

AirAsia Group Berhad
(Incorporated in Malaysia)

12. Investment in subsidiaries (cont'd.)

Name of entity	Country of incorporation	Group's effective equity interest		Principal activities
		2019 %	2018 %	
Held by RBV (cont'd.)				
T&Co	Malaysia	100**	-	Trading in coffee and tea related products
Rokki Sdn Bhd	Malaysia	100	100	Trading of multimedia content and equipment
RedTix Sdn Bhd	Malaysia	75	75	Event ticketing business
Teleport Commerce Malaysia Sdn Bhd (formerly known as RedCargo Logistic Sdn Bhd) ("TCM")	Malaysia	-**	100	Logistics business
Travel360 Sdn Bhd	Malaysia	-**	100	Inflight magazine content
Shop365 Sdn Bhd	Malaysia	-**	100	Inflight shop
RedBeat Ventures Inc	United States	100	100	Dormant
RedBeat Capital 1, LLC	United States	100	-	Dormant
Teleport Everywhere Pte Ltd ("TES")	Singapore	100	-	Investment holding
AirAsia Com Travel Sdn Bhd (formerly known as as Touristly Travel Sdn Bhd) ("AA.Com")	Malaysia	100*	-	Tour and travel services

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12. Investment in subsidiaries (cont'd.)

Name of entity	Country of incorporation	Group's effective equity interest		Principal activities
		2019 %	2018 %	
Held by RBV (cont'd.)				
AirAsia Technology Centre Singapore Pte Ltd (formerly known as AAC1 Pte Ltd) ("AATCS") ⁺	Singapore	100**	-	Research and experimental development on IT, development of software for cybersecurity
Format Media Sdn Bhd	Malaysia	100	-	Provision of media content services
Held by AAIL				
AirAsia Inc ("PAA") ⁺	Philippines	40	40	Commercial air transport services
AirAsia Pte Ltd ("AAPL") ⁺	Singapore	-**	100	Airline operation services
AirAsia (Guangzhou) Aviation Service Ltd Company ^f	China	100	100	Aviation and commercial services
PT AirAsia Indonesia TBK ("AAID") ⁺ ^	Indonesia	49.3	49.3	Investment holding
Held by PAA				
Philippines AirAsia Inc ("PAAI") ⁺	Philippines	39.5	39.5	Commercial air transport services
Asiawide Airways Inc ⁺	Philippines	40	40	Dormant

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12. Investment in subsidiaries (cont'd.)

Name of entity	Country of incorporation	Group's effective equity interest		Principal activities
		2019 %	2018 %	
Held by AAID				
PT Indonesia AirAsia ("IAA") ⁺	Indonesia	49.1	49.1	Commercial air transport services
Held by IAA				
PT Garda Tawang Reksa Indonesia ("GTRI") ^f	Indonesia	32.9	32.9	Provision of airport related services
Held by AGH				
AirAsia Exp Pte Ltd ("AAE") ⁺	Singapore	100	100	Investment holding
Held by T&Co				
T&Co Cafe Sdn Bhd	Malaysia	100	100	Food and beverages
Santan Cafe Sdn Bhd	Malaysia	100**	-	Provision of inflight meal products
Held by AAC				
Asia Aviation Capital Private Limited ("AACPL") ⁺	Singapore	100	100	Providing supporting services to air transport
Rouge Aircraft 1 Limited	Labuan	100	100	Providing supporting services to air transport
Merah Aviation Asset Holding Limited ("Merah Aviation")	Ireland	-	100	Owning, leasing and/or financing of aircraft

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12. Investment in subsidiaries (cont'd.)

Name of entity	Country of incorporation	Group's effective equity interest		Principal activities
		2019 %	2018 %	
Held by AACPL				
Asia Aviation Capital Ireland Limited ("AACIL") ⁺	Ireland	100	100	Providing supporting services to air transport
AirAsia Technology Centre Singapore Pte Ltd (formerly known as AAC1 Pte Ltd) ("AATCS") ⁺	Singapore	-**	100	Research and experimental development on IT, development of software for cybersecurity
Freightchains Technologies Pte Ltd ⁺	Singapore	-**	100	Research and development arm of TCM
AAC3 Pte Ltd ("AAC3") ⁺	Singapore	100	100	Providing supporting services to air transport
AAC4 Pte Ltd ("AAC4") ⁺	Singapore	100	100	Providing supporting services to air transport
AAC5 Pte Ltd ("AAC5")	Singapore	-@	100	Providing supporting services to air transport
Held by AACIL				
Clifden Aviation 1 Limited ("CA1")	Ireland	100	100	Providing supporting services to air transport
Clifden Aviation 2 Limited ("CA2")	Ireland	100	100	Providing supporting services to air transport
Clifden Aviation 3 Limited ("CA3")	Ireland	100	100	Providing supporting services to air transport

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12. Investment in subsidiaries (cont'd.)

Name of entity	Country of incorporation	Group's effective equity interest		Principal activities
		2019 %	2018 %	
Held by AACIL (cont'd.)				
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
Held by BIG				
BIGLIFE Digital Singapore Pte Ltd ^f	Singapore	100	100	Marketing and development of loyalty program
BIGLIFE (Thailand) Co Ltd (formerly known as Tune Money Co Ltd) ^f	Thailand	49	49	Marketing arm of BIG
PT BIGLIFE Digital Indonesia (formerly known as PT Tune Money Ltd) ^f	Indonesia	100	100	Marketing arm of BIG
BIGLIFE Hong Kong Co Ltd ^f	Hong Kong	100	100	Marketing arm of BIG
BIG Loyalty India Pvt Ltd ⁺	India	100	100	Marketing arm of BIG
BIG Loyalty Guangzhou Co Ltd ^f	China	100	100	Marketing arm of BIG

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12. Investment in subsidiaries (cont'd.)

Name of entity	Country of incorporation	Group's effective equity interest		Principal activities
		2019 %	2018 %	
Held by BIG (cont'd.)				
BIGLIFE Philippines Inc ^f	Philippines	100	-	Marketing arm of BIG
BIGLIFE Digital Sdn Bhd	Malaysia	100	-	Marketing arm of BIG
BIGLIFE Japan Co., Ltd ^f	Japan	100	-	Marketing arm of BIG
BIGLIFE Vietnam Inc ^f	Vietnam	100	-	Marketing arm of BIG
Held by Rokki				
Rokki Avionics Sdn Bhd	Malaysia	100	100	Trading of multimedia content and equipment
Held by BPPL				
BigPay Malaysia Sdn Bhd ("BigPay")	Malaysia	89.29	89.29	Provision of financial and other related services
BigPay Singapore Pte Ltd ⁺	Singapore	89.29	89.29	Provision of financial services including but not limited to e-money products
BigPay (Thailand) Ltd ⁺	Thailand	89.29	-	Provision of financial and other related services
Held by Redtix				
Rokki Media Holdings Sdn Bhd	Malaysia	75	75	Dormant

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12. Investment in subsidiaries (cont'd.)

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

⁺ Audited by a member of Ernst & Young Global.

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

[^] Listed on the Indonesia Stock Exchange.

[@] Struck off during the year.

^{*} Became a wholly owned subsidiary upon acquisition of additional equity interest during the year.

^{**} Transferred within the Group.

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12. Investment in subsidiaries (cont'd.)

Acquisition of additional interest in AA.Com

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

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

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

	Fair value 2019 RM'000
Property, plant and equipment	22
Cash and bank balances	42
Receivables	363
Payables	(6,774)
Net identifiable liabilities acquired	(6,347)
Goodwill on acquisition (Note 16)	9,804
Net assets acquired	<u>3,457</u>
	Group RM'000
Purchase consideration for acquisition of additional interest	3,457
Fair value of previously held interest	-*
Less: Cash and cash equivalents of subsidiary acquired	(42)
Net cash outflow on acquisition of subsidiary	<u>3,415</u>

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

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12. Investment in subsidiaries (cont'd.)

Acquisition of subsidiaries during the financial year ended 31 December 2019

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

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

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

Incorporation of subsidiaries during the financial year ended 31 December 2019

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

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

* Denotes JPY1 (equivalent to RM0.03)

2018

Acquisition of non-controlling interest in subsidiaries in prior year

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

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12. Investment in subsidiaries (cont'd.)

2018 (cont'd.)

Acquisition of non-controlling interest in subsidiaries in prior year (cont'd.)

- (b) On 8 October 2018, AAIL completed the acquisition of 164,768,300 shares in PT Indonesia AirAsia Tbk ("AAID") from PT Rimau Multi Investama, representing 1.6% equity interest in AAID, for a total cash consideration of USD4.6 million (approximately RM17.9 million). Pursuant to this acquisition, the Group's effective interest in AAID has increased from 47.7% to 49.3% and the financial effects of this transaction, amounting to RM20.1 million, is debited to retained earnings as disclosed in the consolidated statement of changes in equity.
- (c) During the previous financial year, RBV had entered into a share sale agreement with Yickal Holdings Limited to purchase 888,001 shares in BIG, representing 10% equity interest in BIG, for a total cash consideration of USD12.9 million (equivalent to RM54.1 million). Pursuant to this acquisition, the Group's effective interest in BIG has increased from 69.3% to 80% and the financial effects of this transaction, amounting to RM57.7 million, was debited to retained earnings as disclosed in the consolidated statement of changes in equity.
- (d) During the previous financial year, AAB had entered into an agreement with Sami Joseph El Hadery to purchase 204,000 shares in Rokki, representing the remaining 17% non-controlling equity interest in Rokki, for a total cash consideration of RM5.5 million. Pursuant to this acquisition, the Group's effective interest in Rokki has increased from 83% to 100% and the financial effects of this transaction, amounting to RM6.9 million, was debited to retained earnings as disclosed in the consolidated statement of changes in equity.

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

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

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12. Investment in subsidiaries (cont'd.)

2018 (cont'd.)

Acquisition of Rouge Aircraft 1 Limited in prior year

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

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

Incorporation of subsidiaries in prior year

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

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

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12. Investment in subsidiaries (cont'd.)

Material partly-owned subsidiaries

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

Proportion of equity interest held by non-controlling interests:

Name of entity	Country of incorporation	Group's effective equity interest	
		2019	2018
IAA	Indonesia	49.1	49.1
PAA	Philippines	40.0	40.0
		Group	
		2019	2018
		RM'000	RM'000
Accumulated balances of material non-controlling interests:			
IAA		(386,154)	(370,589)
PAA		(1,176,679)	(1,216,630)
Other individually immaterial subsidiaries		(24,757)	(11,970)
		<u>(1,587,590)</u>	<u>(1,599,189)</u>
(Loss)/profit allocated to material non-controlling interests:			
IAA		546	(127,221)
PAA		48,446	(131,278)
Other individually immaterial subsidiaries		(14,493)	(6,957)
		<u>34,499</u>	<u>(265,456)</u>

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

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12. Investment in subsidiaries (cont'd.)

Material partly-owned subsidiaries (cont'd.)

Summarised income statements as at 31 December are as follows:

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

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

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

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

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

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13. Investment in joint ventures

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

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

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

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

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

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

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

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

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		Principal activities
		2019 %	2018 %	
Held by AAB				
Ground Team Red Holdings Sdn Bhd ("GTRH") ^f	Malaysia	-*	50	Investment holding
Held by AAIL				
AA.Com	Malaysia	-**	50	Tour and travel services

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

Name of entity	Principal place of business/ country of incorporation	Group's effective equity interest		Principal activities
		2019 %	2018 %	
Held by GTRH				
Ground Team Red Sdn Bhd ("GTR") ^f	Malaysia	-*	49	Ground handling services
SATS Ground Services Singapore Pte Ltd ^f	Singapore	-*	40	Ground handling services

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

* Transferred to investment in associates.

** Became a wholly owned subsidiary upon acquisition of additional equity interest during the year.

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

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

Summarised income statements as at 31 December are as follows:

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

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

Reconciliations of summarised financial information

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

Acquisition of additional interests in a joint venture in prior year

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

14. Investment in associates

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

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14. Investment in associates (cont'd.)

The details of the associates are as follows:

Name of entity	Principal place of business/ country of incorporation	Group's effective equity interest**		Principal activities
		2019 %	2018 %	
Held by AAB				
AirAsia Philippines Inc	Philippines	39.9	39.9	Providing air transportation services, currently dormant
GTRH ^f	Malaysia	50*	-	Investment holding
Held by AAIL				
Thai AirAsia Co. Ltd ("TAA") ⁺	Thailand	45.0	45.0	Commercial air transport services
AirAsia (India) Limited ("AAI") ⁺	India	49.0	49.0	Commercial air transport services
AirAsia Japan Co., Ltd ("JAA") ^{+^}	Japan	66.9 [#]	66.9	Commercial air transport services

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14. Investment in associates (cont'd.)

Name of entity	Principal place of business/ country of incorporation	Group's effective equity interest**		Principal activities
		2019 %	2018 %	
Held by GTRH				
GTR ^f	Malaysia	49*	-	Ground handling services
SGSS ^f	Singapore	40*	-	Ground handling services
Held by MadCience Consulting Sdn Bhd				
Big Data for Human Limited ("BD4H") ^f	United Kingdom	42	42	Dormant

⁺ Audited by a member of Ernst & Young Global.

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

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

^{*} Transferred

[#] Equity interest of 66.91% comprise both voting and non-voting shares in JAA. AAIL holds 33% of the voting shares and 67% of the non-voting shares.

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

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

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

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14. Investment in associates (cont'd.)

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

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

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

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

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

Acquisition of additional interests in associates in prior year

- (a) On 9 February 2018, AAIL, a wholly owned subsidiary of AAB, subscribed to 28,571,428 shares in JAA for a cash consideration of JPY2,000.0 million (equivalent to RM72.0 million). On 27 June 2018, AAIL subscribed to an additional 27,857,143 shares in JAA for a cash consideration of JPY1,950.0 million (equivalent to RM71.8 million). The Group's equity interest in JAA has increased from 56.9% to 66.9%.
- (b) On 3 May 2018, AAIL subscribed to 52,454,500 shares in AAI for a cash consideration of USD7.7 million (equivalent to RM31.4 million). The Group's equity interest in AAI remains at 49%.

Disposal of an associate in prior year

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

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14. Investment in associates (cont'd.)

Material associates

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

Summarised financial information for associates

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

Summarised statements of financial position

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

Summarised statements of comprehensive income

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

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14. Investment in associates (cont'd.)

Material associates (cont'd.)

Summarised financial information for associates (cont'd.)

Reconciliations of summarised financial information

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

Individually immaterial associates

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

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

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15. Investment securities

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

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

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16. Intangible assets

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

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.

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16. Intangible assets (cont'd.)

Impairment testing for goodwill and landing rights

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

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

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

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

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

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

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

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16. Intangible assets (cont'd.)

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

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

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

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

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

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

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

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17. Deferred tax assets/(liabilities)

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

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

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

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

Deferred tax assets of the Group:

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

* Others include provisions and receivables.

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

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

Deferred tax liabilities of the Group:

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

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

Deferred tax has not been recognised for the following items:

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

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

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

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

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18. Receivables and prepayments

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

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

The ageing analysis of trade receivables is as follows:

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

Negative balance relates to agents top-up sales of which the amount will be utilised to purchase tickets for future flights for passengers.

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18. Receivables and prepayments (cont'd.)

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

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

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

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

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

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

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

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

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18. Receivables and prepayments (cont'd.)

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

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

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

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

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

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

19. Deposits on aircraft purchase

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

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20. Derivative financial instruments

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

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20. Derivative financial instruments (cont'd.)

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

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

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

* in barrels

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

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

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

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20. Derivative financial instruments (cont'd.)

(ii) Interest rate contracts

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

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

(iii) Fuel contracts

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

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

21. Inventories

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

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

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22. Amounts due from/(to) subsidiaries

	Company	
	2019	2018
	RM'000	RM'000
Amount due from subsidiaries	286,873	250
Amounts due to subsidiaries	-	(313,354)
	<u>286,873</u>	<u>(313,104)</u>

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

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

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

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

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

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23. Amounts due from/(to) associates

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

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

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

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

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

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

(iii) Financial assets that are impaired

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

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

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

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

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

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

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

24. Amounts due from/(to) joint ventures

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

Amount due from/(to) a joint venture are unsecured, interest free and repayable on demand. The carrying amount of amount due from joint ventures approximates their fair value.

The details of the receivables and payable from/(to) joint ventures are as follows:

	Group	
	2019	2018
	RM'000	RM'000
<u>Receivables:</u>		
- AirAsia Com Travel Sdn Bhd	-	5,528
- Others	-	1,264
	<u>-</u>	<u>6,792</u>
<u>Payable:</u>		
- Ground Team Red Sdn Bhd	-	(11,032)
	<u>-</u>	<u>(11,032)</u>

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24. Amounts due from/(to) joint ventures (cont'd.)

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

	Group	
	2019	2018
	RM'000	RM'000
<u>Due from</u>		
Ringgit Malaysia	-	1,264
US Dollar	-	5,528
	<u>-</u>	<u>6,792</u>
<u>Due to</u>		
Ringgit Malaysia	<u>-</u>	<u>(11,032)</u>

25. Amounts due from/(to) related parties

	Group	
	2019	2018
	RM'000	RM'000
Amounts due from related parties	135,333	152,410
Less: Allowance for impairment	<u>(28,133)</u>	<u>(28,133)</u>
	<u>107,200</u>	<u>124,277</u>
Amounts due to related parties		
- current	<u>(260,354)</u>	<u>(103,078)</u>
	<u>(260,354)</u>	<u>(103,078)</u>

The amounts due from/(to) related parties are trade balances and are unsecured, interest free and repayable on demand. The carrying amounts of amounts due from related parties approximate their fair values.

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

	Group	
	2019	2018
	RM'000	RM'000
<u>Receivables:</u>		
- AirAsia X Berhad	21,671	64,093
- PT Indonesia AirAsia Extra	79,036	58,796
- Others	6,493	1,388
	<u>107,200</u>	<u>124,277</u>

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

	Group	
	2019	2018
	RM'000	RM'000
<u>Payables:</u>		
- AirAsia X Berhad	(93,935)	(43,969)
- Thai AirAsia X Co. Ltd	(151,368)	(32,148)
- PT Indonesia AirAsia Extra	(12,526)	(19,615)
- Others	(2,525)	(7,346)
	<u>(260,354)</u>	<u>(103,078)</u>

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

	Group	
	2019	2018
	RM'000	RM'000
<u>Due from</u>		
Ringgit Malaysia	22,293	124,277
US Dollar	84,907	-
	<u>107,200</u>	<u>124,277</u>
<u>Due to</u>		
Ringgit Malaysia	(108,958)	(24,302)
US Dollar	(151,396)	(78,776)
	<u>(260,354)</u>	<u>(103,078)</u>

26. Deposits, cash and bank balances

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed banks	306,919	448,564	-	-
Cash and bank balances	<u>2,281,178</u>	<u>2,878,357</u>	<u>41,126</u>	<u>1,357,538</u>
Deposits, cash and bank balances	2,588,097	3,326,921	41,126	1,357,538
Deposits with licensed banks with maturity period of more than 3 months	(10,518)	(19,143)	-	-
Deposits pledged as securities and restricted cash	<u>(85,303)</u>	<u>(14,764)</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents	<u>2,492,276</u>	<u>3,293,014</u>	<u>41,126</u>	<u>1,357,538</u>

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

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

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	467,145	1,715,698	25,473	1,352,636
US Dollar	812,310	1,118,833	15,653	4,902
Chinese Renminbi	844,032	180,559	-	-
Others	464,610	311,831	-	-
	<u>2,588,097</u>	<u>3,326,921</u>	<u>41,126</u>	<u>1,357,538</u>

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

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

	Group		Company	
	2019	2018	2019	2018
	%	%	%	%
Deposits with licensed banks	<u>1.74</u>	<u>2.45</u>	<u>-</u>	<u>-</u>

27. Trade and other payables

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Non-current:				
Other payables	<u>320,455</u>	<u>396,946</u>	<u>-</u>	<u>-</u>
	<u>320,455</u>	<u>396,946</u>	<u>-</u>	<u>-</u>

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27. Trade and other payables (cont'd.)

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Current:				
Trade payables	448,995	538,282	-	-
Accrual for fuel	270,496	149,628	-	-
Collateral for derivatives	7,789	79,399	-	-
Other payables and accruals	1,447,870	1,558,686	1,838	771
	<u>2,175,150</u>	<u>2,325,995</u>	<u>1,838</u>	<u>771</u>

The current other payables and accruals include accruals for operational expenses and passenger service charge payable to airport authorities.

The currency profile of trade and other payables are as follows:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	1,130,531	1,142,906	1,838	771
US Dollar	767,428	922,330	-	-
Others	597,646	657,705	-	-
	<u>2,495,605</u>	<u>2,722,941</u>	<u>1,838</u>	<u>771</u>

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28. Aircraft maintenance provisions and liabilities

	Group	
	2019	2018
	RM'000	RM'000
Aircraft maintenance provisions (i)	1,274,338	1,011,809
Aircraft maintenance payables (ii)	2,435,499	2,401,144
Aircraft maintenance reserve fund (iii)	1,583,096	1,069,849
	<u>5,292,933</u>	<u>4,482,802</u>

	Group	
	2019	2018
	RM'000	RM'000
Disclosed as		
Non-current	4,720,621	3,960,731
Current	572,312	522,071
	<u>5,292,933</u>	<u>4,482,802</u>

- (i) Aircraft maintenance provisions relate to aircraft held under operating lease arrangements whereby, the Group is contractually obligated to maintain the aircraft during the lease period and to redeliver the aircraft to the lessors at the end of the lease term, in certain pre-agreed conditions. Accordingly, the Group estimates the aircraft maintenance costs required to fulfil these obligations at the end of the lease period and recognise a provision for these costs at each reporting date.

The movements in the aircraft maintenance provisions of the Group during the financial year are as follows:

	Group	
	2019	2018
	RM'000	RM'000
At 1 January	1,011,809	737,638
Arose during the year	608,692	539,728
Utilised	(342,469)	(288,416)
Exchange differences	(3,694)	22,859
At 31 December	<u>1,274,338</u>	<u>1,011,809</u>

- (ii) Aircraft maintenance payables (which is estimated using flight hours and flight cycles of the aircraft at the date of disposal) relate to the amounts set aside from the disposal consideration for aircraft under operating lease where the Group is contractually obligated to return the aircraft at the end of the lease term in certain pre-agreed conditions.
- (iii) 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.

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29. Borrowings

	Group	
	2019	2018
	RM'000	RM'000
Current		
Term loans	238,524	325,375
Finance lease liabilities (Ijarah)	-	58,308
Commodity Murabahah Finance	3,628	22,238
Revolving credit	100,000	17,242
	<u>342,152</u>	<u>423,163</u>
Non-current		
Term loans	86,714	530,116
Finance lease liabilities (Ijarah)	-	178,548
Commodity Murabahah Finance	-	73,302
	<u>86,714</u>	<u>781,966</u>
Total borrowings	<u>428,866</u>	<u>1,205,129</u>
	Group	
	2019	2018
	%	%
Weighted average interest rate		
Term loans	7.21	5.23
Finance lease liabilities (Ijarah)	-	6.28
Commodity Murabahah Finance	5.27	5.63
Revolving credit	<u>3.90</u>	<u>9.38</u>

The borrowings are repayable as follows:

	Group	
	2019	2018
	RM'000	RM'000
Not later than 1 year	342,152	423,163
Later than 1 year and not later than 5 years	70,077	652,302
Later than 5 years	<u>16,637</u>	<u>129,664</u>
	<u>428,866</u>	<u>1,205,129</u>

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29. Borrowings (cont'd.)

The currency profile of borrowings is as follows:

	Group	
	2019	2018
	RM'000	RM'000
Ringgit Malaysia	103,628	95,540
US Dollar	186,260	885,632
Euro	-	56,060
Philippine Peso	90,000	94,457
Indonesia Rupiah	48,978	73,440
	<u>428,866</u>	<u>1,205,129</u>

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

	Group	
	2019	2018
	RM'000	RM'000
Fixed rate borrowings	217,114	823,373
Floating rate borrowings	211,752	381,756
	<u>428,866</u>	<u>1,205,129</u>

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

	Group			
	2019		2018	
	Carrying amount	Fair value	Carrying amount	Fair value
	RM'000	RM'000	RM'000	RM'000
Term loans	117,114	90,207	586,517	567,527
Revolving credit	100,000	100,000	-	-
Finance lease liabilities (Ijarah)	-	-	236,856	225,943
	<u>217,114</u>	<u>190,207</u>	<u>823,373</u>	<u>793,470</u>

The fair values of the floating rate borrowings approximate their carrying amounts, as the impact of discounting is not significant.

The fair values of the fixed rate borrowings are based on cash flows discounted using borrowing rates that are reflective of the Group's credit risk at the balance sheet date, at 5.6% to 7.67% (2018: 4.0% to 5.6%) per annum. The fair values of fixed rate borrowings are within level 2 of the fair value hierarchy.

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29. Borrowings (cont'd.)

The term loans and Commodity Murabahah Finance are for the purchase of assets and working capital purposes. The repayment terms are on a quarterly or semi-annually basis.

Total borrowings include secured liabilities of the Group of RM215 million (2018: RM1.1 billion) which are mainly secured by assignment of rights under contract with Airbus over each aircraft and office building in Indonesia.

30. Leases

Group as a lessee

The Group leases various aircraft and land and building. Leases of aircraft have a lease term of 2 to 15 years whilst land and building generally have a lease term of 2 to 20 years.

The Group also has certain leases of property, plant and equipment with lease terms of 12 months or less. The Group applies the 'short-term lease' recognition exemption for these leases.

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

	Aircraft RM'000	Land and building RM'000	Total RM'000
As at 1 January 2019	8,207,495	35,629	8,243,124
Additions	4,540,198	28,570	4,568,768
Disposals	(345,110)	-	(345,110)
Depreciation expense	(1,223,635)	(18,114)	(1,241,749)
Exchange movements	(8,805)	(274)	(9,079)
As at 31 December 2019	<u>11,170,143</u>	<u>45,811</u>	<u>11,215,954</u>

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30. Leases (cont'd.)

Group as a lessee (cont'd.)

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

	2019 RM'000
As at 1 January 2019	9,691,604
Additions	4,794,078
Accretion of interest (Note 8(b))	503,093
Unrealised foreign exchange gain	(54,838)
Payments	(2,088,180)
Disposals	(374,322)
Exchange movements	(11,634)
As at 31 December 2019	<u>12,459,801</u>
Current	2,271,662
Non-current	<u>10,188,139</u> <u>12,459,801</u>

The maturity analysis of lease liabilities are disclosed in Note 42 (c).

The following are the amounts recognised in profit or loss:

	2019 RM'000
Depreciation expense of right-of-use assets	1,241,749
Interest expense on lease liabilities	503,093
Expense relating to short-term leases	21,437
Gain on recognition of finance lease receivables	22,458
Total amount recognised in profit or loss	<u>1,788,737</u>

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

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing leased asset portfolio and align the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

As at 31 December 2019, the Group has no extension and termination options that are not included in the lease term.

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30. Leases (cont'd.)

Group as a lessor - finance lease

The Group has classified most of its aircraft subleases as finance leases because the sublease is for the whole of the remaining term of the head lease. During the financial year, the movement on the finance lease receivables are as follows:

	2019 RM'000
As at 1 January 2019	1,373,545
New leases entered into during the financial year	195,657
Lease payments received during the financial year	(398,322)
Finance income	61,402
Exchange movements	(11,282)
As at 31 December 2019	<u>1,221,000</u>
Current	293,571
Non-current	<u>927,429</u>
	<u>1,221,000</u>

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

	2019 RM'000
Within one year	356,901
After one year but not more than five years	813,573
More than five years	195,938
Total undiscounted lease payments receivable	<u>1,366,412</u>
Unearned finance income	(145,412)
Net investment in the lease	<u>1,221,000</u>

Group as a lessor - operating lease

The Group has classified various aircraft leases as operating lease, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. The following table sets out the maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	2019 RM'000	2018 RM'000
Within one year	2,178	481,471
After one year but not more than five years	20,686	1,110,453
More than five years	-	211,914
Total undiscounted lease payments	<u>22,864</u>	<u>1,803,838</u>

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

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

	2019 RM'000	2018 RM'000
Finance lease		
- Finance income on the finance lease receivables	61,402	-
	<u>61,402</u>	<u>-</u>
Operating lease		
- Aircraft operating lease income	127,590	848,901
	<u>127,590</u>	<u>848,901</u>

31. Provision for retirement benefits

The Group has unfunded, non-contributory and actuarially computed retirement benefit plans which provide retirement benefits to employees who reach the mandatory retirement age under the provisions of labour laws in Indonesia and the Philippines.

The amounts recognised in the statements of financial position as at 31 December are as follows:

	Group 2019 RM'000	2018 RM'000
Present value of defined benefit obligation	74,951	69,830
	<u>74,951</u>	<u>69,830</u>

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31. 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	
	2019	2018
	RM'000	RM'000
Defined benefit obligation at 1 January	69,830	72,207
Recognised in income statement		
- Current service cost	10,324	10,106
- Interest cost	6,019	4,641
Benefits paid	(7,099)	(3,385)
Past service cost	-	2,978
Remeasurement loss/(gain) recognised in other comprehensive income		
- Changes in financial assumptions	1,628	(14,745)
- Experience adjustments	(6,838)	515
Exchange differences	1,087	(2,487)
Defined benefit obligation at 31 December	74,951	69,830

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

	2019	2018
Discount rate	5.0% - 8.0%	7.4% - 8.6%
Salary increase rate per annum	5%	5% - 7%
Average employee service life	18 - 23 years	21 - 29 years

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

Sensitivity analysis

As at 31 December, the sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is as follows:

		Impact on defined benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
		RM'000	RM'000
<u>2019</u>			
Annual discount rate	+/- 1%	(4,491)	5,662
Future annual salary increase rate	+/- 1%	5,490	(4,439)
<u>2018</u>			
Annual discount rate	+/- 1%	(5,235)	5,553
Future annual salary increase rate	+/- 1%	5,862	(5,629)

32. Assets classified as held for sale and liabilities directly associated with assets held for sale

On 24 December 2018, an indirect subsidiary of the Company, AAC entered into a share purchase agreement with AS Air Lease Holdings 5T DAC and AS Air Lease 8 (Offshore) LP, both entities controlled by Castlelake L.P for the disposal of Merah Aviation Asset Holding Limited, a wholly-owned subsidiary of AAC, which will own twenty five (25) aircraft, subject to terms and conditions stipulated in the agreement. Further details are as disclosed in Note 44 (i).

On 8 August 2019, the sale was completed for an aggregate disposal consideration of USD739.4 million (approximates RM3,559.5 million).

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33. Share capital

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Share capital				
Issued and fully paid up:				
1 January	8,023,268	*	8,023,268	*
Issued during the year	-	8,023,268	-	8,023,268
31 December	<u>8,023,268</u>	<u>8,023,268</u>	<u>8,023,268</u>	<u>8,023,268</u>

*Represents RM2.

On 16 April 2018, the Company completed the internal reorganisation by way of a scheme of arrangement which involves the issuance of 3,341,974,080 new ordinary shares at a total issue price of RM8,023 million for the acquisition of the entire issued share capital of AAB. There were no changes in the issued and paid-up capital of the Company during the financial year.

34. Merger (deficit)/reserve

	Group	
	2019	2018
	RM'000	RM'000
As at 1 January	(5,507,594)	2,515,278
Less: Purchase consideration to acquire AAB	-	(8,022,872)
Merger deficit	<u>(5,507,594)</u>	<u>(5,507,594)</u>

On 16 April 2018, the Company completed the internal reorganisation. Consequently, the merger deficit represents the difference between the purchase consideration to acquire AAB and the share capital of AAB.

Further, the Company has accounted for the acquisition of AAB Group as a continuation of the acquired entity. Therefore, the share capital of AAB is reflected as a merger reserve as at 31 December 2017.

35. Retained earnings

The retained earnings of the Company of RM1,664,452,000 is available for distribution to shareholders of the Company.

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36. 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 2019	4,447	(477,610)	21,716	(451,447)
Net change in fair value	1,815	557,027	82,052	640,894
Deferred tax recognised in other comprehensive income	(1,429)	(60,293)	-	(61,722)
Amounts transferred to income statements	-	1,863	-	1,863
Share of other comprehensive income of an associate	-	17,479	-	17,479
At 31 December 2019	<u>4,833</u>	<u>38,466</u>	<u>103,768</u>	<u>147,067</u>
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	<u>4,447</u>	<u>(477,610)</u>	<u>21,716</u>	<u>(451,447)</u>

Company

	Fair value reserve RM'000	Total RM'000
At 1 January 2019	(61,305)	(61,305)
Net change in fair value	121,650	121,650
At 31 December 2019	<u>60,345</u>	<u>60,345</u>

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36. Other reserves (cont'd.)**Company (cont'd.)**

	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	<u>(61,305)</u>	<u>(61,305)</u>

37. Dividends

Dividends declared or proposed by the Company are as follows:

	2019		2018	
	Gross dividend per share Sen	Amount of dividend net of tax RM'000	Gross dividend per share Sen	Amount of dividend net of tax RM'000
First interim single tier dividend of 12 sen per ordinary share paid in respect of the financial year ended 31 December 2018	-	-	12	401,037
Special dividend of 40 sen per ordinary share paid in respect of the financial year ended 31 December 2018	-	-	40	1,336,790
Second interim single tier dividend of 12 sen per ordinary share paid in respect of the financial year ended 31 December 2019	12	401,037	-	-
Special dividend of 90 sen per ordinary share paid in respect of the financial year ended 31 December 2019	90	3,007,776	-	-
	<u>102</u>	<u>3,408,813</u>	<u>52</u>	<u>1,737,827</u>

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38. Commitments and operating leases

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

	Group	
	2019	2018
	RM'000	RM'000
Property, plant and equipment:		
- Approved and contracted for	99,665,152	88,640,451
- Approved but not contracted for	8,109	26,351
	<u>99,673,261</u>	<u>88,666,802</u>

The approved and contracted for capital commitments for the Group are in respect of aircraft purchase and ongoing constructions within the office building. The future commitments of aircraft purchase and ongoing constructions within the office building are as follows:

	Group	
	2019	2018
	RM'000	RM'000
Not later than 1 year	3,251,771	2,985,183
Later than 1 year and not later than 5 years	25,554,065	29,174,092
Later than 5 years	70,859,316	56,481,176
	<u>99,665,152</u>	<u>88,640,451</u>

(b) Non-cancellable operating leases

From 1 January 2019, the Group has recognised ROU assets and lease liabilities for the leases it has entered into (except for short-term and low-value leases) and accordingly no longer presents operating lease commitments. Having applied the modified retrospective approach to the implementation of MFRS 16, the Group has continued to present the comparative financial information for the aggregate payments, for which there were commitments under operating leases as follows as at 31 December:

	2018	
	Future	Future
	minimum	minimum
	lease	sublease
	payments	receipts
	RM'000	RM'000
Group		
Not later than 1 year	2,065,071	481,471
Later than 1 year and not later than 5 years	6,901,653	1,110,453
Later than 5 years	5,547,770	211,914
	<u>14,514,494</u>	<u>1,803,838</u>

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39. Segmental information

Operating segments are reported in a manner consistent with the internal management reporting provided to the chief operating decision maker, who is the Group Chief Executive Officer ("GCEO") effective 1 July 2015. The GCEO considers the business from a geographical perspective and identifies the operating segments by each Air Operator Certificate ("AOC") held under the AirAsia brand. These are categorised as Malaysia, Thailand, Indonesia, Philippines, India and Japan.

The GCEO assesses the performance of the operating segments based on revenue and net operating profit.

Segment analysis by product categories has not been prepared as the Group is primarily engaged in the provision of air transportation services.

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39. Segmental information (cont'd.)

The segmental information provided to the GCEO for the reportable segments are as follows:

	Airline					Non- Elimination		Total
	Malaysia RM'000	Philippines RM'000	Indonesia RM'000	Thailand RM'000	India RM'000	Japan RM'000	Airline adjustments RM'000	
2019								
Segment results								
Revenue	7,699,365	2,196,422	2,017,593	5,384,207	1,954,287	152,822	480,734	19,351,719
Operating expenses								
- Staff costs	(1,306,567)	(251,305)	(238,882)	(902,776)	(315,824)	(130,291)	(79,442)	(3,225,087)
- Depreciation of property, plant and equipment and right-of-use assets	(1,169,087)	(275,439)	(310,484)	(781,843)	(269,367)	(40,499)	(5,380)	(2,554,960)
- Aircraft fuel expenses	(2,658,640)	(787,191)	(758,940)	(1,871,011)	(921,271)	(51,751)	-	(7,048,804)
- Maintenance and overhaul	(1,041,065)	(358,519)	(251,336)	(484,856)	(333,409)	(20,772)	-	(2,170,297)
- User charges	(1,184,718)	(277,209)	(296,762)	(687,111)	(294,779)	(50,967)	-	(2,791,546)
- Other operating expenses	(519,823)	(136,351)	(172,249)	(705,247)	(102,792)	(21,834)	(661,689)	(1,980,357)
Other income/(charges)	4,306,051	17,897	64,828	132,949	45,508	1,633	200,462	828,914
Operating profit/(loss)	4,125,516	128,305	53,768	84,312	(237,647)	(161,659)	(65,315)	409,582
Finance income	528,486	60	1,033	3,760	7,429	1	4,529	131,180
Finance costs	(981,706)	(100,469)	(99,676)	(214,156)	(54,894)	(18,617)	(11,832)	(1,063,399)
Net operating profit/(loss)	3,672,296	27,896	(44,875)	(126,084)	(285,112)	(180,275)	(72,618)	(522,637)

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39. Segmental information (cont'd.)

The segmental information provided to the GCEO for the reportable segments are as follows (cont'd.):

2019 (cont'd.)	Airline					Non- Elimination		Total
	Malaysia RM'000	Philippines RM'000	Indonesia RM'000	Thailand RM'000	India RM'000	Japan RM'000	Airline adjustments RM'000	
Segment results (cont'd.)								
Net operating profit/(loss) brought forward	3,672,296	27,896	(44,875)	(126,084)	(285,112)	(180,275)	(72,618)	(522,637)
Associate's results not consolidated	-	-	-	126,084	285,112	180,275	-	591,471
Net operating profit/(loss)	3,672,296	27,896	(44,875)	-	-	-	(72,618)	68,834
Foreign exchange gains/ (losses)	67,659	60,642	66,237	69,368	(36,143)	(1,739)	1,221	105,973
Fair value (loss)/gain on derivatives	(249,818)	1,064	1,161	-	-	-	-	(247,593)
Share of results of associates	-	-	-	-	-	-	-	(448,874)
Profit/(loss) before taxation	3,490,137	89,602	22,523	69,368	(36,143)	(1,739)	(71,397)	(521,660)

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

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39. Segmental information (cont'd.)

The segmental information provided to the GCEO for the reportable segments are as follows (cont'd.):

	Airline					Non- Airline adjustments	Elimination	Total
	Malaysia RM'000	Philippines RM'000	Indonesia RM'000	Thailand RM'000	India RM'000	Japan RM'000	RM'000	RM'000
2019 (cont'd.)								
Segment Assets								
Property, plant and equipment and right-of-use assets	20,354,127	1,147,460	1,836,519	6,135,119	1,496,129	29,991	21,624	(10,942,199) 20,078,770
Deposits, cash and bank balances	2,165,127	59,485	90,443	534,273	286,826	20,517	273,042	- 3,429,713
Investment in associates	893,278	-	-	-	-	-	-	(189,953) 703,325
Other assets	18,747,081	185,069	282,766	1,422,543	536,704	49,724	566,466	(9,895,614) 11,894,739
	42,159,613	1,392,014	2,209,728	8,091,935	2,319,659	100,232	861,132	(21,027,766) 36,106,547
Segment Liabilities								
Borrowings and lease liabilities	19,480,344	1,238,245	1,644,439	5,921,439	1,657,947	-	151,035	(9,625,396) 20,468,053
Others	9,206,797	2,004,659	526,530	1,407,765	850,580	258,612	619,456	(2,562,131) 12,312,268
	28,687,141	3,242,904	2,170,969	7,329,204	2,508,527	258,612	770,491	(12,187,527) 32,780,321

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39. Segmental information (cont'd.)

The segmental information provided to the GCEO for the reportable segments are as follows:

	Airline					Non- Elimination		Total
	Malaysia RM'000	Philippines RM'000	Indonesia RM'000	Thailand RM'000	India RM'000	Japan RM'000	Airline adjustments RM'000	
2018								
Segment results								
Revenue	8,692,325	1,602,142	1,190,771	4,866,106	1,316,557	68,685	207,503	16,037,421
Operating expenses								
- Staff costs	(1,210,448)	(195,645)	(216,352)	(714,188)	(207,926)	(96,968)	(47,473)	(2,689,000)
- Depreciation of property, plant and equipment	(521,331)	(20,973)	(50,464)	(208,472)	(7,840)	(2,860)	(2,471)	(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)	-	(1,346,665)
- User charges	(1,015,302)	(203,488)	(272,737)	(561,344)	(209,182)	(30,878)	-	(2,292,931)
- Aircraft operating lease expenses	(1,364,357)	(245,020)	(207,542)	(643,879)	(241,022)	(34,085)	-	(1,432,796)
- Other operating expenses	(531,163)	(129,702)	(109,672)	(585,776)	(72,321)	(24,866)	(234,788)	(1,541,537)
Other income/(charges)	4,579,186	58,414	154,016	123,282	61,493	186	(35,116)	1,356,570
Operating profit/(loss)	5,256,082	(138,649)	(243,303)	43,935	(365,032)	(162,232)	(112,345)	744,887
Finance income	74,286	30	838	7,320	1,984	(33)	695	67,706
Finance costs	(411,582)	(16,161)	(23,519)	(43,886)	(1,513)	(77)	(937)	(497,369)
Net operating profit/(loss)	4,918,786	(154,780)	(265,984)	7,369	(364,561)	(162,342)	(112,587)	315,224

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39. Segmental information (cont'd.)

The segmental information provided to the GCEO for the reportable segments are as follows (cont'd.):

2018 (cont'd.)	Malaysia RM'000	Airline				Japan RM'000	Non- Airline RM'000	Elimination adjustments RM'000	Total RM'000
		Philippines RM'000	Indonesia RM'000	Thailand RM'000	India RM'000				
Segment results (cont'd.)									
Net operating profit/(loss) brought forward	4,918,786	(154,780)	(265,984)	7,369	(364,561)	(162,342)	(112,587)	(3,550,677)	315,224
Associate's results not consolidated	-	-	-	(7,369)	364,561	162,342	-	(27,250)	492,284
Net operating profit/(loss)	4,918,786	(154,780)	(265,984)	-	-	-	(112,587)	(3,577,927)	807,508
Foreign exchange gains/ (losses)	236,204	(64,018)	(36,437)	31,321	(8,405)	(589)	541	(31,784)	126,833
Fair value (loss)/gain on derivatives	(198,609)	669	(2,233)	(14,659)	-	-	-	14,659	(200,173)
Impairment of investment in joint venture	-	-	-	-	-	-	-	(5,596)	(5,596)
Impairment of other investment	-	-	-	-	-	-	-	(5,438)	(5,438)
Remeasurement gain on retained interest in a former subsidiary	-	-	-	-	-	-	-	534,712	534,712
Gain on disposal of investment in an associate	-	-	-	-	-	-	-	181,914	181,914
Share of results of joint ventures	-	-	-	-	-	-	-	11,083	11,083
Share of results of associates	-	-	-	-	-	-	-	(115,610)	(115,610)
Profit/(loss) before taxation	4,956,381	(218,129)	(304,654)	16,662	(8,405)	(589)	(112,046)	(2,993,987)	1,335,233

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

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39. Segmental information (cont'd.)

The segmental information provided to the GCEO for the reportable segments are as follows (cont'd.):

	Malaysia RM'000	Philippines RM'000	Airline		India RM'000	Japan RM'000	Non- Airline RM'000	Elimination adjustments RM'000	Total RM'000
			Indonesia RM'000	Thailand RM'000					
Segment Assets									
Property, plant and equipment (including asset held for sale)	5,236,718	53,283	401,655	3,337,811	48,561	24,790	13,262	(3,488,842)	5,627,238
Deposits, cash and bank balances	3,122,812	13,474	40,350	515,697	58,441	17,806	150,285	(591,944)	3,326,921
Investment in joint ventures and associates	613,704	-	-	-	-	-	-	252,888	866,592
Other assets	19,301,802	151,751	176,755	990,256	335,705	24,403	288,105	(12,539,757)	8,729,020
	<u>28,275,036</u>	<u>218,508</u>	<u>618,760</u>	<u>4,843,764</u>	<u>442,707</u>	<u>66,999</u>	<u>451,652</u>	<u>(16,367,655)</u>	<u>18,549,771</u>
Segment Liabilities									
Borrowings									
(Including liabilities associated with asset held for sale)	2,725,063	206,223	289,809	2,657,368	66,405	-	57,401	(2,962,814)	3,039,455
Others	12,455,162	1,896,865	719,234	1,192,798	739,355	41,278	482,605	(8,202,246)	9,325,051
	<u>15,180,225</u>	<u>2,103,088</u>	<u>1,009,043</u>	<u>3,850,166</u>	<u>805,760</u>	<u>41,278</u>	<u>540,006</u>	<u>(11,165,060)</u>	<u>12,364,506</u>

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40. Significant related party transactions

In addition to the related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party disclosures.

Entities listed under investment in subsidiaries, associates and joint ventures are all considered related parties. Further, the following party with common shareholders and/or directors are also considered related parties for disclosure purposes.

- (i) AirAsia X Berhad
- (ii) Tune Insurance Malaysia Berhad
- (iii) Queens Park Rangers Holdings Ltd
- (iv) Thai AirAsia X Co. Ltd
- (v) PT Indonesia AirAsia Extra
- (vi) Caterhamjet Global Ltd
- (vii) Tune Money International Sdn Bhd

All related party transactions were carried out on agreed terms and conditions.

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

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
(a) Income:				
Aircraft lease income				
owned and leased				
aircraft				
- Thai AirAsia Co. Ltd	28,455	428,036	-	-
- AirAsia Japan Co., Ltd	15,959	31,718	-	-
- PT Indonesia AirAsia				
Extra	-	78,105	-	-
Office rental income				
- AirAsia X Berhad	3,360	3,360	-	-
In-flight entertainment				
system and software				
charged by Rokki Sdn Bhd				
- AirAsia X Berhad	4,476	3,725	-	-
Gain on disposal of				
aircraft to Thai AirAsia				
Co. Ltd	-	9,343	-	-

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

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
(a) Income (cont'd.):				
Ground handling services charged by Ground Team Red Sdn Bhd				
- AirAsia X Berhad	39,763	21,894	-	-
Sale of loyalty point from BIGLIFE Sdn Bhd				
- AirAsia X Berhad	6,538	6,140	-	-
- Thai AirAsia X Co. Ltd	2,917	1,817	-	-
Turnaround charges and marketing funds charged by AirAsia (Guangzhou) Aviation Service Limited				
- AirAsia X Berhad	5,089	-	-	-
Travelling - Accommodation charged by Tune Hotel	3,252	2,036	-	-
Fees charged to associates and related parties providing commercial air transport services	109,450	114,526	-	-
Commission on travel insurance for passengers charged to Tune Insurance Malaysia Berhad	7,080	15,312	-	-

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

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
(b) Recharges:				
Recharges of expenses to				
- Thai AirAsia Co. Ltd	84,569	59,637	-	-
- AirAsia X Berhad	21,618	64,825	-	-
- AirAsia (India) Limited	35,445	29,716	-	-
- PT Indonesia AirAsia Extra	439	5,520	-	-
- Thai AirAsia X Co. Ltd	1,083	4,259	-	-
- AirAsia Japan Co., Ltd	<u>2,272</u>	<u>3,543</u>	<u>-</u>	<u>-</u>
(c) Other income/(expenses):				
Maintenance reserve fund charged to				
- Thai AirAsia Co. Ltd	283,929	167,357	-	-
- AirAsia (India) Limited	12,441	7,339	-	-
- PT Indonesia AirAsia Extra	34,928	23,227	-	-
- AirAsia Japan Co., Ltd	12,205	6,851	-	-
Charter air travel services charged by				
- PT Indonesia AirAsia Extra	-	(25,194)	-	-
Purchase of cargo transportation capacity				
- AirAsia X Berhad	185,957	87,503	-	-
Provision of lounge services				
- AirAsia X Berhad	(1,832)	(1,788)	-	-
Management fees charged to PT Indonesia AirAsia				
- AirAsia X Berhad	(3,098)	(3,098)	-	-

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

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
(c) Other income/(expenses) (cont'd.):				
Management fees paid to AirAsia SEA Ltd (formerly known as AirAsia Group (IHQ) Ltd)	-	-	(15,835)	(1,713)
Loyalty point redemption				
- AirAsia X Berhad	(17,738)	(12,675)	-	-
- Thai AirAsia X Co. Ltd	(7,194)	(2,569)	-	-
Management fees charged to associates and related parties	<u>15,378</u>	<u>10,609</u>	<u>-</u>	<u>-</u>

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41. Financial instruments

Group	Measured at amortised costs RM'mil	Measured at FVTPL RM'mil	Measured at FVOCI RM'mil	Total RM'mil
31 December 2019				
Financial assets as per statements of financial position				
Investment securities (Note 15)	-	95	508	603
Receivables (excluding prepayments and deposits for aircraft maintenance) (Note 18)	1,160	-	-	1,160
Amounts due from associates (Note 23)	433	-	-	433
Amounts due from related parties (Note 25)	107	-	-	107
Deposits on aircraft purchase (Note 19)	596	-	-	596
Derivative financial instruments (Note 20)	-	205	234	439
Deposits, cash and bank balances (Note 26)	2,588	-	-	2,588
Finance lease receivables (Note 30)	1,221	-	-	1,221
Total	6,105	300	742	7,147
Liabilities at fair value through the profit and loss RM'mil				
Other financial liabilities RM'mil				
Total RM'mil				
Financial liabilities as per statements of financial position				
Borrowings (Note 29)	-	-	429	429
Derivative financial instruments (Note 20)	-	60	140	200
Trade and other payables (Note 27)	-	-	2,496	2,496
Aircraft maintenance payables and provisions (excluding provisions and maintenance reserve funds) (Note 28)	-	-	2,435	2,435
Amounts due to associates (Note 23)	-	-	152	152
Amounts due to related parties (Note 25)	-	-	261	261
Lease liabilities (Note 30)	-	-	12,460	12,460
Total	-	60	18,373	18,433

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41. Financial instruments (cont'd.)

	Measured at amortised costs RM'mil	Measured at FVTPL RM'mil	Measured at FVOCI RM'mil	Total RM'mil
Group (cont'd.)				
31 December 2018				
Financial assets as per statements of financial position				
Investment securities (Note 15)	-	67	411	478
Receivables (excluding prepayments and deposits for aircraft maintenance) (Note 18)	1,376	-	-	1,376
Amounts due from associates (Note 23)	404	-	-	404
Amounts due from joint ventures (Note 24)	7	-	-	7
Amounts due from related parties (Note 25)	124	-	-	124
Deposits on aircraft purchase (Note 19)	976	-	-	976
Derivative financial instruments (Note 20)	-	210	440	650
Deposits, cash and bank balances (Note 26)	3,327	-	-	3,327
Total	6,214	277	851	7,342

	Liabilities at fair value through the profit and loss RM'mil	Other financial liabilities RM'mil	Total RM'mil
Financial liabilities as per statements of financial position			
Borrowings (Note 29)	-	1,205	1,205
Derivative financial instruments (Note 20)	23	642	665
Trade and other payables (Note 27)	-	2,723	2,723
Aircraft maintenance payables and provisions (excluding provisions and maintenance reserve funds) (Note 28)	-	2,401	2,401
Amounts due to associates (Note 23)	-	78	78
Amount due to a joint venture (Note 24)	-	11	11
Amounts due to related parties (Note 25)	-	103	103
Total	23	7,163	7,186

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41. Financial instruments (cont'd.)

	Measured at amortised costs RM'mil	Measured at FVOCI RM'mil	Total RM'mil
Company			
31 December 2019			
Assets as per statements of financial position			
Investment securities (Note 15)	-	313	313
Amount due from a subsidiary (Note 22)	287	-	287
Deposits, cash and bank balances (Note 26)	41	-	41
	<u>328</u>	<u>313</u>	<u>641</u>

**Other
financial
liabilities
RM'mil**

**Liabilities as per statements
of financial position**

Trade and other payables (Note 27)	2
Amounts due to subsidiaries (Note 22)	-
	<u>2</u>

	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
	<u>1,358</u>	<u>200</u>	<u>1,558</u>

* Represents RM250,000.

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41. Financial instruments (cont'd.)

	Other financial liabilities RM'mil
Company (cont'd.)	
Liabilities as per statements of financial position	
Trade and other payables (Note 27)	*
Amounts due to subsidiaries (Note 22)	313
	<u>313</u>

* Represents RM771,000.

42. Financial risk management policies

The Group is exposed to market risk (including fuel price risk, interest rate risk and foreign currency risk), credit risk and liquidity risk. The Group uses financial instruments such as fuel swaps, interest rate swaps and caps, and foreign currency forwards to mitigate its financial risks.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management team then establishes detailed policies such as risk identification and measurement, exposure limits and risk management strategies. Financial risk management policies and procedures are reviewed regularly to reflect changes in the market condition and the Group's activities.

The Group also seeks to ensure that the financial resources that are available for the development of the Group's businesses are constantly monitored and managed vis-a-vis its ongoing exposure to fuel price, interest rate, foreign currency, credit, liquidity and cash flow risks.

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

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates, jet fuel prices and interest rates. The objective of market risk management is to manage and control market risk exposure within acceptable parameters while optimising the return on risk.

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

(a) Market risk (cont'd.)

(i) Fuel price risk

The Group is exposed to jet fuel price risk and seek to hedge its fuel requirements using fuel swaps (Note 20). If a barrel of jet fuel/Brent oil at 31 December 2019 had been USD5 higher/lower with all other variables held constant, the impact on the post-tax profit and equity are as follows:

	2019		2018	
	+USD5	-USD5	+USD5	-USD5
	RM'mil	RM'mil	RM'mil	RM'mil
Impact on post tax profits	-	-	3.03	(3.03)
Impact on other comprehensive income	<u>230.75</u>	<u>(230.75)</u>	<u>238.01</u>	<u>(238.01)</u>

(ii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is that the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

Interest rate exposure arises from the Group's floating rate borrowings and is managed by entering into derivative financial instruments. Derivative financial instruments are used, as far as possible and where appropriate, to generate the desired fixed interest rate profile. Surplus funds are placed with reputable financial institutions.

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

If interest rate on USD denominated borrowings at 31 December 2019 and 31 December 2018 had been 60 basis points higher/lower with all other variables held constant, the impact on the post-tax profit for the year and equity arising from the cash flow interest rate risk would be minimal when considered with the hedging of the floating rate loans (Note 20).

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

The policies in respect of the major areas of treasury activities are as follows (cont'd.):

(a) Market risk (cont'd.)

(ii) Interest rate risk (cont'd.)

If interest rate on USD denominated borrowings at 31 December 2019 and 31 December 2018 had been 60 basis points higher/lower with all other variables held constant, the impact on the post-tax profit for the financial year and equity, as a result of an increase/decrease in the fair value of the interest rate derivative financial instruments under cash flow hedges are tabulated below. The impact on post-tax profits arises only from derivative held for trading, and the impact to other comprehensive income arises from derivative designated as hedging instruments are as follows:

	2019		2018	
	+60bps RM'mil	-60bps RM'mil	+60bps RM'mil	-60bps RM'mil
Impact on post tax profits	(25.56)	(90.01)	1.58	(1.57)
Impact on other comprehensive income	-	-	37.25	(29.33)

The remaining terms of the outstanding interest rate derivative contracts of the Group at balance sheet date, which are all denominated in USD, are as follows:

	2019 RM'mil	2018 RM'mil
Later than 1 year but less than 5 years:		
Interest rate caps	-	115
Interest rate swaps	293	732
Cross currency interest rate swaps	-	54
Later than 5 years:		
Interest rate swaps	956	1,406
Cross currency interest rate swaps	261	246
	<u>1,510</u>	<u>2,553</u>

(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.

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42. 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 (cont'd.)

As at 31 December 2019, the Group has not hedged any of its USD denominated borrowings. In the previous financial year 69% of USD denominated borrowings are hedged by long dated foreign exchange forward contracts (Note 20).

If RM had weakened/strengthened by 5% against the USD as at 31 December 2019 with all other variables held constant, post-tax profit for the financial year would have been RM15.1 million (2018: RM53.0 million) higher/lower. Similarly, the impact on other comprehensive income would have been RM Nil (2018: RM0.7 million) higher/lower due to the cash flow hedging in USD.

The exposure to other foreign currency risk of the Group is not material and hence, sensitivity analysis is not presented.

The Group's currency exposure profile of financial instruments denominated in currencies other than the functional currency is presented in the respective financial asset and financial liabilities notes.

(b) Credit risk

Credit risk is the risk of financial loss to the Group and the Company if a customer or a counter party to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers, cash and cash equivalents and other financial assets.

The Group's and the Company's exposure to credit risks or the risk of counterparties defaulting arises mainly from various deposits and bank balances, receivables, deposits for aircraft purchase and derivative financial instruments. As the Group and the Company do not hold collateral, the maximum exposure to credit risks is represented by the total carrying amount of these financial assets in the balance sheet. Prepayment for engine maintenance to the service provider are also deemed by the Group as having credit risk in the event counterparties do not fulfill the obligation.

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.

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

(b) Credit risk (cont'd.)

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

(c) Liquidity and cash flow risk

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

Following the COVID-19 pandemic, the liquidity of the Group is impacted as it is influenced by the booking and payment pattern of customers which saw a decline. Further details are as disclosed in Note 48.

The management will continue to monitor liquidity reserves and rolling cash flow forecasts throughout the year based on the measures put in place as disclosed in Note 48 and also potential impacts from events outside the Group's control.

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42. Financial risk management policies (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 2019				
Term loans	258	39	47	18
Commodity Murabahah Finance	4	-	-	-
Revolving credit	100	-	-	-
Trade and other payables (Note 27)	2,175	320	-	-
Aircraft maintenance payables and provisions	261	2,500	-	-
Lease liabilities	2,329	2,171	5,022	5,470
Amounts due to associates	152	-	-	-
Amounts due to related parties	260	-	-	-
	5,538	5,030	5,069	5,488
	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 (Note 27)	2,326	397	-	-
Aircraft maintenance payables and provisions	392	2,416	-	-
Amounts due to associates	32	6	36	14
Amounts due to joint venture	11	-	-	-
Amounts due to related parties	103	-	-	-
	3,325	3,164	405	159

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

The policies in respect of the major areas of treasury activities are as follows (cont'd.):

(c) Liquidity and cash flow risk (cont'd.)

Company	Less than 1 year RM'mil	1-2 years RM'mil	2-5 years RM'mil	Over 5 years RM'mil
At 31 December 2019				
Trade and other payables	2	-	-	-
Amounts due to subsidiaries	-	-	-	-
	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2018				
Trade and other payables	*	-	-	-
Amounts due to subsidiaries	313	-	-	-
	<u>313</u>	<u>-</u>	<u>-</u>	<u>-</u>

* Represents RM771,000.

Group	Less than 1 year RM'mil	1-2 years RM'mil	2-5 years RM'mil	Over 5 years RM'mil
At 31 December 2019				
Net-settled derivatives				
Trading	7	-	20	33
Hedging	120	20	-	-
	<u>120</u>	<u>20</u>	<u>-</u>	<u>-</u>
At 31 December 2018				
Net-settled derivatives				
Trading	14	9	-	-
Hedging	452	156	28	6
	<u>452</u>	<u>156</u>	<u>28</u>	<u>6</u>

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

(d) Capital risk management

The Group's and the Company's objectives when managing capital are to safeguard the Group's and the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to provide returns for shareholders and benefits for other stakeholders.

In order to optimise the capital structure, or the capital allocation amongst the Group's and the Company's various businesses, the Group and the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, take on new debts or sell assets to reduce debt.

The Group's and the Company's overall strategy remains unchanged from 2018.

Consistent with others in the industry, the Group and the Company monitors capital utilisation on the basis of the net gearing ratio. This net gearing ratio is calculated as net debts divided by total equity. Net debts are calculated as total borrowings (including "short-term and long-term borrowings" as shown in the Group's and the Company's balance sheet) add liabilities attributable to assets held for sale less deposit, cash and bank balances.

The net gearing ratio as at 31 December 2019 and 31 December 2018 are as follows:

	Group		Company	
	2019	2018	2019	2018
	RM'mil	RM'mil	RM'mil	RM'mil
Total borrowings (Note 29)	429	1,205	-	-
Lease liabilities (Note 30)	12,460	-	-	-
Liabilities attributable to assets held for sale (Note 32)	-	1,834	-	-
Less: Deposit, cash and bank balances (Note 20)	(2,588)	(3,327)	(41)	(1,358)
Net debts	<u>10,301</u>	<u>(288)</u>	<u>(41)</u>	<u>(1,358)</u>
Total equity	<u>2,911</u>	<u>6,185</u>	<u>8,951</u>	<u>9,300</u>
Net Gearing Ratio (times)	3.54	N/A	N/A	N/A

The Group is in compliance with all externally imposed capital requirements for the financial years ended 31 December 2019 and 31 December 2018.

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

(e) Fair value measurement

The carrying amounts of cash and cash equivalents, trade and other current assets, and trade and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

Determination of fair value and fair value hierarchy

The Group's financial instruments are measured in the statement of financial position at fair value. Disclosure of fair value measurements are by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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

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

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

Determination of fair value and fair value hierarchy (cont'd.)

	Level 1 RM'mil	Level 2 RM'mil	Level 3 RM'mil	Total RM'mil
Group				
31 December 2019				
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	205	-	205
Derivatives used for hedging	-	234	-	234
Investment securities	414	98	91	603
	<u>414</u>	<u>537</u>	<u>91</u>	<u>1,042</u>
Liabilities				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	60	-	60
Derivatives used for hedging	-	140	-	140
	<u>-</u>	<u>200</u>	<u>-</u>	<u>200</u>
31 December 2018				
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	210	-	210
Derivatives used for hedging	-	440	-	440
Investment securities	337	96	45	478
	<u>337</u>	<u>746</u>	<u>45</u>	<u>1,128</u>

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

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

Determination of fair value and fair value hierarchy (cont'd.)

	Level 1	Level 2	Level 3	Total
	RM'mil	RM'mil	RM'mil	RM'mil
Group (cont'd.)				
31 December 2018				
Liabilities				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	23	-	23
Derivatives used for hedging	-	641	-	641
	-	664	-	664
Company				
31 December 2019				
Assets				
Investment securities	267	46	-	313
	267	46	-	313
31 December 2018				
Assets				
Investment securities	146	54	-	200
	146	54	-	200

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices are readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities and actively exchange-traded derivatives.

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

The policies in respect of the major areas of treasury activities are as follows (cont'd.):

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

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

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- 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.

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43. Unconsolidated structured entities

The Group has set up Merah entities, special purpose companies (“SPC”) pursuant to aircraft related borrowings obtained from various financial institutions. Under the arrangement, the Group enters into an Aircraft Instalment Sale Agreement with the SPC, permitting the Group to possess and operate each of the Airbus A320 aircraft financed under the facility.

The SPC are orphan trust companies in which the Group has no equity interest. The SPC do not incur any losses or earn any income during the financial year ended 31 December 2019. The aircraft and the corresponding term loans and finance costs associated with the SPC have been recognised by the Group upon the purchase of the aircraft.

The Group does not provide any financial support to the SPC or have any contractual obligation to make good the losses, if any.

The details of the Merah entities are as follows:

Name	Incorporation	Purpose
Merah Satu Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tiga Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Empat Sdn Bhd	Malaysia	Aircraft financing special purpose company
Merah Lima Limited	Labuan, Malaysia	Aircraft financing special purpose company
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

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43. Unconsolidated structured entities (cont'd.)

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

Name	Incorporation	Purpose
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

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43. Unconsolidated structured entities (cont'd.)

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

Name	Incorporation	Purpose
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

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44. Significant events

(i) Sales and leaseback for twenty five (25) aircraft to Castl lake L.P

On 24 December 2018, an indirect wholly owned subsidiary of the Company, AAC, entered into a share purchase agreement with AS Air Lease Holdings 5T DAC ("the Purchaser") and AS Air Lease 8 (Offshore) LP ("the Purchaser Guarantor"), being entities controlled by Castl lake L.P for the proposed disposal of entire equity interest in Merah Aviation Asset Holding Limited, to dispose twenty five (25) aircraft, subject to terms and conditions stipulated in the agreement.

On the same date, AAC entered into sale and leaseback agreement with the Purchaser for the sale and leaseback of four (4) new aircraft in 2019 for a purchase consideration to be determined at a later date, depending on the final date of delivery and price escalation adjustments of each aircraft.

Subsequently, on 8 March 2019, AAC entered into an amended share purchase agreement with the Purchaser and the Purchaser Guarantor to dispose its entire equity interest in the following entities:

- (i) Merah Aviation Asset Holding Limited;
- (ii) Merah Aviation Asset Holding Two Limited;
- (iii) Merah Aviation Asset Holding Three Limited;
- (iv) Merah Aviation Asset Holding Four Limited; and
- (v) Merah Aviation Asset Holding Five Limited

which will collectively own the twenty five (25) aircraft.

On 8 August 2019, AAC completed the disposal of all the above entities and received a total of USD739.4 million (approximates RM3,559.5 million).

(ii) Sale and leaseback of 14 existing A320-200 aircraft

On 25 July 2019, AAGB's Board has approved the sale and leaseback of 14 A320ceo aircraft ("14 SLB aircraft") via Asia Aviation Capital Limited ("AAC") to Aircastle Limited ("Aircastle") and Castl lake LP ("Castl lake"). Accordingly, AAGB Group recognised a net gain (after tax) of RM42 million arising from the sale and leaseback transaction.

As at 31 December 2019, the 14 aircraft had been disposed to Aircastle and Castl lake, of which, upon completion of the disposal, AAB and/or its affiliate airlines within the Group entered into lease agreements with entities managed by Aircastle and Castl lake to leaseback the same.

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44. Significant events (cont'd.)

(iii) Acquisition of additional shares in Touristly Travel Sdn Bhd

On 4 March 2019, RBV completed the acquisition of 629,130 ordinary shares in aggregate from Netrove Ventures Corporation, Jeffrey Saw Meng Lai and Wong Chin Kit. Following the acquisition, the Company's indirect shareholdings in AirAsia Com Travel Sdn Bhd (formerly known as Touristly Travel Sdn Bhd) through RedBeat Ventures increased from 50% to 74.6% resulting in AirAsia Com Travel Sdn Bhd becoming an indirect subsidiary of the Company. On 31 May 2019, RBV acquired the remaining shares in AirAsia Com Travel Sdn Bhd from Aaron Sarma for a cash consideration of RM1,858,967. Following the acquisition, AirAsia Com Travel Sdn Bhd is a wholly-owned subsidiary of RBV.

45. Subsequent events

(i) Establishment of a Joint Venture in Thailand

On 4 December 2019, Teleport Everywhere Pte. Ltd. and Triple I Logistics Public Company Limited signed a shareholders' agreement, to establish Teleport (Thailand) Co., Ltd. to provide logistics services to Thai AirAsia Co., Ltd. ("TAA") and Thai AirAsia X Co., Ltd. The issued and paid-up share capital of Teleport Thailand is THB10 million (equivalent to RM1.37 million), divided into 1 million ordinary shares of THB10 each.

Further, on 30 December 2019, Teleport Everywhere Pte. Ltd. signed a Master General Cargo Sales Agent Agreement with TAA regarding the cargo capacity of TAA.

Both agreements are effective on 1 January 2020.

(ii) Airbus bribery allegations

AirAsia Berhad ("AAB", wholly-owned subsidiary of AAGB) was mentioned in the Approved Judgment and the Statement of Facts in relation to the case of Regina v Airbus SE ("Airbus"), dated 31 January 2020 whereby, Airbus signed a Deferred Prosecution Agreement ("DPA") with U.K. Serious Fraud Office ("SFO") with a settlement of US\$4 billion. Indicated therein that Airbus paid US\$50 million and offered US\$55 million more to sponsor a sports team linked to executives of AAB.

On 3 February 2020, the Securities Commission Malaysia ("SC") has announced that it will examine the allegations against AAB as mentioned in the SFO report.

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45. Subsequent events (cont'd.)

(ii) Airbus bribery allegations (cont'd.)

On the same date, the Board has formed a Non-Executive Independent Board Committee ("Committee") to review the allegations and to take any necessary action. The Committee has engaged BDO Governance Advisory Sdn Bhd ("BDO") to assist them on conducting independent internal inquiry. Further, the two executives involved in the allegations (i.e. AAGB's Executive Chairman, Datuk Kamarudin bin Meranun, and Chief Executive Officer, Tan Sri Anthony Francis Fernandes), relinquished their executive positions within the Group.

On 19 March 2020, the independent inquiry report was presented to and accepted the Board and arising from this, the Board has resolved to reinstate the executive positions of the two executives involved.

On 20 March 2020, the same report from BDO was submitted to SC. As of 6 July 2020, there was no update subsequent to the submission of the report.

46. Other matters

Litigations involving AAB and Malaysia Airports (Sepang) Sdn Bhd ("MASSB")

In prior year, AirAsia Berhad ("AAB"), a wholly owned subsidiary of the Company, received a Writ of Summons and Statement of Claim ("Claim") dated 10 December 2018 and on 31 January 2019, Malaysia Airports (Sepang) Sdn Bhd ("MASSB") filed claims at the High Court of Malaya at Kuala Lumpur, claiming the additional RM23 per Passenger Services Charges ("PSC") which AAB was required to collect effective 1 July 2018.

On 18 September 2019, AAB paid a sum of RM14,156,818.47 (being the amounts specified in the Garnishee Show Cause Orders dated 23 August 2019) to MASSB to defray the garnishee execution proceedings. The payment was made by AAB without prejudice to AAB's rights, including AAB's rights in the appeals made in relation to the judgement order dated 18 July 2019 and any connected interlocutory applications.

On 2 October 2019, AAB filed a Writ of Summons at the Kuala Lumpur High Court against MASSB for a the sum of RM479,781,285.00, being loss and damage caused by negligence on the part of MASSB, its servants and/or agents in the management, operation, maintenance and/or provision of airport services and facilities at KLIA2.

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47. Reclassification

The presentation and classification of items in the current year's financial statements have been consistent with the previous financial year except for certain comparative amounts which have been reclassified to conform with the current year's presentation:

The effects arising from these reclassifications are as follows:

	As previously stated RM'000	Reclassifi- -cation RM'000	As restated RM'000
Effects on statement of comprehensive income for the financial year ended 31 December 2018			
Operating expenses			
User charges	1,576,018	(84,490)	1,491,528
Other operating expenses	779,486	84,490	863,976

This relates to reclassification of cargo belly costs of RM84.49 million from user charges to other operating expenses as these are non-flight related expenses pertaining to the provision of cargo services.

	As previously stated RM'000	Reclassifi- -cation RM'000	As restated RM'000
Effects on statement of financial position as at 31 December 2018			
Current liabilities			
Trade and other payables	2,680,025	(354,030)	2,325,995
Aircraft maintenance provisions and liabilities	168,041	354,030	522,071
Non-current liabilities			
Other payables	3,513,909	(3,116,963)	396,946
Aircraft maintenance provisions and liabilities	843,768	3,116,963	3,960,731

This relates to reclassification of aircraft maintenance payables and aircraft maintenance reserve fund of RM2,401 million and RM1,070 million, respectively from trade and other payables to aircraft maintenance provisions and liabilities as these are maintenance-related reserve fund for the overhaul of the major components of aircraft.

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48. COVID-19 Pandemic

The Group reported a net loss of RM283 million for the financial year ended 31 December 2019 and the current liabilities exceeded its current assets by RM1,843 million as at 31 December 2019. The spread of the COVID-19 pandemic after the year end has significantly affected the Group's operations. Travel and border restrictions implemented by countries around the world, such as the Movement Control Order (MCO) implemented by the Malaysian government, Enhanced Community Quarantined (ECQ) in Philippines, Government Regulation No 21/2020 on large scale social distancing in Indonesia, have led to a significant fall in demand for air travel which impacted the Group's financial performance and cash flows. These conditions indicate existence of material uncertainties that may cast significant doubt on the Group's and the Company's ability to continue as a going concern.

Arising from the COVID-19 pandemic, the Group and the Company have implemented several measures to weather through this current challenging time. These efforts are on-going as the Group and the Company continue to seek support from their vendors and business partners to address their cash flow requirements. The following measures had been taken, with further additional efforts to be taken:

a) Recovery from COVID-19 Pandemic

As of June 2020, the respective countries, i.e. Government of Malaysia, Indonesia and Philippines had allowed domestic travel and interstate travel subject to certain limitations. The Group has resumed operations on a staggered basis in June 2020 and has seen positive developments on its business operations as passenger seat booking trends, flight frequencies and load factors are gradually improving to cater for the increasing demand. The Group expects the business operations to gradually return to the normal operations level by early 2021.

Nonetheless, the overall timing of recovery of the COVID-19 pandemic would affect the ability of the Group to meet its forecasted revenue, which in turn affect the Group's cashflow generated from operations.

b) Funding

To shore up liquidity, the Group's existing lenders have provided support through rollover of facilities. In Malaysia, certain financial institutions have indicated their willingness to support the Group and the Company's request for funding with amounts of up to RM1.0 billion, of which certain amount is eligible for the government guarantee loan to be provided under the Danajamin PRIHATIN Guarantee Scheme ("DPGS") and the outcome is expected to be favourable. The Company's subsidiaries in Philippines and Indonesia have also applied for bank loans from their respective existing and new lenders and are on various stages of application. In Philippines, the Group is expected to obtain funding through the government guaranteed loan under the Philippine Economic Stimulus Act (PESA) which is expected to be passed as law in September 2020.

The Group and the Company plan to raise capital of up to RM1.4 billion as and when required to strengthen its equity base and liquidity and expect successful implementation on these capital raising plans.

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

c) Working capital management

The Group managed to seek deferrals for payment of aircraft operating leases with lessors and restructured fuel hedges exposures with certain counterparties to reduce the Group's fuel hedging losses. The Group is currently in the process of negotiating further waiver or deferral of lease rentals and restructure the remaining fuel hedge exposures with supportive lessors and counterparties.

Further, the Group and the Company have implemented group-wide temporary salary reduction ranging from 15% to 75%, depending on salary levels with effect from April 2020 and voluntary salary cuts of 2 executive directors of 100% since March 2020. The Group and the Company continuously relook at the efficiency of the organisation structure and the right resource size to achieve further savings in human resource cost.

d) Capacity and Network Management and Marketing activities

The lock down and restriction in travels issued by the government in the countries that the Group operates in has reduced the passenger capacity in the second quarter ended 30 June 2020. However, in the month of June 2020 where domestic flights have started in the various countries, average load factors range between 45% to 65%.

The Group implements continuous flight capacity and network revenue management in response to global travel restrictions and the current uplifting of travel restriction by the respective countries. This can be seen with the Group reporting a healthy group-wide load factor of 77% in the first quarter of 2020. This was achieved through proactive capacity management, particularly in the months of February and March 2020. The corresponding reduction was seen in March 2020, where capacity fell by 11% for the quarter ended 31 March 2020 as compared to the quarter ended 31 March 2019. Notwithstanding, the Group reported a healthy 8% increase in average fare in the first quarter of 2020 as compared the same quarter last year.

The gradual increase in passenger seat booking, flight frequencies and load factor during the progressive upliftment of travel restriction signifies positive development with strong rebound in demand for air travel anticipated.

Accordingly, the directors are of the opinion that the going concern basis used in the preparation of financial statements is appropriate and no adjustments was necessary to be made to the financial statements relating to the recoverability and classification of the carrying amount of assets or the amount and classification of liabilities.

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(Incorporated in Malaysia)**

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

The financial statements have been prepared based upon conditions existing at 31 December 2019 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period. As the outbreak of COVID-19 occurred after 31 December 2019, its impact is considered an event that is indicative of conditions that arose after the reporting period and accordingly, no adjustments have been made to the financial statements as at 31 December 2019 for the impacts of COVID-19. For the next financial year ending 2020, based on the performance for the remainder of the year, the Group will reassess the Right-of-Use ("ROU") assets and goodwill impairment and recoverability of deferred tax asset assessments.