-
US Dollar	(267,342)	-
Others	(1,713)	-
	(313,354)	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

23. Amounts due from/(to) associates

	Group 2018 RM'000	Group 2017 RM'000
Amounts due from associates		
- current	404,139	147,617
Amounts due to associates		
- current	(32,228)	(59,499)
- non-current	(45,436)	(86,292)
	(77,664)	(145,791)

The amounts due from/(to) associates are trade balances and are unsecured, interest free and repayable on demand.

(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 RM404,139,000 (2017: RM147,617,000).

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

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

(iii) Financial assets that are impaired

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

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

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

	Group 2018 RM'000	Group 2017 RM'000
Receivables:		
- AirAsia (India) Limited	318,496	141,842
- Thai AirAsia Co. Ltd	75,274	-
- AirAsia Japan Co. Ltd	9,002	1,839
- Others	1,367	3,936
	404,139	147,617
Payables:		
- Thai AirAsia Co. Ltd	(52,949)	(122,874)
- AirAsia (India) Limited	(20,945)	(22,917)
- AirAsia Japan Co. Ltd	(3,641)	-
- Others	(129)	-
	(77,664)	(145,791)

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

24. Amounts due from/(to) joint ventures

	Group 2018 RM'000	Group 2017 RM'000
Amounts due from joint ventures	6,792	4,893
Amount due to a joint venture	(11,032)	-

Amount due from/(to) a joint venture are unsecured, interest free and repayable on demand. The carrying amount of amount due from joint ventures approximates their fair value.

The details of the receivables and payable from/(to) joint ventures are as follows:

	Group 2018 RM'000	Group 2017 RM'000
Receivables:		
-Touristly Travel Sdn Bhd	5,528	4,893
- Others	1,264	-
	6,792	4,893
Payable:		
- Ground Team Red Sdn Bhd	(11,032)	-
	(11,032)	-

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

	Group 2018 RM'000	Group 2017 RM'000
Due from		
Ringgit Malaysia	1,264	-
US Dollar	5,528	4,893
	6,792	4,893
Due to		
Ringgit Malaysia	(11,032)	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

25. Amounts due from/(to) related parties

	Group 2018 RM'000	Group 2017 RM'000
Amounts due from related parties	152,410	7,875
Less: Allowance for impairment	(28,133)	-
	124,277	7,875
Amounts due to related parties		
- current	(103,078)	(94,019)
- non current	-	(10,939)
	(103,078)	(104,958)

The amounts due from related parties are trade balances and are unsecured, interest free and repayable on demand. The carrying amounts of amounts due from related parties approximate their fair values.

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

	Group 2018 RM'000	Group 2017 RM'000
Receivables:		
- AirAsia X Berhad	64,093	-
- PT Indonesia AirAsia Extra	58,796	-
- Others	1,388	7,875
	124,277	7,875
Payables:		
- AirAsia X Berhad	(43,969)	(56,641)
- Thai AirAsia X Co. Ltd	(32,148)	(14,003)
- PT Indonesia AirAsia Extra	(19,615)	(34,261)
- Others	(7,346)	(53)
	(103,078)	(104,958)

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

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

	Group 2018 RM'000	Group 2017 RM'000
Due from		
Ringgit Malaysia	124,277	2,888
US Dollar	-	4,987
	124,277	7,875
Due to		
Ringgit Malaysia	(24,302)	(56,694)
US Dollar	(78,776)	(48,264)
	(103,078)	(104,958)

26. Deposits, cash and bank balances

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Deposits with licensed banks	448,564	306,175	-	-
Cash and bank balances	2,878,357	1,576,020	1,357,538	*
Deposits, cash and bank balances	3,326,921	1,882,195	1,357,538	*
Deposits with licensed banks with maturity period of more than 3 months	(19,143)	-	-	-
Deposits pledged as securities and restricted cash	(14,764)	(14,614)	-	-
Cash and cash equivalents	3,293,014	1,867,581	1,357,538	*

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

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Ringgit Malaysia	1,715,698	208,981	1,352,636	*
US Dollar	1,118,833	917,109	4,902	-
Chinese Renminbi	180,559	183,000	-	-
Others	311,831	573,105	-	-
	3,326,921	1,882,195	1,357,538	*

* Represents RM2.

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

	Group		Company	
	2018	2017	2018	2017
	%	%	%	%
Deposits with licensed banks	2.45	1.36	-	-

27. Trade and other payables

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Non-current:				
Other payables	1,428,297	1,239,024	-	-
Aircraft maintenance payables	2,085,612	-	-	-
	3,513,909	1,239,024	-	-
Current:				
Trade payables	538,282	276,650	-	-
Accrual for fuel	149,628	144,369	-	-
Collateral for derivatives	79,399	139,406	-	-
Aircraft maintenance payables	315,532	-	-	-
Other payables and accruals	1,597,184	1,588,257	771	6
	2,680,025	2,148,682	771	6

The other payables include maintenance reserve funds of RM1,069,849,000 (2017: RM908,347,000) for the Group.

The current other payables and accruals include accruals for operational expenses and passenger service charge payable to airport authorities.

The Group recognised aircraft maintenance payables in relation to divestment of aircraft leasing operations during the year, as discussed in Note 43 (ii). Aircraft maintenance payables (which is estimated using flight hours and flight cycles of the aircraft at the date of disposal) have been 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.

The currency profile of trade and other payables are as follows:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	1,142,906	1,266,202	771	6
US Dollar	4,393,323	1,856,951	-	-
Others	657,705	264,553	-	-
	6,193,934	3,387,706	771	6

28. Aircraft maintenance provisions

	Group 2018 RM'000	Group 2017 RM'000
At 1 January	737,638	496,873
Arose during the year	539,728	318,905
Utilised	(288,416)	(59,241)
Exchange differences	22,859	(18,899)
At 31 December	1,011,809	737,638

	Group 2018 RM'000	Group 2017 RM'000
Disclosed as		
Non-current	843,768	559,069
Current	168,041	178,569
	1,011,809	737,638

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.

29. Borrowings

	Group 2018 RM'000	Group 2017 RM'000
Current		
Term loans	325,375	1,626,946
Finance lease liabilities (Ijarah)	58,308	137,833
Commodity Murabahah Finance	22,238	57,068
Revolving credit	17,242	-
	423,163	1,821,847
Non-current		
Term loans	530,116	6,543,849
Finance lease liabilities (Ijarah)	178,548	499,430
Commodity Murabahah Finance	73,302	443,508
	781,966	7,486,787
Total borrowings	1,205,129	9,308,634

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. Borrowings (cont'd.)

	Group 2018 %	Group 2017 %
Weighted average interest rate		
Term loans	5.23	4.34
Finance lease liabilities (Ijarah)	6.28	4.64
Commodity Murabahah Finance	5.63	5.31
Revolving credit	9.38	-

The borrowings are repayable as follows:

	Group 2018 RM'000	Group 2017 RM'000
Not later than 1 year	423,163	1,821,847
Later than 1 year and not later than 5 years	652,302	5,056,698
Later than 5 years	129,664	2,430,089
	1,205,129	9,308,634

The currency profile of borrowings is as follows:

	Group 2018 RM'000	Group 2017 RM'000
Ringgit Malaysia	95,540	734,671
US Dollar	885,632	8,126,971
Euro	56,060	162,819
Singapore Dollar	-	182,734
Philippine Peso	94,457	101,439
Indonesia Rupiah	73,440	-
	1,205,129	9,308,634

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

	Group 2018 RM'000	Group 2017 RM'000
Fixed rate borrowings	823,373	7,005,172
Floating rate borrowings	381,756	2,303,462
	1,205,129	9,308,634

29. Borrowings (cont'd.)

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

	Group 2018 Carrying amount RM'000	Group 2018 Fair value RM'000	Group 2017 Carrying amount RM'000	Group 2017 Fair value RM'000
Term loans	586,517	567,527	6,519,278	6,200,779
Finance lease liabilities (Ijarah)	236,856	225,943	485,894	502,102
	823,373	793,470	7,005,172	6,702,881

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 4.0% to 5.6% (2017: 3.4% to 4.7%) per annum. The fair values of fixed rate borrowings are within level 2 of the fair value hierarchy.

The term loans, finance lease liabilities (Ijarah) and Commodity Murabahah Finance are for the purchase of aircraft, spare engines and working capital purposes. The repayment terms of secured term loans, finance lease liabilities (Ijarah) and Commodity Murabahah Finance are on a quarterly or semi-annually basis.

Total borrowings include secured liabilities of the Group of RM1.1 billion (2017: RM8.9 billion). These are secured by the following:

(a) Assignment of rights under contract with Airbus over each aircraft;
(b) Assignment of insurance and reinsurance of each aircraft;
(c) Assignment of airframe and engine warranties of each aircraft; and
(d) Office building in Indonesia.

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 2018 RM'000	Group 2017 RM'000
Present value of defined benefit obligation	69,830	72,207

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 2018 RM'000	2017 RM'000
Defined benefit obligation at 1 January	72,207	-
Deemed acquisition of subsidiaries	-	68,514
Recognised in income statement		
- Current service cost	10,106	8,392
- Interest cost	4,641	4,161
Benefits paid	(3,385)	(3,122)
Past service cost	2,978	-
Remeasurement (loss)/gain recognised in other comprehensive income		
- Changes in financial assumptions	(14,745)	3,990
- Experience adjustments	515	(2,591)
Exchange differences	(2,487)	(7,137)
Defined benefit obligation at 31 December	69,830	72,207

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

	2018	2017
Discount rate	7.4% - 8.6%	5.2% - 7.3%
Salary increase rate per annum	5% - 7%	5% - 8%
Average employee service life	21 - 29 years	21 - 29 years

Sensitivity analysis

As at 31 December, the sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is as follows:

	Impact on defined benefit obligation Change in assumption	Increase in assumption RM'000	Decrease in assumption RM'000
2018			
Annual discount rate	+/- 1%	(5,235)	5,553
Future annual salary increase rate	+/- 1%	5,862	(5,629)
2017			
Annual discount rate	+/- 1%	1,132	(196)
Future annual salary increase rate	+/- 1%	5,739	(1,801)

31. Assets classified as held for sale and liabilities directly associated with assets held for sale

On 24 December 2018, an indirect subsidiary of the Company, AAC entered into a share purchase agreement with AS Air Lease Holdings 5T DAC and AS Air Lease 8 (Offshore) LP, both entities controlled by Castlelake L.P for the disposal of Merah Aviation Asset Holding Limited, a wholly owned subsidiary of AAC, which will own twenty five (25) aircraft, for an aggregate consideration of USD768 million (approximately RM3,124.6 million). Further details is as disclosed in Note 43(v).

The net carrying amount of the twenty five (25) aircraft amounting to RM2,775.3 million as at 31 December 2018 has been reclassified to current assets in accordance with MFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Correspondingly, the depreciation on those assets have ceased and related aircraft liabilities amounting to RM1,834.3 million have also been reclassified to current liabilities.

32. Share capital

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Share capital				
Issued and fully paid up:				
1 January	*	-	*	-
Issued during the year	8,023,268	*	8,023,268	*
31 December	8,023,268	*	8,023,268	*

On 16 April 2018, the Company completed the internal reorganisation by way of a scheme of arrangement which involves the issuance of 3,341,974,080 new ordinary shares at a total issue price of RM8,023 million for the acquisition of the entire issued share capital of AAB (refer to Note 43 (iii)).

* Represents RM2.

33. Merger (deficit)/reserve

	Group 2018 RM'000	Group 2017 RM'000
As at 1 January	2,515,278	2,515,278
Less: Purchase consideration to acquire AAB	(8,022,872)	-
Merger (deficit)/reserve	(5,507,594)	2,515,278

(a) As detailed in Note 45, 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.

(b) As detailed in Note 32, the Company completed the internal reorganisation on 16 April 2018. Consequently, the merger deficit represents the difference between the purchase consideration to acquire AAB and the share capital of AAB.

34. Retained earnings

The retained earnings of the Company of RM1,338,060 is available for distribution to shareholders of the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

35. Other reserves

Group

	Remeasurement loss/gain on employee benefits liability RM'000	Cash flow hedge reserve RM'000	Fair value reserve RM'000	Total RM'000
At 1 January 2018	(691)	(236,270)	169,353	(67,608)
Net change in fair value	8,074	(255,861)	(147,637)	(395,424)
Deferred tax recognised in other comprehensive income	(2,936)	45,196	-	42,260
Amounts transferred to income statements	-	25,007	-	25,007
Share of other comprehensive loss of an associate	-	(55,682)	-	(55,682)
At 31 December 2018	4,447	(477,610)	21,716	(451,447)

Group

	Remeasurement loss on employee benefits liability RM'000	Cash flow hedge reserve RM'000	Fair value reserve RM'000	Total RM'000
At 1 January 2017	-	(13,610)	224,440	210,830
Net change in fair value	(691)	(371,561)	(55,087)	(427,339)
Amounts transferred to income statements	-	148,901	-	148,901
At 31 December 2017	(691)	(236,270)	169,353	(67,608)

Company

	Fair value reserve RM'000	Total RM'000
At 1 January 2018	-	-
Net change in fair value	(61,305)	(61,305)
At 31 December 2018	(61,305)	(61,305)

36. Dividends

Dividends declared or proposed by the Company are as follows:

	2018 Gross dividend per share Sen	2018 Amount of dividend net of tax RM'000	2017 Gross dividend per share Sen	2017 Amount of dividend net of tax RM'000
First and final single tier dividend of 12 sen per ordinary share paid in respect of the financial year ended 31 December 2016	-	-	12	401,025
First interim single tier dividend of 12 sen per ordinary share paid in respect of the financial year ended 31 December 2018/31 December 2017	12	401,037	12	401,025
Special dividend of 40 sen per ordinary share paid in respect of the financial year ended 31 December 2018	40	1,336,790	-	-
	52	1,737,827	24	802,050

37. Commitments and operating leases

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

	Group 2018 RM'000	Group 2017 RM'000
Property, plant and equipment:		
- Approved and contracted for	88,640,451	89,812,952
- Approved but not contracted for	26,351	38,512
	88,666,802	89,851,464

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 2018 RM'000	Group 2017 RM'000
Not later than 1 year	2,985,183	3,011,658
Later than 1 year and not later than 5 years	29,174,092	21,499,524
Later than 5 years	56,481,176	65,301,770
	88,640,451	89,812,952

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

37. Commitments and operating leases (cont'd.)

(b) Non-cancellable operating leases

The future minimum lease payments and sublease receipts under non-cancellable operating leases are as follows:

	2018		2017	
	Future minimum lease payments RM'000	Future minimum sublease receipts RM'000	Future minimum lease payments RM'000	Future minimum sublease receipts RM'000
Group				
Not later than 1 year	2,065,071	481,471	776,747	757,214
Later than 1 year and not later than 5 years	6,901,653	1,110,453	2,609,430	2,331,468
Later than 5 years	5,547,770	211,914	1,981,286	556,678
	14,514,494	1,803,838	5,367,463	3,645,360

Sublease receipts include lease receipts from both owned and leased aircraft receivable from Thai AirAsia Co. Ltd, PT Indonesia AirAsia, AirAsia Inc, Philippines AirAsia Inc, AirAsia Japan Co. Ltd and AirAsia (India) Limited.

38. 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.

38. Segmental information (cont'd.)

The segmental information provided to the GCEO for the reportable segments are as follows:

	Malaysia RM'000	Philippines RM'000	Indonesia RM'000	Thailand RM'000	India RM'000	Japan RM'000	Elimination adjustments RM'000	Total RM'000
2018								
Segment results								
Revenue	8,899,828	1,602,142	1,190,771	4,866,106	1,316,557	68,685	(1,906,668)	16,037,421
Operating expenses								
- Staff costs	(1,257,921)	(195,645)	(216,352)	(714,188)	(207,926)	(96,968)	-	(2,689,000)
- Depreciation of property, plant and equipment	(523,802)	(20,973)	(50,464)	(208,472)	(7,840)	(2,860)	10,491	(803,920)
- Aircraft fuel expenses	(2,694,976)	(683,896)	(529,545)	(1,830,576)	(774,475)	(28,787)	-	(6,542,255)
- Maintenance and overhaul	(677,852)	(320,481)	(201,778)	(401,218)	(230,316)	(12,659)	497,639	(1,346,665)
- User charges	(1,184,120)	(203,488)	(272,737)	(561,344)	(209,182)	(30,878)	84,328	(2,377,421)
- Aircraft operating lease expenses	(1,364,357)	(245,020)	(207,542)	(643,879)	(241,022)	(34,085)	1,303,109	(1,432,796)
- Other operating expenses	(597,133)	(129,702)	(109,672)	(585,776)	(72,321)	(24,866)	62,423	(1,457,047)
Other income/(charges)	4,544,070	58,414	154,016	123,282	61,493	186	(3,584,891)	1,356,570
Operating profit/(loss)	5,143,737	(138,649)	(243,303)	43,935	(365,032)	(162,232)	(3,533,569)	744,887
Finance income	74,981	30	838	7,320	1,984	(33)	(17,414)	67,706
Finance costs	(412,519)	(16,161)	(23,519)	(43,886)	(1,513)	(77)	306	(497,369)
Net operating profit/(loss)	4,806,199	(154,780)	(265,984)	7,369	(364,561)	(162,342)	(3,550,677)	315,224
Associate's results not consolidated	-	-	-	(7,369)	364,561	162,342	(27,750)	492,284
Net operating profit/(loss)	4,806,199	(154,780)	(265,984)	-	-	-	(3,577,927)	807,508
Foreign exchange gains/(losses)	236,745	(64,018)	(36,437)	31,321	(8,405)	(589)	(31,784)	126,833
Fair value (loss)/gain on derivatives	(198,609)	669	(2,233)	(14,659)	-	-	14,659	(200,173)
Impairment of investment in joint venture	-	-	-	-	-	-	(5,596)	(5,596)
Impairment of other investment	-	-	-	-	-	-	(5,438)	(5,438)
Remeasurement gain on retained interest in a former subsidiary	-	-	-	-	-	-	534,712	534,712
Gain on disposal of investment in an associate	-	-	-	-	-	-	181,914	181,914
Share of results of joint ventures	-	-	-	-	-	-	11,083	11,083
Share of results of associates	-	-	-	-	-	-	(115,610)	(115,610)
Profit/(loss) before taxation	4,844,335	(218,129)	(304,654)	16,662	(8,405)	(589)	(2,993,987)	1,335,233

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

38. 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	Indonesia RM'000	Thailand RM'000	India RM'000	Japan RM'000	Elimination adjustments RM'000	Total RM'000
2018 (cont'd.)								
Segment Assets								
Property, plant and equipment (including asset held for sale)	5,249,980	53,283	401,655	3,337,811	48,561	24,790	(3,488,842)	5,627,238
Deposits, cash and bank balances	3,273,097	13,474	40,350	515,697	58,441	17,806	(591,944)	3,326,921
Investment in joint ventures and associates	613,704	-	-	-	-	-	252,888	866,592
Other assets	19,589,907	151,751	176,755	990,256	335,705	24,403	(12,539,757)	8,729,020
	28,726,688	218,508	618,760	4,843,764	442,707	66,999	(16,367,655)	18,549,771
Segment Liabilities								
Borrowings (Including liabilities associated with asset held for sale)	2,782,464	206,223	289,809	2,657,368	66,405	-	(2,962,814)	3,039,455
Others	12,937,767	1,896,865	719,234	1,192,798	739,355	41,278	(8,202,246)	9,325,051
	15,720,231	2,103,088	1,009,043	3,850,166	805,760	41,278	(11,165,060)	12,364,506

38. 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	Indonesia RM'000	Thailand RM'000	India RM'000	Japan RM'000	Elimination adjustments RM'000	Total RM'000
2017								
Segment results								
Revenue	7,701,400	1,351,910	1,201,440	4,555,133	1,012,888	7,053	(1,453,049)	14,376,775
Operating expenses								
- Staff costs	(1,204,035)	(173,723)	(229,287)	(693,171)	(181,149)	(102,632)	-	(2,583,997)
- Depreciation of property, plant and equipment	(821,701)	(19,881)	(53,858)	(183,081)	(6,614)	(2,772)	31,451	(1,056,456)
- Aircraft fuel expenses	(1,993,660)	(434,618)	(392,847)	(1,340,953)	(397,694)	(730)	-	(4,560,502)
- Maintenance and overhaul	(361,502)	(252,345)	(179,329)	(372,279)	(128,780)	(11,197)	320,296	(985,136)
- User charges	(889,649)	(164,733)	(246,578)	(771,638)	(157,762)	(12,908)	37,677	(2,205,591)
- Aircraft operating lease expenses	(667,234)	(181,226)	(182,534)	(627,904)	(158,716)	(34,811)	1,110,798	(741,627)
- Other operating expenses	(322,572)	(85,392)	(99,983)	(285,564)	(69,884)	(20,434)	91,721	(792,108)
Other income/(charges)	1,028,045	38,953	252,707	95,639	34,233	(50)	(595,878)	853,649
Operating profit/(loss)	2,469,092	78,945	69,731	376,182	(53,478)	(178,481)	(456,984)	2,305,007
Finance income	81,271	68	1,530	7,060	3,382	-	(27,199)	66,112
Finance costs	(589,531)	(22,552)	(26,542)	(87,699)	(3,311)	(622)	60,877	(669,380)
Net operating profit/(loss)	1,960,832	56,461	44,719	295,543	(53,407)	(179,103)	(423,306)	1,701,739
Associate's results not consolidated	-	-	-	(295,543)	53,407	179,103	-	(63,033)
Net operating profit/(loss)	1,960,832	56,461	44,719	-	-	-	(423,306)	1,638,706
Foreign exchange gains/(losses)	179,202	(22,972)	31,165	40,808	7,157	451	(48,752)	187,059
Gain on partial disposal of investment in a subsidiary	406,839	-	-	-	-	-	(406,839)	-
Fair value loss on derivatives	(117,652)	-	-	-	-	-	(22,950)	(140,602)
Gain on remeasurement of previously held interest in associates	-	-	-	-	-	-	214,350	214,350
Gain on bargain purchase	-	-	-	-	-	-	121,045	121,045
Share of results of a joint venture	-	-	-	-	-	-	19,923	19,923
Share of results of associates	-	-	-	-	-	-	47,307	47,307
Profit/(loss) before taxation	2,429,221	33,489	75,884	40,808	7,157	451	(499,222)	2,087,788

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

38. 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	Indonesia RM'000	Thailand RM'000	India RM'000	Japan RM'000	Elimination adjustments RM'000	Total RM'000
2017 (cont'd.)								
Segment Assets								
Property, plant and equipment	12,013,762	82,723	619,354	3,159,115	37,953	25,826	(3,635,211)	12,303,522
Deposits, cash and bank balances	1,685,428	42,355	85,612	647,647	110,686	24,882	(714,415)	1,882,195
Investment in joint ventures and associates	1,105,739	-	2,998	-	-	-	(554,583)	554,154
Other assets	9,025,507	168,020	1,117,735	1,028,546	96,385	19,576	(4,521,562)	6,934,207
	23,830,436	293,098	1,825,699	4,835,308	245,024	70,284	(9,425,771)	21,674,078
Segment Liabilities								
Borrowings	(9,071,988)	(236,645)	(323,787)	(2,418,923)	-	-	2,742,709	(9,308,634)
Others	(5,576,556)	(1,759,178)	(701,835)	(1,096,134)	(299,816)	(30,218)	3,808,373	(5,655,364)
	(14,648,544)	(1,995,823)	(1,025,622)	(3,515,057)	(299,816)	(30,218)	6,551,082	(14,963,998)

39. 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	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(a)	**Income:**				
	Aircraft operating lease income for owned and leased aircraft				
	- Thai AirAsia Co. Ltd	428,036	539,686	-	-
	- AirAsia (India) Limited	198,309	157,175	-	-
	- AirAsia Japan Co., Ltd	31,718	33,637	-	-
	- PT Indonesia AirAsia Extra	78,105	71,744	-	-
	Gain on disposal of aircraft to Thai AirAsia Co. Ltd	9,343	-	-	-
	Fees charged to associates and related parties providing commercial air transport services	114,526	106,777	-	-
	Commission on travel insurance for passengers charged to Tune Insurance Malaysia Berhad	15,312	18,918	-	-
(b)	**Recharges:**				
	Recharges of expenses to				
	- Thai AirAsia Co. Ltd	59,637	146,979	-	-
	- AirAsia X Berhad	64,825	34,648	-	-
	- AirAsia (India) Limited	29,716	26,213	-	-
	- PT Indonesia AirAsia Extra	5,520	64,808	-	-
	- Thai AirAsia X Co. Ltd	4,259	6,578	-	-
	- AirAsia Japan Co., Ltd	3,543	4,021	-	-
	Recharges of expenses by				
	- Asia Aviation Capital Limited	-	1,958	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
(c) Other charges/(expenses):				
Maintenance reserve fund charged to				
- Thai AirAsia Co. Ltd	167,357	375,592	-	-
- AirAsia (India) Limited	60,575	84,121	-	-
- PT Indonesia AirAsia Extra	23,227	36,814	-	-
- AirAsia Japan Co., Ltd	6,851	3,210	-	-
Charter air travel services charged by				
- AirAsia X Berhad	-	(9,021)	-	-
- PT Indonesia AirAsia Extra	(25,194)	(24,660)	-	-
Purchase of cargo transportation capacity of AirAsia X Berhad	87,503	-		
Training fee charged by CAE Kuala Lumpur Sdn Bhd (formerly known as Asian Aviation Centre of Excellence Sdn Bhd)*	-	(11,035)	-	-
Management fees paid to AirAsia Group (IHQ) Ltd	-	-	(1,713)	-
Management fees charged to associates and related parties	10,609	18,014	-	-

* Asian Aviation Centre of Excellence Sdn Bhd had been disposed in prior year.

40. Financial instruments

	Measured at amortised costs RM'mil	Measured at FVTPL RM'mil	Measured at FVOCI RM'mil	Total RM'mil
Group				
31 December 2018				
Financial assets as per statements of financial position				
Investment securities (Note 15)	-	67	411	478
Receivables (excluding prepayments and deposits for aircraft maintenance) (Note 18)	1,376	-	-	1,376
Amounts due from associates (Note 23)	404	-	-	404
Amounts due from joint ventures (Note 24)	7	-	-	7
Amounts due from related parties (Note 25)	124	-	-	124
Deposits on aircraft purchase (Note 19)	976	-	-	976
Derivative financial instruments (Note 20)	-	210	440	650
Deposits, cash and bank balances (Note 26)	3,327	-	-	3,327
Total	6,214	277	851	7,342

40. Financial instruments (cont'd.)

	Liabilities at fair value through the profit and loss RM'mil	Other financial liabilities RM'mil	Total RM'mil
31 December 2018 (cont'd.)			
Financial liabilities as per statements of financial position			
Borrowings (Note 29)	-	1,205	1,205
Derivative financial instruments (Note 20)	23	642	665
Trade and other payables (excluding maintenance reserve funds) (Note 27)	-	5,124	5,124
Amounts due to associates (Note 23)	-	78	78
Amount due to a joint venture (Note 24)	-	11	11
Amounts due to related parties (Note 25)	-	103	103
Total	23	7,163	7,186

	Loans and receivables RM'mil	Assets at fair value through the profit and loss RM'mil	Derivatives used for hedging RM'mil	Available-for-sale financial assets RM'mil	Total RM'mil
31 December 2017					
Financial assets as per statements of financial position					
Available-for-sale financial assets (Note 15)	-	-	-	302	302
Receivables (excluding prepayments and deposits for aircraft maintenance) (Note 18)	1,417	-	-	-	1,417
Amounts due from associates (Note 23)	148	-	-	-	148
Amounts due from a joint venture (Note 24)	5	-	-	-	5
Amounts due from related parties (Note 25)	8	-	-	-	8
Deposits on aircraft purchase (Note 19)	916	-	-	-	916
Derivative financial instruments (Note 20)	-	261	327	-	588
Deposits, cash and bank balances (Note 26)	1,882	-	-	-	1,882
Total	4,376	261	327	302	5,266

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

40. Financial instruments (cont'd.)

	Liabilities at fair value through the profit and loss RM'mil	Derivatives used for hedging RM'mil	Other financial liabilities RM'mil	Total RM'mil
31 December 2017 (cont'd.)				
Financial liabilities as per statements of financial position				
Borrowings (Note 29)	-	-	9,308	9,308
Derivative financial instruments (Note 20)	92	54	-	146
Trade and other payables (excluding maintenance reserve funds) (Note 27)	-	-	2,479	2,479
Amounts due to associates (Note 23)	-	-	146	146
Amounts due to related parties (Note 25)	-	-	105	105
Total	92	54	12,038	12,184

	Measured at amortised costs RM'mil	Measured at FVOCI RM'mil	Total RM'mil
Company			
31 December 2018			
Assets as per statements of financial position			
Investment securities (Note 15)	-	200	200
Amount due from a subsidiary (Note 22)	*	-	*
Deposits, cash and bank balances (Note 26)	1,358	-	1,358
	1,358	200	1,558

* Represents RM250,000.

	Other financial liabilities RM'mil
Liabilities as per statements of financial position	
Trade and other payables (Note 27)	*
Amounts due to subsidiaries (Note 22)	313
	313

* Represents RM771,000.

40. Financial instruments (cont'd.)

	Other financial liabilities RM'mil
Company	
31 December 2017	
Liabilities as per statements of financial position	
Trade and other payables (Note 27)	*

* Represents RM6,000.

41. Financial risk management policies

The Group is exposed to market risk (including fuel price risk, interest rate risk and foreign currency risk), credit risk and liquidity risk. The Group uses financial instruments such as fuel swaps, interest rate swaps and caps, and foreign currency forwards to mitigate its financial risks.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management team then establishes detailed policies such as risk identification and measurement, exposure limits and risk management strategies. Financial risk management policies and procedures are reviewed regularly to reflect changes in the market condition and the Group's activities.

The Group also seeks to ensure that the financial resources that are available for the development of the Group's businesses are constantly monitored and managed vis-a-vis its ongoing exposure to fuel price, interest rate, foreign currency, credit, liquidity and cash flow risks.

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

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates, jet fuel prices and interest rates. The objective of market risk management is to manage and control market risk exposure within acceptable parameters while optimising the return on risk.

(i) Fuel price risk

The Group is exposed to jet fuel price risk and seek to hedge its fuel requirements using fuel swaps (Note 20). If a barrel of jet fuel/brent oil at 31 December 2018 had been USD5 higher/lower with all other variables held constant, the impact on the post-tax profit and equity are as follows:

	2018		2017	
	+USD5 RM'mil	-USD5 RM'mil	+USD5 RM'mil	-USD5 RM'mil
Impact on post tax profits	3.03	(3.03)	15.80	(15.80)
Impact on other comprehensive income	238.01	(238.01)	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

(a) Market risk (cont'd.)

(ii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is that risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

Interest rate exposure arises from the Group's floating rate borrowings and is managed by entering into derivative financial instruments. Derivative financial instruments are used, as far as possible and where appropriate, to generate the desired fixed interest rate profile. Surplus funds are placed with reputable financial institutions.

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

If interest rate on USD denominated borrowings at 31 December 2018 and 31 December 2017 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 2018 and 31 December 2017 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:

	2018		2017	
	+60bps RM'mil	**-60bps RM'mil**	**+60bps RM'mil**	**-60bps RM'mil**
Impact on post tax profits	1.58	(1.57)	17.95	(18.55)
Impact on other comprehensive income	37.25	(29.33)	33.73	(36.44)

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:

	2018 RM'mil	**2017 RM'mil**
Later than 1 year but less than 5 years:		
Interest rate caps	115	233
Interest rate swaps	732	1,445
Cross currency interest rate swaps	54	86
Later than 5 years:		
Interest rate swaps	1,406	1,495
Cross currency interest rate swaps	246	275
	2,553	3,534

41. 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.

69% (2017: 46%) of USD denominated borrowings are hedged by long dated foreign exchange forward contracts (Note 20).

If RM had weakened/strengthened by 5% against the USD as at 31 December 2018 with all other variables held constant, post-tax profit for the financial year would have been RM53.0 million (2017: RM122.29 million) higher/lower. Similarly, the impact on other comprehensive income would have been RM0.7 million (2017: RM6.34 million) higher/lower due to the cash flow hedging in USD.

The exposure to other foreign currency risk of the Group is not material and hence, sensitivity analysis is not presented.

The Group's currency exposure profile of financial instruments denominated in currencies other than the functional currency is presented in the respective financial asset and financial liabilities notes.

(b) Credit risk

Credit risk is the risk of financial loss to the Group and the Company if a customer or a counter party to a financial instrument fails to meet its contractual obligations and arises principally from the Group's and Company'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, deposit for aircraft purchase and derivative financial instruments. As the Group and 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. Prepayments for engine maintenance to the service provider are also deemed by the Group as having credit risk in the event counterparties do not fulfill the obligation.

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

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

(c) Liquidity and cash flow risk

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

The Directors are committed to ensuring that the Group and the Company will have sufficient funds to enable the Group and the Company to meet their liabilities as they fall due and to carry on their business without significant curtailment of operations, including raising funds from the market.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

41. 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.)

The table below analyses the Group's payables, non-derivative financial liabilities, gross-settled and net-settled derivative financial liabilities and the Company's payables into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

	Less than 1 year RM'mil	1-2 years RM'mil	2-5 years RM'mil	Over 5 years RM'mil
Group				
At 31 December 2018				
Term loans	354	294	182	105
Finance lease liabilities	62	34	152	-
Commodity Murabahah Finance	28	17	35	40
Revolving credit	17	-	-	-
Trade and other payables	2,718	2,813	-	-
Amounts due to associates	32	6	36	14
Amounts due to joint venture	11	-	-	-
Amounts due to related parties	103	-	-	-
	3,325	3,164	405	159
At 31 December 2017				
Term loans	1,870	1,447	3,549	2,300
Finance lease liabilities	174	126	459	-
Commodity Murabahah Finance	84	85	206	263
Trade and other payables	2,034	445	-	-
Amounts due to associates	60	-	-	86
Amounts due to related parties	94	-	-	11
	4,316	2,103	4,214	2,660

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

The policies in respect of the major areas of treasury activities are as follows (cont'd.):

(c) Liquidity and cash flow risk (cont'd.)

	Less than 1 year RM'mil	1-2 years RM'mil	2-5 years RM'mil	Over 5 years RM'mil
Company				
At 31 December 2018				
Trade and other payables	*	-	-	-
Amounts due to subsidiaries	313	-	-	-
	313	-	-	-

* Represents RM771,000.

	Less than 1 year RM'mil	1-2 years RM'mil	2-5 years RM'mil	Over 5 years RM'mil
At 31 December 2017				
Trade and other payables	*	-	-	-

* Represents RM6,000.

	Less than 1 year RM'mil	1-2 years RM'mil	2-5 years RM'mil	Over 5 years RM'mil
Group				
At 31 December 2018				
Net-settled derivatives				
Trading	14	9	-	-
Hedging	452	156	28	6
At 31 December 2017				
Net-settled derivatives				
Trading	72	-	20	-
Hedging	3	5	44	2

(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 2017.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

The policies in respect of the major areas of treasury activities are as follows (cont'd.):

(d) Capital risk management (cont'd.)

Consistent with others in the industry, the Group and the Company monitors capital utilisation on the basis of the net gearing ratio. This net gearing ratio is calculated as net debts divided by total equity. Net debts are calculated as total borrowings (including "short term and long term borrowings" as shown in the Group's and the Company's balance sheet) add liabilities attributable to assets held for sale less deposit, cash and bank balances.

The net gearing ratio as at 31 December 2018 and 31 December 2017 are as follows:

	Group		Company	
	2018 RM'mil	2017 RM'mil	2018 RM'mil	2017 RM'mil
Total borrowings (Note 29)	1,205	9,309	-	-
Liabilities attributable to assets held for sale (Note 31)	1,834	-	-	-
Less: Deposit, cash and bank balances	(3,327)	(1,882)	(1,358)	*
Net debts	(288)	7,427	(1,358)	*
Total equity	6,185	6,710	9,300	**
Net Gearing Ratio (times)	N/A	1.11	N/A	N/A

* Represents RM2.
** Represents shareholder deficit of RM6,334.

The Group is in compliance with all externally imposed capital requirements for the financial years ended 31 December 2018 and 31 December 2017.

(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).

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

	Level 1 RM'mil	Level 2 RM'mil	Level 3 RM'mil	Total RM'mil
Group				
31 December 2018				
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	210	-	210
Derivatives used for hedging	-	440	-	440
Investment securities	337	99	-	436
	337	749	-	1,086
Liabilities				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	23	-	23
Derivatives used for hedging	-	641	-	641
	-	664	-	664
31 December 2017				
Assets				
Financial assets at fair valuethrough profit or loss				
- Trading derivatives	-	261	-	261
Derivatives used for hedging	-	327	-	327
Available-for-sale financial assets	297	-	5	302
	297	588	5	890
Liabilities				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	92	-	92
Derivatives used for hedging	-	54	-	54
	-	146	-	146
Company				
31 December 2018				
Assets				
Investment securities	200	-	-	200
	200	-	-	200

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

41. 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.)

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:

- 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.

42. 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 Installment 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 2018. 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.

42. Unconsolidated structured entities (cont'd.)

The details of the Merah entities are as follows:

Name	Incorporation	Principal activities
Merah Satu Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tiga Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Empat Sdn Bhd	Malaysia	Aircraft financing special purpose company
Merah Lima Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Enam Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tujuh Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Sembilan 9M-AFX Sdn Bhd	Malaysia	Aircraft financing special purpose company
Merah Sepuluh Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Sebelas Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duabelas Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tigabelas Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Empatbelas Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Enambelas Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Lapanbelas Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duapuluh Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duapuluhsatu Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duapuluhtiga Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duapuluhlima Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duapuluhtujuh Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duapuluhlapan Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duapuluhsembilan Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tigapuluh Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tigapuluhsatu Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tigapuluhdua Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tigapuluhempat Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tigapuluhenam Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tigapuluhtujuh Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tigapuluhsembilan Limited	Labuan, Malaysia	Aircraft financing special purpose company

43. Significant events

(i) Sale of interest in a subsidiary

On 4 January 2018, the share swap agreement between GTRH and SATS was completed, wherein GTRH acquired an 80% equity stake in SATS Ground Services Singapore Pte. Ltd in exchange for 11.4% equity stake in GTRH. In addition to this, on 14 February 2018, AAB, a wholly-owned subsidiary of the Company, sold and transfered 38.6% of its shareholding in GTRH to SATS for a consideration of SGD119,300,000. Accordingly, GTRH became a joint venture of the Group and has resulted in the following (details are as disclosed in Note 13):

a. Gain on disposal of a subsidiary amounting to RM350.3 million; and
b. Remeasurement gain on retained interest in a former subsidiary of RM534.7 million.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

43. Significant events (cont'd.)

(ii) Divestment of aircraft leasing operations

On 28 February 2018, AAB entered into share purchase agreements to divest its aircraft leasing operations that were undertaken by AAC, a wholly owned subsidiary, to entities managed by BBAM Limited Partnership ("BBAM") for a disposal consideration of RM9,775.6 million, of which RM262.3 million relates to non-cash consideration on investment in equity securities. This has resulted in a gain on disposal of RM530.6 million which was mainly attributed to the reversal of deferred tax liabilities applicable to certain aircraft.

As at 31 December 2018, the original 79 aircraft that was identified to be sold together with 3 new aircraft (totalling 82 aircraft, including 7 outright disposal) and 14 aircraft engines had been disposed to BBAM, of which, upon completion of the disposal, AAB and/or its affiliate airlines within the Group entered into lease agreements with entities managed by BBAM to leaseback the same.

(iii) Internal reorganisation

On 15 March 2018, the High Court approved the internal reorganisation by way of a Members' Scheme of Arrangement under Section 366 of the Companies Act 2016, which was satisfied in the following manner:

(a) the exchange of 3,341,974,080 ordinary shares in AAB (including treasury shares), representing the entire issued share capital of AAB, with 3,341,974,080 new ordinary shares of the Company, on the basis of 1 new AAGB Share for every 1 existing AAB Share held on 6 April 2018; and

(b) the assumption of the listing status of AAB by the Company, and the admission of the Company to and withdrawal of AAB from the Official List of Bursa Malaysia Securities Berhad, with the listing of and quotation for AAGB Shares on the Main Market of Bursa Securities.

The internal reorganisation was completed on 16 April 2018. Accordingly, AAB became a wholly owned subsidiary of the Company.

(iv) Sale of interest in an associate

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

(v) Proposed disposal of Merah Aviation Asset Holding Limited

On 24 December 2018, an indirect wholly owned subsidiary of the Company, AAC, entered into a share purchase agreement with AS Air Lease Holdings 5T DAC ("the Purchaser") and AS Air Lease 8 (Offshore) LP ("the Purchaser Guarantor"), being entities controlled by Castlelake L.P for the proposed disposal of entire equity interest in Merah Aviation Asset Holding Limited, to dispose twenty five (25) aircraft, for an aggregate consideration of USD768 million, subject to terms and conditions stipulated in the agreement.

On the same date, AACL entered into sale and leaseback agreement with the Purchaser for the sale and leaseback of four (4) new aircraft in 2019 for a purchase consideration to be determined at a later date, depending on the final date of delivery and price escalation adjustments of each aircraft.

43. Significant events (cont'd.)

(v) Proposed disposal of Merah Aviation Asset Holding Limited (cont'd.)

Subsequently, on 8 March 2019, AAC entered into an amended share purchase agreement with the Purchaser and the Purchaser Guarantor to dispose its entire equity interest in the following entities:

(i) Merah Aviation Asset Holdings Limited
(ii) Merah Aviation Asset Holding Two Limited;
(iii) Merah Aviation Asset Holding Three Limited;
(iv) Merah Aviation Asset Holding Four Limited; and
(v) Merah Aviation Asset Holding Five Limited

which will collectively own the twenty five (25) aircraft. These entities were acquired subsequent to financial year end, as disclosed in Note 44 (ii).

As at 31 December 2018, the proposed disposal is subject to shareholders approval.

(vi) Litigations involving AAB and Malaysia Airports (Sepang) Sdn Bhd ("MASSB")

During the year, AAB, a wholly owned subsidiary of the Company, received a Writ of Summons and Statement of Claim ("Claim") dated 10 December 2018 and 31 January 2019, filed at the High Court of Malaya at Kuala Lumpur from Messrs Skrine, solicitors acting for MASSB.

MASSB is claiming approximately RM14 million in relation to additional PSC for which AAB was required to collect additional RM23 per passenger, effective since 1 July 2018.

On 23 January 2019, AAB filed a statement of defence in which it contended that the claims are made without justification and are unreasonable and that the claim by MASSB is misconceived, invalid and/or premature as MASSB has not complied with and/or availed itself of the statutory provisions for dispute resolution. Accordingly, AAB has filed an application to strike out the suit on the above grounds.

44. Subsequent events

(i) Acquisition of additional shares in Touristly Travel Sdn Bhd

On 4 March 2019, the Company, through its wholly-owned subsidiary, RedBeat Ventures Sdn Bhd ("RBV") completed the acquisition of 629,130 ordinary shares in Touristly Travel Sdn Bhd ("Touristly") in aggregate from Netrove Ventures Corporation, Jeffrey Saw Meng Lai and Wong Chin Kit ("the Acquisition") for a cash consideration of RM1,098,000. Following the Acquisition, the Company's indirect shareholdings in Touristly through RBV increased from 50% to 74.6% resulting in Touristly becoming an indirect subsidiary of the Company (previously accounted for as an investment in joint venture).

(ii) Acquisition of subsidiaries

On 6 March 2019, AAC, an indirect wholly owned subsidiary of the Company, acquired the entire issued and paid up capital of the following companies for cash consideration of USD1 (or equivalent to approximately RM4.0895) each.

1. Merah Aviation Asset Holding Two Limited;
2. Merah Aviation Asset Holding Three Limited;
3. Merah Aviation Asset Holding Four Limited; and
4. Merah Aviation Asset Holding Five Limited.

The above companies were newly incorporated as companies under the laws of Ireland on 6 March 2019 for the purposes of owning, leasing and/or financing of aircraft.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

44. Subsequent events (cont'd.)

(iii) Incorporation of subsidiaries

BIGLIFE Philippines Inc

On 18 March 2019, an indirect 80% owned subsidiary of the Company, BIGLIFE Sdn Bhd, had incorporated a wholly owned subsidiary, BIGLIFE Philippines Inc with 103,993 ordinary shares held by BIGLIFE Sdn Bhd with the balance held by 7 other individuals (being nominees of BIGLIFE). The subsidiary is incorporated to own, operate and develop AirAsia Big Loyalty program in the Philippines.

BIGLIFE Japan Co Ltd

On 19 March 2019, an indirect 80% owned subsidiary of the Company, BIGLIFE Sdn Bhd, had incorporated a wholly owned subsidiary, BIGLIFE Japan Co Ltd with 1 ordinary shares at JPY1. The subsidiary is incorporated to own, operate and develop AirAsia Big Loyalty program in Japan.

45. Comparatives

The acquisition of the entire issued share capital of AAB by the Company is an internal reorganisation and does not result in any change in economic substance of the group. Accordingly, the consolidated financial statements of the Company is a continuation of AAB Group 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 consolidated the assets and liabilities of the AAB Group 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 recorded in AAB Group. Any difference between the consideration paid/transferred and the equity acquired is reflected within equity as merger reserve or deficit.

ANALYSIS OF SHAREHOLDINGS
AS AT 27 MARCH 2019

DISTRIBUTION OF SHAREHOLDINGS

Class of shares : Ordinary shares
Voting rights : One vote per ordinary share

Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	140	0.34	1,853	0.00
100 – 1,000	12,511	30.42	9,552,891	0.28
1,001 – 10,000	21,890	53.22	93,317,583	2.80
10,001 – 100,000	5,361	13.03	163,968,715	4.90
100,001 to less than 5% of issued shares	1,224	2.98	1,999,647,958	59.83
5% and above of issued shares	3	0.01	1,075,485,082	32.18
	41,129	100.00	3,341,974,082	100.00

SUBSTANTIAL SHAREHOLDERS

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

	DIRECT		INDIRECT	
Name	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
Tune Live Sdn. Bhd. ("TLSB")	559,000,000[1]	16.73	-	-
Tune Air Sdn Bhd ("TASB")	516,485,082[2]	15.45	-	-
Tan Sri Anthony Francis Fernandes	1,600,000[2]	0.05	1,075,485,082[3]	32.18
Datuk Kamarudin bin Meranun	2,000,000[2]	0.06	1,075,485,082[3]	32.18
Employees Provident Fund Board	186,965,349 [4]	5.59	-	-

NOTES:

(1) Shares held under RHB Capital Nominees (Tempatan) Sdn. Bhd. and HSBC Nominees (Tempatan) Sdn. Bhd.
(2) Shares held under HSBC Nominees (Tempatan) Sdn. Bhd.
(3) Deemed interested by virtue of Section 8 of the Companies Act, 2016 through a shareholding of more than 20% in TLSB and TASB.
(4) Shares held under Citigroup Nominees (Tempatan) Sdn. Bhd.

ANALYSIS OF SHAREHOLDINGS

DIRECTORS' SHAREHOLDINGS

The interests of the Directors of AirAsia in the Shares and options over shares in the Company and its related corporations based on the Company's Register of Directors' Shareholdings are as follows: -

	<----Direct---->		<-------Indirect----->	
	No. of Shares Held	**% of Issued Shares**	**No. of Shares held**	**% of Issued Shares**
Tan Sri Anthony Francis Fernandes	1,600,000[1]	0.05	1,075,485,082[2]	32.18
Datuk Kamarudin bin Meranun	2,000,000[1]	0.06	1,075,485,082[2]	32.18
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	29,500[3]	-*	-	-
Dato' Fam Lee Ee	-	-	-	-
Stuart L Dean	40,000[4]	-*	-	-
Noor Neelofa binti Mohd Noor	-	-	-	-
Dato' Mohamed Khadar bin Merican	200,000[5]	0.01	-	-

NOTES:

* Negligible.
(1) Shares held under HSBC Nominees (Tempatan) Sdn. Bhd.
(2) Deemed interested by virtue of Section 8 of the Companies Act, 2016 through a shareholding of more than 20% in Tune Air Sdn. Bhd. and Tune Live Sdn. Bhd.
(3) Shares held under Amsec Nominees (Tempatan) Sdn. Bhd. and MIDF Amanah Investment Nominees (Tempatan) Sdn. Bhd.
(4) Shares held under Cimsec Nominees (Asing) Sdn. Bhd.
(5) Shares held under Citigroup Nominees (Tempatan) Sdn. Bhd.

LIST OF TOP 30 LARGEST SHAREHOLDERS

	Name of Shareholders	**No. of Shares Held**	**% of Issued Share Capital**
1.	HSBC Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account - Credit Suisse AG, Singapore For Tune Air Sdn. Bhd.*	516,485,082	15.45
2.	HSBC Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account - Credit Suisse AG, Singapore For Tune Live Sdn. Bhd.*	308,930,290	9.24
3.	RHB Capital Nominees (Tempatan) Sdn. Bhd. *RHB Islamic Bank Berhad Pledged Securities Account For Tune Live Sdn. Bhd.*	250,069,710	7.48
4.	Amanahraya Trustees Berhad *Amanah Saham Bumiputera*	158,647,100	4.75
5.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Employees Provident Fund Board*	146,983,849	4.40
6.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Exempt An for AIA Bhd.*	71,649,700	2.14
7.	Cartaban Nominees (Asing) Sdn. Bhd. *SSBT Fund W97N Emerging Markets Opportunities Portfolio (WTC CTF)*	39,673,153	1.19
8.	Cartaban Nominees (Asing) Sdn. Bhd. *Exempt An for State Street Bank & Trust Company (West CLT OD67)*	37,347,300	1.12
9.	HSBC Nominees (Asing) Sdn. Bhd. HSBC BK PLC for Saudi Arabian Monetary Authority	35,431,875	1.06
10.	Amanahraya Trustees Berhad *Amanah Saham Bumiputera 2*	33,000,000	0.99

	Name of Shareholders	No. of Shares Held	% of Issued Share Capital
11.	Cartaban Nominees (Tempatan) Sdn. Bhd. *PAMB for Prulink Equity Fund*	30,560,200	0.91
12.	HSBC Nominees (Asing) Sdn. Bhd. *JPMCB NA for The National Farmers Union Mutual Insurance Society Ltd*	29,831,600	0.89
13.	Cartaban Nominees (Asing) Sdn. Bhd. *GIC Private Limited for Government of Singapore (C)*	25,891,400	0.77
14.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Employees Provident Fund Board (CIMB PRIN)*	25,541,100	0.76
15.	HSBC Nominees (Asing) Sdn. Bhd. *JPMCB NA for Vanguard Emerging Markets Stock Index Fund*	24,240,048	0.73
16.	HSBC Nominees (Asing) Sdn. Bhd. *JPMCB NA for Vanguard Total International Stock Index Fund*	23,927,610	0.72
17.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. *The Bank of New York Mellon for Causeway Emerging Markets Fund*	22,010,400	0.66
18.	Amanahraya Trustees Berhad *Amanah Saham Malaysia*	21,787,100	0.65
19.	Citigroup Nominees (Asing) Sdn. Bhd. *Exempt An for Citibank New York (Norges Bank 14)*	20,931,500	0.63
20.	Citigroup Nominees (Asing) Sdn Bhd *CBNY for Dimensional Emerging Markets Value Fund*	20,079,000	0.60
21.	Amanahraya Trustees Berhad *Amanah Saham Malaysia 2 - WAWASAN*	20,000,000	0.60
22.	Valuecap Sdn. Bhd.	19,332,900	0.58
23.	Citigroup Nominees (Asing) Sdn. Bhd. *CBNY For Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc*	19,025,600	0.57
24.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. *The Bank of New York Mellon for AMG TimesSquare International Small Cap Fund*	17,839,000	0.53
25.	Amanahraya Trustees Berhad *Amanah Saham Malaysia 3*	16,749,200	0.50
26.	HSBC Nominees (Asing) Sdn. Bhd. *JPMCB NA for AQR Emerging Equities Fund, L.P.*	14,943,900	0.45
27.	HSBC Nominees (Asing) Sdn. Bhd. *Caceis Bk Lux for Most Diversified Portfolio SICAV-TOBAM Anti-Benchmark Emerging Markets Equity Fund*	14,091,100	0.42
28.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Great Eastern Life Assurance (Malaysia) Berhad (PAR 3)*	13,440,000	0.40
29.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. *State Street London Fund GMT9 for M&G Investment Funds (12) – M&G Global Recovery Fund*	13,250,000	0.40
30.	HSBC Nominees (Asing) Sdn. Bhd. *J.P. Morgan Securities Plc*	13,051,384	0.39

LIST OF PROPERTIES HELD UNDER AIRASIA BERHAD

Owner of Building	Postal Address/ Location Of Building	Description/Existing Use Of Building	Tenure/Date Of Expiry Of Lease	Build-Up Area	Approximate Age Of Building	Audited Net Book Value As At 31 Dec 2018 ('000)
AirAsia Berhad	Part of PT.39, Taxiway Charlie at KLIA, KLIA[1]	Non-permanent structure/aircraft maintenance hanger	31 December 2019[2]	2,400 sqm	15 years	1,482
	RedQ, Jalan Pekeliling 5, Kuala Lumpur International Airport 2 (KLIA2), KL International Airport, 64000 Sepang, Selangor Darul Ehsan	Permanent structure/ office building & car park	31 January 2034[3]	56,000 sqm	26 months[4]	150,177

[1] On the fitness of occupation of the hangar, it is the subject of a year-to-year "Kelulusan Permit Bangunan Sementara" issued by the Majlis Daerah Sepang.

[2] The land area occupied is approximately 2,400 square meters. The land is owned by Malaysia Airports (Sepang) Sdn. Bhd. ("MAB") and the Company has an automatic renewal of tenancy on a month to month basis. The properties completion date was on December 2003. Revaluation of properties has not been carried out on any of the above properties to date.

[3] This refers to the date of expiry of the concession from Malaysia Airports Holdings Berhad for the plot of land occupied by the AirAsia Headquarters (RedQ).

[4] Construction commencement date : 1 December 2014
Building completion date : 15 October 2016
Building handover date : 7 November 2016

The 26 months period mentioned in the table refers to November and December 2017 as the last column reflects the audited book date as at 31 December 2018.

AirAsia Group Berhad does not hold any properties under its name

SALES OFFICES & STATIONS

CAMBODIA

Phnom Penh
- No 179, Street SIsowath, Sangkat Phsar Kandal 1, Khan Daun Penh, 12204 Phnom Penh
- Ground Floor AEON Mall, #132 Street Samdach Sothearos, Sangkat Tonle Bassac, Phnom Penh

Siem Reap
- No 30, Sivutha Boulevard, Mondol II Village, Svay Dongkom District, Siem Reap

CHINA

Beijing
- Room 0163A, Block C, Chaowai Soho, Chaowai Street, Chaoyang District, Beijing

Changsha
- No 191, Laodong West Road, Tianxin District Changsha City, Hunan

Chengdu
- No 88-4, Fourth Section of Hongxing Road, Jinjiang District, Chengdu, Sichuan

Chongqing
- No 1-5, Building7, No 55, Xiejiawan, Jiulongpo Area, Chongqing

Guangzhou
- Room L1004, Jiedeng Plaza, Yuexiu District, Guangzhou

Hangzhou
- No 567, Jiangua North Road, Hangzhou

Kunming
- No 1108, Huancheng South Road, Kunming, Yunnan

Nanning
- Level 1, 3 of Ziyun Xuan Building in Mingyuan Hotel, 38 Xinmin Road, Nanning, Guangxi

Shanghai
- No 739, Changde Road, Jing'an District, Shanghai

Shenyang
- 11 Door, Building C Zuanshixingzuo 222#, Nanjingbei Street, Heping, Shenyang, Liaoning

Shenzhen
- 114, Fengge Mingyuan Podium Building, No 1038-4, Honggui Road, Luohu District, Shenzhen

Wuhan
- Building 9-102, No 88, Hongqiyu Road, Jianghan District, Wuhan

Xi'an
- No 6, Kejishangmao Building, East of Xidian University Community, Keji Road, Yanta District, Xi'an

Zhuhai
- Room 1026-1027, No 68 Lingnan Road, Gongbei District, Zhuhai

Hong Kong
- 174A, Peninsula Centre, 67 Mody Road, East Tsim Sha Tsui, Kowloon, Hong Kong SAR

Macau
- No 7, South Bay Harbour Building, Underground Building C, Bei Di Xiang, Macau SAR

INDIA

Bengaluru
- #54, 1st Floor, Monarch Plaza, Brigade Road, Bengaluru 560 001

Chennai
- 123/124, Ispahani Centre, Nungambakkam High Road, Nungambakkam, Chennai 600 034, Tamil Nadu

Kochi
- XXVII/2605, Ground Floor Pulinadu Building, Altantis, M.G.Road, Kochi 682015

Kolkata
- 46C, Chowringhee Road, EVEREST HOUSE, Ground Floor, Kolkata-700 071

New Delhi
- D-85, 1st Floor, 100 Ft Road, Chattarpur Enclave, New Delhi

INDONESIA

Banda Aceh
- No 130, Jl Twk M Daudsyah, GP Peunayong, Kec Kuta Alam, Kota Banda Aceh 23122

Bandung
- Grand Serela Hotel, No 56, Jl L.L.R.E. Martadinata, Bandung, West Java

Denpasar
- Sun Boutique Hotel Jl Sunset Road No 23, Kuta Badung, Bali

Jakarta
- Sarinah Plaza, Jl M.H Thamrin No 11

Lamongan
- Jl Raya Golokan No 123, Sidayu, Gresik, East Java

Malang
- Ruko Istana Dinoyo Kav D-16 Jl M.T. Haryono 1A, Malang, East Java

Medan
- Jl Asia No 548 P, Medan
- Jl Bakaran Batu No 189 B Lubuk Pakam - Medan
- Garuda Plaza Hotel Lobby Level, Jl Sisingamanga Raja No 18 Medan

Padang
- Jl Kampung Nias V No 5 RT03 RW02 Belakang Pondok, Padang Selatan, Padang, West Sumatra 25211

Pekanbaru
- Jl Arifin Ahmad No 75 D, Pekanbaru, Riau 28289

Surabaya
- LG Floor A6-01 / A6-50, Pakuwon Trade Centre Supermall, Jl Puncak Indah Lontar 2 Surabaya 60123
- Grand Circle Tunjungan Plaza 1, Jl Basuki Rahmat 08-12, Surabaya

SALES OFFICES & STATIONS

JAPAN

Tokyo
- Shinjuku Westcourt 5F, 7-2-11 Nishishinjuku,Shinjuku-ku, Tokyo 160-0023

MALAYSIA

Johor

Johor Bahru
- Galeria Kota Raya, L3-P1 Jalan Trus, 80000 Johor Bahru
- Lot S7, Aeromall Airport, Senai International Airport, 81250 Senai

Muar
- No 26, Jalan Bakri, 84000 Muar

Kedah

Alor Setar
- Level 1, Lapangan Terbang Sultan Abdul Halim , 06550 Kepala Batas, Alor Setar

Sungai Petani
- Lot 1F TR 01, 1st Floor, Central Square Shopping Centre, No 23, Jalan Kampung Baru, 08000 Sungai Petani

Langkawi
- Langkawi International Airport, Padang Mat Sirat, 07100 Langkawi

Kelantan

Kota Bharu
- Ground Floor, Lapangan Terbang Sultan Ismail Petra, Pengkalan Chepa, 16100 Kota Bharu

Kuala Lumpur

- Lot 4, Level 2, Stesen Sentral, Kuala Lumpur Sentral, 50470 Kuala Lumpur
- Lot G027B, Ground Floor, Podium Block, Plaza Berjaya, No 12 Jalan Imbi, 55100 Kuala Lumpur

Penang

- Lot 8, Departure Concourse, Penang International Airport, 11900 Bayan Lepas
- 332, Ground Floor, Kim Mansion, Lebuh Chulia, 10200 George Town
- Lot No 09, Tesco Extra Sg Dua, 675, Jalan Sungai Dua, Taman Perkaka, 11700 Gelugor
- A-G-7, Jalan Todak 4, Sunway Business Park, Pusat Bandar Seberang Jaya, 13700 Seberang Perai

Perak

Ipoh
- A15, Jalan Dato Tahwil Azhar, 30300 Ipoh

Sabah

Sandakan
- Lot 1&2, First Floor, Sandakan Airport, 90000 Sandakan

Tawau
- FL 4, First Floor, Tawau Airport Building, Jalan Apas-Balung, 91100 Tawau
- TB228, Lot 5 Ground Floor, Istana Monaco Hotel, Jalan Bunga, Fajar Complex, 91000 Tawau

Kota Kinabalu
- Lot G24, Ground Floor, Wisma Sabah, Jalan Tun Razak, 88000 Kota Kinabalu
- Level 2 (Domestic Departure Hall Entrance) Terminal 1, Kota Kinabalu International Airport, Jalan Petagas Kota Kinabalu, 88100 Kota Kinabalu

Sarawak

Kuching
- Lot L1L C15, Ground Floor, Arrival Level, Kuching International Airport, 93250 Kuching
- No 69, Ground Floor, Pusat Komersil Swan, Lot 14508, Seksyen 65, KTLD, Batu 4, Jalan Matang, 93050 Kuching
- Unit RUG10 & RUG11, Ground Floor, Sarawak Plaza Jalan Tuanku Abdul Rahman 93100, Kuching

Sibu
- Lot GFL01, Common Departure Area, Level 1 Landslide, Sibu Airport, 96000 Sibu
- Lot 1 (Sub-Lot A1), Ground Floor The Sibu Heritage Centre, Jalan Central, 96000 Sibu

Bintulu
- Ground Floor, No 64, Medan Sepadu, Jalan Abang Galau, 97000 Bintulu
- GL-02-G, Jalan Bintulu, Lapangan Terbang Bintulu, 97000 Bintulu

Miri
- Lot GL08, Ground Floor, Public Concourse, Miri Airport, 98000 Miri

Selangor

Subang Jaya
- Lot No G-35, Mydin Hypermarket, Persiaran Subang Permai, USJ 1, 47500 Subang Jaya
- G2, Terminal SkyPark, Lapangan Terbang Sultan Abdul Aziz Shah, 47200 Subang

Kajang
- Lot S141, Second Floor, Plaza Metro Kajang, Section 7, Jalan Tun Abdul Aziz, 43000 Kajang

KLIA
- Level 5, Departure Hall, Main Terminal Building, Kuala Lumpur International Airport (KLIA)
- Level 3, Departure Hall, Main Terminal Building, Kuala Lumpur International Airport 2 (KLIA2)

Terengganu

Kuala Terengganu
- Level 1, Terminal Building, Lapangan Terbang Sultan Mahmud, 21300 Kuala Terengganu

MALDIVES

Malé
- H Ruvaamaage Aage, 2nd Floor, Janavaree Magu, Malé 20045

MYANMAR

Mandalay
- 73rd Street (between 29th and 30th Street), Chan Aye Thazan Township

Yangon
- No 37, Level 1, Room 111, La Pyae Wun Plaza, Dagon Township
- No 497, Mahabandoola Road, Between Shwe Bon Thar Street & 29 Street, Pabedan Township

PHILIPPINES

Boracay
- Sitio Manggayad, Brgy. Manocmanoc, Boracay Island, Malay, Aklan, 5608

Cebu
- L3, Service Lane, Elizabeth Mall, N Bacalso Avenue Corner, Leon Kilat Street, 6000 Cebu City
- Pre-Domestic Departure Area, Mactan, Cebu International Airport

Davao
- G/F, Passenger Terminal Building, Davao International Airport, Sasa, Davao City
- 2/F, Victoria Plaza, JP Laurel Avenue, Brgy. 20-B, Davao City

Iloilo
- Iloilo International Airport, Cabatuan, Iloilo

Manila
- G/F Colonnade Residences Condominium,132 C. Palanca, Jr St Legaspi Village, Makati City
- 576, San Andres Street, Malate, Manila
- NAIA Terminal 4, Concessionaires Area, Domestic Road, Pasay City
- DG2-1, 3rd Floor Festival Mall Alabang
- Unit 106, SM City North EDSA, The Block, SM City Complex North EDSA, PAE-ASA 1, Quezon City
- 5th floor, SM Megamall B, EDSA Corner, J Vargas Avenue, Mandaluyong City

Puerto Princesa
- Airport Compound BGYM San Miguel, Puerto Princesa City 5300, Puerto Princesa City

Tacloban
- Stall no 13, DZR Airport San Jose, Tacloban City

Tagbilaran
- G/F Talibon Commercial Center, Talibon, Bohol
- 2nd Floor Airport Terminal Building, Airport Road, Tagbilaran City

THAILAND

Bangkok
- 1st floor, 1710, Sukhumvit Road, Klong Toey, Bangkok 10110
- 2nd Floor (Near Watsons) 1190, Phahonyothin Road, Jompol Jatujak, Bangkok 10900
- 127, Tanaw Road, Bovornivet, Phra Nakorn, Bangkok 10200
- 2nd Floor (opposite KFC)408/2 Moo.12, Sukhumvit Road Nongprue, Banglamung, Chonburi 20150
- 1st floor , Near 3bb shop, 829 Pracharat Sai 2 Rd., Bang Sue, Bang Sue, Bangkok 10800

Chiang Mai
- 416, Thaphae Road, Chiang Mai 50300

Hat Yai
- 69, Thamanoovitee Road, Hat Yai 90110

Phuket
- 2nd Floor (Near Foodcourt),104, Chalermprakiat Road, Rasada Sub District, Muang District, Phuket 83000

VIETNAM

Da Nang
- 156, Nguyen Van Linh, Da Nang

Hanoi
- 345, Kim Ma, Ba Dinh, Hanoi

Ho Chi Minh City
- 62, Nguyen Chu Trinh, Pham Ngu Lao Ward, District 1, Ho Chi Minh City

GLOSSARY

AirAsia Group	Comprises of AirAsia Berhad (Consolidated AOCs - AirAsia Malaysia, AirAsia Indonesia, AirAsia Philippines), AirAsia Thailand, AirAsia India and AirAsia Japan.
Aircraft at end of period	Number of aircraft owned or on lease arrangements of over one month's duration at the end of the period.
Aircraft utilisation	Average number of block hours per day per aircraft operated.
Available Seat Kilometres (ASK)	Total seats flown multiplied by the number of kilometres flown.
Average fare	Passenger seat sales, surcharges and fees divided by number of passengers.
Block hours	Hours of service for aircraft, measured from the time that the aircraft leaves the terminal at the departure airport to the time that it arrives at the terminal at the destination airport.
Capacity	The number of seats flown.
Cost per ASK (CASK)	Revenue less operating profit divided by available seat kilometres.
Cost per ASK, excluding fuel (CASK ex fuel)	Revenue less operating profit and aircraft fuel expenses, divided by available seat kilometres.
Load factor	Number of passengers as a percentage of capacity.
Passengers carried	Number of earned seats flown. Earned seats comprises seats sold to passengers (including no-shows), seats provided for promotional purposes and seats provided to staff for business travel.
Revenue per ASK (RASK)	Revenue divided by available seat kilometres.
Revenue Passenger Kilometres (RPK)	Number of passengers multiplied by the number of kilometres those passengers have flown.
Stage Length	Length of the jounery flown by a one way flight.

FORM OF PROXY

AIRASIA GROUP BERHAD
(Company No.: 1244493-V)
("the Company")
Incorporated in Malaysia

I/We ______________________________ NRIC No./Passport No./Co. No.: ______________
(FULL NAME AS PER NRIC/CERTIFICATE OF INCORPORATION IN BLOCK LETTERS) *(COMPULSORY)*

of ____
(FULL ADDRESS)

telephone no. ______________, email address ______________________ being a member of the

Company hereby appoint ______________________________
(FULL NAME IN BLOCK LETTERS)

NRIC No./Passport No.: ______________ of ______________________________
(COMPULSORY) *(FULL ADDRESS)*

______________ telephone no. ______________, email address ______________

or failing him/her ______________________ NRIC No./Passport No.: ______________
(FULL NAME IN BLOCK LETTERS) *(COMPULSORY)*

of ____
(FULL ADDRESS)

telephone no. ______________________, email address ______________________

* or failing him/her, the Chairman of the Meeting as my/our proxy(ies) to vote in my/our name and on my/our behalf at the Second Annual General Meeting of the Company to be held at CAE Kuala Lumpur, Lot PT25B, Jalan KLIA S5, Southern Support Zone, Kuala Lumpur International Airport, 64000 Sepang, Selangor Darul Ehsan, Malaysia on Thursday, 27 June 2019 at 10.00 a.m. and at any adjournment of such meeting and to vote as indicated below:

AGENDA

No. 1	To receive the Audited Financial Statements together with the Reports of the Directors and Auditors thereon for the financial year ended 31 December 2018

Resolutions	Description	FOR	AGAINST
Ordinary Resolution 1	**Ordinary Business** To approve the Non-Executive Directors' Remuneration for the period from 28 June 2019 until the next Annual General Meeting of the Company to be held in the year 2020		
Ordinary Resolution 2	Re-election of Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar as a Director of the Company, who retires by rotation pursuant to Rule 119 of the Company's Constitution		
Ordinary Resolution 3	Re-election of Mr. Stuart L. Dean as a Director of the Company, who retires by rotation pursuant to Rule 119 of the Company's Constitution		
Ordinary Resolution 4	Re-appointment of Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to determine their remuneration		
Ordinary Resolution 5	**Special Business** Authority to allot shares pursuant to Sections 75 and 76 of the Companies Act, 2016		
Ordinary Resolution 6	Proposed renewal of existing shareholders' mandate and new shareholders' mandate for Recurrent Related Party Transactions of a revenue or trading nature		
Ordinary Resolution 7	Proposed Share Buy-Back Authority by AirAsia Group Berhad		

(Please indicate with an "X" in the appropriate spaces how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting as he/she thinks fit.)

**Delete the words "or failing him/her, the Chairman of the Meeting" if not applicable.*

No. of shares held:			
CDS Account No.:			
The proportion of my/our holding to be represented by my/our proxies are as follows:		No. of Shares	Percentage
	First Proxy		
	Second Proxy		
Date:			

____
Signature(s) / Common Seal of Members(s)

Notes to Form of Proxy

1. Pursuant to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 and Rule 41(a) of the Company's Constitution, only those Foreigners (as defined in the Constitution) who hold shares up to the current prescribed foreign ownership limit of 45.0% of the total number of issued shares of the Company, on a first-in-time basis based on the Record of Depositors to be used for the forthcoming Annual General Meeting ("AGM"), shall be entitled to vote. A proxy appointed by a Foreigner not entitled to vote, will similarly not be entitled to vote. Consequently, all such disenfranchised voting rights shall be automatically vested in the Chairman of the AGM.

2. A member must be registered in the Record of Depositors at 5.00 p.m. on 20 June 2019 ("General Meeting Record of Depositors") in order to attend and vote at the Meeting. A depositor shall not be regarded as a Member entitled to attend the Meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors. Any changes in the entries on the Record of Depositors after the abovementioned date and time shall be disregarded in determining the rights of any person to attend and vote at the Meeting.

3. A member entitled to attend and vote is entitled to appoint not more than two (2) proxies (or in the case of a corporation, to appoint a representative(s) in accordance with Section 333 of the Companies Act, 2016), to attend and vote in his stead. There shall be no restriction as to the qualification of the proxy(ies).

4. The Proxy Form in the case of an individual shall be signed by the appointor or his attorney, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.

5. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.

6. Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

7. The Proxy Form or other instruments of appointment shall not be treated as valid unless deposited at the Registered Office of the Company at Unit 30-01, Level 30, Tower A,Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia not less than forty-eight (48) hours before the time set for holding the meeting. **Faxed copies of the duly executed form of proxy are not acceptable.**

8. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.

9. By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/ or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

(Please fold here)

The Company Secretaries
AIRASIA GROUP BERHAD (Company No. 1244493-V)

Unit 30-01, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
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(Please fold here)

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