AIREEN OMAR
Chief Executive Officer and
Executive Director

PERSPECTIVE
CEO'S REPORT

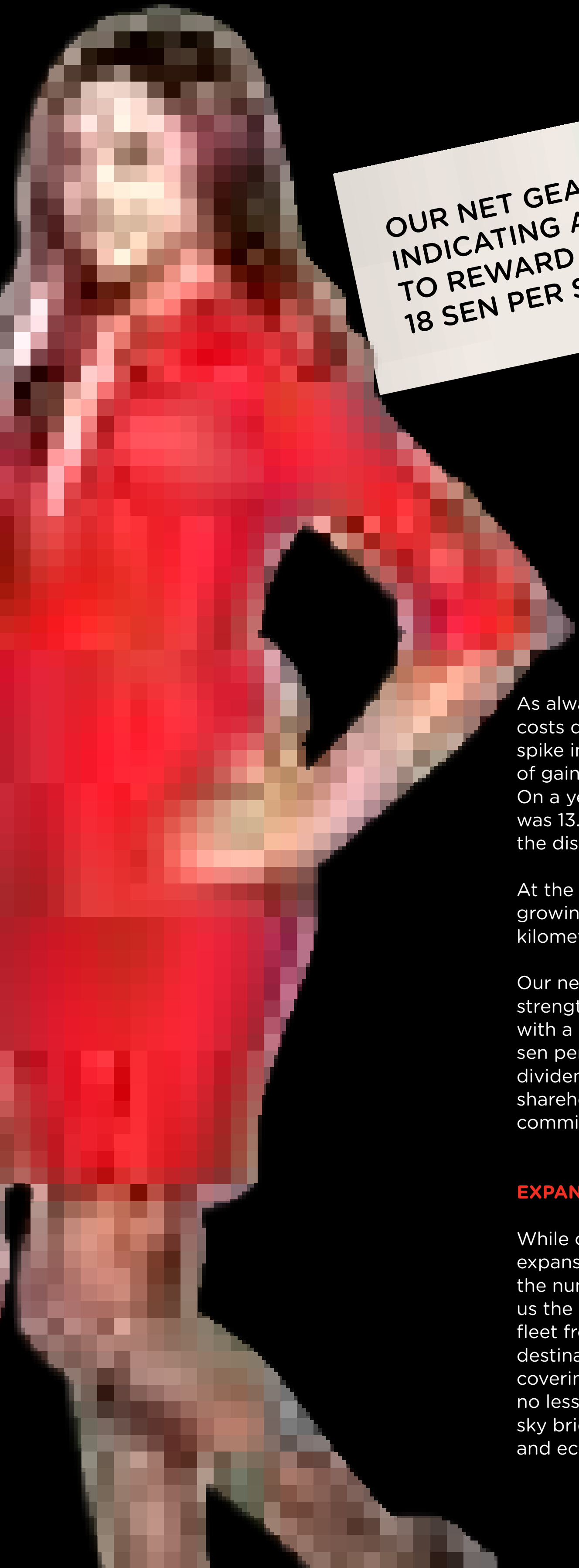
And the year 2012 was no exception. In a time of economic volatility and uncertainties, we kept expectations and hopes flying high with no let-up on our search for new and exciting destinations. Keeping a pulse on trends, we anticipated and met emerging needs. We increased our footprint in China to cater to growing demand for business travel to and from the world's most populous country. We went off the beaten track to seek exotic destinations that appeal to adventurous explorers, adding Lombok, Semarang, Surat Thani, Kuming and Nanning to our growing route network. With seven more aircraft, meanwhile, we were also able to increase flight frequencies of popular routes such as those from Kuala Lumpur to Yangon, Hanoi, Vientiane and Yogyakarta.

All the while, as prices around us continued to soar, we bear in mind our promise to the people of Asean and abolished counter check-in fees for international flights. We introduced new services and made existing ones available to more guests, adding to their convenience and comfort. In other words, we got bigger, better and... believe it or not... even more cost-efficient during what was unquestionably another challenging year.

It was, in all, an amazing 12 months, a fitting start to our second decade, and it gives me pleasure to take you through our financial as well as operational milestones.

FINANCIAL PERFORMANCE

Our financial performance for the year ended 31 December 2012 was very encouraging. AirAsia's revenue increased by 10% to reach RM4.95 billion, and we managed to achieve a net operating profit of RM729 million. Most spectacularly, we closed the year with a 230% increase in profit after tax of RM1.83 billion as compared to RM555 million in 2011.



OUR NET GEARING OVER THE YEAR REDUCED TO JUST 1.05 TIMES, INDICATING A MUCH STRENGTHENED BALANCE SHEET AND ALLOWING US TO REWARD OUR LOYAL SHAREHOLDERS WITH A SPECIAL DIVIDEND OF 18 SEN PER SHARE AND ORDINARY FINAL DIVIDEND OF 6 SEN PER SHARE.

As always, our financial performance reflected the priority we place on keeping costs down and our constant vigilance on all relevant factors. Other than a spike in staff costs due to bonus accruals and there was a substantial reduction of gain on disposals, our costs across the board remained within expectations. On a year to date basis, AirAsia's cost per available seat per kilometre (CASK) was 13.80 sen while CASK ex-fuel was at 7.60 sen. Consequently, we achieved the distinction of being the lowest-cost airline in the world.

At the same time, due to an average 6% increase in our fares, as well as growing income from ancillary services, our revenue per available seat per kilometre (RASK) increased increased 1.1% to 17.43 sen.

Our net gearing over the year reduced to just 1.05 times, indicating a much strengthened balance sheet and allowing us to reward our loyal shareholders with a special dividend of 18 sen per share and ordinary final dividend of 6 sen per share. As mentioned by our Chairman, we have also announced a dividend policy of 20% of annual net operating profit payout as this increases shareholder certainty, and hence their comfort level, while underlining our commitment not to place capital invested in the Company at risk.

No. of Unique Routes for AirAsia Group

51

(55 including AirAsia X)

Malaysia AirAsia

33

EXPANDING ALL THE TIME

While others may think we have gone as far as we possibly can, our marked expansion during the year proved them wrong. AirAsia as a Group increased the number of guests flown from 30 million to 35 million passengers, making us the fourth largest airline in Asia in terms of passengers. We grew our fleet from 97 aircraft at end 2011 to 118 at the end of 2012. From covering 70 destinations via 142 routes in over 17 countries in 2011, we ended year 2012 covering 81 destinations via 160 routes crisscrossing 18 countries. What's more, no less than 51 of our routes are unique, meaning we have literally created 51 sky bridges to bring people in the region closer together – socially, culturally and economically.

These Group figures reflect growth of the Malaysia operations too, which, being the flagship AirAsia airline and the one that started it all, remains the biggest and most profitable among all our associate companies. During the year, we flew 9% more guests, increased our fleet size from 57 to 64 and expanded our route network to 82. Though much younger than the national carrier, we dominate 60% of the domestic travel market and 40% of the international destination market. And we are still growing.

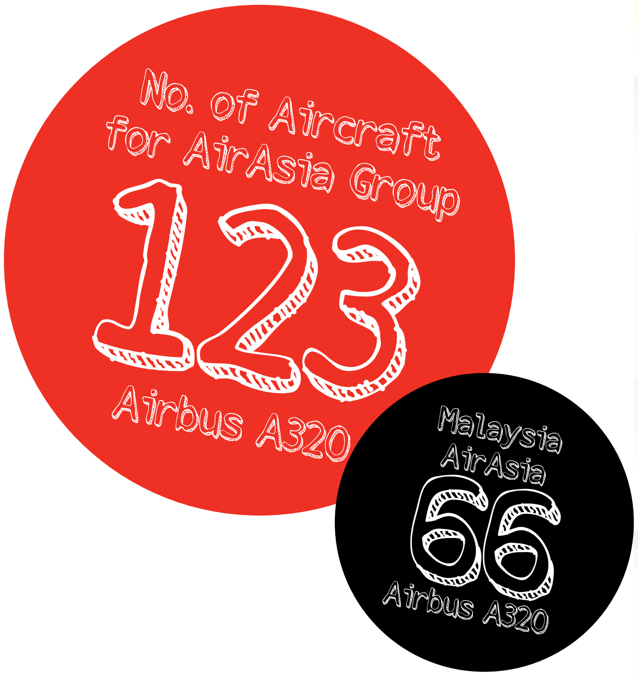
Growth of our associate airlines, meanwhile, benefits us by boosting AirAsia Bhd's bottom line while adding to the connectivity we are able to offer our guests. A definite highlight was the listing of Thai AirAsia at end May 2012, which led to an increase in our net profit for the second quarter, due to a fair value gain of our remaining 45% equity interest. This will continue to contribute positively to our financial position as this associate is now able to manage its own capital requirements to support further expansion. We were also very excited to see both Philippines' AirAsia and AirAsia Japan launch their inaugural flights and subsequently grow their networks. In Japan, a second hub has already been established in Nagoya catering to both domestic and international routes while in the Philippines, there is a possibility of a second hub at the main Ninoy Aquino International Airport in Manila as a result of our associate's acquisition of 49% equity in Zest Airways.

But perhaps most excitingly, AirAsia Bhd has entered into a partnership with the Tata Group and Bhatia family in India to set up operations in this vast subcontinent. This promises to create some exciting synergies with our current five routes to India, while feeding travellers from India into our extensive Asean network thus increasing loads in our other sectors. Detailed discussion and groundwork are taking place behind the scenes as I write and we expect AirAsia India to take off before the end of this year.

In line with our phenomenal growth, the Group has in the pipeline a total of 357 single-aisle aircraft from Airbus – 264 A320 new engine options (neo) and 93 A320 current engine options (ceo). These will be delivered in phases up to year 2026, with many of the later deliveries replacing our older aircraft, i.e. those that were acquired in or soon after 2005. With our last order, placed in December for 100 aircraft worth US$9.4 billion, we are now Airbus' largest airine customer for the A320 worldwide.

KEEPING COSTS LOW

Central to our promise 'Now everyone can fly' is keeping our costs as low as possible so as to pass on our savings to guests in the form of affordable prices. There are two major ways in which we do this – by increasing our cost-efficiencies and by enhancing revenue from our ancillary and adjacency businesses.



We have from the word go been a very IT savvy company, leveraging on the latest technologies to create and maintain a high level of operational efficiency. In January 2012, we upgraded our IT backbone by adopting and going live with merlot. aero, a new and cutting-edge airline management system that allows us to optimise our aircraft and crew utilisation. This, in turn, enables us to further improve our already healthy on-time performance and minimise costs.

We have also since 2005 (when we replaced our last Boeing B737 aircraft) maintained a high level of operational efficiency by employing a young and therefore fuel-efficient fleet. Last year, we were introduced to a new aerodynamic wingtip design by Airbus, called the Sharklet. This device is able to reduce the fuel burn and, therefore, emissions of an aircraft by 4% annually while also allowing an operator either to increase its flight range by 100 nautical miles (185km) or its payload by up to 450kg. Suitably impressed, we became the first airline in the world to operate an Airbus aircraft fitted with these Sharklets. As part of our ongoing commitment towards greater fuel-efficiency, moreover, we have specified that all newly built aircraft for AirAsia should feature this device. We may even retrofit some of our existing aircraft with it to further improve our financial and environmental scorecards.

ANCILLARY & ADJACENCY BUSINESSES

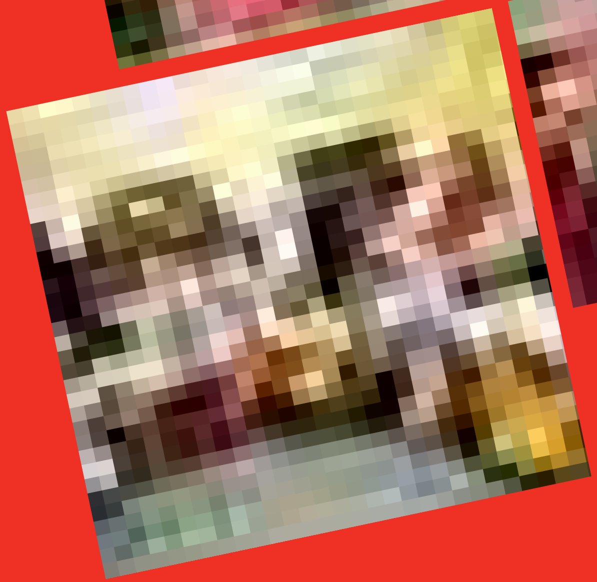
In last year's annual report, we highlighted the setting up of a number of joint ventures between AirAsia and partners with expertise or resources that would allow us to monetise our brand and huge database to create greater and more profitable synergies. Three such JVs were formed in 2011: AirAsiaExpedia, a collaboration with the world's biggest online travel agent Expedia; the Asian Aviation Centre of Excellence (AACE), a joint venture with Canada-based aviation training provider CAE Inc; and BIG, our loyalty programme launched in partnership with Tune Money. All three joint ventures have proven that our carefully worked out business models were not flawed. Each has reported significant growth in revenue in its first full year of operations and is now contributing to our non-travel related revenue, helping to defray travel related costs.

AirAsiaExpedia wasted no time in launching into some creative marketing and advertising campaigns which raised its profile and helped boost income. The company achieved RM3 million in profit, which is being channelled into further growth. During the year, AirAsiaExpedia set up operations in Thailand and Malaysia, but has set its sights on further expanding its air and hotel supply, and enhancing its technology infrastructure to increase cost efficiencies.

AACE serves both our internal pilot training needs while providing us with additional income by training external pilots. In 2012, we signed a five-year contract with CAE through which it will train more than 200 additional new AirAsia A320 First Officers in a Multi-crew Pilot License (MPL) programme which we developed together to meet our specific needs. We also set up a new training centre in Seletar, Singapore, equipped with two A320 full-flight simulators (FFS) to cater primarily to third-party Airbus aircraft operators. Third-party training increased from 10% to 42% during the year, contributing significantly to AACE's net profit of RM2 million.

Meanwhile, we enhanced our BIG loyalty programme with additional blue-chip partners such as Petronas, Citibank, HSBC, Indosat, DTAC and Starhub, and saw a more than tripling of its membership during the year to about half a million. The value of this programme is reflected in the fact that it has attracted members from no less than 150 countries across the globe, most of which are not even covered by our route network.

Our ancillary businesses, meanwhile, have continued to perform well and provide us with a steady and stable revenue stream, RM40 per guest in 2012, which we intend to increase to RM50 by 2015.



Among our ancillary services, which include in-flight meals, check-in baggage, counter check-in, Pick-a-Seat, Hot Seat selection, Fly-Thru, Red Carpet and various merchandise (on-board as well as in our online Megastore), cargo service is proving to be a real 'star', winning numerous regional awards for efficiency, network growth, development strategy, operational performance, customer service and product innovation. Most notably, AirAsia Cargo was named Rising Star Carrier of the Year at the Payload Asia Awards 2012. It also won the Air Cargo Industry Customer Care Award 2012 presented by UK-based publication Air Cargo Week (ACW), for the second consecutive year – the only airline ever to do so. Cargo surprised us despite the cargo market facing a blackhole, posting a tonnage increase of 6.4% year-on-year and load factor of 48%, ahead of the industry average of 45%.

We also extended the hassle-free Fly-Thru service to a larger customer base, making this available to guests flying from Indonesia to China via our Low-Cost Carrier Terminal in Kuala Lumpur; or from Chennai in India to Singapore via Kuala Lumpur.

A NEW DECADE, A 'NEW' AIRASIA

In May 2012, we underwent a massive rebranding exercise which served to celebrate two significant milestones – our entry into our second decade, and becoming a truly Asean airline.

After 10 'awesome' years of making our guests' and our own dreams come true, we felt it was time to recognise our growth while also reinforcing our spirit as an Asean airline with a new and invigorating look. Hence we introduced a more relaxed, sporty yet smart weekend uniform for our flight attendants, while also revamping our counters, office and aircraft to refresh our brand. The key focus is for our guests to connect, discover and experience our products in a way that allows them to fulfil their dreams.

AIRASIA AS A COMPANY HAS A VERY STRONG ASEAN PERSPECTIVE, AS WE FLY TO EVERY ONE OF THE NINE COUNTRIES, OTHER THAN MALAYSIA, THAT BELONG TO THIS GEO-POLITICAL ASSOCIATION, NAMELY INDONESIA, THAILAND, THE PHILIPPINES, SINGAPORE, VIETNAM, LAOS, MYANMAR, BRUNEI AND CAMBODIA.

New Routes Launched for AirAsia Group

43

(48 Including AirAsia X)

Malaysia AirAsia

6

No. of Hubs for AirAsia Group

17

in 5 countries

The rebranding was accompanied by 'awesome' news such as abolishing counter check-in fees for international flights; allowing guests to save up to 50% by purchasing their check-in baggage allowance online; and removing fees on certain sports equipment while reducing those for others such as golf sets, bicycles and surf boards. In addition, we increased the choice of dishes on our in-flight menu while offering attractive discounts if guests order these online, in advance of boarding their flights. This last measure, while cutting down on costs for guests and ensuring as far as possible that they are able to enjoy their favourite AirAsia meals when they fly with us, also helps us to reduce food wastage. It is typical of the win-win strategy we employ wherever and whenever possible.

AirAsia as a company has a very strong Asean perspective, as we fly to every one of the nine countries, other than Malaysia, that belong to this geo-political association, namely Indonesia, Thailand, the Philippines, Singapore, Vietnam, Laos, Myanmar, Brunei and Cambodia. Our focus on the region has encouraged greater trade and tourism to these countries and helped tremendously in their socio-economic development. Our associate companies, meanwhile, take the Asean dream even further by contributing in a more direct manner to economic growth of their host nations.

In August 2012, we set up an office in Jakarta to enhance our ASEAN branding and to get our voice heard in ASEAN's corridors of power, as Jakarta hosts the ASEAN Secretariat and is capital of ASEAN's largest member state.

Taking Cargo Into A New Dimension

GOING FOR GOLD

Our Asean flavour is further enriched via the various regional sporting teams and events that we endorse, which include the ASEAN Basketball League, AirAsia Philippine Patriots (Basketball) and Team AirAsia-Sepang International Circuit-Ajo (Moto 3). We do not just provide sponsorships for teams and events but also help to nurture future Asean champions in motorsports and, more recently, badminton, via the AirAsia Caterham Driver Development Programme and the AirAsia Badminton Academy.

These local and regional initiatives are over and above our high-profile partnership with the Caterham F1 (Formula 1) Team, AirAsia Japan & Australia Grands Prix (MotoGP) and the English Premier League's football team Queens Park Rangers, which ensure we are associated with world-class sporting personalities reflecting our unwavering emphasis on the highest level of quality, dedication and professionalism.

These qualities have gone a long way towards building the value of our brand, and we were honoured to be ranked 12th among top 30 local brands in Malaysia's Most Valuable Brands (MMVB) awards, presented by the Association of Accredited Advertising Agents (4As) in collaboration with Interbrand, pioneers of brand valuation. This marks a jump of seven places since the last MMVB study was conducted in 2009, with the AirAsia brand recording growth of 257.3% since then, the biggest increase among the 30 listed brands.

Our branding as a vibrant, democratic and meritocratic organisation has also helped us earn brownie points from the younger generation, and we were extremely pleased to have been named the Most Popular Graduate Employer in Leisure, Travel and Hospitality at Malaysia's 100 Leading Graduate Employers 2012 Awards.

Of course, a strong brand is not built only by clever marketing; it is the combined result of brand values as well as operational and financial performance. Being named the Top Performing Airline 2012 by Aviation Week is clear indication that we have managed our values, our operations and our finances to the best of any airline's ability.

OUTLOOK

We have got off to a great start for our second decade and are now gearing up to ensure we do not just maintain the momentum achieved but further accelerate our growth with constant, more closely monitored focus on cost. Competition, which is already stiff, will only intensify with the advent of the ASEAN Open Skies in 2015. However, we are confident of being able to leverage on our key strengths – the growing independence and profitability of our associates, our low-cost model which will be further enhanced, and our fast-expanding network connectivity – to grow our capacity so as to entrench our market leadership... while maintaining our status as the lowest fare airline in the region.

Malaysia AirAsia with more than 5,600 Allstars

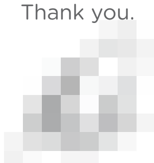
In 2013, we will be adding 6 more aircraft – all fitted with Sharklets – to support increasing domestic and international travel demand in Malaysia. More routes will be introduced while we also increase frequencies to high-load destinations. Having significantly improved our cash position, established exceptional safety practices, and built impeccable brand value, we plan to further expand our extensive network to take AirAsia, our guests and Allstars to even greater heights.

We will be preparing for our move to KLIA2 latest in 2014, which will add a new travelling experience to our guests. A dedicated airport mainly for LCC travel means having facilities on par with larger international airports and, equally as important, having direct train connectivity with downtown Kuala Lumpur. I believe this will spur traffic and contribute in no small measure to our bottom line.

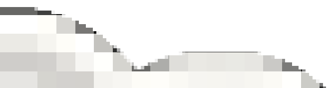
I would like to assure our guests they are always foremost in our minds, while also thanking them for their increasing support and loyalty over the years. I would also like to thank our Board of Directors for their wisdom in guiding us through the many ups and downs of our exhilarating journey. On a more personal note, I would like to take this opportunity to express my gratitude to our founders, Tan Sri Dr. Tony Fernandes and Dato' Kamarudin Meranun, and the rest of the Board for your vote of confidence in me. With the continued support of my management colleagues and all our stakeholders, I have every intention of fulfilling our shared vision for AirAsia.

As to our over 5,600 Allstars, it has been great getting to know all of you better. Having spent more time on the ground, and meeting the entire team here in Malaysia, it is clear to me how AirAsia has become the World's Best Low-Cost Carrier and the Top Performing Airline. The passion, dedication, energy and spirit of innovation of every single Allstar have been pivotal to raising the AirAsia flag and keeping it flying all these years. I have never been surrounded by such an energised and driven team who keep us, at management, motivated all the time. My heartfelt appreciation goes out to every single one of you – you are stars in every single way.

Thank you.



Aireen Omar
Chief Executive Officer & Executive Director



Expanding Networks. Building Bridges.

As we have grown, we have created new routes linking people and places. Lombok, Penang, Nanning, Tokyo... we've connected them all, and more, for you.


AirAsia

where we're flying so far


What The Mind Can
Conceive, We Can Achieve.
Shopping in Bangkok? Trekking in Chiang Mai? Tell us what you want. We'll help you make your dreams come true @ airasia.com!
AirAsia

Ready, SET100 Company, Go!

2012 WAS AN EXCEPTIONAL YEAR FOR THAI AIRASIA. IT WAS THE YEAR IN WHICH THE EIGHT-YEAR-OLD AIRLINE NOT ONLY WENT PUBLIC, BUT ALSO CATAPULTED INTO THE SET100 INDEX, NAMELY THE INDEX OF THE TOP 100 COMPANIES ON THE STOCK EXCHANGE OF THAILAND.


Thai AirAsia

With its enlarged route network, Thai AirAsia ended the year with flights to 30 destinations of which 18 are international.

No. of Aircraft

29

Airbus A320

BUSINESS REVIEW
THAI AIRASIA

No. of Passengers
8.3
million in 2012

2012 was an exceptional year for Thai AirAsia. It was the year in which the eight-year-old airline not only went public, but also catapulted into the SET100 Index, namely the index of the top 100 companies on the Stock Exchange of Thailand. It was the year in which its Bangkok hub returned to its home base at the Don Mueang International Airport, where it has more space for further expansion. It was the year, moreover, when its efforts at creating greater inroads into China bore fruit with the opening of three more routes into this emerging super-economy in north Asia.

The country in general enjoyed a relatively stable year politically, as was reflected in its economic performance. The SET Index ended at 35.8% points higher than a year previously while the national gross domestic product (GDP) grew by a healthy 6.4%. Most noticeably, as the waters of the 2011 floods finally receded, tourist arrivals surged to total 22.3 million over the 12 months, a significant 16% higher than in 2011.

Thai AirAsia itself saw a marked 20.9% increase in number of guests carried during the year to 8.3 million. This was supported by an increase in its fleet size from 22 Airbus aircraft in 2011 to 27. The acquisition of aircraft in itself was a milestone in Thai AirAsia's corporate history as, for the first time ever, it was able to purchase these on its own – not just one in the year, but two.

The new aircraft were put to work on new routes and increased frequency of existing ones. China, with its fast-expanding and increasingly global economy, is one of Thai AirAsia's target markets. Accordingly, the airline established new routes from Bangkok to Chongqing, Wuhan and Xi'an, as well as from Chiang Mai to Macau, a special administrative region of the People's Republic of China. These proved to be immediate hits, attracting high passenger loads and inspiring Thai AirAsia to increase its frequency of flights to Chongqing and Wuhan in 2013.

Other than China, Thai AirAsia also strengthened its Asian connection with new routes from Bangkok to Chennai, the commercial, cultural, economic and educational hub in south India; and to Mandalay, the former royal capital of Myanmar. Domestically, Thai AirAsia carried 4.95 million guests, an increase of 24.8% from 2011, with new routes that allow both Thais as well as foreign holiday-makers to fly to popular tourist destinations such as Trang, the gateway to spectacular Thai beaches on the southwestern front.

With its enlarged route network, Thai AirAsia ended the year with flights to 30 destinations of which 18 are international.

As of 1 October 2012, Thai AirAsia flights to and from Bangkok landed and departed from Don Mueang, its original hub on the northern reaches of Bangkok. So meticulously planned was the transition that no-one would have guessed that only the day before the airline was operating from Suvarnabhumi Airport located in Samutprakarn, about 25km east of the capital city.

The decision to re-locate was driven primarily to accommodate Thai AirAsia's expansion plans. Suvarnabhumi, designed with a capacity of 45 million passengers a year, was already handling 52.4 million passengers. In comparison, after its closure in 2006 and subsequent re-opening in March 2012 following renovations, Don Mueang presents itself as a spacious,

More than
2,200
Allstars

uncongested alternative; one moreover equipped with all the facilities and amenities to facilitate a low-cost carrier in managing costs more effectively.

With the move, Thai AirAsia is confident of being able to further enhance its service proposition to valued guests. The airline already has very impressive key performance indicators – with a passenger load factor of 82%, an increase of two percentage points from 80% in 2011; and an on-time performance of 84%. As the airline spreads its wings to cover more destinations and routes, however, it intends to ensure that standards are maintained or possibly even heightened.

Supporting its operational performance are strong financial fundamentals which received a definite fillip in the year as a result of the IPO. From its listing price of THB3.7 per share, Asia Aviation Public Company Limited (AAV) – the 55% holding company of Thai AirAsia – raised approximately US$230 million, reflecting an oversubscription by a hefty 11 times from international investors. Subsequently, not only does AAV find itself suitably positioned to realise Thai AirAsia's expansion dreams, it is also in the enviable position of attracting unsolicited proposals by various financial institutions to generate even greater financial synergies.

No doubt these will contribute to even stronger financial scorecards in the near future, bettering the 2012 results which were already very encouraging. Thai AirAsia's revenue for the year increased 19.8% to THB19.3 billion based on which it achieved a 5.5% growth in profit before tax of THB2.1 billion.

Post-listing, there is no stopping Thai AirAsia. It already has orders for eight new Airbus A320 aircraft to be delivered in 2013, and with strategic route planning, the airline expects to hit the 10 million guest mark for the year. Already the No 1 domestic low-cost airline in Thailand, Thai AirAsia aims to dominate all its current domestic destinations while intensifying its focus on potential markets including southern China and Indochina.

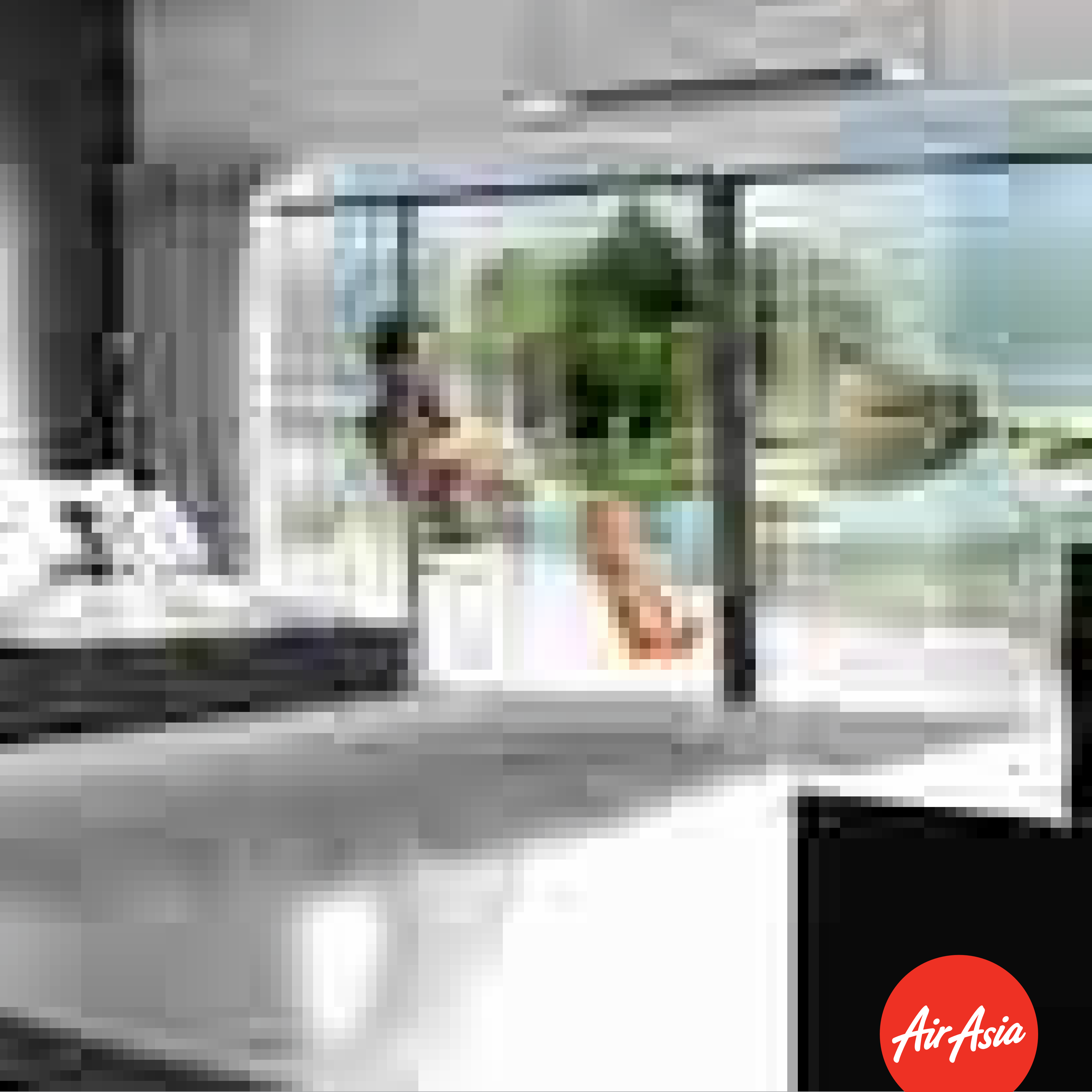
As a SET100 company, the future is ready-mapped for Thai AirAsia. A quick look into a crystal ball shows more entry points from Asia into Amazing Thailand, as well as a more dense network of routes within the country. With low-cost fares, great service and brilliant connections, Thai AirAsia is truly set to soar.

A QUICK LOOK INTO A CRYSTAL BALL SHOWS MORE ENTRY POINTS FROM ASIA INTO AMAZING THAILAND, AS WELL AS A MORE DENSE NETWORK OF ROUTES WITHIN THE COUNTRY. WITH LOW-COST FARES, GREAT SERVICE AND BRILLIANT CONNECTIONS, THAI AIRASIA IS TRULY SET TO SOAR.

Domestic Routes
15

International Routes
21


The World's Your Oyster.
A Vision Come True.
Technology has allowed us to create our low-cost model. Let it transpose your virtual visions into dream vacations.


AirAsia

Bringing the World to Indonesia

TANTALISING FOOD ASIDE, INDONESIA AIRASIA'S RISE IN JUST EIGHT YEARS HAS BEEN NOTHING SHORT OF SPECTACULAR. WHO WOULD HAVE EXPECTED A FIVE-YEAR-OLD LOW-COST CARRIER TO ESTABLISH ITSELF AS THE LEADING INTERNATIONAL CARRIER IN A COUNTRY.

Indonesia AirAsia

Significantly, 2012 marked the year in which the airline celebrated a 100% Airbus fleet.

BUSINESS REVIEW
INDONESIA AIRASIA

More than 1,700 Allstars

No. of Passengers 5.9 million in 2012

Gourmet cuisine on a low-cost carrier? Yep, believe it. After all, AirAsia delights in serving up the unexpected. And Indonesia AirAsia, which signed on local celebrity chef Farah Quinn as its in-flight meal ambassador in November 2012, is certainly living up to this ideal. With her on board, guests can now indulge in some of the best cuisine the country has to offer.

Tantalising food aside, Indonesia AirAsia's rise in just eight years has been nothing short of spectacular. Who would have expected a five-year-old low-cost carrier to establish itself as the leading international carrier in a country where the airline industry is a hotbed of competition? Not only did Indonesia AirAsia achieve this distinction, it has continued to acquire more market space and today accounts for 40% of Indonesia's international passenger traffic, with an extensive route network connecting the country with 18 destinations in Asean and Australia.

Among the over 3.7 million international guests carried into the country in 2012, were members of the Queens Park Rangers, who flew in to play against local team Persebaya on 23 July 2012. Although the R's won 2-1, the entire friendly was a win for Indonesia. It was the first time QPR was visiting the country. It was the first time 55,000 Indonesian football fans got to watch live the Premier league team play their local favourites.

QPR's Indonesian sojourn reflects Indonesia AirAsia's credo to create as many wins as possible for the 234 million people in the archipelago. This it does not just by allowing Indonesians to travel the world but, with its global connections as part of the AirAsia Group, also by bringing the world to Indonesia.

Already there is much taking place in Indonesia. As the seat of the ASEAN Secretariat, it plays host to various regional activities. Economically, the country is growing from strength to strength, its gross domestic product (GDP) expanding by 6.23% in 2012, according to Indonesia Central Statistics Agency. In its quest to be the leading low-cost carrier in the country, Indonesia AirAsia both supports and further promotes this growth, encouraging greater trade between Indonesia and the rest of the world while facilitating business travel and tourism.

The total number of guests carried by the airline in 2012 increased 17% to reach 5.85 million, supported by various factors: the country's vast population, its archipelagic geography, escalating wealth of the people (as reflected in growth of its gross national income per capita based on purchasing power parity (from US$2,120 in 2000 to US$4,500 in 2011), increasing tourism as well as business-related travel.

Over and above a conducive environment, however, the team at Indonesia AirAsia has worked assiduously to overcome intense competition by understanding the market's needs and leveraging on these strategically, providing services that are not only affordable but also reflect world-class standards in safety. The need for foreign travel was apparent, and is already being catered to successfully. But there is an equally strong demand for domestic travel, and the airline is now focusing more intently on growing this sector.

During the year, Indonesia AirAsia introduced 12 new routes. Of these, 11 were internal: Bandung – Pekanbaru, Jakarta – Semarang, Denpasar – Yogyakarta, Denpasar – Surabaya, Medan – Pekanbaru, Medan – Banda Aceh, Surabaya – Bandung, Surabaya – Jakarta, Surabaya – Semarang, Makassar – Jakarta and Makassar - Balikpapan. Further strengthening its domestic route infrastructure, Indonesia AirAsia opened its sixth hub in the country in Makassar, the provincial capital of South Sulawesi. This adds to the other hubs in Jakarta, Bali, Medan, Surabaya and Bandung, each serving to bring the airline closer to the people. The hub network further reduces Indonesia AirAsia's dependence on the Soekarno-Hatta International Airport in Jakarta, which is showing signs of having reached full capacity.

Concerted efforts to enhance its domestic network have led to a more even spread of domestic and international destinations, from a 30:70 domestic to international ratio to an almost equal 10:11 ratio. In real numbers, Indonesia AirAsia serves 18 domestic and 20 international routes.

On the international front, Indonesia AirAsia launched the Surabaya - Johor Bahru route on 19 October 2012, the inaugural flight taking off with a load of more than 90%. In addition, it increased its flight frequency of popular routes such as Medan - Penang and Medan – Bangkok which now enjoy 24 and seven flights a week, respectively.

Route expansion was accompanied by the addition of five more aircraft to Indonesia AirAsia's fleet, bringing the total at year end to 22. Significantly, 2012 marked the year in which the airline celebrated a 100% Airbus fleet, a milestone Indonesia AirAsia celebrated with special promotions. With its all-new, all-Airbus fleet, the airline is set to further enhance its cost and operational efficiencies, which are already very encouraging. In 2012, despite increasing its fleet size and number of flights, Indonesia AirAsia maintained a passenger load factor of 77% and increased its revenue 17% to IDR4,383 billion while netting an 129% increase in profit to IDR142 billion.

The year's sterling performance was reflected by Indonesia AirAsia being named the Foreign Airline of the Year and Foreign Airline of the Year – Southeast Asia Sector by Malaysia Airports at its KLIA Awards. The awards recognise the contributions of airlines towards increasing passenger movement at KLIA and their service performance. Strong links between Indonesia AirAsia with Malaysia has led to Malaysia being one of the top destinations for Indonesians travelling abroad.

Having emerged from a successful year, Indonesia AirAsia is now moving full steam ahead as it prepares for its initial public offering (IPO) which is expected to unfold before end 2013. The IPO will further boost the airline's finances and provide the funding for greater expansion both domestically and internationally to meet increasing demand. Meanwhile, the team at Indonesia AirAsia is also fast expanding, and to accommodate the growing numbers, the airline will be moving to a larger new home in December 2013 which promises to offer a state-of-the-art work environment that will include training rooms, a roof top lounge, cafeteria, auditorium, games room and a large parking area.

At the same time, the airline is investing more into brand awareness in Indonesia, especially to access large untapped populations outside the main cities. Despite a high internet sales penetration of over 75%, the take-up has been more from high-density trunk routes which we believe serve the above-average income bracket who have access to internet and credit cards. In October 2012, the company added new sales channels via travel agents throughout Indonesia, focusing primarily on secondary towns such as Jabodetabek, Bandung, Surabaya, Aceh, Medan, Pekanbaru and Makassar. This will allow the mass population to purchase tickets in person, using cash, translating into a higher load factor while increasing the airline's 3% 2012 domestic market share. Internationally, the team will focus on expanding Indonesia AirAsia's route network to take the Asean airline into wider Asian territory. As it does, it will place equal emphasis on safety, which is part of the AirAsia brand promise – to deliver dreams safely.

In other words, 2012 was a great year, but 2013 will be even better. As Indonesia establishes its presence more firmly in the region and beyond, Indonesia AirAsia will be there every step of the way. At the same time, as more people of the world dream of visiting this fascinating country, the airline will ensure they get to do so, and get to enjoy the country's full flavours too.

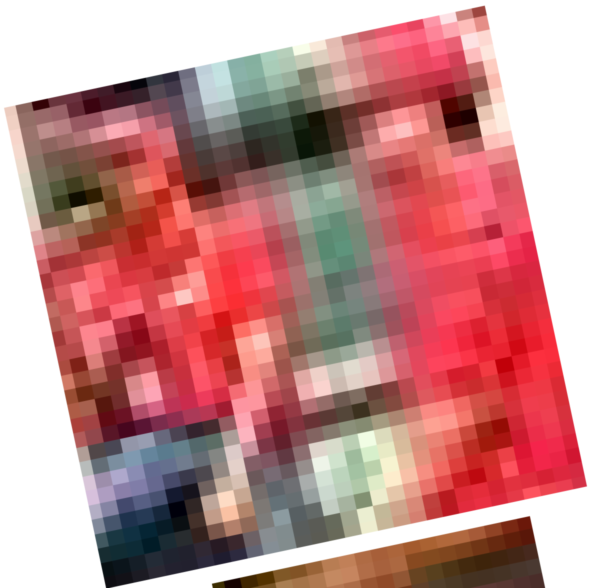
Domestic Routes

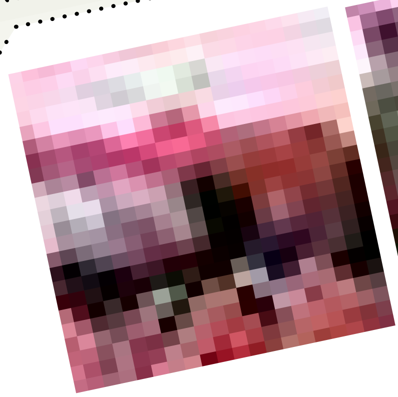
18

International Routes

20

2012 WAS A GREAT YEAR, BUT 2013 WILL BE EVEN BETTER. AS INDONESIA ESTABLISHES ITS PRESENCE MORE FIRMLY IN THE REGION AND BEYOND, INDONESIA AIRASIA WILL BE THERE EVERY STEP OF THE WAY. AT THE SAME TIME, AS MORE PEOPLE OF THE WORLD DREAM OF VISITING THIS FASCINATING COUNTRY, THE AIRLINE WILL ENSURE THEY GET TO DO SO, AND GET TO ENJOY THE COUNTRY'S FULL FLAVOURS TOO.



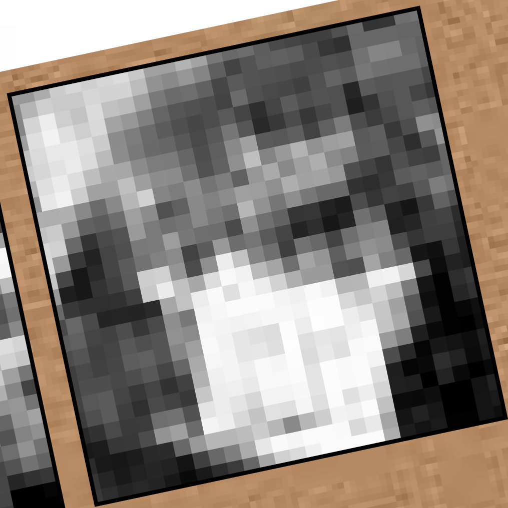



A New Decade.
A New Beginning.
With the strength of 11 awesome years behind us, we're raring to enter the next decade and more. Of course, we're not about to leave you behind. So book your flight, pack up you camera, and let's have a jolly jeepney ride!
AirAsia

Philippines' AirAsia Takes Off

Philippines' AirAsia

SO, JUST A FEW MONTHS AFTER BEING BORN, PHILIPPINES' AIRASIA WAS ALREADY TURNING DREAMS INTO REALITY. IT IS NOT THE FIRST LOW-COST CARRIER TO OPERATE IN THIS BEAUTIFUL ARCHIPELAGO OF SOME 7,000 ISLANDS, BUT IT IS STILL REVOLUTIONISING AIR TRAVEL IN THE COUNTRY IN THE WAY ONLY AIRASIA KNOWS HOW.



No. of Aircraft

2

Airbus A320

Having a low-cost carrier bring in millions of Filipinos and foreign visitors to Clark every year would certainly help in this regard.

BUSINESS REVIEW
PHILIPPINES' AIRASIA

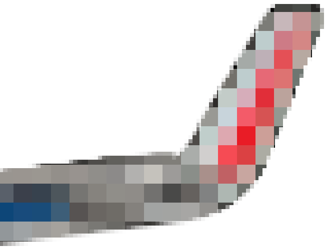
WITH ONLY TWO AIRBUS A320 AIRCRAFT AND A RELATIVELY SMALL TEAM OF 203 ALLSTARS, PHILIPPINES' AIRASIA IS ALREADY A FORCE TO BE RECKONED WITH.

Domestic Routes
2

International Routes
4

Clark International Airport in Pampanga was set up expressly to take some of the pressure off the Philippines' main international gateway, Ninoy Aquino International Airport (NAIA) in Manila. Until recently, however, passenger arrivals and departures at Clark were nothing to shout about. Then, last year, this second airport some 80 kilometres away from the capital city, suddenly woke up. Passenger arrivals shot up from 0.767 million in 2011 to 1.3 million. About 28% of that increase came from just one airline: Philippines' AirAsia.

It was the Aquino administration that had the foresight to advise the management of Philippines' AirAsia to set up base at Clark. This decision is today providing some much appreciated relief to Filipinos frustrated with the congestion at NAIA. More than that, it is also helping to develop the Pampanga region and other areas in the vicinity including Central and Northern Luzon. The Pampanga Chamber of Commerce and Industry Inc has identified tourism as a potential key driver of further economic development of the region noted for its specialty cuisine. Having a low-cost carrier bring in millions of Filipinos and foreign visitors to Clark every year would certainly help in this regard.



No. of Passengers
0.31
million in 2012

More than
200
Allstars

The set-up of Philippines' AirAsia seems to have come at an opportune time in more ways than one. In the months preceding its official opening, there were increasing calls from the people for the government to tighten its regulations on low-cost carrier practices. In particular, passengers wanted greater transparency in the fee structure of airline tickets.

Philippines' AirAsia saw this as a great opportunity to promote itself as not only a low-fare carrier, but also one that values the customer experience at all points of the journey – from the purchase of a ticket to leaving the airport at the destination. A good customer experience means no hidden surprises, especially not in fees. Hence when the airline launched its first flights with a promotion that offered 20,000 'free seats', it spelt out clearly that guests would still have to pay for fuel surcharge, processing fees and government mandated fees such as aviation security fee and VAT, amounting to about 275 peso. It gave a name to its price transparency – the 'all-in' fare. The people were delighted. Within 72 hours of the promo being launched, all seats had been snapped up, and guests were clamouring for more – more tickets and more routes.

Soon after, the Philippine Civil Aeronautics Board (CAB) stepped in to make it a requirement for all local carriers to disclose all charges applicable to promo fares.

So, just a few months after being born, Philippines' AirAsia was already turning dreams into reality. It is not the first low-cost carrier to operate in this beautiful archipelago of some 7,000 islands, but it is still revolutionising air travel in the country in the way only AirAsia knows how.

Philippines' AirAsia launched its pioneering routes – to Davao, an important gateway to Mindanao; and Kalibo (Boracay), well known internationally for its stunning beaches – on 28 March 2012. Flight PQ7001 to Kalibo was the first to depart, at 7.00am. It was a special flight in more ways than one. Among the 143 guests on board were 18 children with hearing impairment and Down's Syndrome, who were flying for the first time on an educational trip – gratis – accompanied by their parents and teachers. This flight set the tone for the future of the airline as one that takes seriously its commitment to serving the people, and especially the under-served.

Four months into operations and Philippines' AirAsia granted the wishes of its guests who were clamouring for more. In April 2012, it launched flights to Kuala Lumpur, supplementing the Kuala Lumpur-Clark route that was already being operated by AirAsia. In July, it added Hong Kong and Macau to its network, and in December – as a year-end present to its fans – Philippines' AirAsia introduced two more destinations: Taipei and Singapore.

With only two Airbus A320 aircraft and a relatively small team of 203 Allstars, Philippines' AirAsia is already a force to be reckoned with. In 2012, it carried a total of 311,000 guests and accounted for more than half of the total domestic passenger volume at Clark International Airport. Meanwhile, just five months into international operations, it had accounted for almost 10% of all international passengers at Clark. Operationally, too, the airline is maintaining high AirAsia standards, averaging an on-time performance of 87.8% with a record high of 97.9% in June.

Although 2012 was by all accounts a good year, the team in Clark is confident of an even better 2013 and beyond, as a result of its own efforts as well as government initiatives. The government recently significantly reduced international passenger terminal fees at the airport and improved its bus connectivity by adding a new service from Trinoma Mall in Quezon City to Clark on top of those from Metro Manila's Pasay Terminal and SM Megamall.

Internally, the management has set targets for year 2013. It is keen to establish a presence in Metro Manila via a strategic alliance with Zest Airways, in which AirAsia acquired a 49% stake on 11 March 2013. There is still a huge market to be tapped in the Philippines, and Philippines' AirAsia is committed to leveraging on this by continuing to make Filipinos' dreams come true with new routes, affordable fares and exciting promotions.

Best of all, it aims to do all of this in true AirAsia style – transparently, efficiently and with value-added service.

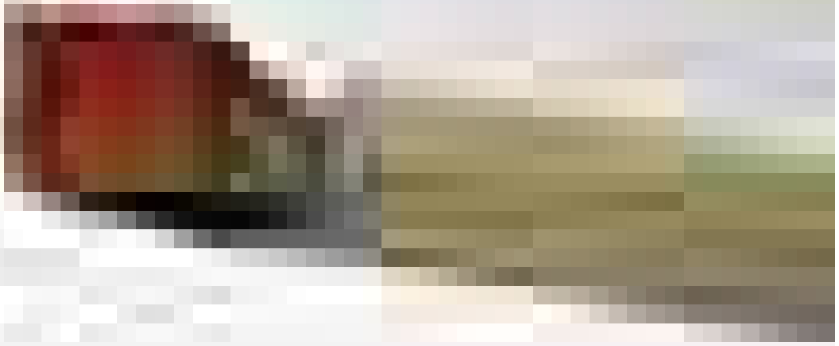
No Mountain's Too High. No Dream Too Distant.

Our journey has never been easy, but we are guided by a can-do philosophy. We dream the impossible and make it your reality.

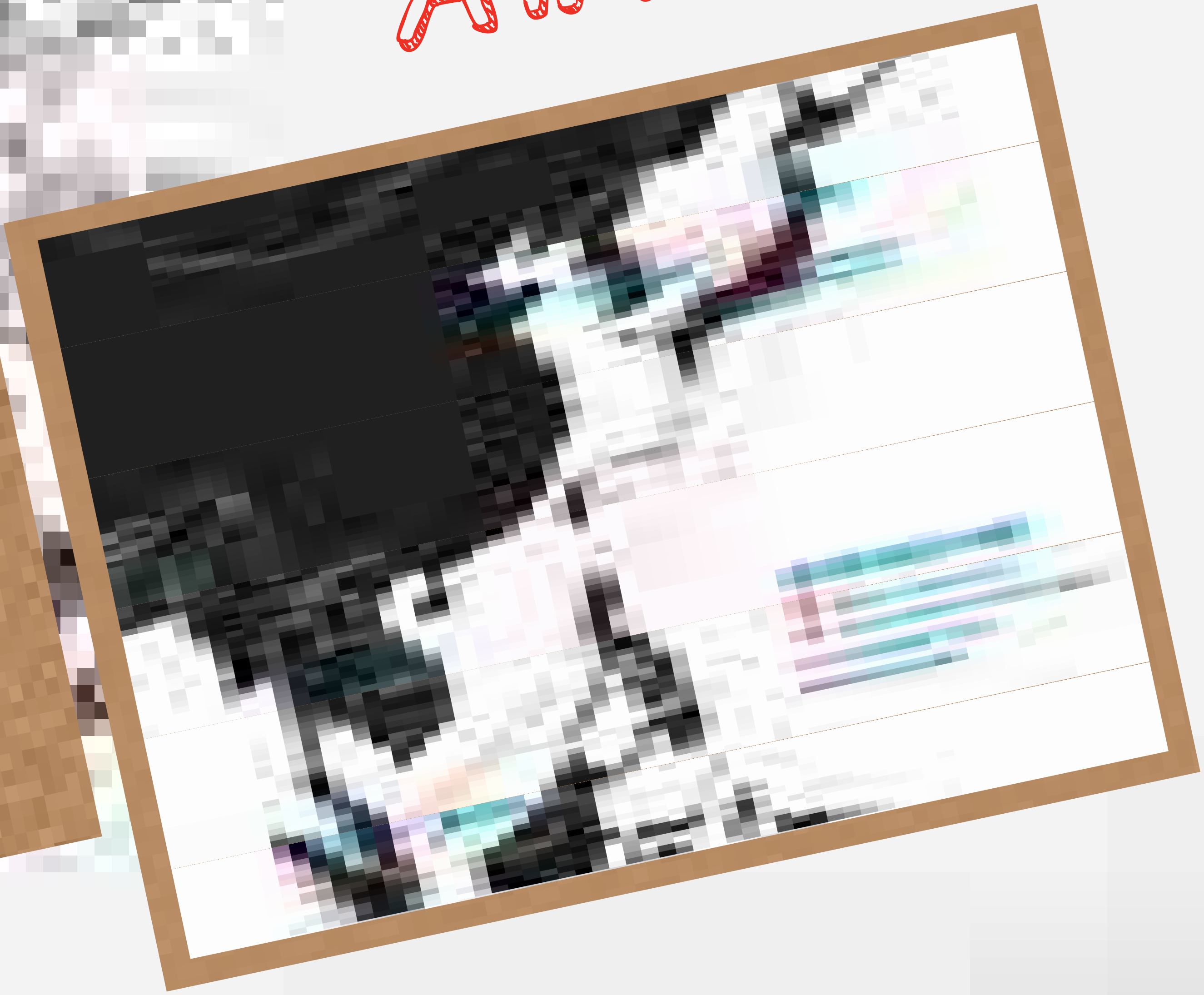

AirAsia

Rising, Like the Sun

STARVED OF AFFORDABLE FLIGHTS UNTIL 2012, THE JAPANESE SIMPLY COULD NOT GET ENOUGH OF THE ENTIRE LOW-COST CARRIER (LCC) CONCEPT. ALL THEY COULD TALK ABOUT WAS 'KAKUYASU KŌKŪGAISHA' WHICH LITERALLY MEANS 'REASONABLE AIRLINES' OR 'LCC'.



AirAsia Japan



No. of Aircraft

4

Airbus A320

AirAsia Japan will play a significant role in this new expansion strategy. Much focus will therefore be trained on the airline, which will provide an extra lift for this new AirAsia affiliate to soar.

BUSINESS REVIEW
JAPAN AIRASIA

No. of Passengers
0.25
million in 2012

More than
300
Allstars

If anyone had any doubts about how low-cost travel would catch on in Japan, word on the street would have put their misapprehension to rest. Starved of affordable flights until 2012, the Japanese simply could not get enough of the entire low-cost carrier (LCC) concept. All they could talk about was *'kakuyasu kōkūgaisha'* which literally means 'reasonable airlines' or 'LCC'. The term even made it as a top 10 buzzword in the country in 2012, according to publisher Jiyu Kokuminsha.

As a result of the government's desire to stimulate the domestic air travel market, which is the third largest in the world, more landing slots were made available at airports and there is a move towards lowering landing fees. These have been positive changes for low-cost carriers such as AirAsia Japan. In fact, it is not the only LCC to set up in the Land of the Rising Sun, nor even the first to do so. Two other airlines beat it to launching the country's first LCC flights by just a few months. However, with a population of more than 127 million – making it the world's 10th most populated nation – and boasting the third largest economy in the world with a GDP per capita (in 2011) of US$39,578, equivalent to 320% of the world's average, there is definitely enough disposable income... and appetite... for three, or even more, low-cost carriers.

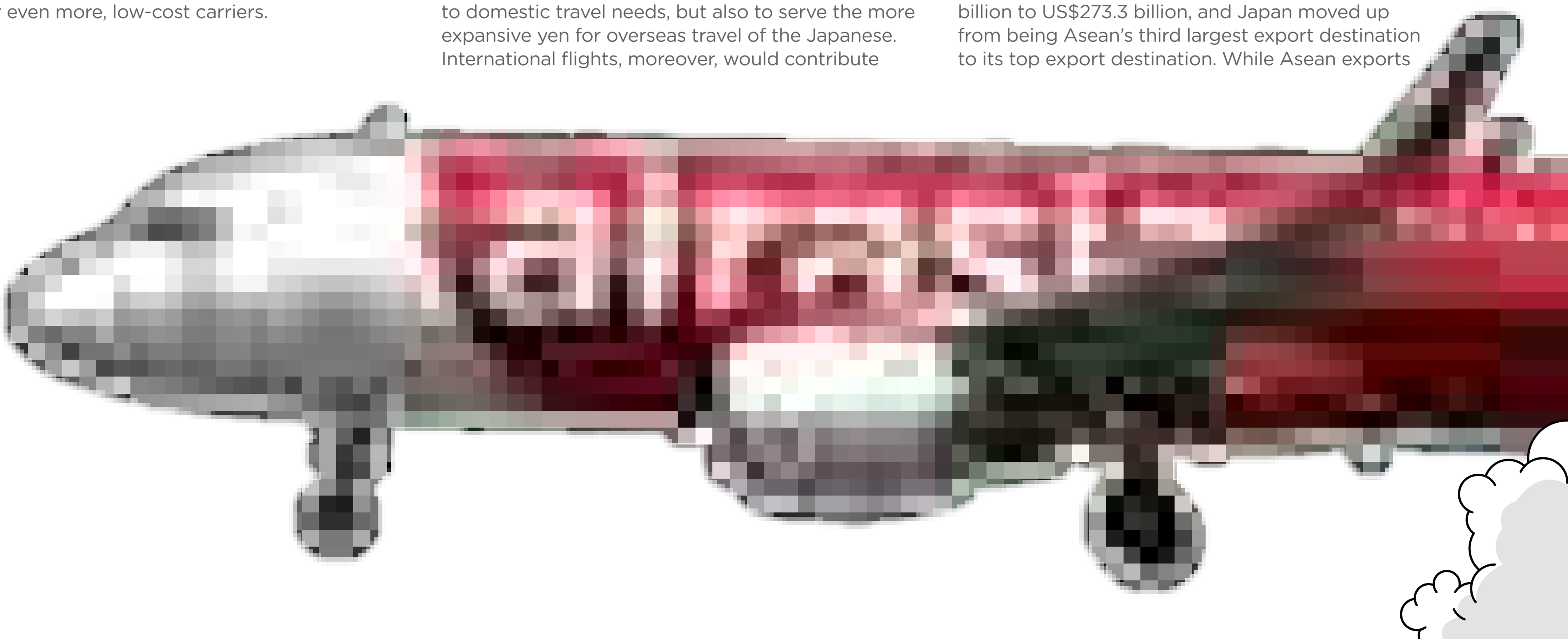
AirAsia Japan, a joint venture between AirAsia and Japan's largest airline, All Nippon Airways (ANA), was established in July 2011. A year later, on 1 August 2012, the new airline with unbeatable pedigree launched its inaugural flights to Fukuoka – a harbour city and capital of Kyushu in the south; and Sapporo – the capital of Hokkaido, famous for hosting the 1972 Winter Olympics, in the north. Flight JW8541 to Fukuoka took off from Narita International Airport at 7.00am sharp with a load of 80%, followed by flight JW8521 to Sapporo 15 minutes later, with a load of 87%. Later the same month, AirAsia Japan launched its third route, from Tokyo to Okinawa, at the southernmost part of the country.

Boasting fares that can be lower than those of the Shinkansen, Japan's famous bullet trains (which are also infamously expensive), AirAsia Japan's domestic routes are bound to attract high guest loads. Adding to the attraction of LCC travel from Narita International Airport, AirAsia Japan was instrumental in setting up a low-fare Tokyo Shuttle highway service between the airport and Tokyo Station, beginning on July 3.

The airline's blueprint, however, is not just to cater to domestic travel needs, but also to serve the more expansive yen for overseas travel of the Japanese. International flights, moreover, would contribute towards further development of tourism in the country. Japan in 2012 won UK-based Wanderlust magazine's top award for the country its readers most wanted to visit, and attracted a total of 8.37 million foreign visitors who accounted for a 37% increase in revenue from international tourism, according to the United Nations World Tourism Organization (UNWTO).

Increasingly more tourists from Asean are visiting this culturally and historically rich nation, with about 775,000 visitors – or a tenth of total foreign visitors in 2012 – coming from the six Asean nations of Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam. It helps that Japan has close political, trade and cultural ties with the region. The year 2013 marks the 40th anniversary of ASEAN-Japan relations, which have been further strengthened by the appointment in July 2010 of a dedicated Japanese ambassador to the region. Japan is the first country outside of Asean to create such a diplomatic post.

Trade between Japan and Asean, meanwhile, has grown steadily following the set-up of the ASEAN-Japan Centre in 1981. Between 2010 and 2011, bilateral trade increased by 32.3% from US$206.6 billion to US$273.3 billion, and Japan moved up from being Asean's third largest export destination to its top export destination. While Asean exports



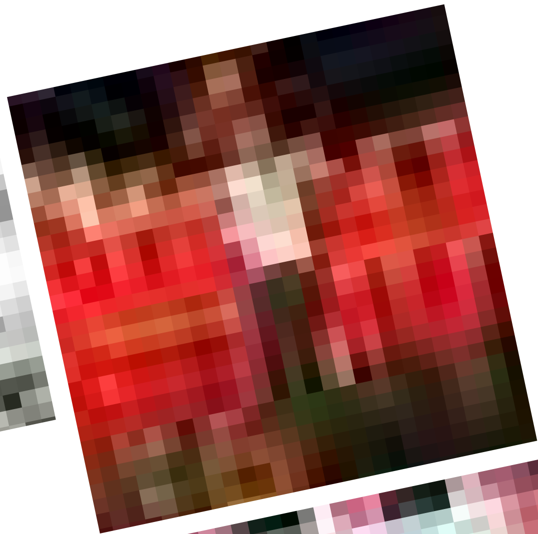
to Japan increased by 43.3% amounting to US$147.4 billion, imports from Japan grew by 21.4% totalling US$125.9 billion. Japan maintained its position as Asean's second largest trading partner after China.

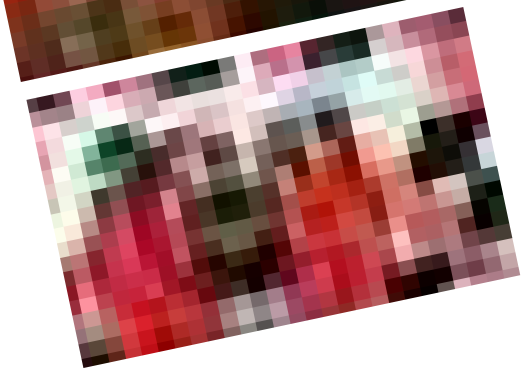
AirAsia Japan made a start in its international service from Narita International Airport with two destinations in Korea. Daily flights to Seoul (Incheon) began on 28 October, while those to Busan commenced on 28 November. More routes are in the offing.

AirAsia has great hopes for our Japan affiliate, which represents our first operation outside of Asean, and which opens up the entire North Asia region – encompassing Japan, Korea and China – to us. We believe there is much potential for further growth of low-cost travel in this vast and largely underserved area, and have appointed a Chief Executive Officer to look into developing our newly created target market.

AirAsia Japan will play a significant role in this new expansion strategy. Much focus will therefore be trained on the airline, which will provide an extra lift for this new AirAsia affiliate to soar. Industry forecasts are already very positive. According to JTB Corporation, one of the largest travel agencies in Japan and the world, inbound, outbound and domestic travel is expected to increase significantly in 2013 – with a 7.9% increase in number of foreign travellers to the country to a record high of 8.9 million; a more moderate yet sizeable 1.5% increase in number of Japanese (totaling 18.7 million) travelling overseas; and a 0.3% increase in domestic travel, which will see 287 million domestic trips.

To leverage on the expected growth in air travel, AirAsia Japan will receive more new Airbus A320 aircraft in 2013 and will be enhancing its campaigns to boost its load factor. Along with further cost reductions and operational efficiencies, it also expects to bolster its profits. So the future is looking bright in the Land of the Rising Sun and if all goes according to plan, as it should, we may just create another new buzzword – not just any 'LCC', but the best one there is – 'AirAsia Japan'.





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Domestic Routes
4

International Routes
2

Xceeding Expectations

DESPITE GLOBAL ECONOMIC TURBULENCE, SOARING TAXES AND HIGH JET FUEL PRICES, AIRASIA X ACHIEVED YET ANOTHER STERLING YEAR IN 2012 WHEN IT REALLY 'MADE THINGS HAPPEN'. IT REALIGNED ITS ROUTE NETWORK, INCREASED COST-EFFICIENCIES, FOCUSED ON DELIVERING EXCELLENT CUSTOMER SERVICE AND THUS ENDED ITS FIFTH YEAR A BETTER, STRONGER AND MORE FUNDAMENTALLY FIT AIRLINE JUST WAITING TO UNLEASH ITS FULL POTENTIAL.

AirAsia X

BUSINESS REVIEW
AIRASIA X

Despite global economic turbulence, soaring taxes and high jet fuel prices, AirAsia X achieved yet another sterling year in 2012 when it really 'made things happen'. It realigned its route network, increased cost-efficiencies, focused on delivering excellent customer service and thus ended its fifth year a better, stronger and more fundamentally fit airline just waiting to unleash its full potential.

AirAsia's long-haul sister airline provides bridges between the Asean region and its neighbours. Combining Asean with just Northeast Asia throws open a target market of more than 2 billion people, comprising around one-third of the world's population. This key advantage is not lost on the airline, which has been acknowledged by Skytrax as one of Asia's best low-cost carriers. AirAsia X hauled in revenue of RM1.97 billion in 2012, an increase of RM105 million from 2011. It also reduced its total expenses by RM4 million to RM1.92 billion, managing to turnaround a loss of RM97 million in 2011 to a net profit of RM34 million.

A major contributor to its impressive financial showing was a shake-up of the AirAsia X route network. During the year, AirAsia X suspended routes to Europe (London, Paris), India (Delhi, Mumbai), New Zealand (Christchurch) and Tehran for a combination of reasons including high airport taxes and handling charges, imposition of the European Union Emission Trading System, depressed leisure travel from certain markets, visa requirements for certain nationalities and local currency volatility.

At the same time, the airline was able to concentrate more fully on its core markets of Australia, China, Taiwan, Japan and Korea where it has gradually built stable, profitable routes within local infrastructures that support low-cost services. Its launch of the Kuala Lumpur-Haneda route in 2011 won the Best New Route Launch at the 2012 Budgies & Travel Awards held in London in 2012 for excellent profitability and a unique and innovative approach to partnerships and negotiations. Applying the same innovative approach, AirAsia X in 2012 introduced routes from Kuala Lumpur to Beijing and Shanghai in China. A real coup, however, was getting the green light from the Malaysian Government, after years of lobbying, to fly to Sydney. AirAsia X now has seven flights a week to Australia's most populous city, which enjoy almost full loads.

Although the route rationalisation led to a decrease in number of destinations served by AirAsia X from 16 to 12, the popularity of its existing routes meant an overall increase in the passenger load factor from 80% in 2011 to 84%, with the total number of guests carried growing from 2.53 million to 2.58 million.

AirAsia X also maintained a very high level of operational efficiency as reflected in several key performance indicators, and another award, this time the Airbus Top Operational Excellence Award 2010-2011 for its operating, maintenance and safety systems. Aircraft utilisation, which was already a world high according to the SAP Group (Strategic Airport Planning Ltd) at 15.8 hours per day in 2011, further increased to 16.2 hours per day – a good 45% higher than the average Asia-based full service carrier. This was supported by very commendable on-time performance of 85%.

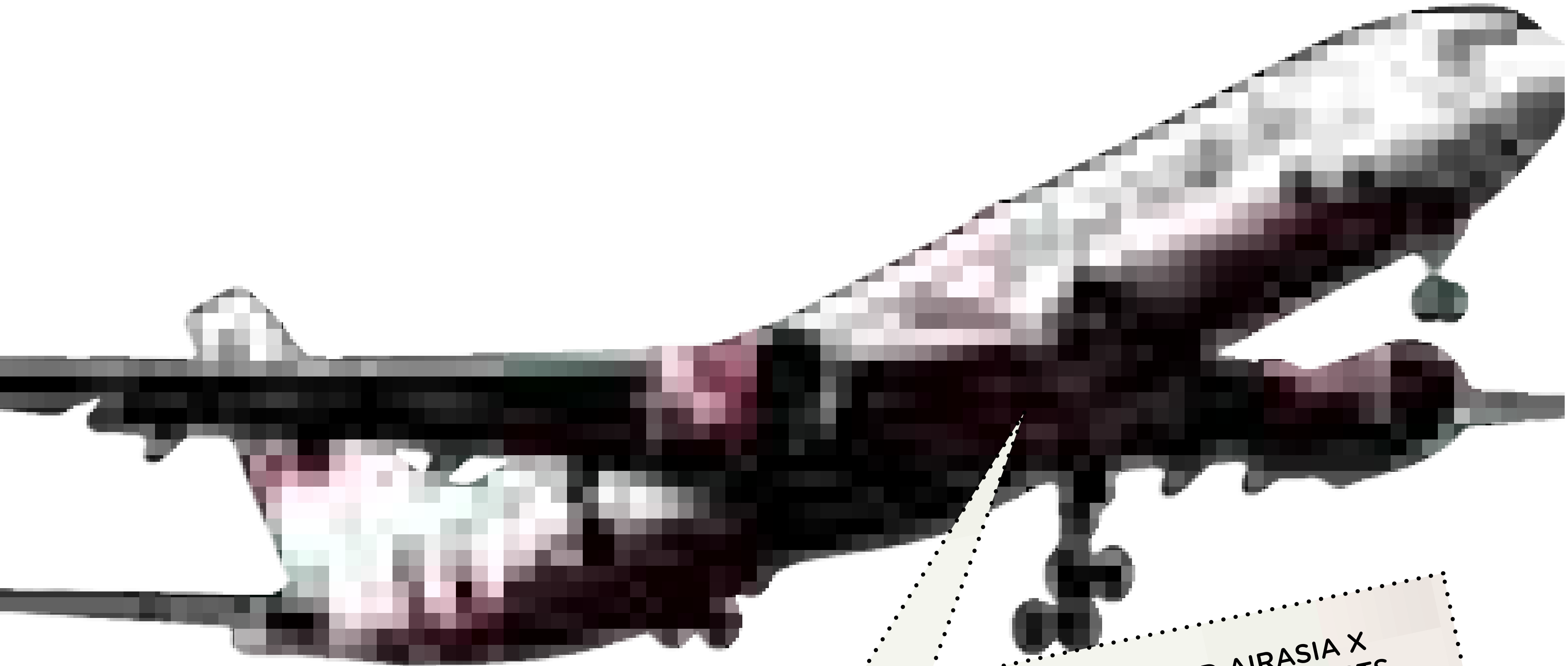
While the airline's revenue passenger km (RPK) dropped marginally to RM13,601, its ancillary spend per pax increased substantially from RM123 to RM142, due to its making available a suite of value-add services. AirAsia X is one of the first low-cost, long-haul carriers globally to install a flat-bed seating class, introduce tiered baggage fees, provide in-flight entertainment, and offer pre-booked food as well as seat selection options. It also pioneered the Fly-Thru service in the low-cost carrier market, which allows for seamless connection without having to obtain a visa when transiting at the Low-Cost Carrier Terminal (LCCT) in Kuala Lumpur to other AirAsia Group destinations outside Malaysia. In 2012, it added to its already impressive range of ancillary services the option of booking all three seats in a row for a nominal fee under yet another new service, called Empty Seat Option.

Maintaining a low cost per average seat kilometre of 3.74 US cents, AirAsia X has been raising public awareness via marketing campaigns, high-profile sponsorships and brand promotions of its main value proposition that people can now fly further and at cheaper prices than those offered by full service carriers. Its tagline 'Now Everyone Can Fly Xtra Long!' underlines its mission to be the foremost low-cost, long-haul airline globally.

The airline's impending initial public offering (IPO) in 2013 will go a long way towards realising this mission, as it will provide the funds for further expansion. Already, AirAsia X has placed an order for 24 Airbus A330-300 aircraft, which are to be delivered in phases between 2013 and 2017, and once delivered will almost triple the current fleet of 11 aircraft. With more carriers, the airline will have the capacity to spread its wings further and wider across the Asia-Pacific, making even more dreams of travel come true.

While soaring to greater heights, AirAsia X will be supported by better ground infrastructure and facilities upon its move, along with the rest of AirAsia, to the new low-cost carrier terminal KLIA 2. From this secure home base, where it will enjoy enhanced feeder traffic for better connectivity within the AirAsia Group, it will also be exploring the possibility of setting up new operational hubs beyond Kuala Lumpur in locations where there already exist strong AirAsia short-haul hubs.

So the year 2013 promises to be very exciting, and AirAsia X is all geared to share this excitement with its loyal guests, allowing them to go places with the airline as they enjoy the best service and the best flying experience... at the lowest priced tickets money can buy.



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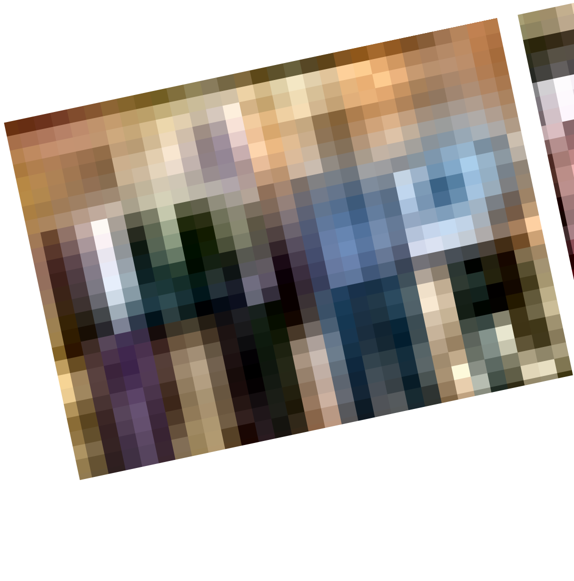


BUSINESS REVIEW

BIG Loyalty programme

Now Everyone Can be a BIG Shot

When the million free seats promo comes round, as it does every year, most AirAsia fans will spiral into a frenzied jostle with millions of others on virtual space, trying to book their dream tickets before these get sold out. But not the BIG Shots. These privileged members of our loyalty programme get priority treatment during every AirAsia sale and promotion. They also receive special low redemption deals every fortnight, and get to enjoy fixed redemption rates for popular routes that can be achieved twice as fast as with loyalty programmes at legacy airlines.

In other words, our BIG Shots get spoilt... big time. BIG is like a dream merchant, making the travel dreams of its members come true. No wonder, then, that in 2012, the second year of its existence, the number of AirAsia fans signing on to the programme led to a more than 200% growth in membership, from 150,000 BIG Shots at end 2011 to half a million. This was due to word of mouth endorsement as well as concerted efforts of the team to communicate the benefits of the loyalty programme, coupled with attractive fortnightly and quarterly campaigns.

No doubt, the introduction in August 2012 of free membership also served to bring in the numbers, especially as the drive was held in conjunction with a promo offering flights from Kuala Lumpur to Bali, Perth or Osaka, or Bangkok to Phnom Penh, or Jakarta to Kuala Lumpur from as low as 10 BIG Points. And what does it take to get 10 BIG Points? Not much, really. Every S$1 spent at the Healthway Medical Group in Singapore earns 15 BIG Points, just as an example.

BIG Shots earn their points from the purchase of tickets and/or ancillary services on any flight operated by an AirAsia Group carrier; or when they book hotel stays, travel packages or car rentals from AirAsia subsidiaries such as Tune Hotels and AirAsiaExpedia. They also accumulate points by making purchases from AirAsia Megastore, BIG's own online shopping mall, ShopBIG, which boasts over 1,000 cross-border global merchants, and at the more than 3,000 retail partners around the world including Metrojaya, Sogo, Petronas and Avis.

Perhaps most appealingly, BIG Shots also get to earn points at millions of Visa merchants worldwide (BIG's financial partners) with the BIG VISA Prepaid card. This service is offered in partnership with 21 credit card partners that include Citibank, Standard Chartered, Alliance Bank and RHB in Malaysia, eight banks each in Indonesia and Thailand and one in Brunei. No less than RM85 million was spent on BIG VISA Prepaid cards in 2012.

During the year, the BIG team managed to sign on a number of new blue chip partners that add greater prestige to the programme, including financial partners HSBC, Bank Mandiri and BNI, and leading telcos Indosat, DTAC and Starhub.

The appeal of such a loyalty programme is evident not only in the sheer numbers, but also in our membership profile. Tellingly, our BIG Shots come from no less than 150 countries across the world, which cover a span even greater than the AirAsia destination network.

Members may redeem their points in full or through a cash top-up for flights on any AirAsia Group member. The number of points required to redeem a seat depends on the chosen route and the number of seats available on the particular flight. Alternatively, BIG Shots may redeem their points for AirAsia gift vouchers, AirAsia merchandise, or for free stays at Tune Hotels around the world.

This loyalty programme serves both to reward frequent fliers on AirAsia while enabling us to increase our load factor and earn additional revenue from the sale of points to our financial and retail partners. Revenue from the BIG programme for the year 2012 was RM3 million, and we expect this to increase by more than 500% in 2013. At the same time, we are looking at a 2% increase in load factor from the redemption of points in the near future.

Having already tripled our membership from end 2011 to 2012, we are pulling out all the stops to quadruple the number of BIG Shots in 2013 as we roll out more campaigns to better communicate the benefits of this programme. BIG is big on value and its members will be the first to agree that they are, within the realm of dreams turning into reality, the biggest winners!

Malaysia

- > Tune Hotels
- > TuneTalk
- > CIMB Bank
- > Petronas
- > RHB Investment Bank
- > Alliance Bank
- > RHB Bank
- > Concorde Hotel
- > Casa Del Rio
- > Casa Del Mar
- > The Lakehouse
- > Hard Rock Hotel
- > AVIS
- > Budget
- > Hertz
- > Alpha Specialist Centre
- > Answers-In-Law

Thailand

- > Kbank Credit Card
- > DTAC
- > The 1 card
- > SCB
- > Bangkok Bank
- > Citibank
- > KTC
- > Diners Club
- > TMB
- > Thanachart Credit Card
- > SSP Thailand
- > Hard Rock Hotel
- > Krungthai Panic Insurance
- > Budget
- > Avis
- > Hertz
- > Garmin
- > Bazaar
- > Hair
- > Lonely Planet
- > Wallpaper
- > Livingetc
- > Swing
- > Prestige
- > Topgear
- > Saphalpae
- > Verztec
- > Booska.com
- > Zalora Thailand
- > King Power

Singapore

- > WorldCard
- > SSP Singapore
- > Avis
- > Hertz
- > Healthway Medical Group
- > Concorde Hotel
- > StarHub

Indonesia

- > Tune Hotels
- > Hard Rock Hotel
- > HSBC
- > AVIS
- > KidZania
- > Indosat
- > Poetre
- > Black Canyon
- > Mandiri
- > BRI Touch
- > BNI Credit Card
- > CIMB Niaga

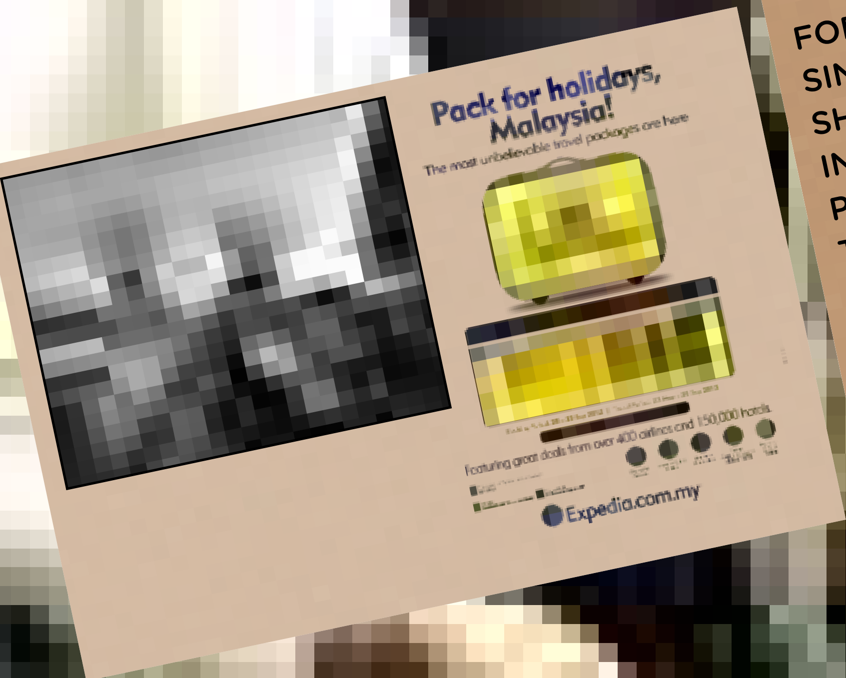
Indonesia

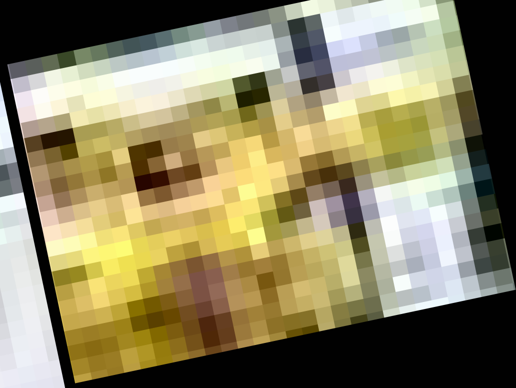
- > Tune Hotels
- > Budget
- > Avis
- > Hertz
- > Rihiveli
- > Gili Lankanfushi
- > Hilton HHonors

AirAsiaExpedia

Travel Away and Bed With Us

FOR THREE DAYS TOWARDS END MARCH 2012, SINGAPOREANS WERE LURED INTO YELLOW-SHEETED BEDS – IN BROAD DAYLIGHT AND IN VERY PUBLIC PLACES – TO HAVE THEIR PICTURES TAKEN... AND STAND A CHANCE TO WIN FREE HOTEL STAYS IN THE ISLAND REPUBLIC. IN MALAYSIA, MOTORISTS COULD NOT HELP BUT TO DECELERATE FOR A BETTER LOOK AT EYE-CATCHING HIGHWAY BILLBOARDS – AGAIN IN CANARY YELLOW – WARNING THEM TO "SLOW DOWN, HOLIDAYS AHEAD".





For three days towards end March 2012, Singaporeans were lured into yellow-sheeted beds – in broad daylight and in very public places – to have their pictures taken... and stand a chance to win free hotel stays in the island republic. In Malaysia, motorists could not help but to decelerate for a better look at eye-catching highway billboards – again in canary yellow – warning them to "SLOW DOWN, holidays ahead".

These were just some of the cheeky and fun advertisements and campaigns run by AirAsiaExpedia during the year to create greater brand awareness and draw more visitors to its websites. And the efforts were not in vain. Expedia Singapore saw a 48% increase in the number of fans on its Facebook page, and a 26% increase in sales revenue from its online site at expedia.com.sg. The Get in Bed Facebook contest application accumulated a total of 10,182 unique visits, 1,795 registrations and 255 photo submissions.

There can be no doubt about it: this joint venture (JV) that brings together two highly successful, 'dream' brands – AirAsia, the world's best low-cost airline; and Expedia, the world's largest online travel agent (OTA) – is melding two organisations with very similar cultures and mindsets to create some amazing synergies. If anything can make things happen, this combination certainly will.

AirAsiaExpedia, established in 2011, operates Expedia's branded businesses in Japan, India, Southeast Asia and other East Asian markets, as well as AirAsia's AirAsiaGo and GoRooms businesses. It also has exclusive online third-party distribution rights in the region for AirAsia and AirAsia X flights and travel packages. This means that save for a few exceptions, the only place to find and book AirAsia flights online is on AirAsia.com, AirAsiaGo.com and Expedia.

In 2012, its first full year of operations, despite macroeconomic issues and political tensions between Japan and China as well as Japan and Korea impacting travel demand, the company literally soared. Its expansion into Thailand was marked by the unveiling of an AirAsia aircraft in full Expedia livery, creating a first for the company as the only OTA with its own plane. Malaysia Expedia was also established, offering the full suite of services including air tickets, hotels and custom-made travel packages.

Meanwhile, AirAsiaGo, which caters specifically to AirAsia brand loyalists, received a facelift. Its booking platform was revamped to offer a more user-friendly guest interface aimed at increasing conversion rates. After the new-look site was launched on 27 July 2012, there was an immediate increase of 20% in bookings within a week. The revamp was completed on 14 November 2012.

With its young and vibrant team that 'gets' the online market, AirAsiaExpedia managed to increase the number of its online sales transactions to 1.3 million from 0.8 million in 2012 , increasing revenue of each point of sales by double or triple digits. Online transactions for flights grew significantly by 123% while that for hotels improved by 64%. Accordingly, the company achieved a healthy gross profit margin of 71% in 2012, which has been reinvested into marketing its presence and setting up new infrastructure in new markets to facilitate long-term growth.

Needless to say, these figures are just the beginning of even better things to come. As with all AirAsia businesses, one of AirAsiaExpedia's key selling points is the value proposition it offers to customers. All of its deals are backed by a Best Price Guarantee; in other words, if guests find a better price online for the exact trip, Expedia will match the lower rate and even award the guest a travel voucher.

Like AirAsia, too, this adjacent business keeps its fans interested with attractive promotions and brand-building initiatives. In October, the Singapore-based operations celebrated its first anniversary by offering trips for S$1 every day over a period of two weeks. A month later, it had the occasion to celebrate its sixth anniversary in Japan and did so in style, giving vacationers a whopping 99% discount on their travel plans.

Internationally, Expedia signed on to become the official sponsor of the Professional Game Match Officials Limited (PGMO), an association of professional football referees in the UK. Under the agreement, match officials will bear the Expedia logo on the shirts at the Barclays Premier League, npower Football League, FA Cup with Budweiser, Capital One Cup and other domestic professional matches. The one-year sponsorship kicked off on 12 August 2012 at the Community Shield at Villa Park. This partnership gives Expedia access to over 2,500 professional football matches, with an estimated cumulative global TV audience in excess of five billion.

The young and dynamic team's innovative marketing and customer service did not go unnoticed. In October, Expedia was named the Best Online Travel Agent for the third year running at the 23rd Annual TTG Awards 2012. This award, presented by TTG Publishing, is based on voting by industry professionals such as hoteliers, airline staff, car rental companies, cruise operators, national tourism organisations, as well as readers of TTG publications. TTG cited Expedia's professionalism, value-added service and use of technology as key factors leading to its win.

Expedia also won the Budgies and Travel Awards 2012 for best Online Travel Agent. These awards were created to recognise leaders, innovators, creative talents and pioneers in Asia's low-cost airline industry.

Having accomplished much in its first full year, the future is certainly looking bright for AirAsiaExpedia. Already, the company is intensifying its marketing and branding campaigns, further expanding its air and hotel supply, and enhancing its technology infrastructure to increase cost efficiencies. As it entered the year 2013, moreover, the team was strengthened by a key new appointment that sees Kathleen Tan, previously AirAsia's Group Head of Commercial, take over the position of Chief Executive Officer.

Kathleen was responsible for growing AirAsia's presence in China. Her ability to cut through the social media of clutter of China with Sina Weibo, as well as her passion and commitment led to being named Web in Travel's (WIT) Marketer of the Year in 2012. Given her unique style of brand-building, sales and profit growth, the Group is confident of AirAsiaExpedia making tremendous progress in the next phase of its expansion trajectory.


Mobile
Prepaid

Asian Aviation Centre of Excellence

Pilot Project Paying Off

Every year, about 50 young cadets emerge from the Asian Aviation Centre of Excellence (AACE) in Sepang raring to begin exciting careers as pilots. The sky truly is their limit now as their future has been clearly mapped out. These freshly graduated First Officers get to start work immediately and put the skills they have acquired to use as they take their positions on-board, next to seasoned Captains, who will literally take them under their wings and continue to expand their knowledge and expertise.

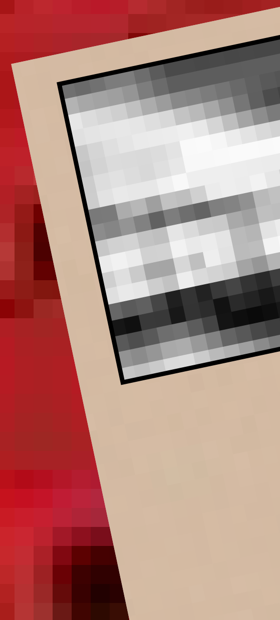
The First Officers are graduates of the competency-based AACE Multi-crew Pilot License (MPL), an 18-month programme that has been painstakingly developed by AirAsia and our training partner, the Canada-based CAE Inc (CAE). Like the generic Commercial Pilot Licence (CPL), the MPL trains fresh talents and qualifies them to fly commercial planes. Unlike the CPL, this particular qualification produces First Officers who have the relevant training and exposure to fly Airbus aircraft. In other words, they are trained specifically to meet our needs.

The AACE is a joint venture (JV) between AirAsia and CAE, a global leader in modelling, simulation and training for civil aviation and defence. Our relationship with CAE began as a Type Rating Training Organization (TRTO) partnership, under which CAE would train pilots whom we recruited to fly our Airbus A320 aircraft. As we increased our fleet and augmented our flight frequencies, however, we realised that our requirement for pilots was going to shoot up quite drastically. The JV was our strategy to ensure we would always have not only sufficient pilots but also cabin crew, maintenance engineers and technicians, and ground services personnel such as ramp and guest officers.

Among the non-pilots, cabin crew make up the largest group of trainees at the AACE. In 2012, close to 350 flight attendants in 19 batches underwent various modules to improve their knowledge and skills to deliver unrivalled service. With world-class training they receive at AACE, which has been tailored to suit our particular requirements and culture, our Allstars are stamped with AirAsia's unmistakable ethos and brand, which is carried across all the countries we operate in. What is more, the high level of knowledge and professionalism they acquire from AACE training allows us to keep our workforce lean without compromising on efficiency or quality.

Having our own training centre is strategic in other ways too. It minimises our training costs and allows us to retain a portion of profits within the Company. As an added bonus, it enables us to throw open our training centre to personnel from other airlines throughout the Asean region, hence establish a new and steady income stream.

The AACE, the first joint venture of its kinds in Asean, opened with six CAE-built full-flight simulators (FFSs): four FFSs for the Airbus A320 and one each for the A330/340 and Boeing 737 Classic. As equipment and facilities needs have increased with enrolment numbers, another CAE 5000 Series A320 FFS has recently been delivered. Meanwhile, CAE has added an IAE V2500 series engine simulation capability to a third Airbus A320 FFS.



To increase third-party revenue, AACE in April 2013 set up a branch in Seletar, Singapore, where there are a number of other Airbus aircraft operators – both local operators as well as foreign operators with bases on the island nation. The Seletar centre, equipped with two Airbus A320 FFSs, has contributed to an increase in third-party training at the AACE to about 42% of the total, up from 10% in 2011. Combining both in-house (ie AirAsia) and third-party training conducted during the year, AACE achieved RM76 million in revenue, of which 81% was derived from pilot training. Profit, meanwhile, was a healthy RM22 million, reflecting AACE's tight rein on costs.

These financial results are commendable, considering AACE has undergone only one full year of operations. The energetic team at the training centre, however, is already hard at work to improve these figures for 2013 and beyond. A new accounts executive has been recruited to drive further sales and to ensure customer retention via service excellence. At the same time, efforts are being made to grow revenue from non-pilot training, for example training in maintenance and cabin emergency evacuation.

Given projected growth of the air travel industry in the region generally, there is going to be greater demand for qualified ground and aircraft personnel. AACE is set to benefit from and feed this demand. In other words, just as the future is bright for AACE, it is also bright for those who dream of embarking on a career with an airline, and for the millions of passengers who will benefit from better and more efficient service from professionally trained staff.

AACE certainly seems to have hit on a winning formula, based on which we can safely say this is one 'pilot' project that is truly set to take off.

BUSINESS REVIEW

Social Media

Like, Tweet, Share Us

No. of Twitter followers
680
thousand

When the top management of a company connect with their consumers via the social media in a way that is meaningful to both parties, you know they are using the platform at its highest, most beneficial level to humanise their brand. This is precisely what AirAsia does. Being young, vibrant and, most importantly, driven by a strong people focus, AirAsia has been one of the most inspiring success stories of use of the social media by a corporation.

While others grapple with the intricacies of gaining fans and keeping them, we are ahead of the game, incorporating social media into our Group's core values and using our platforms of Facebook, Twitter, YouTube, Instagram and blogs rather like Lego – to build relationships, build our business, build efficient communication channels, build excitement, and – yes – build our brand.

Listen, Engage and Connect

By holding these principles close to our heart, we have been able to revolutionise our social networking the same way we have revolutionised air travel. It helps, of course, that AirAsia enjoys a strong leadership and has high-profile personalities like Group CEO Tan Sri Dr. Tony Fernandes who have embraced this new paradigm full-heartedly. Every time there is something interesting to report on the AirAsia Group – be it new routes, or updates on the running bet with Virgin's Branson, the performance of the Queens Park Rangers, or the search for new Allstars to staff the upcoming India operations – you can expect a quick blip from @tonyfernandes.

Though new in the role of AirAsia Berhad CEO, Aireen Omar too has begun to tweet actively to build relationships with our guests. In fact, she has even started an Instagram account where she shares sneak peeks into her life as CEO as well as beautiful photos of our destinations – all the better to entice her followers to fly with us!

Doing It Right

The fact is, we at AirAsia have not jumped on the social network bandwagon for the sake of it. We are there because we are a people company and for us the social media is a great platform to connect with our guests and fans. Tan Sri Tony's tweets aren't just one-way bytes of info; often they lead to running conversations with complete strangers who eventually feel a closer, more emotional connection with us.

According to eezer.com, a social network site that features tweets and location-verified reviews related to travel, AirAsia has the greatest number of two-way tweets between itself and its consumers among all airlines. We receive more tweets from our guests and fans than any other airline, and rank among the top three airlines in the world that respond the most to tweets received from consumers. Numbers do not mean much, but to every AirAsia fan who receives a reply from us, our genuine efforts to connect leave a mark. Suddenly, we are no longer just another low-cost airline, but an airline that values and respects people who make the time to interact with us.

And our fans realise that our 'conversations' with them are for real. We truly listen to what they say – social media is a great source of valuable, raw feedback – and we act on their comments. A number of new routes in 2012 were established from 'talking' with our fans. For example, Tan Sri Tony received a tweet requesting for a route to Lombok, while another tweet 'sold' Wuying, saying: "Can you please also open a new route to Xi'an? Xi'an is a 3,000 years old historical city, and also a hub for the northwest region in China, with 20 million passenger traffic in one year. It'd be very beneficial to a low cost carrier like AirAsia." Not long after receiving these communiqués, we launched the Kuala Lumpur – Lombok and Bangkok – Xi'an routes.

By acting on their tweets operationally, our fans feel a sense at least of 'part ownership' of AirAsia airline, further reinforcing our brand as a people's airline.

What's Next?

We were already on Facebook, Twitter, YouTube and blog, and in late 2011, started an Instagram account (@AirAsia) to showcase our Allstar culture, allowing fans a peep into happenings at the AirAsia headquarters. The photo-sharing app proved to be a success as fans all around the globe follow us to get a better feel of what goes on at AirAsia behind the scenes. Our Instagram success was even noted by Jaunted.com, a popular pop culture travel guide, which named us as the top airline to follow on this social media platform.

Meanwhile, recognising the obvious advantages of connecting with the world's most populated country, Tan Sri Tony started a Weibo account in late August. With our in-country social media team providing quick translation services, he currently has over 76,000 followers.


No. of "Likes" on Facebook
1.8
million
No. of Instagram Followers
28
thousand

Why Connect with AirAsia?

We believe in creating value for our fans, hence they are regularly treated to exclusives on our latest news and promotions. New routes and our highly awaited one million free seats offer, for example, are blitzed on our social media before any other marketing platform. Route launches are also generally accompanied by a social media contest offering free seats. In addition, milestones are celebrated with contests. In conjunction with AirAsia X's fifth anniversary, for example, we offered an entire flight from Sydney to Kuala Lumpur to the lucky Australian who could fill up all 302 seats on-board with Facebook friends. Every one of these 302 Australians are probably now AirAsia fans for life.

We even respond to SOS pleas from our fans. One family that was flying to Bali got their outbound dates mixed up and would have missed a family wedding, if not for a last-minute Facebook message to us. We responded immediately, changing the flight date to a day earlier at no extra cost to our guests, and the very appreciative family got to the wedding well on time. This was one case of customer service, enabled by social media, that will always be remembered.

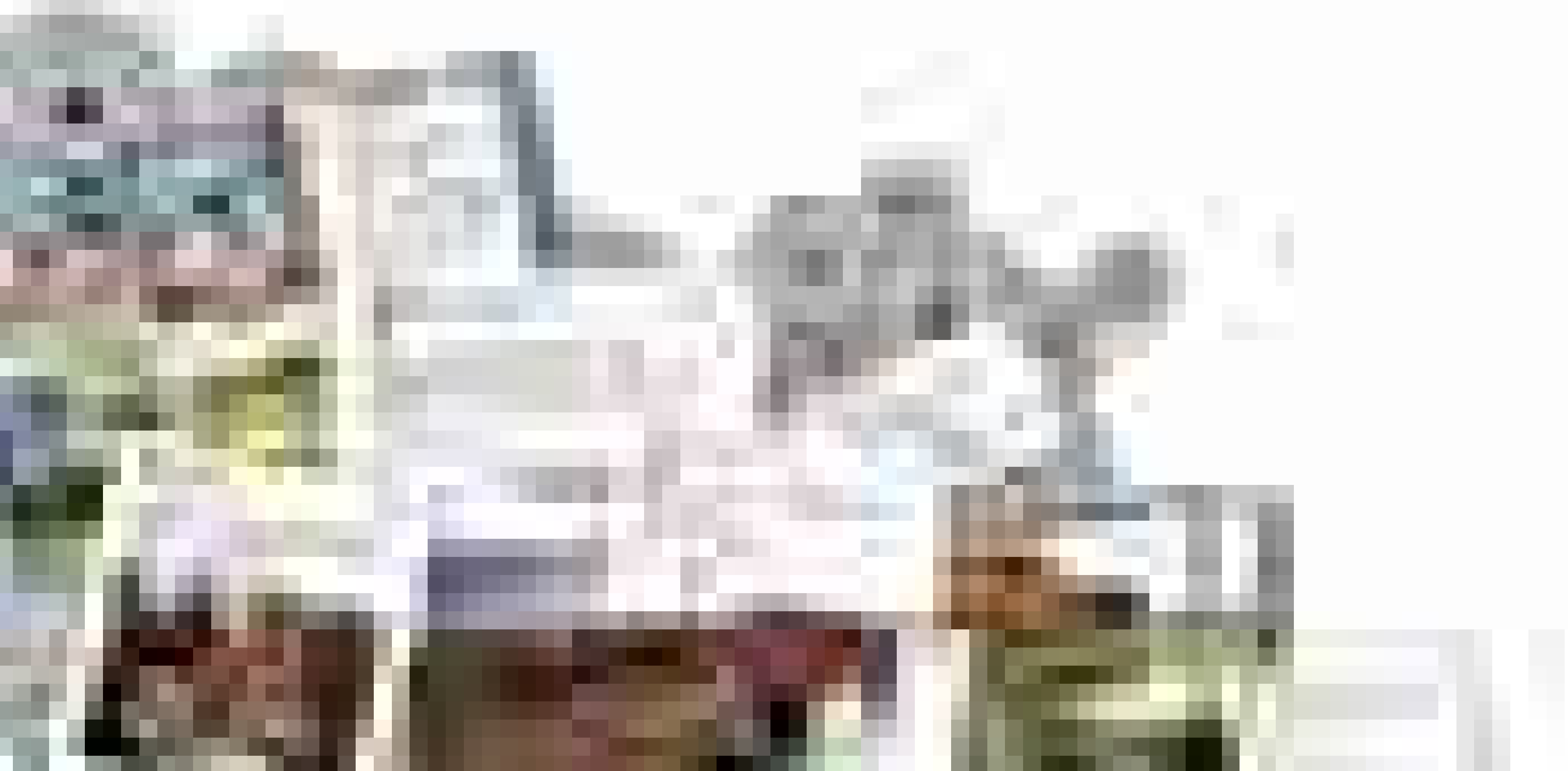
The socialites

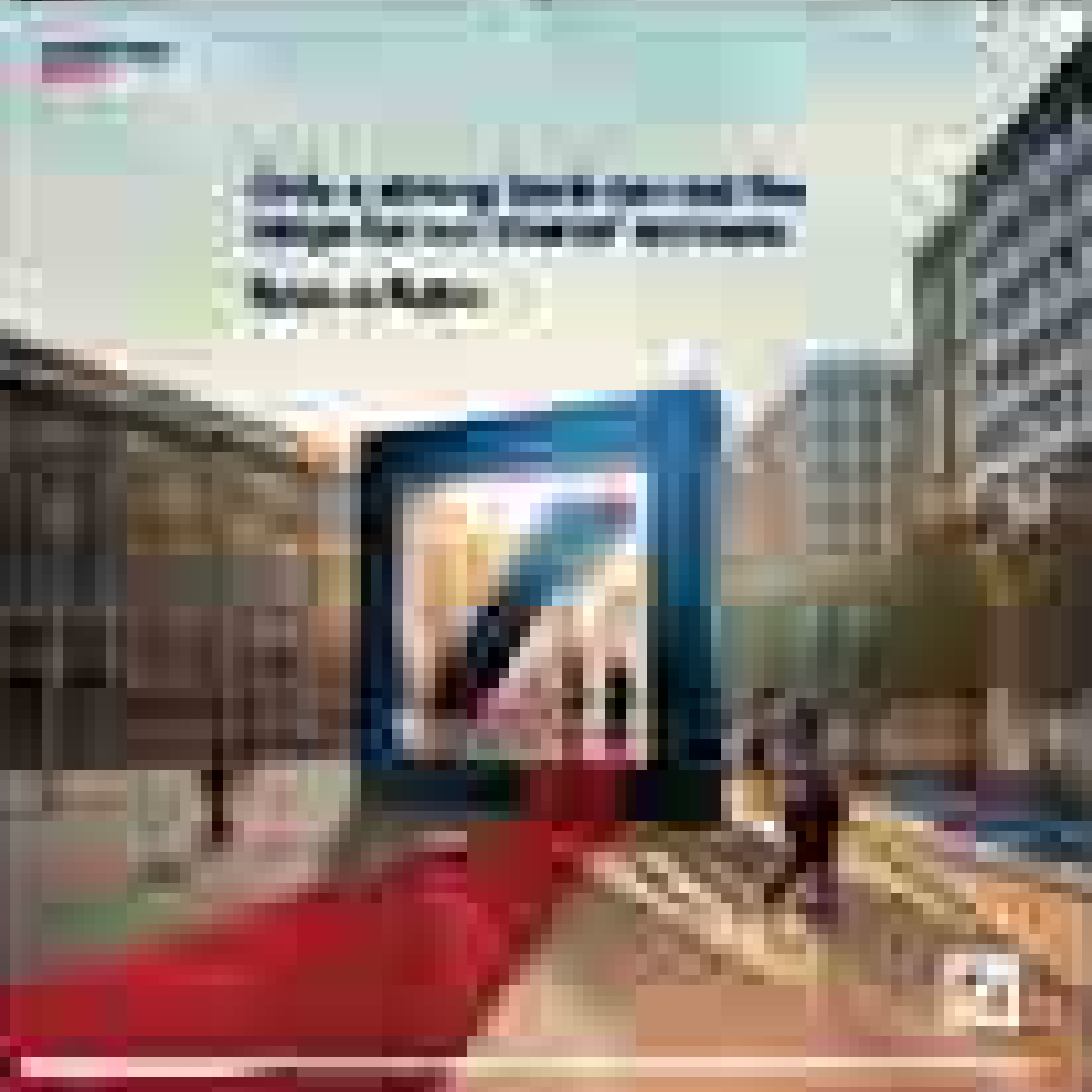
To keep our fans coming back for more, our young and dynamic in-house social media teams in 13 regions work hard to keep a constant flow of innovative marketing promotions and campaigns going. In 2012, for example, utilising YouTube, we ran a video contest to fly fans from around the region to attend the mega Japanese summer festival, Summersonic. In China, we offered our Weibo fans the opportunity to catch a QPR English Premier League match live at Loftus Road, London, via a most-creative video contest.

While building our brand, these competitions also reinforce our following, providing us with an ever-growing base to target our commercial efforts. As of end December 2012, we had 1,695,340 Facebook fans, up from 1,327,040 at end 2011. The number of our Twitter followers almost doubled from 288,392 in December 2011 to 555,793 in December 2012. In China, as at end 2012, we had more than 700,000 Weibo followers. Given the easy link between social media platforms and online portals, social media activity increases the number of visitors to the Group's website; in 2012, a total of 2 million followers made the transition from social media to website, where there is a greater possibility of them being 'converted' into flying guests.

Our efforts to reach out to our fans and build relationships with them have not gone un-noticed. We won the Budgies and Travel Award 2012 for the Best Social Media and were named by Socialbakers, a leading social media network statistics and analysis company, as a Top 10 Socially Devoted Global Brand for effective dialogue with our guests and fans. Not only are we the only low-cost airline in the world on the list, but we are also ranked quite high, at no. 4. To drive deeper and more meaningful engagement with our guests and fans, we will stay in tune with what they want and need, and cater to these. Our ultimate aim is to be the best-in-class new age social company. That means constantly unlocking even greater value in all our product and service propositions.

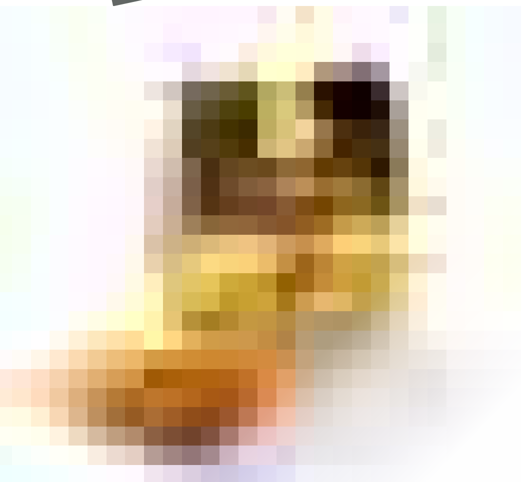
And so long as we keep getting messages along the lines of the following from Catur Wahyudi, who said: "Gonna have my first AirAsia flight to Bali! Despite being an Indonesian, I've never been to Bali. Thanks to AirAsia" – we know we're on the right track.





Ancillary Income

No Longer on the Sidelines



Starting off quite humbly, with the primary aim to offset increases in the price of fuel, our ancillary business has grown not only into a significant revenue earner for the AirAsia Group but is also now providing an avenue for us to further increase cost and operational efficiencies and thus maintain our vaunted position as the world's lowest-cost carrier.

Essentially, our ancillary sources of income are derived from non-essential services, the add-ons that make flying with us that much more enjoyable, convenient and memorable. Ancillary allows guests, for example, to savour Pak Nasser's nasi lemak, which has gained almost legendary status; as well as to breeze through connecting flights without the need to re-check in with Fly-Thru; choose seats in advance (via Pick-A-Seat) and get the Red Carpet treatment, complete with priority check-in, boarding, use of a Premium lounge and fast-lane service into the plane.

That guests appreciate these services can be seen in the way they've grown. Since its introduction in Kuala Lumpur in March 2012, AirAsia Red Carpet has been extended to Kuching, Kota Kinabalu, Penang, Johor Bahru, Singapore, Bali and Jakarta. The service seems particularly popular among business travellers and big families for whom hassle-free travel is a huge bonus .

Some of these services, such as online check-in and pre-booked baggage, afford us smarter staff utilisation and cut operating costs. To encourage greater take-up of the latter, at the beginning of 2012, we reduced our pre-booked baggage fees. Eventually, however, we discovered that guests with check-in luggage will pay for the service, even at a higher cost, so long as it is still cheaper than counter check-in. We therefore restored our service fees to their original levels and, as expected, it did not decrease the take-up rate. Consequently, revenue increased (in Malaysia), from RM296 million in 2011 to RM326 million in 2012.

In a different way, pre-booking meals allows us to cut down on costs, by reducing wastage. To encourage greater take-up of this service, we have reduced prices for our pre-booked meals, making it significantly cheaper to order online than to purchase one's meal on-board. We also extended the period of pre-booking a meal up to 24 hours before flight time. To entice more passengers to

partake of our inflight meals, we added a total of 18 new hot meals, light meals and desserts added while introducing 14 new snacks and beverages including co-branded Chatime drinks and popular pastries from Aunty Jud's Corner such as her Baked Cheese Cake and Triple Chocolate Muffins.

We even signed on celebrity chef Farah Quinn to serve as food ambassador on Indonesia AirAsia, and introduced new labeling that includes the food's nutritional value. The latter has earned us a letter of appreciation from no less than the Director General of Health Malaysia.

The results of these initiatives? An improved survey rating of 10%, and an increase in revenue for the Malaysian F&B operations from RM54 million in 2001 to RM63 million in 2012, with income per pax growing from RM3.06 to RM3.34.

Pick-A-Seat represents the third prong of our 'star' ancillary threesome of baggage, assigned seats and F&B, which account for about 70% of the Group's ancillary income. Revenue from Pick-A-Seat across the Group increased by 21.5% from RM107 million in 2011 to RM130 million. With absolutely no administration costs to us, this is an area that we intend to develop more strategically to further increase our revenue.

Our cargo service also has performed well despite a general industry lull which affected the full-service segment in particular. Its lean organisational structure – with an average ratio of 4,600 aircraft movements to one personnel or 1.55 million kilos per personnel – seems to have worked in AirAsia Cargo's favour.

In 2012, it saw a 6.4% increase in tonnage – as compared to an industry drop of 1.5% – and an average load factor of 48.7%, compared to the industry average of 45.2%. AirAsia Cargo also scored higher than the industry average on the Departed as Planned (DAP) metric, which indicates efficiency of cargo delivery, at 94%. Both AirAsia Cargo's tonnage and DAP out-performed a number of significant and key cargo airlines in the world. Just as an indication, its tonnage on average was 55% of total cargo tonnage at the warehouse that also serves the likes of Cathay, Emirates, Saudi Airlines, Qatar and Federal Express. In 2012, moreover, it had the third largest share of cargo movement in and out of KLIA, up one position from 2011.

A key differentiator of AirAsia Cargo is its spirit of innovation. The team here is constantly looking for new and better ways of carrying out its role, and in 2012 came up with a number of initiatives that add to efficiency. It introduced a cargo colour coding system, which has helped to decrease misrouted cargo from an average of 0.5% to 0.04%; and added an online chat/query function to its web-based system to help facilitate effective and efficient communication with customers.

Its sterling performance has led to AirAsia Cargo winning the World's Best Customer Care Award by UK-based publication Air Cargo Week (ACW) two years running – thereby achieving a global first; and to being named Rising Star Carrier of the Year by Payload in Singapore.

BUSINESS REVIEW
ANCILLARY INCOME

MONETISING OUR DATABASE

Other than the flight-related services described above, our ancillary business encompasses monetising AirAsia's extensive database, and the popularity of our website, to earn additional income. In 2012, we attracted an average of 131.52 million views and 8.60 million unique visitors who spent on average 9.33 minutes on our pages. What is more, 44.8% of these visitors returned to the website within less than one day.

To capitalise on our captive web audience, we provide online services such as AirAsia Megastore, an online merchandise outlet; and AirAsiaRedTix, a marketing and sales unit for red-hot ticket events.

The year 2012 was significant for AirAsia Megastore not only because it achieved profits for the first time but also because the entire business was revamped and re-launched to be more attractive and relevant to clearly identified target customer segments, while presenting a consistent AirAsia brand look and feel. AirAsia Megastore now has a new website, which is reinforced by an on-ground kiosk at the Low-Cost Carrier Terminal (LCCT) in Sepang, as well as in-flight catalogues on-board the aircraft.

But perhaps more importantly, operations have been shaken up to be more efficient, hence profitable. About RM2 million of excess and obsolete Cars and Transformers inventory was eliminated through various channels including corporate events. We rationalised our merchandise supplier list by signing on vendors that abide by a high level of business ethics and are able to maintain impeccable product quality. We also introduced a new distribution system in which warehousing is outsourced, allowing us to better manage the risks of theft, damage and mismanagement. The new system also enables us to process online orders in real-time and have live inventory management.

AirAsiaRedTix, meanwhile, ticketed about 70 events, three of which were sold-out shows, namely the Russell Peters Live in Malaysia, BigBang Alive Galaxy Tour 2012 and Beauty & the Beast – the Musical. It also became the top internet ticketing agent for the LEGOLAND Malaysia theme park in Nusajaya, Johor selling more than 65,000 annual passes valued at more than RM12 million, and was appointed by Themed Attractions & Resorts as the exclusive partner for internet ticket purchase for the grand opening of the Puteri Harbour Family Theme Park in Nusajaya, focusing on the Sanrio Hello Kitty Town and The Little Big Club theme park.

In the sporting arena, AirAsiaRedTix sold more than 40,000 tickets to Queens Park Rangers' matches against the Malaysian state football teams of Kelantan and Sabah. Other notable wins included being appointed by VISA International to administer VISA Privileges for cardmembers, earning a management fee of RM150,000; and reinforcing its presence on the social media by attracting more than 21,000 'likes' on its Facebook and more than 7,500 followers on Twitter.

BRANCHING INTO ADJACENCY BUSINESSES

The principle of monetising our database, or indeed other assets, has been taken a step further into a new realm of business that we ventured into in 2011, which we call 'adjacency'. The idea here is to identify a partner that has the expertise or resources which we lack and which can be applied to our assets to create great business synergies... at little or no extra cost to us. To date, we have entered into three such joint ventures: AirAsiaExpedia and our BIG loyalty programme, both of which leverage on our database, as well as the Asian Aviation Centre of Excellence (AACE), which builds on our existing training resources.

In AirAsiaExpedia, we have partnered with the world's largest online travel agent, Expedia, to offer our guests attractive hotel and travel deals all over the world. AirAsiaExpedia has subsumed AirAsiaGo, previously our own online hotel and travel package booking agency, and is truly going places. BIG, meanwhile, represents a partnership with Tune Money in which we offer our guests the opportunity to earn free flights from flying with us or by using the services of any one of our merchant partners. The AACE, meanwhile, is a world-class pilot training centre which also offers other training modules for aviation personnel from flight attendants to engineers, both to AirAsia Group as well as third parties.

All three businesses have celebrated their first full-year of operations in 2012, and achieved very encouraging results, which are described in greater detail in their individual write-ups in this annual report.

FINANCIAL PERFORMANCE

Given that revenue from AirAsiaGo is no longer channeled towards our ancillary stream, we experienced a slight drop in ancillary income from RM45 per pax in 2011 to RM40 per pax in 2012. This, however, still translated into a sizeable 16% of the Group's total revenue for the year, which helped to buffer the US$1 per barrel increase in the price of oil. Ancillary continues to serve its initial function of 'insuring' us against fuel price fluctuations, and we are committed to further growing this business to safeguard our low-cost model.

We have therefore been scouring conscientiously for different means of further boosting our performance in this business area, with positive results. We have, for example, identified much scope to increase online services in areas such as guest check-in (to encourage this, we would impose a higher counter check-in fee) and the pre-purchase of in-fight meals.

There are also immense opportunities in revamping our duty free business to offer guests a larger choice of products via better distribution channels that include pre-online orders for collection on-board as well as online (ie cashless) purchases on-board. According to widely available data, the largest spenders in the duty free world in terms of percentage of total spending are from China followed by Russia, Japan, the US, Indonesia, Brazil, Saudi Arabia and Hong Kong. Out of those eight countries/territories, AirAsia Group flies to five, demonstrating the potential upside of duty free in the future. On-board sales will be supported by plans to install WiFi systems in our aircraft, thus allowing guests to purchase duty free through a dedicated website and to pay electronically with credit or debit cards.

But, most strategically, we intend to mine the huge database that we have in a systematic manner to create more targeted marketing of our ancillary offerings. For example, we will use enhanced analytics to better understand the spending habits of guests and target sales offers or promotional bundles accordingly. We will also up-sell travel essentials based on guests' destinations, and cross-sell our partner hotels. To increase our brand loyalty, we will offer promotions to AirAsia members that are not available to members of the public, and we will make it more convenient for guests to make bookings or purchases by introducing new mobile platforms.

In other words, we have many initiatives in the pipeline to offer our guests many more products and services at great prices and even better convenience. While further enhancing our guests' travel experience with us, we will be boosting our revenue – yet another win-win solution for ancillary, adjacency and customer delivery!

Sustainability Report

SUSTAINABILITY REPORT

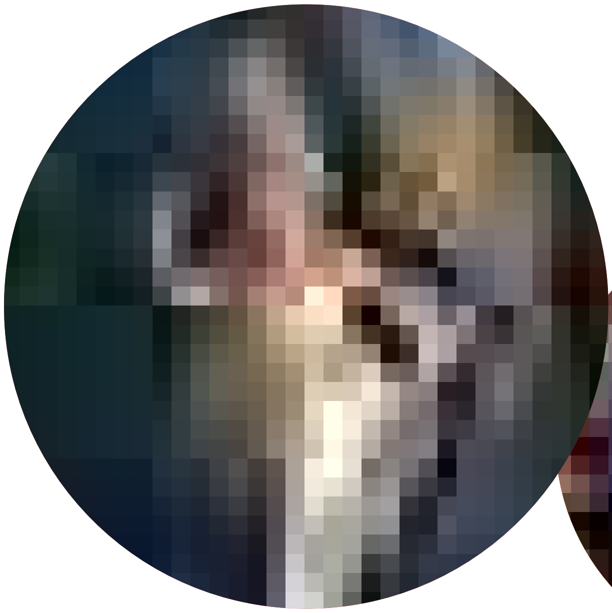
AirAsia started out 11 years ago with two aircraft serving six destinations; today we have 123 aircraft flying to 81 destinations in 18 countries via 160 routes. From a staff strength of about 250, we now provide employment to more than 10,000 people in Asean. We have managed this phenomenal growth because of our business model, which focuses on creating cost and operational efficiencies in everything that we do, so that the savings can be passed on to our guests. This allows us to keep to our promise of 'Now everyone can fly' – a promise that can be verified by the 174 million guests who have flown with us.

We believe that our cost and operations-efficient framework not only allows us to be the lowest-cost airline in the world, but also builds the sustainability of our business. In other words, sustainability forms one of our core values and is integral to the way we run our entire organisation. It has been integral to our growth from Day 1 and will continue to guide us as we continue along our journey from an Asean to an Asian airline.

As we know only too well, being sustainable means adapting and reinventing processes and procedures all the time. What served us well 11 years ago would certainly be insufficient for our needs today. Hence we have over the years built on and improved our processes and systems. In 2010, we embarked on a massive Group-wide initiative called the Continuous Improvement Programme (CIP), which seeks to empower our Allstars to drive improvement initiatives in line with the Company's overall vision and goals. This programme has already created some quick wins for us, but is ongoing and will contribute significantly to the Group's future growth.

As a responsible corporate citizen, we recognise that we have a duty to be transparent and to keep our stakeholders informed of our plans and strategies. In the last eight years, we have updated our shareholders of all financial and operational highlights via our annual reports. This year, in line with the Malaysian Code on Corporate Governance 2012 (MCCG 2012) issued by the Securities Commission, we are taking the level of our disclosure even further by producing a Sustainability Report.

Given that this is our first Sustainability Report, we acknowledge that there may be gaps in the information provided. However, this will be an annual initiative and we would like to assure our stakeholders that we are committed to improving on our disclosure with every subsequent edition. We have the advantage of being able to draw from established practices in sustainability reporting, and are confident of a progressively enhanced product over the years. We have, in fact, already adopted global best practices in this report by outlining our sustainability initiatives in the four main categories of the Community, Marketplace, Workplace and the Environment. These are outlined in the pages to follow.



Serving the Community

AirAsia Foundation

As a result of enabling air travel, we have opened up many possibilities for the people of Asean and beyond. We have brought people together, helped businesses thrive and, to some extent, we have even changed lives by making lifelong held dreams come true. Taking our commitment to local communities one step further, we founded the AirAsia (L) Foundation (AirAsia Foundation) in March 2012 to provide more focus and structure to our social sustainability commitment. With the Foundation, we are better able to reach targeted communities and achieve our desired impact in giving back to the people who have made it possible for us to come this far.

AirAsia Foundation

AirAsia Foundation is committed to building local capacity within Asean in areas where we can make a real and meaningful difference using our unique expertise and resources. Considerable time was invested in identifying the Foundation's focus areas, which included a company-wide survey to gather input from our Allstars as well as reviewing letters and comments that AirAsia had received over the years from various stakeholders including guests and non-governmental organisations. Finally, the Foundation team chose three areas of focus: social enterprise, heritage & conservation and anti-human trafficking initiatives.

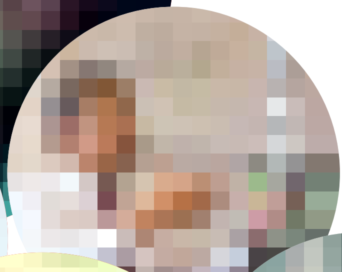
The Foundation has appointed a Council of Trustees comprising high-profile individuals from Asean who are willing to take a lead in projects related to their fields of expertise; and who believe in the future of an Asean Community. Among this group are AirAsia Group CEO Tan Sri Dr. Tony Fernandes and Deputy Group CEO Dato' Kamarudin Meranun, who bring to the table years of experience as entrepreneurs. They are joined by four other highly accomplished individuals, who complement their skills in areas relevant to the Foundation's objectives:

AirAsia Foundation's Council of Trustees

Tan Sri Dr. Tony Fernandes

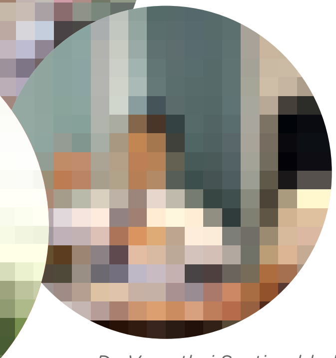
Dato' Kamarudin Meranun

Katrina Legarda



Youk Chhang

Dr. Anies Buswedan



Dr. Veerathai Santiprabhob

- Atty Katrina Legarda, a prominent legal practitioner in the Philippines, well-known for advocating women's and children's rights. Legarda, who has been appointed Chair of the Foundation, is also the Founding Chair of the Child Justice League which provides free legal assistance to children in conflict with the law. Legarda was responsible for initiating child protection training for top law enforcement and judicial officials in the Philippines. She is guiding the development of AirAsia Foundation's Anti-Trafficking in Persons training module.

- Dr. Anies Baswedan, head of the Paramadina University in Jakarta, Indonesia. Dr. Anies, recognised in 2008 by the US-based global Foreign Policy magazine as one of the world's top 100 public intellectuals, founded the Gerakan Indonesia Mengajar, a movement that deploys university graduates to teach in remote areas of Indonesia. He plays an instrumental role in helping spread the Foundation's values to a new generation of Indonesian youth.

- Youk Chhang, Executive Director of the Documentation Center of Cambodia (DC-Cam) and a survivor of the Khmer Rouge's 'killing fields'. Youk's work in war crime documentation began in 1995 when he set up a field office of Yale University's Cambodian Genocide Program. The field office grew to become DC-Cam, which is reintroducing this chapter of Cambodian history into the national curriculum. Youk is also passionate about the preservation of historical sites.

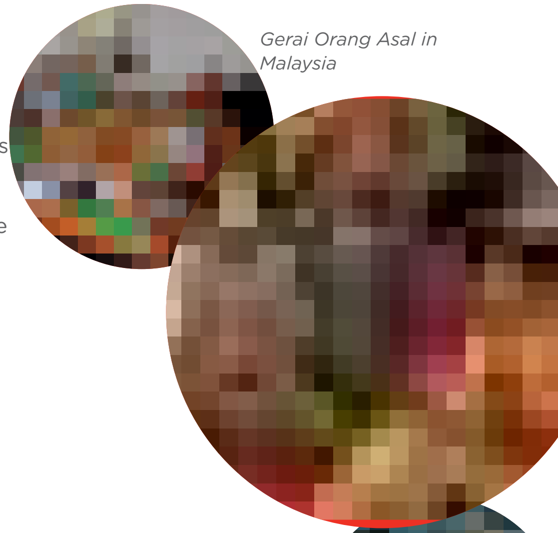
- Dr. Veerathai Santiprabhob, a top Thai economist who played an instrumental role in the country's recovery following the 1997 Asian Financial Crisis. In his last appointment as the Chief Strategy Officer of the Stock Exchange of Thailand, Dr Veerathai was a strong proponent for the creation of the ASEAN Exchange. Dr Veerathai brings the highest standards of governance to the Foundation as well as extensive experience enabling Asean-level collaboration.

Social Enterprise

The Foundation aims to leverage on AirAsia's entrepreneurial edge to empower communities, thus help them to improve their socio-economic standing in the long term. To date, we have 'adopted' two Malaysia-based social enterprises which we are supporting via funds as well as training. These are the Gerai Orang Asal, which serves to promote the livelihood of indigenous minorities in Malaysia; and Silent TEDdies, which focuses on providing the hearing-impaired with income-generating skills.

Gerai OA is a volunteer-run, non-profit venture that seeks to document, revive and revitalise the crafts of indigenous minorities in Malaysia. Gerai OA volunteers collect craft products from the artisans' villages for sale at craft fairs. All profits are returned to the artisans together with donations of medicines, clothes and food. Gerai OA currently supports 30 villages and more than 100 indigenous artisans across Malaysia.

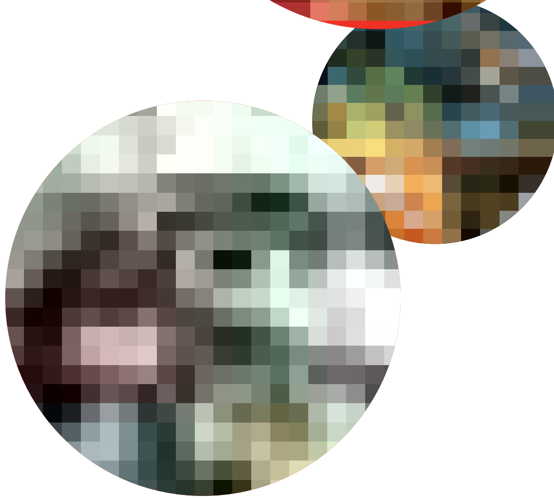
AirAsia Foundation provides Gerai OA volunteers with complimentary return flights and baggage allowance to facilitate their work. So far, we have provided one free passage from Kota Belud, Sabah to Kuala Lumpur for a volunteer to participate in the annual National Craft Expo in March 2012; and two flights in September 2012 for coordinators to participate in technique-exchange workshops at the World Eco-Fibre and Textile (WEFT) Forum in Kuching, Sarawak.


Gerai Orang Asal in Malaysia

Silent TEDdies

Beginning in November 2012, we have been selling fresh, preservatives-free cookies from the Silent TEDdies Bakery of the Kuala Lumpur Community Service Centre for the Deaf (CSCD) on our flights. The Silent TEDdies project began as a Teenage Entrepreneurial Development (TED) initiative by the CSCD to provide employment opportunities for hearing-challenged youth. Established in 2010, the bakery produces up to 600 loaves of bread per month and 30kg of cookies daily.

We have a standing monthly order of between 5,000 and 10,000 bags of cookies from the bakery. Between November and December 2012, we sold 13,830 bags of Silent Teddies cookies, raising funds to support the bakery and CSCD's programmes. The collaboration with AirAsia also raises the profile of the TED programme to new supporters and patrons.


Silent TEDdies in Malaysia

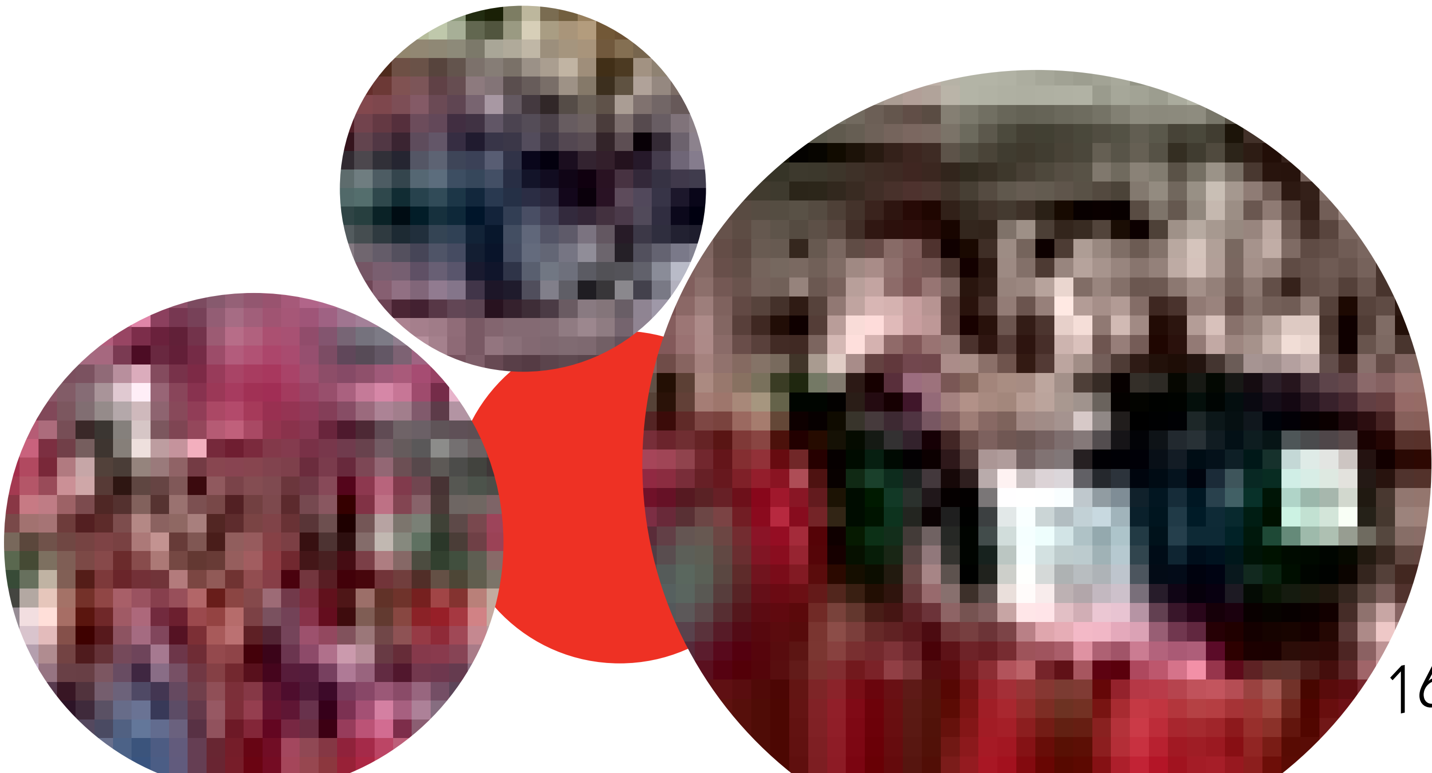
Heritage & Conservation

We believe that by supporting the conservation of heritage sites in Asean, we will be supporting regional tourism in a meaningful way. Our conservation projects, further, would serve as ideal platforms to create powerful messages in all our media channels underlining travellers' role in preserving Asean's cultural heritage for the benefit of future generations.

Cambodian Living Arts

AirAsia Foundation awarded its first grant in October 2012 to Cambodian Living Arts (CLA), a Phnom Penh-based NGO founded by former child musician and Khmer Rouge refugee Arn Chorn-Pond. CLA seeks to revive Cambodian performing arts after two decades during which many artistes and musicians perished. CLA began by supporting classes given by four Master Artists to Cambodian youth, and now supports 16 Master Artists and 11 assistant teachers in a programme reaching out to over 200 students across Cambodia.

The Plae Pakaa Project in Cambodia



SUSTAINABILITY REPORT
SERVING THE COMMUNITY

The Plae Pakaa Project in Cambodia

AirAsia Foundation's partnership with CLA began with sponsoring its participation in the 2012 Penang Georgetown Festival, following which CLA submitted a proposal for the Foundation to support an expansion of its weekly dance performance at the National Museum of Cambodia into a daily show. Under the resulting Plae Pakaa (Fruitful) Project, AirAsia Foundation is funding year-long classes for 100 students. It is also bearing the start-up costs to establish a daily show at the museum, which is one of the most visited in the region.

Just two months from the commencement of the show on 1 November 2012, it had attracted 2,025 visitors, earning RM61,500 in ticket sales, product sales and donations. The Plae Pakaa Project has also been featured in our inflight magazine, Travel3Sixty°, to promote sustainable tourism activities to Phnom Penh visitors.

Blood Donation Campaign

Donation drive in the Philippines

Replenishing sand in the river where the elephants bathe in Kuala Gandah, Pahang

Anti-Human Trafficking

People trafficking is one of the most significant challenges facing the region. The US State Department in its 2012 Trafficking in Persons Report ranked all 10 Asean countries as Tier 2, indicating non-full compliance with US Trafficking Victims Protection Act's minimum standards. As much of human trafficking relies on air travel, we feel a strong sense of obligation to play our part in addressing the issue.

The Foundation is funding the development of a training module to create greater awareness among our frontline staff (guest service officers, cabin attendants and security personnel) of trafficking, and enable them to take swift action should they suspect any trafficking activity in the course of their work. This includes handling cases sensitively and developing reporting and referral mechanisms so that the relevant enforcement agencies and support organisations can step in and provide the victims with necessary assistance.

Meanwhile, a regional campaign against human trafficking will be launched, riding on AirAsia's strong communication channels. We are set to be the first airline to internalise efforts to combat human trafficking and, in the process, help shape the industry's response to the issue.

Spirit of Allstar Volunteerism

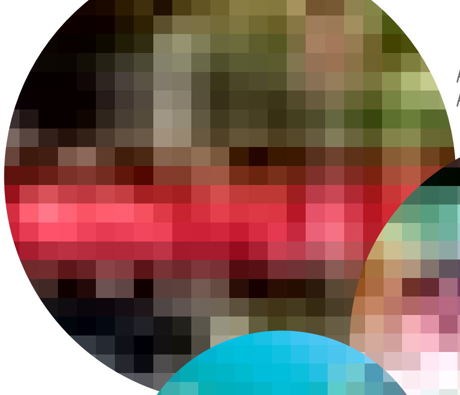
We believe it is important to engage our Allstars in our community outreach programmes so they feel a sense of ownership of these, while also forming closer bonds among each other. Every year, two blood donation campaigns are held, which receive very positive response. In addition, we organise various activities that involve the participation of our staff.

In October 2012, we held our first regional volunteer activity by putting together an AirAsia Allstar Diving Team to conduct a Reef Check Survey at the Batangas Reef in the Philippines. While we funded the team's training by underwater scientist Carina Escudero, Philippines' AirAsia CEO Ma'an Hontiveros, who is also Chairperson of Reef Check Conservation Programme, Philippines, hosted the team during their five-day stay in the country. The objective was to train our divers to be able to conduct reef checks, hence support the conservation efforts of scientists.

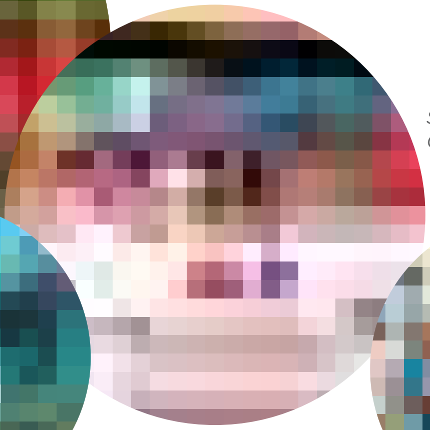
Meanwhile, our affiliates also carried out various CSR activities in their home countries.

Thai AirAsia organised a Sharks Can Fly campaign with Siam Ocean World in conjunction with World Oceans Day on 8 June 2012 to promote greater appreciation of the marine world. The airline flew 20 brownbranded bamboo sharks and 20 students from the Pathumwanram School from Bangkok to Trang for the students to be able to release the sharks into the sea at the Hat Chao Mai National Park. On the trip, the students also got to study the local ecosystem up close.

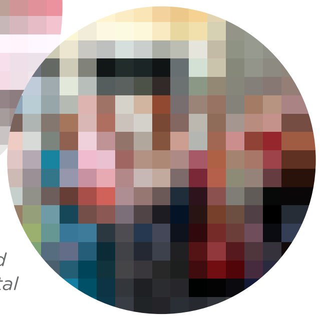
Our Thai affiliate also supported the efforts of Bumrungrad International Hospital in Bangkok to provide free surgery for underprivileged Myanmar children with congenital heart defects by flying in six children from Yangon and contributing funds for the surgery of four of them. This initiative was carried out in collaboration with the Bumrungrad Hospital Foundation, the Thai Embassy in Yangon and Myanmar's Ministry of Public Health. The children who underwent surgery were patients at the Children's Hospital in Yangon.



Reef Check Survey at the Batangas Reef in the Philippines



Sharks Can Fly campaign with Siam Ocean World in Thailand



Free surgery for underprivileged Myanmar children with congenital heart defects

Other CSR initiatives of Thai AirAsia included offering free flights for a year to National Artists, thus enabling them to showcase their works at local and regional exhibitions; and chartering a free flight on 23 November to take the media and members of the public to Kathmandu, Nepal, where they helped renovate the Buddhist temple in Lumbini, believed to be the birthplace of Buddha.

Indonesia AirAsia focused on underprivileged children from the Bojongrenged II Elementary School. On 24 May 2012, it hosted a visit by 50 children from the school to Soekarno-Hatta International Airport, and later organised a 'career day' at KidZania to inspire and empower the children. AirAsia Indonesia also donated four laptops, study tables and chairs, learning equipment and 100 books to the school.

In the Philippines, our affiliate carried out two relief operations for typhoon victims and organised a field trip for children with special needs.

At the same time, our energetic and dynamic Allstars themselves run several of their own fund-raising activities in order to support causes they feel strongly about. In April 2012, our engineers put together a Charity Climb up Mount Kinabalu and raised RM100,000 for the purchase of prosthetics for underprivileged children in need of artificial limbs. The initiative enabled us to buy prosthetics for 15 youths.

In late March, the AirAsia Singapore team made an overnight trip to Siem Reap in Cambodia taking gifts of clothes and stationery to an orphanage in Kampong Plok. And on 6 June, Thailand's Allstars helped to build a new home for flood victims in Ayutthaya.

Nurturing Sporting Talents

AirAsia has a track record of supporting talents in the region and beyond in order to develop world-class sporting champions. This serves the double purpose of enabling regional talents to shine internationally, while also establishing us as a 'champion airline' – one that champions the people while also championing the kind of dedication, commitment and sheer perseverance that goes into becoming a world champion.

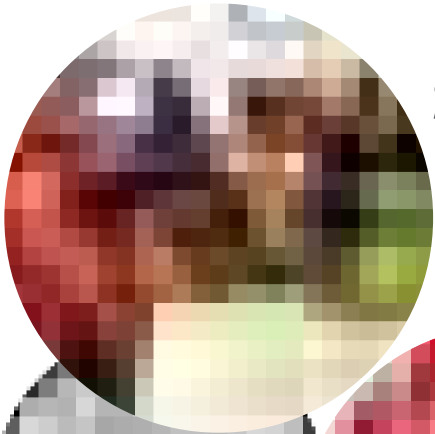
AirAsia Caterham Driver Development Programme
In 2011, we launched the AirAsia Team Lotus Driver Development Programme (now AirAsia Caterham Driver Development Programme), led by former Malaysian Formula 1 (F1) racer Alex Yoong, to train Asean youth in F1 racing. We subsequently opened the programme to aspiring and talented racers from the US and UK too, to drive a greater spirit of competitiveness in the hope of nurturing a world champion.

AirAsia Badminton Academy
The AirAsia Badminton Academy (AABA) was established on 26 September 2012 in Petaling Jaya, Selangor, to train a new generation of badminton players and provide them with the funding needed to realise their ultimate dreams. AABA supports the work of the Badminton Association of Malaysia in uncovering talents at the grassroots level and helping to build a strong national team in the future.

Thai AirAsia is also a staunch supporter of sporting activities. In 2012, it sponsored 15 football clubs in the Thai Premier League and Division, organised activities for fans and gave out free tickets to various football matches. It also took two outstanding children from its football clinic to visit QPR football club in London. In addition, Thai AirAsia flew 12 budding tennis players to compete in the Junior ATF competition in Indonesia; and became an official sponsor of the Volleyball Association of Thailand, providing all the travel needs of the team to attend matches.

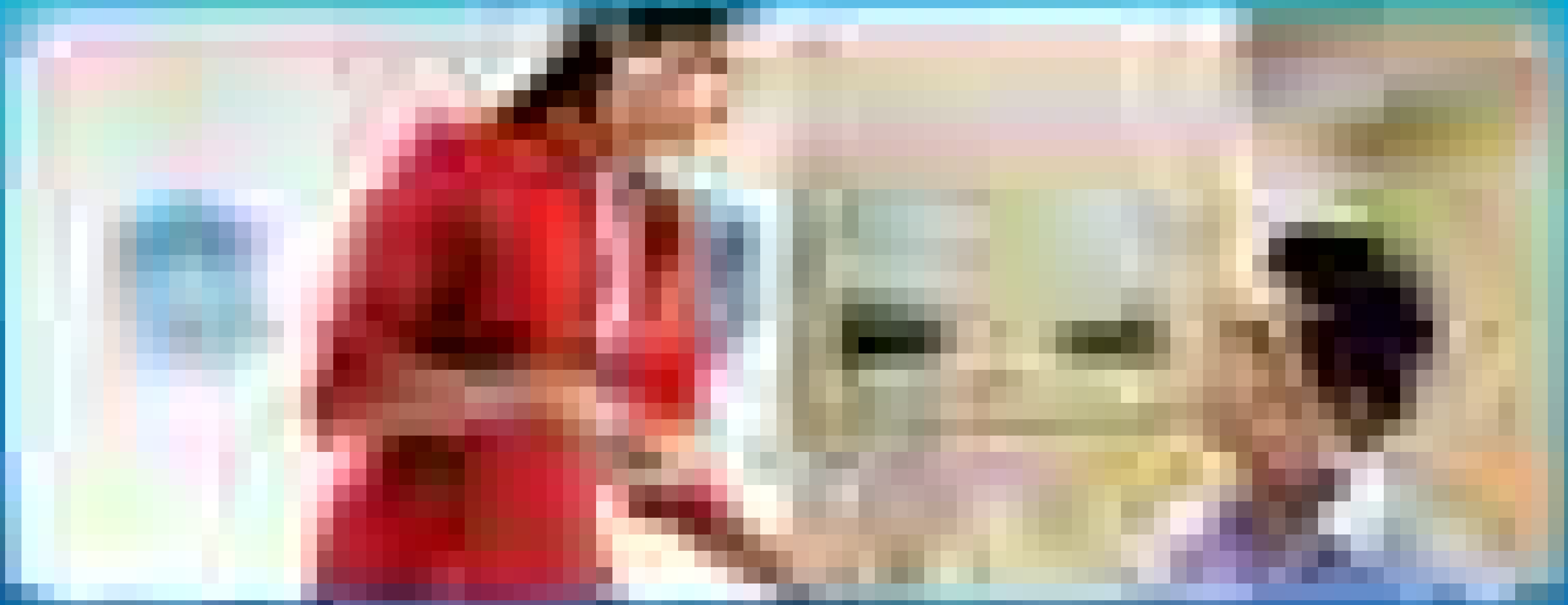
Students of Bojongrenged II Elementary School in Indonesia

Field trip for children with special needs in the Philippines



Charity climb up Mount Kinabalu in Malaysia

AirAsia Badminton Academy



Culture of Transparency & Service Excellence

AirAsia has always abided by the highest principles of integrity in all our dealings with our various stakeholders. To ensure we maintain our standards, we are committed to adopting and implementing principles and best practices as recommended by the Malaysian Code on Corporate Governance 2012.

Our Board of Directors takes the lead in stamping a strong culture of corporate governance in line with our Board Charter. This is supported by our Code of Conduct, which outlines behaviour we expect of everyone in the organisation. We are further guided in our day-to-day operations by our Auditor Independence Policy, Risk Management Framework and Policy, Whistleblower Policy, Corporate Disclosure Policy and Conflict of Interest Policy.

Within the Marketplace, we ensure that we provide timely and accurate information to all our stakeholders, in particular our shareholders and the investment community; and we are committed to a high level of customer service delivery and safety. The latter is being driven by our overarching Continuous Improvement Programme.

Shareholder Communication

We engage with our shareholders at meetings, and provide ready access to corporate information in our annual reports, on our website and via investment market briefs (which are sent primarily to institutional investors).

Notices of our general meetings are provided in our annual reports and CD-ROMs circulated to current shareholders via registered mail, while also being advertised in the local newspapers and announced to Bursa Malaysia Securities. We positively encourage our shareholders to participate in these meetings to be apprised of current developments and to provide feedback on the Company's general direction.

We submit regular reports to Bursa Malaysia Securities on our financial performance, as well answer any queries they may have on our operations. All such announcements and responses are approved by the Group Chief Executive Officer, Deputy Group Chief Executive Officer or Chief Executive Officer or, in their absence, the Chief Financial Officer.

These announcements, as well as all our press releases, financial data and investment presentations for the preceding three years are also available on our website at www.airasia.com.

Customer Service Excellence

We strive continuously to improve our operational efficiencies so as to serve customers to the best of our ability. In January 2012, this saw the deployment of a cutting-edge airline management system, merlot.aero, which allows us to optimise our aircraft and crew utilisation, thus further improving our on-time performance and minimise costs, among others.

We also believe it is essential that our Allstars possess a good grasp of the English language to communicate effectively with each another as well as with our guests. We therefore ensure that new recruits satisfy a minimum requirement in terms of listening, reading, writing and speaking in English. As of May 2012, we have been using the Test of English for International Communication (TOEIC) as a standard English-language proficiency test for flight attendant candidates. The test is offered through Eshia & Associates Sdn Bhd, the country representative of Educational Testing Service (ETS).

Continuous Improvement Programme

The Continuous Improvement Programme (CIP) was established in 2010 to simplify our processes, systems and human resources to reduce costs while increasing productivity to help us achieve our long-term vision. The ultimate goal of the CIP is to achieve total savings of US$20 million in five years, i.e. by June 2017. Towards this end, we engaged GE to develop a Cost Out Avoidance Programme for AirAsia, which involves implementation of a Sigma Black Belt programme to empower our Allstars and enable them to contribute towards greater operational efficiency.

In addition, we have developed our own Station Excellence Programme (StEP) to implement Allstar-driven quick yet effective change at our stations. A StEP circle has been formed at each of our 31 stations comprising five to eight Allstars. This circle meets regularly to identify and analyse work-related problems, especially in areas of quality and safety, and to initiate projects to resolve these. Among the projects that have been identified are boarding management, baggage handling, announcements, baggage drop management, facilitating Fly Thru transit, reducing misrouted baggage, minimising wheelchair delays, managing last-minute wheelchair requests and last-minute check-in, and gate management.

To date, 23 CIP projects have been completed. Those completed in 2012 include: reducing Auxillary Power Unit (APU) usage to 200 hours per month; leasing ramp equipment to reduce maintenance costs; minimising ramp delays; reducing the purchase requisition cycle time to 10 days; and enhancing the processes for recruiting, training, grooming, and increasing the productivity of cabin crew. In terms of fuel-efficiency, we also reduced fuel burn via flap-3 landing compliance, and reduced discretionary fuel uplift by pilots to 600kg.

Ongoing CIP projects include various initiatives to further reduce our fuel consumption and other wastage (such as inflight food and paper in our offices); to streamline our vendor management process; and to improve on-ground efficiencies such as in warehousing; reducing the queue-time at check-in counters, and reducing Customs processing time.

Just one year post-CIP, in 2011, we achieved RM23.54 million in cost savings; and in 2012, we realised another RM11.47 million in regional savings.

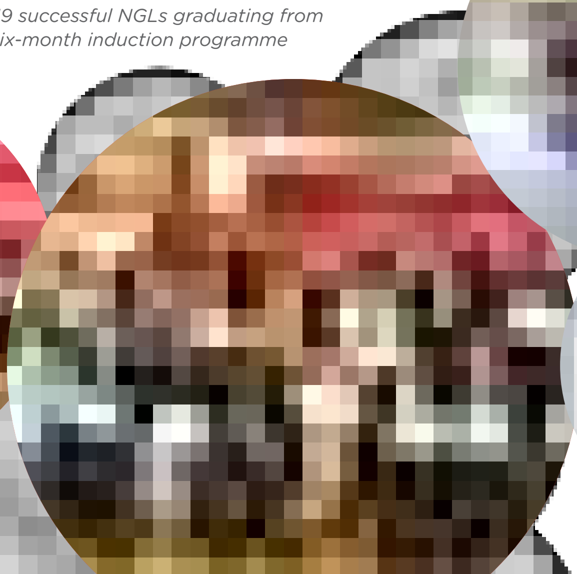
An Allstar Workplace

In 2012, AirAsia was named the Most Popular Graduate Employer in Leisure, Travel and Hospitality at Malaysia's 100 Leading Graduate Employers 2012 Awards.

This was the first time we had won this award and feel validated by the recognition given to us for our sometimes unconventional, yet always strategically-driven approach to human capital development. We truly believe that our Allstars are our greatest assets, therefore we invest significantly in recruiting and retaining the best talents. Our goal is to provide a conducive environment in which our Allstars feel motivated to realise their potential while contributing in a meaningful way to the attainment of our vision and goals.

A strong component of our corporate culture is individuality. We celebrate our Allstars' individual interests, passions and beliefs. We value the diverse perspectives that our Allstars bring from different cultural, geographic and educational backgrounds. At the same time, we place great emphasis on teamwork; and with this all-uniting focus, we are able to bring together the richness of knowledge, experience and skills of our Allstars to create amazing synergies. These allow us to keep innovating and pushing boundaries as we, as an organisation, develop and expand.

Tan Sri Dr. Tony Fernandes addressing the Top 50 finalists during the third stage of the NGL interview process.



The 19 successful NGLs graduating from the six-month induction programme

NGL finalists participating in a bootcamp in Perak.

The selected NGLs on their first day at AirAsia Academy

Special performance by the NGLs at Redfort

Resourcing & the Next Generation Leaders

Resourcing is responsible for making sure AirAsia has the right people in the right job at the right time and the right price. It's about filtering in people from the outside who share our culture and beliefs (apart from having the right competencies), and giving existing employees opportunities to develop and challenge themselves with new jobs and roles.

In 2012, we embarked on a regional recruitment and development programme – called the Next Generation Leaders (NGL) – to bring on-board smart young professionals with a few years of work experience who have the right AirAsia spirit, and train them for leadership positions across the AirAsia Group. We received thousands of applicants from Europe, Australia, Canada and the Asean region, of whom 19 were selected after a rigorous procedure that included five stages of: 1) shortlisting from applications; 2) phone interviews; 3) group assessment at the AirAsia Academy; 4) bootcamp in Gopeng, Perak; and 5) report submissions.

Of the successful 19 NGL candidates, one is Australian, three are Indonesians, two Filipinos, one Thai and 12 Malaysians. Two among the group were internal staff. The group was given a combination of traditional classroom training as well as on-the-job experience via attachments to various departments and functions. They were also required to handle special projects and challenges, both work-related as well as team-related, while being taken on industry visits so as to obtain a comprehensive and clear idea of the aviation industry and where we stand in it. After their six-month induction programme, they were assigned to respective departments where they will continue to be challenged and be given opportunities to fast-track their careers with us.

Although this process of selecting candidates is time- and cost-intensive, we believe it serves our purpose in the long run as we are able to get to know our candidates better and can cherry-pick those who truly present the right fit with AirAsia.

Lean Six Sigma

Under our Continuous Improvement Programme, GE is managing a Lean Six Sigma programme for our Allstars. This programme develops the interpersonal and leadership skills of our Allstars by allowing them to take ownership of work improvement projects. Participants are certified as Black Belts or Green Belts, according to the number of projects completed among other factors such as demonstrating their ability to be effective change agents. To date, we have trained 88 Green Belts and 63 Black Belts.

Allstar Engagement

The culture that we have built at AirAsia is based on the simple premise that every Allstar carries equal weight and responsibility in the success of the organisation. That is why we have an open-office concept and a flat organisational culture where juniors mingle freely with those more senior, and indeed even with the CEO. Various opportunities are provided to engage with our Allstars and to obtain their feedback on how things can be done better.

In February 2012, we launched our latest engagement programme called the Big Red Awesome Idea Network (BRAIN). This rests on a concept known as crowdsourcing, the idea being that challenges faced in any organisation can be at least partially managed by opening the solution process to 'the crowd', namely all employees. Under BRAIN, all Allstars – from ramp staff to senior executives – are encouraged to identify aspects of their daily work that can be improved. They are also given the opportunity to contribute, comment on and vote for ideas put forward to improve business-related tasks and services. The initial phase of the project was conducted in Malaysia from 15 February to 9 May 2012, attracting 195 suggestions from over 100 Allstars. Since then, our BRAIN has gone Group-wide reaching out to all Allstars.

A CSR project by the NGLs – 'AirAsia Inspires'

AN ALLSTAR WORKPLACE

OUR CREDO
GO TEAM
GO ALLSTARS
GO AIRASIA

Rewards and Performance Management

AirAsia is a performance-centric organisation and there are no barriers to career progression for those who perform consistently well. Allstars can be recommended for promotion at any point throughout the year, with accompanying increase in their salary. We conduct Talent Reviews to carve a career path for high performers and critical staff as well as to manage under-performers. In addition, all staff participate in and complete the Expectations, Goals & Measurements (EGM) exercise, as well as our Mid-Year and End Year Reviews, which determine bonus payouts.

Towards staff retention, we have standardised Exit Interviews and Attrition Analysis, which allows us to better understand the core reasons for people leaving the organisation, thus undertake remedial action to rectify any gaps or shortcomings that exist in our policies or procedures.

Employee Relations Programme

We provide the services of an in-house counsellor to help staff manage work-related or personal grievances. In addition, we have an employee relations programme under which we offer coaching, mentoring, yoga and meditation classes, soft-skills classes like communication, values of life and leadership.

Safety

We are committed to ensuring a safe work environment for our Allstars and are continuously improving safety mechanisms at our premises. During the year, we ensured all fire and exit doors are clearly marked and all fire extinguishers replenished. We also reviewed maintenance work being carried out at the AirAsia Academy.

Clubs & Organisations

AirAsia promotes a healthy lifestyle via numerous clubs that get our Allstars moving and fit. We believe physical fitness lends to better productivity, while engaging in these activities as a group promotes greater team spirit and a feeling of cohesion among colleagues.

Adrenaline junkies are catered to by the Red Outdoor Club which organises activities such as mountain climbing, caving and water rafting year round. Holding to the motto ‘dream the impossible and don’t take no for an answer’, even beginners are encouraged to take part in the activities and benefit from the team spirit to surpass their own expectations. In 2012, the club led trekking expeditions to scale Mt Tahan in Pahang and Mt Batu Puteh in Perak.

Endorphin addicts, meanwhile, congregate at the Allstars Running Club, which not only meets and sweats it out weekly at the AirAsia Academy but sponsors runners to participate in various marathons locally and in the region, including the Gold Coast International Marathon. In the belief that ‘running is from your heart and mind, not your feet’, the club has managed to convert a number of non-runners with proper training and coaching.

In addition, AirAsia has sports clubs for badminton, futsal, bowling, beach volleyball, football and paintball. We even send our sporting personalities to compete internationally. For example, the Allstars badminton team brought home honour and glory by becoming runners-up in the World Airline Badminton Championship in 2011 and our AirAsia Football Club is registered under the Sports Council Malaysia Organisation. The AirAsia Allstar team from Thailand, meanwhile, took part in the NBA 3X Thailand 2012 tournament.

To further promote a healthy lifestyle, we run a Health and Wellness programme which includes twice yearly free health checks (for eyes, bone density, cholesterol, blood pressure, etc) and an annual breast check conducted within our corporate premises by a qualified doctor. These health checks are held in all our hubs. To create greater awareness of personal safety, we arrange for First Aid Training. We also help Allstars cope with stress by offering weekly yoga classes and, if there is sufficient demand, organise Yoga Retreats to serene locations such as Chiang Mai.

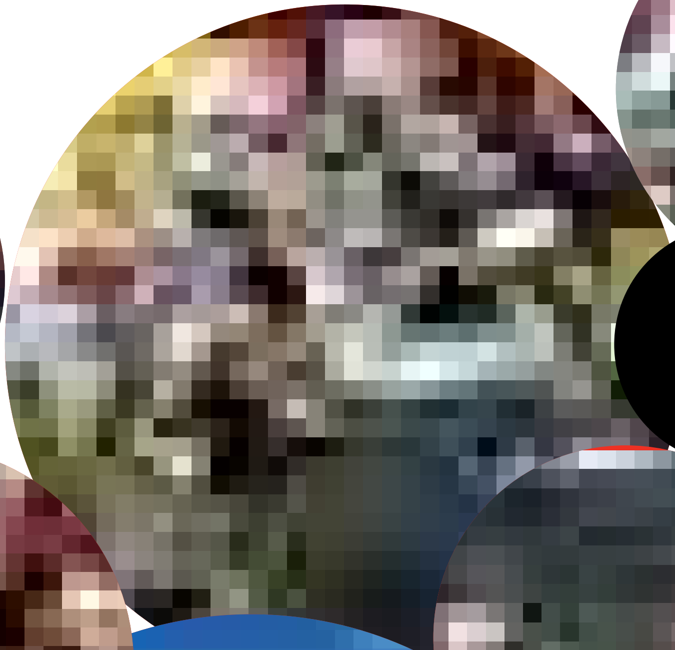
Work-Life Balance

To promote a healthy work-life balance of our Allstars, we run activities that involve their families such as our annual Family Day. In 2012, this was held in Kuala Gandah, Pahang, where everyone joined in to contribute to the local community by donating books, replenishing sand in the river where the elephants bathe and repainting the elephant enclosures in the elephant sanctuary.

Catering specifically to staff’s children, we have the Allstars Junior Club which organises various activities during the school holidays. In 2012, the kids got to spend three days at the Kenaboi camp in Negeri Sembilan, famous for its whitewater rafting, returning home with some bruises but plenty of great stories from the experience. The Allstars Junior Club aims to promote cultural understanding among children from different backgrounds as well as to instill a love for nature and the environment.

Industrial Relations and Compliance

The People Department liaises with government offices and agencies, such as the Inland Revenue Department and Labour Department, and advises top Management on issues relating to labour laws and the Employment Act to ensure harmonious industrial relations. We comply with all industrial relations procedures and guidelines including those on taking disciplinary action and managing grievances, ensuring our processes are constantly updated. Disciplinary issues are handled in a friendly manner via engagement through coaching, mentoring, counselling and close monitoring.



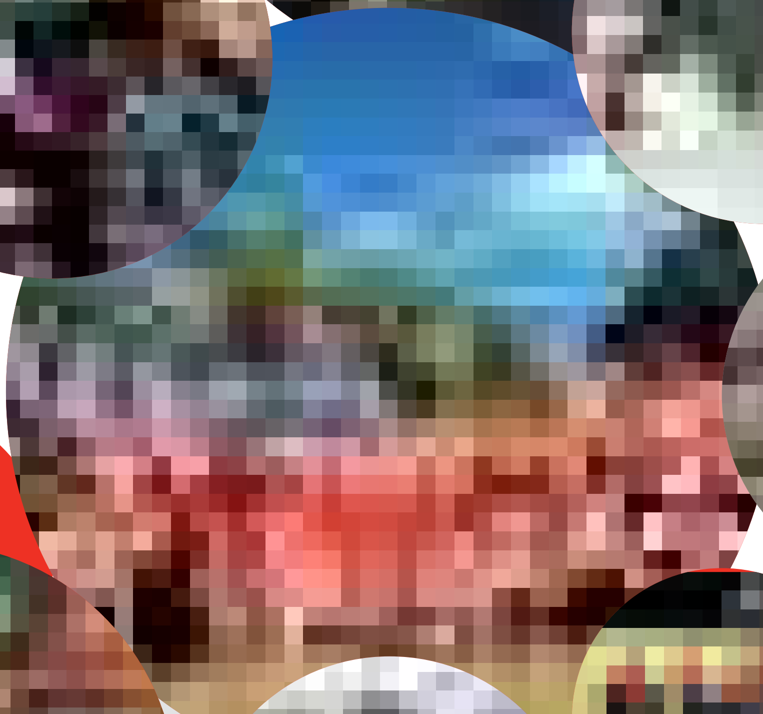
Allstars Yoga Retreat in Chiang Mai

Paintball tournament

Health check at Redfort

Health and Wellness day in Miri, Sarawak

Beach volleyball competition and BBQ dinner in Langkawi, Kedah



Allstars at the Gold Coast International Marathon in Australia

Family Day in Kuala Gandah, Pahang

Allstars Junior Club at the Kenaboi camp in Negeri Sembilan

Allstars weekly bootcamp at AirAsia Academy

Aireen with Allstars at a futsal tournament

Efficiency & the Environment

The aviation industry contributes to about 2% of global CO2 emissions. AirAsia is fully cognisant of the fact and is committed to playing our part to reduce as far as possible the carbon footprint of all our actions and operations.

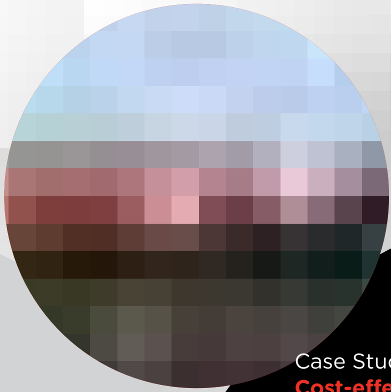
Our fleet is made up of 123 Airbus A320 aircraft which represent the most fuel-efficient narrow-body aircraft in the world. What is more, our fleet is one of the youngest in the region, with an average age of just 3.5 years, lending us an edge not only in terms of fuel efficiency but also ensuring that we meet international standards on noise pollution. With an additional 357 aircraft to be delivered in phases from 2013 till 2026, we will be in a position to replace our older aircraft from year 2017 onwards thus maintain the high standards already achieved.

Emphasis on efficiency at AirAsia is such that we have a department dedicated to enhancing efficiency levels of all aspects of our operations. This department works closely with GE Aviation's Performance-Based Navigation and Fuel & Carbon Solutions teams to further fine-tune our operations with highly sophisticated systems. Although our fuel consumption is already among the lowest in the region/world our objective is to reduce our fuel consumption by a further 3% in the short term.

Among the initiatives we have taken to increase our fuel efficiency are:

- Regular Engine Wash – Clean engines are more fuel-efficient and increase the interval between engine overhauls. AirAsia Berhad and Thai AirAsia perform engine washes every 750 hours, while Indonesia AirAsia and Philippines' AirAsia carry out washes every 1,500 hours. These initiatives afford us 0.5-0.7% savings from fuel consumption.
- Engine Thrust Rating - Airbus 320 aircraft have two engine ratings (23.5K and 27K). Where possible, we use the lower thrust rating to reduce our maintenance costs.
- Paint on Livery – We try to optimise the amount of paint used on our special livery to reduce aircraft weight.
- Water Load – We optimise the volume of water carried on-board to reduce the weight of our aircraft. Our policy is to fill our water tanks, which have a capacity of 200 litres (200kg), 50% for flights up to two hours flights and 75% for flights longer than two hours.
- Cost Index – We strike the optimum trade-off between cost of time (crew costs, engineering costs and other parameters that are influenced by flight time) and the cost of fuel by flying at greater speeds. It is sometimes more cost-effective to fly faster, burning more fuel, because of a high cost of time.
- Tankering Fuel – There are occasions when it is more cost-effective to carry more fuel on-board than is necessary, for example when the price of fuel at the destination is significantly higher than the price at the point of departure. We therefore strike an optimum level of fuel carried to achieve the greatest cost-efficiency.
- Flap Setting - The lowest flap setting at departure produces the least drag, so gives the lowest fuel burn, lowest noise and best flight profile. However, other priorities such as maximising take-off weight, the flex temperature and passenger comfort while minimising the take-off speed often require higher flap settings. We therefore select the most appropriate flap setting for each take-off.
- Auxillary Power Units (APUs) – These supply energy for air-conditioning and other requirements prior to take-off. By reducing the use of APU, we have been able to reduce fuel consumption by approximately 35%.
- Aircraft Speed – We ensure our aircraft take off at the optimal speed and subsequently maintain optimal acceleration until they attain cruising speed.
- Idle Reverse – We use idle reverse on landing instead of full reverse to reduce fuel consumption and prolong engine life. This is able to save 10-15kg of fuel per landing.
- One-Engine Taxi – this is described in Case Study 1
- Required Navigation Performance Authorisation Required (RNP-AR) – this is described in Case Study 2
- Sharklet Wingtips – this is described in Case Study 3

Meanwhile, we are seeking approval from the Department of Civil Aviation to replace physical manuals on-board with online systems, as this would induce fuel savings of US$2,742 per aircraft per month.



Case Study 1
One Engine Taxi

All Airbus A320 aircraft are fitted with two engines, however both need not be used all the time. For example, the thrust required for our aircraft to taxi can be achieved from the use of only one engine. Hence in 2012, we implemented a One-Engine Taxi procedure, meaning we operate with only one engine while taxiing our aircraft to the parking stand after landing and having vacated the runway. This saves us an average of 41 litres of fuel per flight, decreases engine maintenance costs and contributes to a reduction in noise pollution. We are now working with the GE team to implement the same procedure before take-off while ensuring that safety is never compromised.

Case Study 3
Cost-effective & Safer Approach Procedures

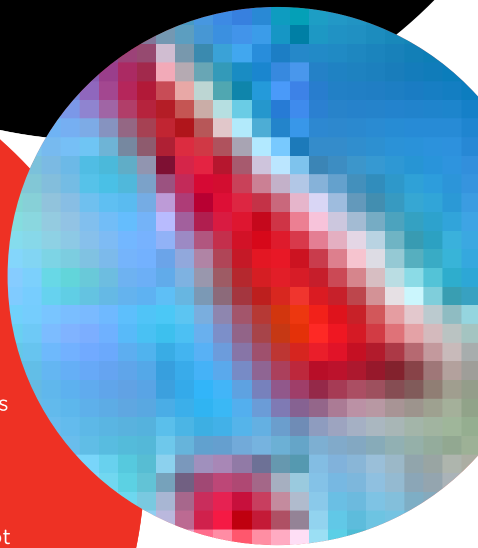
In another first, AirAsia in collaboration with the Department of Civil Aviation Malaysia and GE Aviation is working on the Required Navigation Performance Authorisation Required (RNP-AR) approach throughout our local route network. This entails shortening the flight path of aircraft when coming to land, thus reducing flight time and fuel burn. In terrain-challenged airports, the high accuracy satellite navigation equipment installed as part of the RNP-AR will improve safety margins, providing precise lateral and vertical arrival and missed approach guidance. We expect the airports in Kuching and Penang to be operationally ready with these procedures by mid-2013. Approach procedures for the rest of our 15-strong local airport network are being designed and are expected to be approved and rolled out over the next three years. A preliminary review of both Kuching and Penang airports showed potential track miles savings of up to 44km and 24km respectively.

Environmental Management System

To supplement the fuel efficiency of our flight operations, AirAsia is working towards enhancing our on-ground systems to create greater energy efficiencies in the workplace, reduce waste of resources such as paper and water and recycle discarded items.

We are looking to be ISO 14001 certified in the near term hence will be putting in place a comprehensive Environmental Management System (EMS) to serve as a framework for systematic, planned and documented procedures. The EMS will be fully integrated into all our operations to ensure minimal impact on the environment. Via the EMS, sufficient resources will be allocated to manage environmental concerns, responsibilities will be assigned to relevant personnel and the appropriate procedures and processes will be implemented and continuously monitored. We expect to implement an EMS upon our move to our new base at KLIA 2, latest in 2014.

The sustainability initiatives reported in this section are ongoing measures, which we intend to expand and improve upon as they do not only add stakeholder value but also bring us long-term business value. In 2013, AirAsia produced a Sustainability Policy which will guide our programmes and help them evolve. Based on this, we look forward to reporting greater progress in our Community, Workplace, Marketplace and Environment initiatives in our subsequent reports.



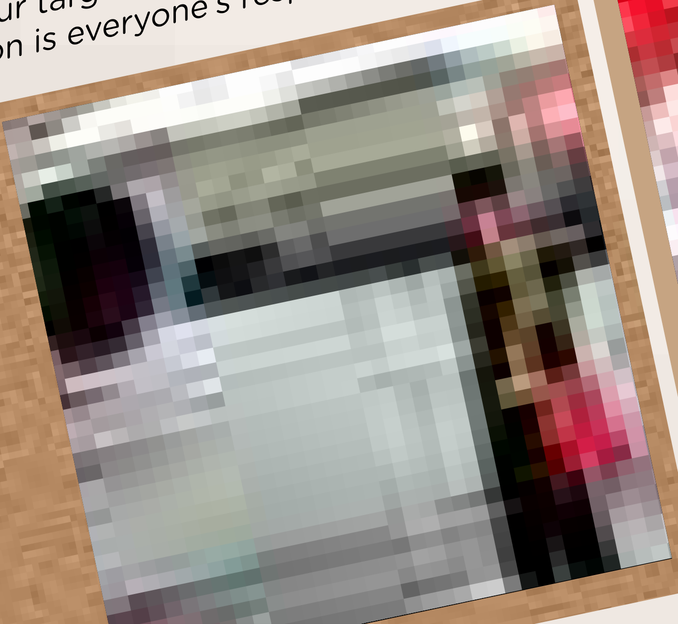
Case Study 2
Sharklet wingtips

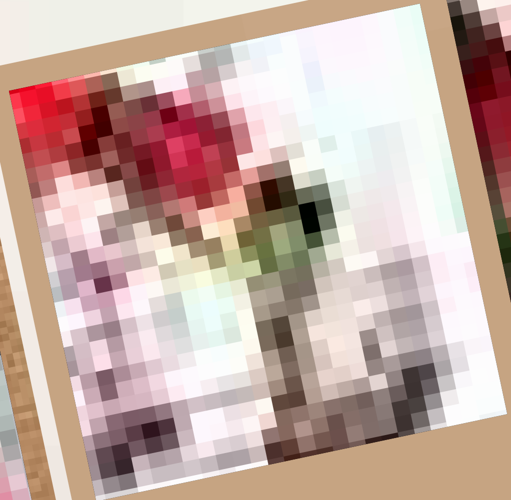
In 2012, AirAsia was the first airline in the world to take delivery of an Airbus A320 aircraft equipped with Sharklet wingtips, which reduce fuel burn and emissions by improving the aerodynamics of the aircraft. With Sharklets, we can either add about 100 nautical miles to a flight or increase our payload by up to 450kg. In other words, it allows us to operate to more distant destinations while ensuring our payload capability is not compromised. It also saves us an average of 4% in fuel consumption per flight and 2% in engine maintenance costs per annum. Convinced of the benefits of Sharklets, we are ensuring that all future deliveries of Airbus A320 aircraft will be fitted with the efficient wingtip design. We may also retrofit our older aircraft with the wingtips to leverage on its fuel-saving capabilities.

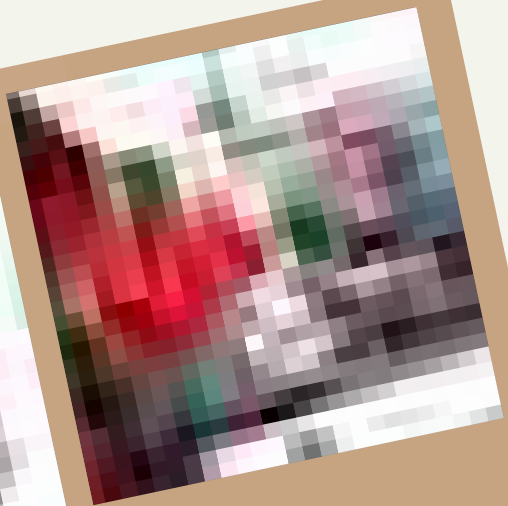
Our Safety Commitment

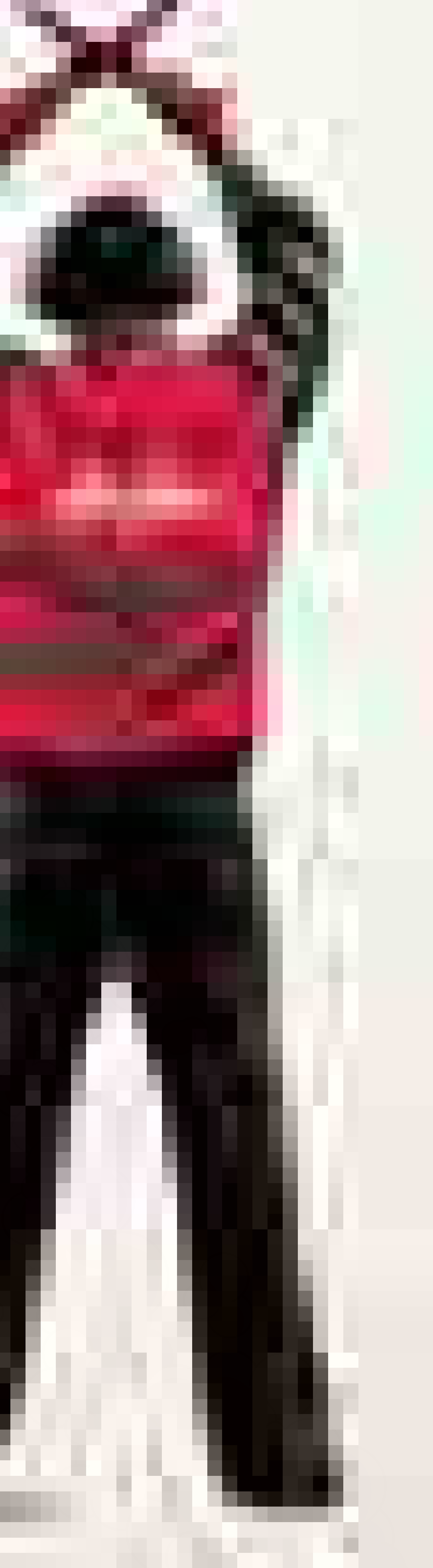
At AirAsia, our Safety Management System is not just an add-on but is central to our business process. Throughout 2012, our commitment to risk assessment and mitigation via this Safety Management System helped us to identify safety hazards and address these before they could escalate into incidents or accidents.

The critical safety functions of senior management are in the areas of strategy and leadership. Senior management provide a vision for safety management and the resources required to maintain our targeted level of safety. Meanwhile, all staff are aware that the health and safety of the organisation is everyone's responsibility.









Our Safety Management System is built on a sound and just reporting framework, which ensures that any hazard or safety deficiency detected is brought to the attention of those who have the authority to make changes. Unusual trends detected on Flight Data, for example, are analysed and brought to the attention of the Flight Operations Management so that prompt corrective action can be taken. Flight crew concerned will be consulted, and new procedures may be introduced to address previously unknown weak points or areas of uncertainty.

I pledge that no disciplinary action will be taken against any employee for reporting a safety hazard or concern to this Company's management. I pledge also that no member of staff will be asked to compromise on our safety standards to 'get the job done'.

Our approach to safety further ensures that authority and accountability co-exist. An essential component of AirAsia's Safety Management System is employee training. We train our employees so they are able to perform their tasks in a safe and efficient manner. Training modules are continuously updated and refreshed to ensure that all personnel, including flight crew, are able to manage all possible scenarios, with added emphasis placed on safety manoeuvres or approaches which have been seen to be quite challenging.

Medical cases that have occurred are shared with the cabin crew during classes and the importance of first aid is emphasised, while ensuring medical kits on board aircraft are always adequate. Incidents and accidents are also shared with ground employees during training to allow them to understand their role in preventing such incidents.

It is management's responsibility to make available and carry out this training, while it is the employee's responsibility to then follow all prescribed safe work practices. There is further always an open and active channel for discussing and reporting safety matters.

The ultimate responsibility for safety in the company rests with me as the Chief Executive Officer/Accountable Manager. Meanwhile, the responsibility for making our operations safer for everyone lies with each one of us – from heads of department and/or managers to front-line employees.

Each head of department and/or manager is responsible for ensuring a safe work environment in his or her area of responsibility and, through oversight from the Safety Department, is held accountable to ensure that all reasonable steps are taken to prevent incidents and accidents.

We are committed to ensuring that safety excellence continues to be an integral part of our day-to-day aviation activities, as we realise this is crucial to the sustainability of our business. Safety values are at the core of this Company, underlining our commitment to providing our employees and guests with the safest possible environment.

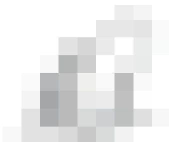
SAFETY POLICY STATEMENT

Safety is given top priority in all of our activities. We are committed to developing, implementing, maintaining and improving our safety strategy, management systems and processes to ensure that all our aviation activities are undertaken with balanced resource allocation, aimed at achieving the highest level of safety performance and meeting the highest international safety standards.

All levels of management are accountable for the delivery of the highest level of safety performance, starting with the Chief Executive Officer.

Our commitment is to:

a) Develop and embed a safety culture in all our aviation activities that recognises the importance and value of effective aviation safety management and acknowledges at all times that safety is paramount.
b) Clearly define for all staff their accountability and responsibility for the development and delivery of aviation safety strategies and performance.
c) Ensure that all staff are provided with adequate and appropriate aviation safety information and training, are competent in safety matters and are only allocated tasks commensurate with their skills.
d) Establish and implement a hazard identification and risk management process to minimise the risks associated with aircraft operations to a point that is as low as reasonably practicable/achievable, and conduct safety reviews to ensure that relevant action is taken.
e) Ensure that sufficient skilled and trained resources are always available to implement safety strategies, policies and processes.
f) Establish and measure our safety performance against realistic objectives and/or targets.
g) Ensure that the externally supplied systems and services that may have an impact on the safety of our operations meet appropriate safety standards.
h) Actively develop and improve our safety processes to conform to world-class standards while complying with and, wherever possible, exceeding legislative and regulatory requirements and standards.
i) Foster and encourage the maximum level of reporting and transparency with non-punitive safety/hazard reporting and by nurturing a just culture in the airline.



Aireen Omar
Chief Executive Officer

Reports & Financial Statement

Contents

Statement on Corporate Governance

The Board of Directors of AirAsia is committed in ensuring the highest standards of corporate governance are applied throughout the Group. Save as disclosed otherwise, the Board considers that it has complied throughout the year under review with the principles and recommendations as set out in the Malaysian Code on Corporate Governance 2012 ("the Code"), Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") ("MMLR") and Corporate Governance Guide: Towards Boardroom Excellence ("CG Guide"). The following sections explain how the Company applies the principles and supporting principles of the Code, MMLR and CG Guide.

A. DIRECTORS

Roles and Responsibilities of the Board

The Board retains full and effective control over the affairs of the Company and the Group and has assumed the following to ensure the effectiveness of the Board and to discharge its fiduciary and leadership functions:

- Reviewing and adopting a strategic plan for the Company;
- Approves the Company's annual budget and carries out periodic review of the achievements against business targets;
- Identifying principal risks and to ensure implementation of appropriate internal control system and mitigation measures to manage these risks;
- Overseeing and evaluating the conduct of the Company's business;
- Succession planning;
- Developing and implementing of an investor relations program; and
- Reviewing adequacy and integrity of the Company's management information and system of internal controls.

Board Balance and Meetings

The Board of Directors consists of nine (9) Members, the details are given on pages 52 to 69 of this Annual Report. One (1) of the Board Member is the Non-Executive Chairman, one (1) is the Chief Executive Officer and Executive Director and seven (7) are Non-Executive Directors. Four (4) of the Non-Executive Directors fulfil the criteria of independence as defined in the MMLR. The high proportion of Independent Non-Executive Directors (more than one-third) provides for effective check and balance in the functioning of the Board and reflects AirAsia's commitment to uphold excellent corporate governance.

The Board has identified Dato' Mohamed Khadar Bin Merican, the Independent Non-Executive Director and the Chairman of the Nomination Committee as the Senior Independent Non-Executive Director to whom concerns of shareholders and other stakeholders may be conveyed.

Dato' Leong Sonny @ Leong Khee Seong has served the Board as an Independent Non-Executive Director of the Company for a cumulative term of approximately nine (9) years and he has expressed his intention for not seeking for the shareholders' approval to be re-appointed as a Director of the Company at the forthcoming Annual General Meeting ("AGM") of the Company.

Mr. Conor Mc Carthy, the Non-Independent Non-Executive Director of the Company who is due for re-election at the forthcoming AGM pursuant to Article 124 of the Company's Articles of Association has expressed his intention for not seeking for the shareholders' approval for his re-election.

Dato' Fam Lee Ee has served the Board as an Independent Non-Executive Director of the Company for a cumulative term of approximately nine (9) years. The Board has recommended him to continue to act as an Independent Non-Executive Director based on the following justifications:

(a) He has fulfilled the criteria under the definition of Independent Director as stated in the MMLR, and thus, he would be able to function as a check and balance, bring an element of objectivity to the Board;
(b) He has vast experience in a diverse range of businesses and legal matters and therefore would be able to provide constructive opinion; he exercises independent judgement and has the ability to act in the best interest of the Company;
(c) He has devoted sufficient time and attention to his professional obligations for informed and balanced decision making;
(d) He has continued to exercise his independence and due care during his tenure as an Independent Non-Executive Director of the Company and carried out his professional duties in the best interest of the Company and shareholders; and
(e) He has shown great integrity of independence and had not enter into any related party transaction with the Company.

The Company observes the requirements of the Code to have majority independent directors in the event the Chairman is not an independent Director of the Company. The Nomination Committee had deliberated the matter and viewed that the Company would need more time to comply with this recommendation as the Board's size is small at the moment. The Board viewed that the Board's Chairman, even though he is not an independent director but he is a non-executive director of the Company who is not involved in the Company's day-to-day operations. With the retirement of both Dato' Leong Sonny @ Leong Khee Seong and Mr. Conor Mc Carthy, the Company would endeavour to nominate and appoint suitable replacements.

The roles of the Chairman and the Chief Executive Officer ("CEO") are separate with a clear division of responsibility between them as stipulated in the Board Charter which can be downloaded from the Company's website. This segregation of duties ensures an appropriate balance of role, responsibility and accountability at the Board level, such that no one individual has unfetted powers of decision.

The size, balance and composition of the Board support the Board's role, which is to determine the long term direction and strategy of the Group, create value for shareholders, monitor the achievement of business objectives, ensure that good corporate governance is practised and to ensure that the Group meet its other responsibilities to its shareholders, other stakeholders and guests.

The Non-Executive Directors are persons of high calibre and integrity, and they collectively possess rich experience primarily in finance, and private sector enterprises and bring wide and varied commercial experience to Board and Committee deliberations. The Non-Executive Directors devote sufficient time and attention as necessary in order to perform their duties. Other professional commitments of the Non-Executive Directors are provided in their biographies on pages 52 to 69 of this Annual Report. The Board requires that all Independent Directors are independent in character and judgment who do not participate in the day-to-day management of the Company and do not involve themselves in business transactions or relationships with the Group, in order not to compromise their objectivity.

ACCOUNTABILITY

Statement on Corporate Governance

The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in maintaining its competitive advantage. Our diverse Board includes and makes good use of differences in skills, regional and industry experience, background, gender and other attributes of Directors. This effort could be evidenced by the appointment of Cik Aireen Omar as the Chief Executive Officer and Executive Director of the Company in July 2012. Besides this, the Company maintains a good mix of diversity in the senior management of the Company.

The Board, through the Nomination Committee will take steps to ensure that women candidates are sought as part of its recruitment exercise. Selection of women candidates to join the Board will be, in part, dependent on the pool of women candidates with the necessary skills, knowledge and experience. The ultimate decision will be based on merit and contributions the candidate brings to the Board.

The Nomination Committee also reviews the composition of the Board and the Board's committees annually. During the year under review, the Board had conducted the assessments on the performance of the Board and Board's committees and individual director self evaluation. During the financial year, the Nomination Committee had also reviewed and assessed the independence of the Independent Directors of the Company.

Board meetings for each financial year are scheduled well ahead before the end of the preceding financial year so that the Directors can plan accordingly and fit the year's Board meetings into their respective schedules.

The Board holds regular meetings of no less than five (5) times a year. Special Board meetings may be convened as and when necessary to consider urgent proposals or matters that require the Board's expeditious review or consideration.

The Board maintains a formal schedule of matters specifically reserved for the Board's decision to ensure that the direction and control of the Company is firmly in its hands.

During the financial year ended 31 December 2012, the Board of Directors held a total of ten (10) meetings and the details of Directors' attendances are set out below:

Name	No of Meetings Attended
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	10
Tan Sri Dr Anthony Francis Fernandes	10
Dato' Kamarudin bin Meranun	9
Conor Mc Carthy	9
Dato' Leong Sonny @ Leong Khee Seong	10
Dato' Fam Lee Ee	10
Dato' Mohamed Khadar bin Merican	8
Datuk Mohd Omar bin Mustapha	8
Tan Sri Mohamed Azman bin Yahya	2 Note 1
Aireen Omar	4 Note 2

Note 1 : Tan Sri Mohamed Azman bin Yahya resigned on 30 April 2012
Note 2 : Aireen Omar was appointed on 1 July 2012

Supply of Information

Prior to the Board Meetings, all Directors will receive the agenda and a set of Board papers containing information for deliberation at the Board Meetings. This is to accord sufficient time for the Directors to review the Board papers and seek clarifications that they may require from the Management or the Company Secretary. Urgent papers may be presented and tabled at the Board meetings under supplemental agenda. The Board meeting papers are presented in a concise and comprehensive format. Board meeting papers tabled to Directors include progress reports on the Group's business operations; detailed information on business propositions; quarterly and annual financial statements, corporate proposals including where relevant, supporting documents such as risk evaluations and professional advice from solicitors or advisers and report on the directors' dealings in securities, if any. The Company Secretary ensures that all Board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are recorded and maintained in the statutory register at the registered office of the Company.

The Directors will declare immediately to the Board should they be interested in any transaction to be entered into directly or indirectly by the Company. An interested Director will abstain from all deliberations and voting on the said transaction. In the event that shareholders' approval is required for a corporate proposal, the interested Director, if he is a shareholder as well, shall abstain from voting on the resolution pertaining to the corporate proposal and ensure person connected with them similarly abstain from voting on the same resolution.

As a Group practice, any Director who wishes to seek independent professional advice in the furtherance of his duties may do so at the Group's expense. Directors have access to all information and records of the Group and also the advice and services of the Company Secretary, who also serve in that capacity in the various Board Committees. The Company Secretary also serves notice to Directors on the closed period for trading in AirAsia Berhad's shares, in accordance with the black-out periods stated in Chapter 14 on Dealings in Securities of the MMLR.

Directors' Code of Ethics

The Directors observe the Company Directors' Code of Ethics established by the Companies Commission of Malaysia in furtherance of their duties.

Appointments to the Board

The Group has implemented procedures for the nomination and election of Directors via the Nomination Committee. The Nomination Committee will assess the nominee(s) for directorship and Board Committee membership and thereupon submitting their recommendation to the Board for decision.

The Company Secretary will ensure that all appointments are properly made, that all information necessary is obtained, as well as all legal and regulatory obligations are met.

Directors' Training

All the Directors have attended the Mandatory Accreditation Program prescribed by Bursa Malaysia.

Directors are regularly updated on the Group's businesses and the competitive and regulatory environment in which they operate. Directors, especially newly appointed ones, are encouraged to visit the Company's operating centre to have an insight on the Company's operations which could assist the Board to make effective decisions.

For the year under review, the Directors had continuingly kept abreast with the development in the market place with the aim of enhancing their skills, knowledge and experience.

Among the training programmes, seminars and briefings attended during the year were as follows:

Name	Programmes
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	• 4th Annual Corporate Governance Summit Kuala Lumpur.
Tan Sri Dr Anthony Francis Fernandes	• Invest Asean • Credit Suisse Conference • Leadership and Education Seminar • Sabah International Luncheon Talk
Dato' Kamarudin bin Meranun	• CIMB ASEAN Investor Conference • JP Morgan Investor Roadshow • Credit Suisse Investor Conference • CIMB ASEAN Conference • Sabah International Luncheon Talk
Dato' Leong Sonny @ Leong Khee Seong	• FIDE (Financial Institutions Directors Education) Programme on Board Stimulation Exercise conducted by ICLIF Leadership and Governance Centre • FIDE Programme on Risk Management Programme - Banking
Dato' Fam Lee Ee	• National Entrepreneur Convention organised by Great Vision Group • Malaysian Code on Corporate Governance 2012 and changes to Listing Requirements of Bursa Malaysia Securities Berhad organised by BAR Council Malaysia
Dato' Mohamed Khadar bin Merican	• FIDE Elective Program: Private Equity Program • Competition Act 2010 • Managing Banking Operations And Innovation • The Framework Of Shariah Compliance And Governance • Internal Capital Adequacy Assessment Process Directors Workshop • ICLIF Strategic Development Program
Datuk Mohd Omar bin Mustapha	• 25th World Gas Conference
Aireen Omar	• Barclays Asia Pacific Debt Capital Markets Forum • CLSA Conference • JP Morgan Investor Roadshow • CIMB ASEAN Conference • Ascend Finance Forum: Tokyo 2012 • 13th Annual Asia-Pacific Air Finance

ACCOUNTABILITY

Statement on Corporate Governance

During the financial year under review, Mr. Conor Mc Carthy did not attend any training program as he has not identified any training courses that were of particular benefit to his role as a Director of AirAsia where he has served for the past 12 years.

All Directors were also updated by the Company Secretary on changes to the MMLR and relevant guidelines on the regulatory and statutory requirements and external auditors on the changes to the financial reporting standards and tax related matters.

Re-election of Directors

The Articles of Association of the Company provide that at least one-third of the Directors are subject to retirement by rotation at each AGM and that all Directors shall retire once in every three years, and are eligible to offer themselves for re-election. The Articles of Association also provide that a Director who is appointed by the Board in the course of the year shall be subject to re-election at the next AGM to be held following his appointment. Directors over seventy years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

Board Committees

To assist the Board in discharging its duties, various Board Committees have been established. The functions and terms of reference are clearly defined and, where applicable, comply with the recommendations of the Code.

The **Audit Committee** comprises three Independent Non-Executive Directors.

The Chairman of the Audit Committee would inform the Directors at Board meetings, of any salient matters raised at the Audit Committee meetings and which require the Board's notice or direction.

The Board has delegated the responsibility of reviewing the effectiveness of risk management to the Audit Committee. The Audit Committee also reviews the risk management framework, processes and its reports.

Further information on the composition, summary terms of reference and other information relating to the Audit Committee are set out on pages 189 to 191 of this Annual Report.

The **Nomination Committee** comprises four Non-Executive Directors, namely:

Chairman : **Dato' Mohamed Khadar bin Merican**
(Senior Independent Non-Executive Director)

Members : **Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar**
(Non-Independent Non-Executive Director)
Dato' Fam Lee Ee
(Independent Non-Executive Director)
Datuk Mohd Omar bin Mustapha
(Independent Non-Executive Director)

The primary responsibility of the Nomination Committee in accordance with its terms of reference is to assist the Board with the following functions:

- To assess and recommend new nominees for appointment to the Board and Board Committees (the ultimate decision as to whom shall be nominated should be the responsibility of the full Board after considering the recommendations of such a Committee).
- To review the required mix skills and experience and other qualities, including core competencies which the Non-Executive Directors should bring to the Board.
- To assess the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual Director.
- To review the Board's succession planning.
- To review and determine the appropriate training programmes for the Board as a whole.

The Board, through the Nomination Committee, had carried out review on the composition of the Board and satisfied that the size and composition of the Board is adequate with appropriate mix of knowledge, skills, attributes and core competencies.

The **Remuneration Committee** comprises three Independent Non-Executive Directors namely:

Chairman : **Datuk Mohd Omar bin Mustapha**
(Independent Non-Executive Director)

Members : **Dato' Leong Sonny @ Leong Khee Seong**
(Independent Non-Executive Director)
Dato' Fam Lee Ee
(Independent Non-Executive Director)

The primary responsibility of the Remuneration Committee in accordance with its terms of reference is to assist the Board with the following functions:

- To review and to consider the remuneration of Executive Directors which is in accordance with the skill, experience and expertise they possess and make recommendation to the Board on the remuneration packages of Executive Directors.
- To provide an objective and independent assessment of the benefits granted to the Executive Directors.
- To conduct continued assessment of individual Executive Directors to ensure that remuneration is directly related to corporate and individual performance.
- Annual review of the overall remuneration policy for Directors for recommendation to the Board.

The Company maintains transparent procedures in determining the remuneration policy for Directors. Executive Directors play no part in decisions on their own remuneration. The determination of remuneration packages of non-executive Directors is a matter for the Board as a whole. All the individual Directors concerned abstained from discussing their own remuneration.

The **Safety Review Board** was established in August 2005 with the purpose of providing Board level oversight and input to the management of Safety within AirAsia's operations. The Board appoints the Chairman of the Committee and a meeting is held each quarter to review progress and trends in relation to Flight Safety & Airworthiness, Incident Reports, Investigations and recommendations and Flight Data Analysis and Recommendations. The Committee comprises two Non-Executive Directors, namely:

Chairman : **Mr. Conor Mc Carthy**
(Non-Independent Non-Executive Director)

Member : **Dato' Mohamed Khadar bin Merican**
(Independent Non-Executive Director)

and the other members include relevant operations safety and security specialists from AirAsia and from our affiliates in Thailand, Indonesia, Philippines and Japan. A report is provided to Board each Quarter.

The **Employee Share Option Scheme ("ESOS") Committee** comprises of Tan Sri Dr. Anthony Francis Fernandes, Dato' Kamarudin Bin Meranun and Mr. Andrew Robert Littledale, the Chief Financial Officer of the Company. The ESOS Committee was established to administer the ESOS of the Group in accordance with the objectives and regulations thereof and to determine the participation eligibility, option offers and share allocations and to attend to such other matters as may be required.

B. DIRECTORS REMUNERATION

The remuneration package comprises the following elements:

1. Fee
The fees payable to each of the Non-Executive Directors for their services on the Board are based on the basic Board fee and their respective additional responsibilities on the Board's committees during the year recommended by the Board for final approval by shareholders of the Company at the AGM.

2. Basic salary
The basic salary for each Executive Director is recommended by the Remuneration Committee and approved by the Board, taking into account the performance of the individual, the inflation price index and information from independent sources on the rates of salary for similar positions in other comparable companies internationally.

3. Bonus scheme
The Group operates a bonus scheme for all employees, including the Executive Directors. The criteria for the scheme are dependent on various performance measures of the Group, together with an assessment of each individual's performance during the period. The bonus for the Executive Directors is recommended by the Remuneration Committee and approved by the Board.

4. Benefits-in-kind
Other customary benefits (such as private medical care, travel coupons, etc.) are made available as appropriate.

5. Service contract
The CEO has a three-year service contract with AirAsia.

6. Directors' share options
There was no movement in Directors' share options during the year ended 31 December 2012 except that Dato' Kamarudin bin Meranun had fully exercised his options for 600,000 ordinary shares of RM0.10 each in the Company.

Details of the Directors' remuneration are set out in Note 5 of the Audited Financial Statements on pages 229 to 230 of this Annual Report. Whilst the Code has prescribed for individual disclosure packages, the Board is of the view that the transparency and accountability aspects of Corporate Governance in respect of the Directors' remuneration are appropriately and adequately addressed by the band disclosure as disclosed in the said Note 5.

C. SHAREHOLDERS

Investor Relations
The Company is committed to maintaining good communications with shareholders and investors. Communication is facilitated by a number of formal channels used to inform shareholders about the performance of the Group. These include the Annual Report and Financial Statements and announcements made through Bursa Malaysia, as well as through the AGM. A Shareholders' Communication Policy is available on the Company's website.

Members of senior management are directly involved in investor relations through periodic roadshows and investor briefings in the country and abroad with financial analysts, institutional shareholders and fund managers.

Reports, announcements and presentations given at appropriate intervals to representatives of the investment community are also available for download at the Group's website at www.airasia.com. Shareholders may obtain the Company's announcements on its website or via the Bursa Malaysia's website at "http://www.bursamalaysia.com".

ACCOUNTABILITY

Statement on Corporate Governance

Any queries or concerns regarding the Group may be directed to the Investor Relations Department at www.investorrelations@airasia.com.

Annual General Meeting
Given the size and geographical diversity of our shareholder base, the AGM is another important forum for shareholder interaction. All shareholders are notified of the meeting together with a copy of the Group's Annual Report at least 21 days before the meeting is held.

At the AGM, the Group CEO and the CEO will conduct a brief presentation on the Group's performance for the year and future prospects. The Chairman and all Board Committee chairmen where possible will be present at the AGM to answer shareholders' questions and hear their views during the meeting. Shareholders are encouraged to participate in the proceedings and engage with dialogue with the Board and Senior Management.

Corporate Disclosure Policy and Procedures
AirAsia Berhad observed the continuing disclosure obligation imposed upon a listed issuer by Bursa Malaysia. A Corporate Disclosure Policy and Procedures was approved by the Board, which provides accurate, balanced, clear, timely and complete disclosure of corporate information to enable informed and orderly market decisions by investors. In this respect, the Company follows the disclosure guidelines and regulation of Bursa Malaysia's CG Guide.

Material information will in all cases be disseminated via Bursa Malaysia and other means.

D. ACCOUNTABILITY AND AUDIT

Financial Reporting
The Board aims to ensure that the quarterly reports, annual audited financial statements as well as the annual review of operations in the Annual Report reflect full, fair and accurate recording and reporting of financial and business information in accordance with the MMLR of Bursa Malaysia.

Timely release of announcements on quarterly financial reports reflects the Board's commitment to provide transparent and up-to-date disclosures of the performance of the Company and its group of subsidiaries.

The Directors are also required by the Companies Act, 1965 to prepare the Group's annual audited financial statements with all material disclosures such that they are complete, accurate and in conformance with applicable accounting standards and rules and regulations. The Audit Committee assists the Board in overseeing the financial reporting process.

Audit Committee and Internal Control
The Board's governance policies include a process for the Board, through the Audit Committee to review regularly the effectiveness of the system of internal control as required by the Code. A report on the Audit Committee and its summary terms of reference is presented on pages 189 to 191 of this Annual Report.

The Board has overall responsibility for the Group's system of internal control, which comprises a process for identifying, evaluating and managing the risks faced by the Group and for regularly reviewing its effectiveness in accordance with the Code.

The Board confirms that this process was in place throughout the year under review and up to the date of approval of these financial statements. The primary aim is to operate a system which is appropriate to the business and which can, over time, increase shareholder value whilst safeguarding the Group's assets. The system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Statement of Risk Management and Internal Control is set out in pages 192 to 193 of this Annual Report.

Code of Conduct
The Company had formalised ethical standards through a code of conduct and will ensure its compliance. The Code of Conduct is published on the Company's website.

Whistleblowing Program
In order to improve the overall organisational effectiveness and to uphold the integrity of the Company in the eyes of the public, the Company has updated the whistleblowing program during the year which acts as a formal communication channel where all stakeholders can communicate their concerns in cases where the Company's business conduct is deemed to be contrary to the Company's common values.

All concerns should be addressed to the Group Head of Internal Audit who will then assess all concerns reported and recommend the appropriate action, and subsequently:

- Compile all reports received and submit to the Chairman of the Audit Committee; and
- Report to Management on behalf of the Audit Committee the results of the investigation for further action.

All details pertaining to the name and position of the whistleblower will be kept strictly confidential throughout the investigation proceedings.

Relationship with the External Auditors
The Board, through the Audit Committee, has maintained appropriate, formal and transparent relationship with the external auditors. The Audit Committee meets the external auditors without the presence of management, whenever necessary, and at least twice a year. Meetings with the external auditors are held to further discuss the Group's audit plans, audit findings, financial statements as well as to seek their professional advice on other related matters. From time to time, the external auditors inform and update the Audit Committee on matters that may require their attention.

This statement is made in accordance with a resolution of the Board of Directors of AirAsia dated 24 April 2013.

Audit Committee Report

SUMMARY OF TERMS OF REFERENCE OF THE AUDIT COMMITTEE

A. COMPOSITION

The Committee shall comprise at least three non-executive directors appointed by the Board of Directors. All the members of the Committee must be non-executive directors, with a majority of them being independent directors. All members of the Committee shall be financially literate and at least one member shall:

(i) be a member of the Malaysian Institute of Accountants; or

(ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years of working experience and:-
- he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
- he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or

(iii) fulfils such other requirements as prescribed or approved by the Exchange.

B. ROLES AND RESPONSIBILITY

The primary roles and responsibilities of the Committee with regards to the AirAsia's Group's Internal Audit function, risk management, external auditors, financial reporting, related party transactions, annual reporting and investigation are as follows:

Internal Audit
- Mandate the internal audit function to report directly to the Committee;
- Review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary independence and authority to carry out its work;
- Review the internal audit reports and to ensure that appropriate and prompt remedial action is taken by the Management;
- Review the internal audit reports relating to Group affiliates;
- Review the appraisal or assessment of the performance of members of the internal audit function;
- Approve the appointment or termination of the Group Head of Internal Audit and senior staff members of Internal Audit; and
- Take cognisance of resignations of internal audit staff and the reason for resigning.

Risk Management
- To develop and inculcate a risk awareness culture within the Groups;
- To review risk management strategies, frameworks and policies of the Group to ensure key risks are systematically identified, evaluated and highlighted;
- To ensure resources and systems are in place for risk management function; and
- To oversee specific risk management concerns raised by the business units.

External Auditor
- To consider the appointment of the external auditor, the audit fees, any questions of resignation or dismissal of the external auditor;
- To submit a copy of written representation or submission of external auditors' resignation to the Exchange;
- Monitor the effectiveness of the external auditors' performance and their independence and objectivity;
- To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- Review major findings raised by the external auditors and Management's responses, including the status of the previous audit recommendations;

Audit Committee Report

- To discuss problems and reservations arising from the interim and final audits, and any matter the external auditor may wish to discuss (in the absence of management where necessary); and
- To provide a line of communication between the Board and the external auditors.

Financial Reporting
To review the quarterly and year-end financial statements of the Group and Company, focusing particularly on:

- any change in accounting policies and practices;
- significant adjustments arising from the audit;
- litigation that could affect the results materially;
- the going concern assumption; and
- compliance with accounting standards and other legal requirements.

Related Party Transactions
To review any related party transactions and conflict of interest situations.

Annual Report
Report the Audit Committee's activities for the financial year.

Investigation
- To consider the major findings of internal investigations and management's response; and
- To review the Company's procedures for detecting fraud and whistle blowing.

Other Matters
To consider any other matters as directed by the Board.

C. AUTHORITY AND POWERS OF THE AUDIT COMMITTEE

In carrying out its duties, an Audit Committee shall, at the cost of the Company:

- have authority to investigate any matter within its terms of reference;
- have full, free and unrestricted access to the Group and Company's records, properties, personnel and other resources;
- have full and unrestricted access to any information regarding the Group and Company;
- have direct communication channels with the external auditors and person(s) carrying out the internal audit function;
- be able to obtain independent professional or other advice; and
- convene meetings with the external auditors, internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

Where the Committee is of the view that a matter reported by it to the Board of directors has not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"), the Committee is authorised to promptly report such matters to the Exchange.

D. MEETINGS

a) The Committee shall meet at least four (4) times a year.
b) The quorum for an Audit Committee Meeting shall be at least two (2) members. The majority present must be Independent Directors.
c) The External Auditor has the right to appear and be heard at any meeting of the Committee.
d) The Group Regional Head of Finance and the Regional Head of Internal Audit of the Group and the Company shall normally attend the meetings to assist in the deliberations and resolution of matters raised. However, at least twice a year, the Committee shall meet with the External Auditors without the presence of management.
e) The Company Secretary shall act as Secretary of the Committee.
f) The Secretary of the Committee shall be entrusted to record all proceedings and minutes of all meetings of the Committee.
g) The Committee at each Board Meeting will report a summary of significant matters resolutions.

The terms of reference summarised above were revised and approved by the Board of Directors of AirAsia Berhad on 26th day of February 2013.

ACTIVITIES OF THE AUDIT COMMITTEE DURING THE YEAR

A summary of the activities performed by the Committee during the financial year ended 31 December 2012 ("Financial Year") is set out below.

Composition of the Audit Committee and Attendance of meetings
A total of ten (10) meetings and one (1) adjourned meeting were held for the Financial Year. The members of the Committee together with the details of their attendance at the Committee meetings held during the year were as follows:

Name	Directorship	No. of Meetings attended
Dato' Leong Khee Seong *(Chairman of the Committee)*	Independent Non-Executive Director	11
Dato' Fam Lee Ee	Independent Non-Executive Director	11
Dato' Mohamed Khadar bin Merican	Independent Non-Executive Director	11

The Committee meets on a scheduled basis at least once in every two months. The Chief Executive Officer, the Chief Financial Officer and the Group Head of Internal Audit are invited to attend the meetings to assist in the deliberations as and when necessary. The External Auditors are also invited to discuss their management letters, Audit Planning Memorandum and other matters deemed relevant.

Internal Audit

- Approved the Group's internal audit plan, scope and budget for the financial year.
- Reviewed the results of internal audit reports and monitor the implementation of management action plans in addressing and resolving issues.
- Reviewed the adequacy and competencies of internal audit function to execute the annual audit plan.

Risk Management

- Reviewed and evaluated the Risk Management Framework and Policy.
- Reviewed the key risk profile for the Company.
- Reviewed the Statement on Risk Management and Internal Control and Audit Committee Report for inclusion in the 2012 Annual Report.

External Audit

- The Committee reviewed PricewaterhouseCoopers ("PwC") overall work plan and recommended to the Board their remuneration and terms of engagement as external auditors and considered in detail the results of the audit, PwC's performance and independence and the effectiveness of the overall audit process. The Committee recommended PwC's re-appointment as auditors to the Board and this resolution will be put to shareholders at the AGM.
- Reviewed updates on the introduction of Financial Reporting Standards and how they will impact the Company and has monitored progress in meeting the new reporting requirements.
- The Committee was also updated by PwC on changes to the relevant guidelines on the regulatory and statutory requirements.
- Deliberated and reported the results of the annual audit to the Board of Directors.
- Met with the external auditor without the presence of management to discuss any matters that they may wish to present.

Employee Share Option Scheme

- The Committee verified the allocation options pursuant to the criteria disclosed to the employees of the Group and established pursuant to the Employee Share Option Scheme for the Financial Year.

Financial Reporting

- Reviewed and deliberated on the Quarterly Financial Announcements and Annual Audited Financial Statements prior to submission to the Board of Directors for consideration and approval.

Related Party Transactions

- Reviewed the related party transactions entered into by AirAsia Berhad Group in conformity to the established procedures in adherence to the MMLR.

INTERNAL AUDIT FUNCTION

AirAsia Group has a well established in-house Internal Audit ("IA") to assist the Board to oversee that Management has in place a sound risk management, internal control and governance system. The IA maintains its impartiality, proficiency and due professional care by having its plans and reports directly under the purview of the Committee. The function is also guided by its Audit Charter that provides for its independence and reflects the roles, responsibilities, accountability and scope of work of the department. The IA reports functionally to Audit Committee and administratively to the Group Chief Executive Officer.

The principal responsibility of IA is to undertake regular and systematic reviews of the systems of internal controls, so as to provide reasonable assurance that the systems continue to operate efficiently and effectively. The IA implements risk based auditing in establishing the strategic and annual audit plan, being the main factor in determining the areas or units to be audited.

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

The Audit Committee reviews and approves the IA's human resource requirements to ensure that the function is adequately resourced with competent and proficient internal auditors. Total operational costs of the Internal Audit department for 2012 was RM2,444,748.

Statement on Risk Management & Internal Control

The Board remains committed to complying with the Malaysian Code on Corporate Governance 2012 (the Code) which "... requires listed companies to maintain a sound risk management framework and internal control system to safeguard shareholders' investment and the Company's assets" and guided by the Bursa Malaysia's MMLR Paragraph 15.26 (b) and Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuer. The Board is pleased to issue the following statement of risk management & internal control for the financial year ended 31 December 2012.

RESPONSIBILITY

The Company aims to achieve the highest standards of professional conduct and ethics, to raise the bar on accountability and to govern itself in accordance to the relevant regulations and laws. To achieve long term shareholder value through responsible and sustainable growth, the Company has established and maintains an internal control system that incorporates various control mechanisms at different levels throughout the Company. The Board of Directors is responsible for reviewing the effectiveness of these control mechanisms. Due to the limitations inherent in any such system, this is designed to manage rather than eliminate risk and to provide reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Group has in place an on-going process for identifying, evaluating, monitoring and managing significant risks that may materially affect the achievement of corporate objectives. This process has been in place throughout the year and is regularly reviewed by the Board. Management is responsible for assisting the Board implement policies and procedures on risk and control by identifying and assessing the risks faced, and in the implementation of suitable remedial actions to enhance operational controls and risk management. Indeed, the first level of assurance comes from business operations which perform the day-to-day operational risk through comprehensive system of internal controls. The Board is informed of major issues on internal controls, regulatory compliance and risk taking.

The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

The Board is of the view that the risk management and internal control system in place for the year under review is sound and adequate to safeguard the shareholders' investment, the interest of customers, regulators and employees and the Group's assets.

INTEGRATING RISK MANAGEMENT WITH INTERNAL CONTROL SYSTEM

The Board continues to rely on the enterprise risk management framework to manage its risks and to form the basis of the internal audit plan. Effective risk management is particularly challenging as the Company operates in a rapidly changing environment. The process of risk management is ongoing where the coverage includes the Group's associated companies. Risk profiling and assessments for all business divisions and associated companies have been performed during the development of the annual audit plan which was presented, deliberated and approved by the Audit Committee.

The Board relies significantly on the Company's internal auditors to carry out audits of the various operating units based on the risk-based approved audit plan.

KEY RISK MANAGEMENT & INTERNAL CONTROL PROCESSES

The key processes that have been established in reviewing the adequacy and effectiveness of the Group's risk management and internal control system are described below:

Risk Management

- The Board has delegated the responsibility of reviewing the effectiveness of risk management to the Audit Committee supported by the risk management function;

- A written Risk Management Framework & Policy ("RMF&P") is in place. The RMF&P outlines the Group's underlying approach to risk and risk management, process, structure, tools etc. Subsequent changes to the RMF&P would be reviewed and recommended by the Audit Committee to the Board;

- Effectiveness of the risk management system is monitored and evaluated on an on-going basis through continuous monitoring and evaluation on the Group's risk management system; and

- Additionally, the Audit Committee reviews and assesses the adequacy of these risk management policies and ensure infrastructure, resources and systems are in place for effective risk management.

Internal Audit

- The Board has extended the responsibilities of the Audit Committee to include the assessment of internal controls, through the Internal Audit ("IA") function. The Audit Committee, chaired by an independent non-executive director reviews the internal controls system and findings of the internal auditors and external auditors;

- The IA is an independent function that reports directly to the Audit Committee. The IA assists the Committee and the Board by performing regular and systematic review of the internal controls, financial and accounting matters, operational policies and procedures, and ensuring that internal controls are adequate to meet the Group's requirements. Audits are carried out on all units and stations, the frequency of which is determined by the level of risks assessed. The selection of auditable areas to be audited is based on risk based audit methodology taking into consideration input of the senior management and the Board;

- Management is responsible for ensuring that corrective actions to address control weaknesses are implemented within a defined time frame. The status of implementation is monitored through follow-up audits which are also reported to the Audit Committee;

- The conducts of internal audit work is governed by the Internal Audit Charter, which is approved by the Audit Committee. The Audit Committee also reviews the adequacy of scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work. The IA is also guided by the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors; and

- The Audit Committee also reviews and considers matters relating to internal controls as highlighted by the external auditors in the course of their statutory audit of the Company's financial statements.

The Board and Operational Committees

- The Board has established an organisational structure with clearly defined lines of responsibilities, authority limits and accountability aligned to business and operations requirements which support the maintenance of a strong internal control environment;

- The Board has established the Board Committees with clearly defined delegation of responsibilities within the definition of terms of reference and organisation structures. These committees include Remuneration Committee, Nomination Committee, Audit Committee and Safety Review Board which have been set up to assist the Board to perform its oversight functions. The Committees have the authority to examine all matters within their scope and report to the Board with their recommendations; and

- Operational committees have also been established with appropriate empowerment to ensure effective management and supervision of the Group's core business operations. These committees include the Financial Risk Committee, Quality and On-Time Performance Committee where meetings are held frequently to address emerging issues, concerns and mitigation action plans.

Other Key Processes

- Policies and procedures of core business processes are documented in a series of Standard Operating Procedures and implemented throughout the Group. These policies and procedures are subject to regular reviews, updates and continuous improvements to reflect the changing risks and operational needs;

- Heads of Department present their annual budget, including financial and operating targets and capital expenditure plans for the approval of the Chief Executive Officer. Group annual budget is prepared and tabled for Board approval. These budgets and business plans are cascaded throughout the organisation to ensure effective execution and follow through. Actual performance is compared against budget and reviewed by the Board; and

- The Company has implemented a formal performance appraisal system for all levels of employees.

The statement also caters for the state of internal controls in material joint ventures and associated companies. There was no material loss incurred as a result of internal control weaknesses.

Additional Compliance Information

The information set out below is disclosed in compliance with the MMLR of Bursa Malaysia:-

1. UTILISATION OF PROCEEDS FROM CORPORATE PROPOSAL
There were no proceeds raised by the Company from corporate proposals during the financial year ended 31 December 2012.

2. SHARE BUY-BACK
The Company does not have a scheme to buy-back its own shares.

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES EXERCISED
The Company did not issue any warrants or convertible securities during the financial year ended 31 December, 2012. The AirAsia ESOS came into effect on 1 September 2004. The details of the ESOS exercised are disclosed in pages 264 to 266 of the financial statements.

4. DEPOSITORY RECEIPT PROGRAMME
The Company did not sponsor any depository receipt programme during the financial year ended 31 December 2012.

5. EMPLOYEE SHARE OPTION SCHEME ("ESOS")
The ESOS is the only share scheme of the Company in existence during the financial year ended 31 December 2012 approved by the shareholders on 7 June 2004. On 28 May 2009, the Company extended the duration of its ESOS which expired on 6 June 2009 for 5 years to 6 June 2014. The information of the ESOS are as follows:

	During the financial year ended 31 December 2012	Since commencement of the ESOS on 7 June 2004
Total number of options or shares granted	-	93,168,000
Total number of options exercised or shares vested	1,806,000	64,875,500
Total options or shares outstanding	3,743,900	3,743,900

Granted to Directors and Chief Executive	During the financial year ended 31 December 2012	Since commencement of the ESOS on 7 June 2004
Aggregate options or shares granted	-	1,200,000
Aggregate options exercised or shares vested	600,000	1,200,000
Aggregate options or shares outstanding	-	-

Granted to Directors and senior management	During the financial year ended 31 December 2012	Since commencement of the ESOS on 7 June 2004
Aggregate maximum allocation in percentage	-	50.0%
Actual percentage granted	-	1.29%

There were no options granted to the Non-Executive Directors pursuant to the ESOS since its commencement on 7 June 2004.

6. SANCTIONS AND/OR PENALTIES

There were no public sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies during the financial year ended 31 December 2012.

7. NON-AUDIT FEES

The amount of non-audit fees incurred for services rendered to the Company by the external auditors for the financial year ended 31 December 2012 were RM168,925 for tax advisory services.

8. VARIATION IN RESULTS

There were no profit estimations, forecasts or projections made or released by the Company during the financial year ended 31 December 2012.

9. PROFIT GUARANTEE

During the financial year ended 31 December 2012, the Group and the Company did not give any profit guarantee.

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

There were no material contracts entered into by the Company and its subsidiaries involving directors and major shareholders' interests still subsisting at the end of the financial year ended 31 December 2012.

11. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OF TRADING NATURE

At the Extraordinary General Meeting ("EGM") held on 21 June 2012, the Company had obtained a shareholders' mandate to allow the Company and/or its subsidiaries to enter into recurrent related party transactions ("RRPTs") of a revenue or trading nature.

Additional Compliance Information

The breakdown of the aggregate value of the RRPTs entered into by the Group during the financial year is as follows:

	Transacting Parties	Nature of RRPT	Class and relationship of the Related Parties	Actual value (RM)
Revenue/income				
1.	AirAsia X Berhad ("AAX")	Provision of the following range of services by our Company to AAX: (a) AirAsia travel insurance (b) Commercial - Sales and distribution - Sales support - Provision of sales offices, airport sales counter and use of our Company's authorised travel agents - Payment channel and E-Channel - Branding and Creative • Protection of brand to ensure proper public perception is built • Manage communication imagery, sponsorships (e.g. sports and youth marketing) and commercial branding • Creative includes graphic designs supporting branding activities - Manage, plan, build and develop airasia.com website (c) Innovation, Commercial and Technology - Involves all services related to information technology (d) Treasury - Fuel procurement - Fuel hedging (e) Audit and consulting services - Credit card fraud control unit - Internal audit - Corporate integrity (f) Security services (g) Ad-Hoc engineering services (h) Flight operations – pilot support	**Interested Directors and Major Shareholders** Tan Sri Dr. Anthony Francis Fernandes Dato' Kamarudin Bin Meranun **Interested Major Shareholder** Tune Air Sdn Bhd	6,035,000
2.	AAX	Provision of the rights by our Company to AAX as a licensee to operate scheduled air services under the trade name and livery of AirAsia	**Interested Directors and Major Shareholders** Tan Sri Dr. Anthony Francis Fernandes Dato' Kamarudin Bin Meranun **Interested Major Shareholder** Tune Air Sdn Bhd	8,524,606

	Transacting Parties	Nature of RRPT	Class and relationship of the Related Parties	Actual value (RM)
Revenue/income (continued)				
3.	Tune Ins Holdings Berhad ("TIH")	Provision of the right to access our Company's customer database by our Company to TIH to conduct telesales marketing on TIH's and/or third party insurance products and the provision of management services by TIH to our Company's travel insurance business	**Interested Directors and Major Shareholders** Tan Sri Dr. Anthony Francis Fernandes Dato' Kamarudin Bin Meranun **Interested Major Shareholder** Tune Air Sdn Bhd	302,838
4.	Tune Insurance Malaysia Berhad (formerly known as Oriental Capital Assurance Berhad) ("TIMB")	Provision of travel insurance to our customers for journeys originated from Malaysia resulting in underwriting commission received by TIH through TIMB	**Interested Directors and Major Shareholders** Tan Sri Dr. Anthony Francis Fernandes Dato' Kamarudin Bin Meranun **Interested Major Shareholder** Tune Air Sdn Bhd	11,138,510
5.	Think Big Digital Sdn Bhd	Selling of loyalty points to Think Big Digital Sdn Bhd, who operates and manages a loyalty program branded as the BIG Loyalty Program	**Interested Directors and Major Shareholders** Tan Sri Dr. Anthony Francis Fernandes Dato' Kamarudin Bin Meranun	Nil
Expense				
6.	1Malaysia Racing Team Sdn Bhd ("Caterham F1")	Provision of sponsorship by our Company to Caterham F1 for the duration of the 2012 F1 racing season and the Caterham F1 Driver Development Program	**Interested Directors and Major Shareholders** Tan Sri Dr. Anthony Francis Fernandes Dato' Kamarudin Bin Meranun	GBP1,200,000
7.	QPR Holdings Limited	Provision of full shirt sponsorship by our Company to Queen Park Ranger Football Club in the Barclays Premier League	**Interested Directors and Major Shareholders** Tan Sri Dr. Anthony Francis Fernandes Dato' Kamarudin Bin Meranun	GBP2,500,000

The shareholdings of the interested Directors and interested Major Shareholders in the Company as at 16 April 2013 are as follows:

	<------------- Direct ------------->		<-------------- Indirect ----------->	
	No. of Shares	**%**	**No. of Shares**	**%**
Interested Directors				
Tan Sri Dr. Anthony Francis Fernandes	3,227,010	0.12	640,608,382*	23.04
Dato' Kamarudin Bin Meranun	2,292,900	0.08	640,608,382*	23.04
Interested Major Shareholder				
Tune Air Sdn Bhd	640,608,382	23.04	-	-

Note:
** Deemed interested via their interests in Tune Air Sdn Bhd, being the Major Shareholder of our Company pursuant to Section 6A of the Companies Act, 1965.*

Please refer to the note of Section 2.3 of the Circulars to shareholders dated 7 June 2012 and 13 May 2013 respectively on the directorships and shareholdings of the interested directors and interested major shareholders in the transacting parties.

Directors' Report

The Directors hereby submit their annual report to the members together with the audited financial statements of the Group and Company for the financial year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of providing air transportation services. The principal activities of the subsidiaries are described in Note 13 to the financial statements. There were no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year	1,831,338	662,858

DIVIDENDS

The dividend on ordinary shares paid by the Company since the end of the previous financial year was as follows:

	RM'000
In respect of the financial year ended 31 December 2011, first and final dividend of 5 sen per ordinary share of RM0.10 each, on 2,779,141,580 ordinary shares of RM0.10 each, paid on 20 July 2012	138,957
In respect of the financial year ended 31 December 2012, a single-tier interim 'special' dividend of 18 sen per ordinary share of RM0.10 each on 2,779,906,580 ordinary shares of RM0.10 each, paid on 12 April 2013	500,383
	639,340

The Directors now recommend a final single-tier dividend in respect of the financial year ended 31 December 2012 of 6 sen per share on 2,780,510,580 ordinary shares of RM0.10 each amounting to RM166,830,635, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

ISSUANCE OF SHARES

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM277,808,558 to RM277,990,658 by way of issuance of 1,821,000 ordinary shares of RM0.10 each pursuant to the exercise of the Company's Employee Share Option Scheme ("ESOS") at an exercise price of RM1.08 per share. The premium arising from the exercise of ESOS of RM1,784,580, has been credited to the Share Premium account.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company. There were no other changes in the issued and paid-up share capital of the Company during the financial year.

EMPLOYEE SHARE OPTION SCHEME ("ESOS")

The Company implemented an ESOS on 1 September 2004. The ESOS is governed by the by-laws which were approved by the shareholders on 7 June 2004 and was effective for a period of 5 years from the date of approval. On 28 May 2009, the Company extended the duration of its ESOS which expired on 6 June 2009 by another 5 years to 6 June 2014. This was in accordance with the terms of the ESOS By-Laws. The ESOS extension was not subject to any regulatory or shareholders' approval.

Details of the ESOS are set out in Note 30 to the financial statements.

The Company has been granted an exemption by the Companies Commission of Malaysia, the information of which has been separately filed, from having to disclose the list of option holders and their holdings, except for eligible employees (inclusive of Executive Directors) with share options allocation of 320,000 and above. The employees who have been granted options of more than 320,000 shares are Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun, details of which are disclosed in the section on Directors' Interests in Shares below.

DIRECTORS

The Directors who have held office during the period since the date of the last report are as follows:

Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	
Tan Sri Dr. Anthony Francis Fernandes	
Dato' Kamarudin Bin Meranun	
Conor Mc Carthy	
Dato' Leong Sonny @ Leong Khee Seong	
Dato' Fam Lee Ee	
Dato' Mohamed Khadar Bin Merican	
Datuk Mohd Omar Bin Mustapha	
Aireen Omar	(Appointed on 1 July 2012)
Tan Sri Mohamed Azman Bin Yahya	(Resigned on 30 April 2012)

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than the Company's ESOS (see Note 5 to the financial statements).

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than Directors' remuneration as disclosed in Note 5 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 36 to the financial statements.

Directors' Report

DIRECTORS' INTERESTS IN SHARES

According to the register of Directors' shareholdings, particulars of interests of Directors who held office at the end of the financial year in shares and options over shares in the Company are as follows:

	Number of ordinary shares of RM0.10 each			
	At 1.1.2012	Acquired	Disposed	At 31.12.2012
Direct interests in the Company				
Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	-	300,000	(100,000)	200,000**
Tan Sri Dr. Anthony Francis Fernandes	3,227,010	-	-	3,227,010
Dato' Kamarudin Bin Meranun	1,692,900	600,000	-	2,292,900
Conor Mc Carthy	9,665,000	500,000	(1,065,000)	9,100,000***
Dato' Leong Sonny @ Leong Khee Seong	100,000	-	-	100,000
Dato' Fam Lee Ee	50,000	-	-	50,000
Indirect interests				
Tan Sri Dr. Anthony Francis Fernandes *	362,957,782	277,650,600	-	640,608,382
Dato' Kamarudin Bin Meranun *	362,957,782	277,650,600	-	640,608,382

* By virtue of their interests in shares in the substantial shareholder of the Company, Tune Air Sdn. Bhd. ("TASB"), Tan Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun are deemed to have interests in the Company to the extent of TASB's interests therein, in accordance with Section 6A of the Companies Act, 1965.

** Shares held under Cimsec Nominees (Tempatan) Sdn Bhd

*** 100,000 shares held in personal name and 9,000,000 shares held under HSBC Nominees (Asing) Sdn Bhd.

	Number of options over ordinary shares of RM0.10 each			
	At 1.1.2012	Granted	Exercised	At 31.12.2012
The Company				
Dato' Kamarudin Bin Meranun	600,000	-	(600,000)	-

Other than as disclosed above, according to the register of Directors' shareholdings, none of the other Directors in office at the end of the financial year held any interest in shares, options over shares, or debentures of the Company and its related corporations during the financial year.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Group and the Company were made out, the Directors took reasonable steps:

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

(b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

(a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and Company misleading or inappropriate.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group or Company to meet their obligations as and when they fall due.

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

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

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

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

(a) the results of the Group's and Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and Company for the financial year in which this report is made.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

In accordance with a resolution of the Board of Directors dated 29 April 2013.

TAN SRI DR. ANTHONY FRANCIS FERNANDES
DIRECTOR

AIREEN OMAR
DIRECTOR

Income Statements
For the Financial Year Ended 31 December 2012

		Group		Company	
	Note	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Revenue	4	4,946,091	4,495,141	4,946,091	4,449,933
Operating expenses					
- Staff costs	5	(580,294)	(484,177)	(580,207)	(482,526)
- Depreciation of property, plant and equipment	12	(567,176)	(570,909)	(567,176)	(570,755)
- Aircraft fuel expenses		(1,947,947)	(1,759,868)	(1,947,947)	(1,759,868)
- Maintenance and overhaul		(112,398)	(86,698)	(112,398)	(86,698)
- User charges and other related expenses		(415,898)	(386,868)	(415,894)	(385,565)
- Aircraft operating lease expenses		(159,512)	(80,655)	(159,512)	(80,655)
- Travel and tour operating expenses		-	(36,555)	-	-
- Other operating expenses	6	(269,225)	(163,747)	(268,401)	(153,688)
Other gains/(losses) – net	7	11,035	(55,501)	11,035	(55,501)
Other income	8	123,942	292,357	113,510	292,156
Operating profit		1,028,618	1,162,520	1,019,101	1,166,833
Finance income	9	79,391	66,078	79,237	66,056
Finance costs	9	(378,808)	(377,894)	(378,785)	(377,865)
Net operating profit		729,201	850,704	719,553	855,024
Foreign exchange gains/(losses) on borrowings	9	145,425	(93,472)	145,393	(93,472)
Foreign exchange (losses)/gains on amounts due from associates and jointly-controlled entities		(29,139)	13,457	(29,139)	13,457
Fair value and gain on disposal of interest in Thai AirAsia Co Ltd	14	1,160,370	-	-	-
Share of results of jointly controlled entities	14	(2,899)	11,980	-	-
Share of results of associates	15	1,329	(5,652)	-	-
Profit before taxation		2,004,287	777,017	835,807	775,009
Taxation					
- Current taxation	10	(18,245)	(18,533)	(18,194)	(18,533)
- Deferred taxation	10	(154,704)	(203,160)	(154,755)	(203,109)
		(172,949)	(221,693)	(172,949)	(221,642)
Net profit for the financial year		1,831,338	555,324	662,858	553,367
Earnings per share (sen)					
- Basic	11	65.9	20.0		
- Diluted	11	65.8	20.0		

Statements of Comprehensive Income

For the Financial Year Ended 31 December 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Profit for the financial year		1,831,338	555,324	662,858	553,367
Other comprehensive income/(loss)					
- Available-for-sale financial assets	16	110,284	-	110,284	-
- Cash flow hedges		61,215	(88,054)	61,215	(88,054)
- Foreign currency translation differences		(145)	111	-	-
Other comprehensive income/(loss) for the financial year, net of tax		171,354	(87,943)	171,499	(88,054)
Total comprehensive income for the financial year		2,002,692	467,381	834,357	465,313
Total comprehensive income attributable to:					
- Equity holders of the Company		2,002,692	467,381		
- Non-controlling interests		-	-		
		2,002,692	467,381		

REPORTS AND FINANCIAL STATEMENTS

Balance Sheets
As at 31 December 2012

		Group			Company		
	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011* RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011* RM'000
NON-CURRENT ASSETS							
Property, plant and equipment	12	9,786,030	8,586,451	9,318,041	9,786,030	8,586,146	9,316,592
Investments in subsidiaries	13	-	-	-	23,480	23,480	25,384
Investments in jointly controlled entities	14	120,755	123,654	-	81,559	81,559	-
Investments in associates	15	1,204,575	39,079	29	29	29	29
Available-for-sale financial assets	16	308,792	152,942	152,942	295,982	152,942	152,942
Other investments		-	-	25	-	-	25
Goodwill	17	7,334	7,334	8,738	-	-	-
Deferred tax assets	18	361,396	516,100	719,260	361,396	516,151	719,260
Receivables and prepayments	19	28,141	15,548	23,593	28,141	15,548	23,593
Deposits on aircraft purchase	20	483,795	367,768	248,684	483,795	367,768	248,684
Amount due from an associate	21	449,578	513,614	117,964	449,578	513,614	117,964
Derivative financial instruments	22	37,673	44,811	25,544	37,673	44,811	25,544
		12,788,069	10,367,301	10,614,820	11,547,663	10,302,048	10,630,017
CURRENT ASSETS							
Inventories	23	23,725	19,730	17,553	23,725	19,730	17,005
Receivables and prepayments	19	1,357,094	1,109,775	841,122	1,323,614	1,081,125	815,921
Derivative financial instruments	22	-	7,659	-	-	7,659	-
Amounts due from subsidiaries	24	-	-	-	174,730	105,409	432,382
Amounts due from jointly-controlled entities	25	10,765	4,526	99,802	3,066	4,526	-
Amounts due from associates	21	331,407	289,492	162,386	331,407	289,492	162,386
Amount due from a related party	24	1,282	-	-	1,282	-	-
Deposits, cash and bank balances	26	2,232,731	2,105,010	1,504,617	2,166,999	2,079,712	1,499,061
Current tax recoverable		-	2,216	-	-	1,942	-
		3,957,004	3,538,408	2,625,480	4,024,823	3,589,595	2,926,755

	Note	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Group 1.1.2011* RM'000	Company 31.12.2012 RM'000	Company 31.12.2011 RM'000	Company 1.1.2011* RM'000
LESS: CURRENT LIABILITIES							
Trade and other payables	27	1,295,065	1,137,232	912,943	1,266,924	1,103,063	884,344
Sales in advance		546,150	389,833	328,549	533,201	376,628	307,987
Amounts due to subsidiaries	28	-	-	-	-	5,605	44,251
Amounts due to jointly controlled entities	25	-	19,761	-	-	50,087	322,614
Amount due to an associate	21	29,032	4,444	5,223	68,052	4,444	5,223
Amount due to a related party	28	12,639	10,560	41,262	12,639	10,560	41,262
Hire-purchase payables		-	-	15	-	-	15
Borrowings	29	1,126,154	594,231	553,967	1,126,154	594,231	553,967
Derivative financial instruments	22	35,419	38,011	-	35,419	38,011	-
Current tax liabilities		5,122	-	1,632	5,563	-	955
		3,049,581	2,194,072	1,843,591	3,047,952	2,182,629	2,160,618
NET CURRENT ASSETS		907,423	1,344,336	781,889	976,871	1,406,966	766,137
NON-CURRENT LIABILITIES							
Borrowings	29	7,283,185	7,186,919	7,302,884	7,283,185	7,186,919	7,302,884
Derivative financial instruments	22	510,208	488,321	452,865	510,208	488,321	452,865
		7,793,393	7,675,240	7,755,749	7,793,393	7,675,240	7,755,749
		5,902,099	4,036,397	3,640,960	4,731,141	4,033,774	3,640,405
CAPITAL AND RESERVES							
Share capital	30	277,991	277,809	277,344	277,991	277,809	277,344
Share premium		1,227,935	1,226,150	1,221,594	1,227,935	1,226,150	1,221,594
Foreign exchange reserve		451	596	485	-	-	-
Retained earnings	31	4,273,311	2,580,930	2,102,571	3,102,804	2,578,903	2,102,501
Other reserves		122,411	(49,088)	38,966	122,411	(49,088)	38,966
Shareholders' equity		5,902,099	4,036,397	3,640,960	4,731,141	4,033,774	3,640,405

* Also represents the balance sheets of the Group and Company as at 31 December 2010.

Consolidated Statement of Changes In Equity

For the Financial Year Ended 31 December 2012

		Attributable to equity holders of the Company									
		Issued and fully paid ordinary shares of RM0.10 each									
	Note	Number of shares '000	Nominal value RM'000	Share premium RM'000	Foreign exchange reserve RM'000	Cash flow hedge reserve RM'000	AFS reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2012		2,778,087	277,809	1,226,150	596	(159,363)	110,275	2,580,930	4,036,397	-	4,036,397
Net profit for the financial year		-	-	-	-	-	-	1,831,338	1,831,338	-	1,831,338
Fair value losses during the financial year		-	-	-	-	(45,128)	-	-	(45,128)	-	(45,128)
Amounts transferred to income statement		-	-	-	-	106,343	-	-	106,343	-	106,343
Other comprehensive (loss)/income		-	-	-	(145)	-	110,284	-	110,139	-	110,139
Total comprehensive (loss)/income		-	-	-	(145)	61,215	110,284	1,831,338	2,002,692	-	2,002,692
Dividend	32	-	-	-	-	-	-	(138,957)	(138,957)	-	(138,957)
Issuance of ordinary shares - pursuant to the Employee Share Option Scheme ('ESOS')	30	1,821	182	1,785	-	-	-	-	1,967	-	1,967
At 31 December 2012		2,779,908	277,991	1,227,935	451	(98,148)	220,559	4,273,311	5,902,099	-	5,902,099

		Attributable to equity holders of the Company									
		Issued and fully paid ordinary shares of RM0.10 each									
	Note	Number of shares '000	Nominal value RM'000	Share premium RM'000	Foreign exchange reserve RM'000	Cash flow hedge reserve RM'000	AFS reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2011		2,773,437	277,344	1,221,594	485	(71,309)	110,275	2,102,571	3,640,960	-	3,640,960
Net profit for the financial year		-	-	-	-	-	-	555,324	555,324	-	555,324
Fair value gains during the financial year		-	-	-	-	8,962	-	-	8,962	-	8,962
Amounts transferred to income statement		-	-	-	-	(97,016)	-	-	(97,016)	-	(97,016)
Other comprehensive income		-	-	-	111	-	-	-	111	-	111
Total comprehensive income/ (loss)		-	-	-	111	(88,054)	-	555,324	467,381	-	467,381
Dividend	32	-	-	-	-	-	-	(76,965)	(76,965)	-	(76,965)
Issuance of ordinary shares - pursuant to the Employee Share Option Scheme ('ESOS')	30	4,650	465	4,556	-	-	-	-	5,021	-	5,021
At 31 December 2011		2,778,087	277,809	1,226,150	596	(159,363)	110,275	2,580,930	4,036,397	-	4,036,397

Company Statement of Changes In Equity

For the Financial Year Ended 31 December 2012

		Issued and fully paid ordinary shares of RM0.10 each			Non-distributable		Distributable	
	Note	Number of shares '000	Nominal value RM'000	Cash flow hedge reserve RM'000	AFS reserve RM'000	Share premium RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2012		2,778,087	277,809	(159,363)	110,275	1,226,150	2,578,903	4,033,774
Net profit for the financial year		-	-	-	-	-	662,858	662,858
Fair value losses during the financial year		-	-	(45,128)	-	-	-	(45,128)
Amounts transferred to income statement		-	-	106,343	-	-	-	106,343
Other comprehensive income		-	-	-	110,284	-	-	110,284
Total comprehensive income		-	-	61,215	110,284	-	662,858	834,357
Dividend	32	-	-	-	-	-	(138,957)	(138,957)
Issuance of shares - pursuant to the Employee Share Option Scheme ('ESOS')	30	1,821	182	-	-	1,785	-	1,967
At 31 December 2012		2,779,908	277,991	(98,148)	220,559	1,227,935	3,102,804	4,731,141

	Note	Issued and fully paid ordinary shares of RM0.10 each		Non-distributable			Distributable	
		Number of shares '000	Nominal value RM'000	Cash flow hedge reserve RM'000	AFS reserve RM'000	Share premium RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2011		2,773,437	277,344	(71,309)	110,275	1,221,594	2,102,501	3,640,405
Net profit for the financial year		-	-	-	-	-	553,367	553,367
Fair value gains during the financial year		-	-	8,962	-	-	-	8,962
Amounts transferred to income statement		-	-	(97,016)	-	-	-	(97,016)
Total comprehensive (loss)/income		-	-	(88,054)	-	-	553,367	465,313
Dividends	32	-	-	-	-	-	(76,965)	(76,965)
Issuance of shares - pursuant to the Employee Share Option Scheme ('ESOS')	30	4,650	465	-	-	4,556	-	5,021
At 31 December 2011		2,778,087	277,809	(159,363)	110,275	1,226,150	2,578,903	4,033,774

Cash Flow Statements
For the Financial Year Ended 31 December 2012

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	2,004,287	777,017	835,807	775,009
Adjustments:				
Property, plant and equipment				
- Depreciation	567,176	570,909	567,176	570,755
- Write off	-	1,089	-	-
- Impairment	-	16,983	-	16,983
- Gain on disposals	(9,328)	(198,923)	(9,328)	(198,923)
Impairment loss on goodwill	-	1,404	-	-
Fair value and gain on disposal of interest in Thai AirAsia Co Ltd	(1,160,370)	-	-	-
Impairment of investment in subsidiary	-	-	-	1,904
Amortisation of other investments	-	25	-	25
Unwinding of discount on related party receivables	-	(22,656)	-	(22,656)
Fair value loss/(gain) on derivative financial instruments	95,308	(41,515)	95,308	(41,515)
Share of results of jointly controlled entities	2,899	(11,980)	-	-
Share of results of associates	(1,329)	5,652	-	-
Net unrealised foreign exchange (gain)/loss	(205,524)	150,234	(205,492)	150,234
Interest expense	378,808	368,007	378,785	368,007
Interest income	(79,391)	(43,422)	(79,237)	(43,422)
	1,592,536	1,572,824	1,583,019	1,576,401
Changes in working capital:				
Inventories	(3,995)	(2,177)	(3,995)	(2,725)
Receivables and prepayments	(268,116)	(261,860)	(263,141)	(252,196)
Trade and other payables	315,856	272,573	316,254	235,716
Related party balances	28,948	169,205	(23,981)	97,760
Cash generated from operations	1,665,229	1,750,565	1,608,156	1,654,956
Interest paid	(378,808)	(367,707)	(378,485)	(367,707)
Interest received	79,391	43,422	79,237	43,422
Tax paid	(10,856)	(22,381)	(10,689)	(21,430)
Net cash from operating activities	1,354,956	1,403,899	1,298,219	1,309,241

	Note	Group		Company	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Property, plant and equipment					
- Additions		(1,772,597)	(612,393)	(1,772,597)	(612,294)
- Proceeds from disposals		15,170	387,960	14,865	387,960
Investment in a jointly-controlled entity		-	(111,674)	-	(81,559)
Investment in an associate		(16,608)	(44,702)	-	-
Deposits on aircraft purchase		(128,740)	(106,662)	(128,740)	(106,662)
Purchases of available-for-sale financial assets		(32,756)	-	(32,756)	-
Net cash used in investing activities		(1,935,531)	(487,471)	(1,919,228)	(412,555)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from allotment of shares		1,967	5,021	1,967	5,021
Hire-purchase instalments paid		-	(15)	-	(15)
Proceeds from borrowings		1,533,298	508,148	1,533,298	508,148
Repayment of borrowings		(662,376)	(752,224)	(662,376)	(752,224)
Dividends paid		(138,957)	(76,965)	(138,957)	(76,965)
Deposits released/(pledged) as securities		(1,094)	16,395	(1,094)	16,395
Net cash from/(used in) financing activities		732,838	(299,640)	732,838	(299,640)
NET INCREASE FOR THE FINANCIAL YEAR		152,263	616,788	111,829	597,046
CURRENCY TRANSLATION DIFFERENCES		(25,636)	-	(25,636)	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		2,092,616	1,475,828	2,067,318	1,470,272
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	26	2,219,243	2,092,616	2,153,511	2,067,318

Cash Flow Statements
For the Financial Year Ended 31 December 2012

SIGNIFICANT NON-CASH TRANSACTIONS

		Group		Company	
	Note	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Total purchase of property, plant and equipment during the financial year	12	(1,896,197)	(1,281,964)	(1,896,197)	(1,281,865)
Settlement by lessors on behalf of the Company for purchase of aircraft		123,600	669,571	123,600	669,571
Net cash used in purchase of property, plant and equipment		(1,772,597)	(612,393)	(1,772,597)	(612,294)
Net book value of property, plant and equipment disposed during the financial year	12	129,442	1,424,573	129,137	1,424,573
Gain on disposal of property, plant and equipment		9,328	198,923	9,328	198,923
Total proceeds from disposal of property, plant and equipment		138,770	1,623,496	138,465	1,623,496
Settlement by lessors on behalf of the Company for purchase of aircraft		(123,600)	(669,571)	(123,600)	(669,571)
Advances to an associate for purchase of property, plant and equipment		-	(565,965)	-	(565,965)
Net cash proceeds received from disposal of property, plant and equipment		15,170	387,960	14,865	387,960

Notes to the Financial Statements
31 December 2012

1 GENERAL INFORMATION

The principal activity of the Company is that of providing air transportation services. The principal activities of the subsidiaries are described in Note 13 to the financial statements. There were no significant changes in the nature of these activities during the financial year.

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

B-13-15, Level 13,
Menara Prima Tower B,
Jalan PJU1/39, Dataran Prima
47301 Petaling Jaya
Selangor Darul Ehsan

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

LCC Terminal
Jalan KLIA S3
Southern Support Zone
KL International Airport
64000 Sepang
Selangor Darul Ehsan

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 29 April 2013.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements:

(a) Basis of preparation

The financial statements of the Group and Company have been prepared in accordance with the provisions of the Malaysian Financial Reporting Standards ('MFRS'), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements of the Group and the Company for the financial year ended 31 December 2012 are the first set of financial statements prepared in accordance with the MFRS, including MFRS 1, 'First-time Adoption of Malaysian Financial Reporting Standards'. The Group and Company have consistently applied the same accounting policies in their opening MFRS balance sheets as at 1 January 2011 (transition date) and throughout all years presented, as if these policies had always been in effect. The comparative balance sheets have been restated to give effect to these changes as disclosed in Note 39 to the financial statements. Save for the required presentation of a balance sheet and related notes as of the date of the transition on 1 January 2011, there is no other significant impact on the Group and Company's financial results and position, or changes to the accounting policies of the Group, arising from the adoption of this MFRS framework.

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

Notes to the Financial Statements

31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgment in the process of applying the Group's and Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective

The Group will apply the new standards, amendments to standards and interpretations in the following period:

(i) Financial years beginning on or after 1 January 2013

- MFRS 10, 'Consolidated Financial Statements' (effective from 1 January 2013) changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements. It replaces all the guidance on control and consolidation in MFRS 127, 'Consolidated and Separate Financial Statements' and IC Interpretation 112, 'Consolidation - Special Purpose Entities'.

- MFRS 12, 'Disclosures of Interests in Other Entities' (effective from 1 January 2013) sets out the required disclosures for entities reporting under the two new standards, MFRS 10 and MFRS 11, and replaces the disclosure requirements currently found in MFRS 128, 'Investments in Associates'. It requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

- MFRS 13, 'Fair Value Measurement' (effective from 1 January 2013) aims to improve consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7, 'Financial Instruments: Disclosures', but apply to all assets and liabilities measured at fair value, not just financial ones.

- The revised MFRS 127, 'Separate Financial Statements' (effective from 1 January 2013) includes the provisions on separate financial statements that are left after the control provisions of MFRS 127 have been included in the new MFRS 10.

- The revised MFRS 128, 'Investments in Associates and Joint Ventures' (effective from 1 January 2013) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of MFRS 11.

- Amendment to MFRS 101, 'Presentation of Items of Other Comprehensive Income' (effective from 1 July 2012) requires entities to separate items presented in 'other comprehensive income' ('OCI') in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI.

- Amendment to MFRS 119, 'Employee benefits' (effective from 1 January 2013) makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Actuarial gains and losses will no longer be deferred using the corridor approach. MFRS 119 shall be withdrawn on application of this amendment.

- Amendment to MFRS 7, 'Financial Instruments: Disclosures' (effective from 1 January 2013) requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective (continued)

(ii) Financial years beginning on or after 1 January 2014

- Amendment to MFRS 132, 'Financial Instruments: Presentation' (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

(iii) Financial years beginning on or after 1 January 2015

- MFRS 9, 'Financial Instruments – Classification and Measurement of Financial Assets and Financial Liabilities' (effective from 1 January 2015) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

  The accounting and presentation for financial liabilities and for de-recognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss ('FVTPL'). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in OCI. There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

  The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

  MFRS 7 requires disclosures on transition from MFRS 139 to MFRS 9.

The Group is in the process of assessing the impact of the adoption of these standards, amendments to published standards and interpretations to existing standards.

(c) Basis of consolidation

(i) Subsidiaries

Subsidiaries are those corporations or other entities (including special purpose entities) in which the Group has power to govern the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effects of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated using the purchase method of accounting. Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating polices by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the group the power to govern the financial and operating polices.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Basis of consolidation (continued)

(i) Subsidiaries (continued)

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

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the successive acquisition dates at each stage, and the changes in fair value is taken through profit or loss.

Profit or loss and each component of other comprehensive income of the subsidiaries are attributed to the parent and the non-controlling interest, even if this results in the non-controlling interest having a deficit balance.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(ii) Jointly controlled entities

Jointly controlled entities are corporations, partnerships or other entities over which there is contractually agreed sharing of control by the Group with one or more parties where the strategic financial and operation decisions relating to the entities require unanimous consent of the parties sharing control.

The Group's interest in jointly controlled entities is accounted for in the consolidated financial statements using the equity method of accounting. Equity accounting involves recognising the Group's share of the post-acquisition results of jointly controlled entities in profit or loss and its share of post-acquisition changes of the investee's reserves in other comprehensive income. The cumulative post-acquisition changes are adjusted against the cost of the investment and include goodwill on acquisition (net of accumulated impairment loss).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Basis of consolidation (continued)

(ii) Jointly controlled entities (continued)

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised within reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investments. When the Group's share of losses in jointly controlled entities equals or exceeds its interest in the jointly controlled entities, including any other long-term interests that, in substance, form part of the Group's net investment in those entities, the Group discontinues recognising its share of further losses.

After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entities. If the jointly controlled entities subsequently report profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, in applying the equity method, appropriate adjustments are made to the financial statements of the jointly controlled entities to ensure consistency of accounting policies with those of the Group.

(iii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

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

Dilution gains and losses arising in investments in associates are recognised in the income statement.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ('CGUs'), or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation is calculated using the straight-line method to write-off the cost of the assets to their residual values over their estimated useful lives. The useful lives for this purpose are as follows:

Aircraft	
- engines and airframe excluding service potential	25 years
- service potential of engines and airframe	7 or 13 years
Aircraft spares	10 years
Aircraft fixtures and fittings	Useful life of aircraft or remaining lease term of aircraft, whichever is shorter
Buildings	
- simulator	28.75 years
- hangar	50 years
Motor vehicles	5 years
Office equipment, furniture and fittings	5 years
Office renovation	5 years
Simulator equipment	25 years
Operating plant and ground equipment	5 years
Kitchen equipment	5 years
In flight equipment	5 years
Training equipment	5 years

Service potential of 7 years represents the period over which the expected cost of the first major aircraft engine overhaul is depreciated. Subsequent to the engine overhaul, the actual cost incurred is capitalised and depreciated over the subsequent 7 years.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment (continued)

Residual values, where applicable, are reviewed annually against prevailing market rates at the balance sheet date for equivalent aged assets and depreciation rates are adjusted accordingly on a prospective basis. For the current financial year ended 31 December 2012, the estimated residual value for aircraft airframes and engines is 10% of their cost (31.12.2011: 10% of their cost; 1.1.2011: 10% of their cost).

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

The cost of subsequent major airframe and engine maintenance checks as well as upgrades to leased assets are capitalised and amortised over the shorter of the period to the next check or the remaining life of the aircraft.

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such an indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2(g) on impairment of assets.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the income statement.

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

(f) Investments

In the Company's separate financial statements, investments in subsidiaries, jointly controlled entities and associates are stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount (see Note 2(g)).

(g) Impairment of assets

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

Any impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

(h) Maintenance and overhaul

Owned aircraft

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Maintenance and overhaul (continued)

Leased aircraft

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

(i) Leases

Finance leases

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases.

Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payment. Each lease payment is allocated between the liability and finance charges so as to achieve a periodic constant rate of interest on the remaining balance of the liability. The corresponding rental obligations, net of finance charges, are included in payables. The interest element of the finance charge is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance lease contracts are depreciated over the estimated useful life of the asset, in accordance with the annual rates stated in Note 2(e) above. Where there is no reasonable certainty that the ownership will be transferred to the Group, the asset is depreciated over the shorter of the lease term and its useful life.

Operating leases

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

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

(j) Inventories

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial assets

(i) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives are also categorised as held for trading unless they are designated as hedges.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'amounts due from associates and other related companies balances' and 'deposits, cash and bank balances' in the balance sheets.

Available-for-sale financial assets

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

(ii) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset.

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

(iii) Subsequent measurement – gains and losses

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

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses (see accounting policy Note 2(k)(iv)) and foreign exchange gains and losses on monetary assets. The exchange differences on monetary assets are recognised in the income statement, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial assets (continued)

(iv) Subsequent measurement – Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- Disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  (i) adverse changes in the payment status of borrowers in the portfolio; and
  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If 'loans and receivables' have a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

Assets classified as available-for-sale

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

In the case of equity securities classified as available-for-sale, in addition to the criteria for 'assets carried at amortised cost' above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in the income statement. The amount of cumulative loss that is reclassified to the income statement is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial assets (continued)

(iv) Subsequent measurement – Impairment of financial assets (continued)

Assets classified as available-for-sale (continued)

Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

Impairment testing on trade receivables is described in accounting policy Note 2(n).

(v) De-recognition

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

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

(l) Offsetting financial instruments

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

(m) Derivative financial instruments and hedging activities

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

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 22 to the financial statements. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Cash flow hedge

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Derivative financial instruments and hedging activities (continued)

Cash flow hedge (continued)

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

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

(n) Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. Otherwise, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(o) Cash and cash equivalents

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

(p) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

(q) Share capital

(i) Classification

Ordinary shares with discretionary dividends are classified as equity.

(ii) Share issue costs

Incremental external costs directly attributable to the issuance of new shares or options are deducted against share premium account.

(iii) Dividends to shareholders of the Company

Dividends on ordinary shares are recognised as a liability in the period in which they are declared. A dividend declared after the end of the reporting period, but before the financial statements are authorised for issue, is not recognised as a liability at the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. The finance costs, which represent the difference between the initial recognised amount and the redemption value is recognised in the financial statements over the period of the borrowings using the effective interest method.

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

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

(s) Income taxes

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and includes all taxes based upon the taxable profits, including withholding taxes payable by foreign subsidiaries, jointly controlled entities or associates.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

Deferred tax assets are recognised for the carry forward of unused tax losses and tax credits (including investment tax allowances) to the extent that it is probable that taxable profits will be available against which the unutilised tax losses and unused tax credits can be utilised.

Deferred tax is recognised on temporary differences arising on investments in subsidiaries, jointly controlled entities and associates except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group’s share of income taxes of jointly controlled entities and associates are included in the Group’s share of results of jointly controlled entities and associates.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

(t) Employee benefits

(i) Short term employee benefits

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

(ii) Defined contribution plan

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

(iii) Share based payments

MFRS 2 – Share-based Payment requires recognition of share-based payment transactions including the value of share options in the financial statements. There is no impact on the financial statements of the Group following the prospective application of FRS 2 in 2006 as all the share options of the Company were fully vested prior to the effective date of the standard.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Revenue recognition

Scheduled passenger flight and chartered flight income are recognised upon the rendering of transportation services and where applicable, are stated net of discounts. The value of seats sold for which services have not been rendered is included in current liabilities as sales in advance. Revenue from aircraft rentals is recorded on a straight-line basis over the term of the lease.

Other revenue which includes fuel surcharge, insurance surcharge, administrative fees, excess baggage and baggage handling fees, are recognised upon the completion of services rendered and where applicable, are stated net of discounts. Freight and other related revenue are recognised upon the completion of services rendered and where applicable, are stated net of discounts. Income from the provision of tour operations (both inbound and outbound) and travel agency services is recognised upon services being rendered and where applicable, are stated net of discounts.

Rental income is recognised on an accrual basis.

Brand license fee is recognised on an accrual basis in accordance with the substance of the agreement.

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

The Group participates in a loyalty programme where customers accumulate points for purchases made which entitle them to discounts on future purchases. Award points are recognised as a cost of sale at the time of issue while revenue from the award points is recognised when the points are redeemed. The amount of revenue is based on the number of points redeemed and the redemption value of each point. Award points expire 36 months after the initial sale.

(v) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses arising from operations are included in arriving at the operating profit. Foreign exchange gains and losses arising from borrowings (after effects of effective hedges) and amounts due from associates and jointly controlled entities are separately disclosed after net operating profit.

(iii) Group companies

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Foreign currencies (continued)

(iii) Group companies (continued)

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

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is disposed of or sold, such exchange differences that were recorded in equity are recognised in the income statements as part of the gain or loss on disposal.

(w) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer).

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

(x) Contingent liabilities

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably.

In the acquisition of subsidiaries by the Group under a business combination, the contingent liabilities assumed are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests.

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

Subsequent to the initial recognition, the Group measures the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provisions of MFRS 137 'Provisions, Contingent Liabilities and Contingent Assets' and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with MFRS 118 'Revenue'.

(y) Segment reporting

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(i) Estimated useful lives and residual values of aircraft frames and engines

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

Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives and residual values of aircraft airframes and engines as disclosed in Note 2(e), would increase the recorded depreciation charge and decrease the carrying amount of property, plant and equipment.

(ii) Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Estimating the future taxable profits involves significant assumptions, especially in respect of 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. However, even where the actual taxable profits in the future are 5 percent lower than the anticipated taxable profits, the deferred tax assets can still be fully utilised.

4 REVENUE

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Passenger seat sales	3,255,612	3,056,082	3,255,612	3,056,082
Baggage fees	392,142	362,597	392,142	362,597
Aircraft operating lease income	534,873	495,416	534,873	495,416
Surcharges and fees	378,685	139,313	378,685	139,313
Travel and tour operations	-	45,208	-	-
Other revenue	384,779	396,525	384,779	396,525
	4,946,091	4,495,141	4,946,091	4,449,933

Other revenue includes assigned seat, freight, cancellation, documentation and other fees, and the on-board sale of meals and merchandise.

5 STAFF COSTS

	Group		Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Wages, salaries, bonus and allowances	521,806	440,458	521,719	438,938
Defined contribution retirement plan	58,488	43,719	58,488	43,588
	580,294	484,177	580,207	482,526

Included in staff costs is Executive Directors' remuneration which is analysed as follows:

	Group and Company	
	2012 RM'000	**2011 RM'000**
Executive Directors		
- basic salaries, bonus and allowances	13,104	13,050
- defined contribution plan	1,404	1,566
Non-Executive Directors		
- fees	1,706	1,706
	16,214	16,322

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

	Executive		Non-executive	
	2012	**2011**	**2012**	**2011**
Range of remuneration				
RM100,001 to RM150,000	-	-	-	2
RM150,001 to RM200,000	-	-	1	1
RM200,001 to RM250,000	-	-	1	1
RM250,001 to RM300,000	-	-	3	3
RM300,001 to RM350,000	-	-	1	1
RM1,000,001 to RM2,000,000	1	-	-	-
RM2,000,001 to RM3,000,000	-	-	-	-
RM3,000,001 to RM4,000,000	-	-	-	-
RM4,000,001 to RM5,000,000	-	-	-	-
RM5,000,001 to RM6,000,000	1	-	-	-
RM6,000,001 to RM7,000,000	1	1	-	-
RM7,000,001 to RM8,000,000	-	-	-	-
RM8,000,001 to RM9,000,000	-	1	-	-

5 STAFF COSTS (CONTINUED)

Set out below are details of outstanding options over the ordinary shares of the Company granted under the ESOS to the Directors:

Grant date	Expiry date	Exercise price RM/share	At 1.1.2012 '000	Exercised '000	Lapsed '000	At 31.12.2012 '000
1 September 2004	6 June 2014	1.08	600	(600)	-	-

Grant date	Expiry date	Exercise price RM/share	At 1.1.2011 '000	Exercised '000	Lapsed '000	At 31.12.2011 '000
1 September 2004	6 June 2014	1.08	1,200	(600)	-	600

	2012 '000	2011 '000
Number of share options vested at balance sheet date	-	600

6 OTHER OPERATING EXPENSES

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

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Impairment of investment in subsidiary	-	-	-	1,904
Property, plant and equipment				
- Written off	-	1,089	-	-
- Impairment loss	-	16,983	-	16,983
Rental of land and building	6,140	2,810	6,140	2,810
Auditors' remuneration				
- audit fees	700	595	675	566
- non-audit fees	169	245	169	245
Rental of equipment	2,929	3,095	2,929	3,095
Advertising costs	35,408	40,796	35,327	36,324
Amortisation of other investments	-	25	-	25
Impairment loss on goodwill	-	1,404	-	-
Net foreign exchange (gains)/losses from operations				
- Realised	29,440	37,112	29,440	36,895
- Unrealised	49,834	(24,277)	49,834	(24,277)

7 OTHER GAINS/(LOSSES) – NET

	Group and Company	
	2012 RM'000	**2011 RM'000**
Interest rate contracts – Held for trading	20,613	(61,422)
Forward foreign exchange contracts – Held for trading	(5,262)	-
Fuel contracts – Held for trading	(4,231)	4,231
Ineffectiveness on cash flow hedges (Note 22)	(85)	1,690
Total	11,035	(55,501)

8 OTHER INCOME

	Group		Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Gain on disposals of property, plant and equipment	9,328	198,923	9,328	198,923
Others	114,614	93,434	104,182	93,233
	123,942	292,357	113,510	292,156

Other income ('others') includes brand licence fees, commission income and advertising income.

9 FINANCE INCOME/(COSTS)

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Finance income:				
- deposits with licensed banks	12,034	949	12,034	949
- short term deposits with fund management companies	3,017	2,927	3,017	2,927
- interest income on amounts due from associates and jointly-controlled entities	51,174	48,467	51,042	48,467
- other interest income	13,166	13,735	13,144	13,713
	79,391	66,078	79,237	66,056
Finance costs:				
Interest expense				
- bank borrowings	(369,418)	(342,268)	(369,418)	(342,268)
- fair value movement recycled from cash flow hedge reserve	-	(25,739)	-	(25,739)
- amortisation of premiums for interest rate caps	(7,895)	(8,247)	(7,895)	(8,247)
- hire-purchase payables	-	(3)	-	(3)
Bank facilities and other charges	(1,495)	(1,637)	(1,472)	(1,608)
	(378,808)	(377,894)	(378,785)	(377,865)
FOREIGN EXCHANGE GAINS/(LOSSES)				
Borrowings:				
- realised	(3,590)	(2,520)	(3,590)	(2,520)
- unrealised	255,358	(187,968)	255,326	(187,968)
- fair value movement recycled from cash flow hedge reserve	(106,343)	97,016	(106,343)	97,016
	145,425	(93,472)	145,393	(93,472)

10 TAXATION

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Current taxation	18,587	18,578	18,536	18,578
Over accrual of income tax in prior years	(342)	(45)	(342)	(45)
	18,245	18,533	18,194	18,533
Deferred taxation (Note 18)	154,704	203,160	154,755	203,109
	172,949	221,693	172,949	221,642
Current taxation				
- Current financial year	18,587	18,578	18,536	18,578
- Over accrual of income tax in prior years	(342)	(45)	(342)	(45)
	18,245	18,533	18,194	18,533
Deferred taxation				
- Origination and reversal of temporary differences	241,753	208,908	241,804	208,857
- Tax incentives	(87,049)	(5,748)	(87,049)	(5,748)
	154,704	203,160	154,755	203,109
	172,949	221,693	172,949	221,642

The current taxation charge is in respect of interest income which is assessed separately.

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

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit before taxation	2,004,287	777,017	835,807	775,009
Tax calculated at Malaysian tax rate of 25% (2011: 25%)	501,072	194,254	208,952	193,752
Tax effects of:				
- expenses not deductible for tax purposes	56,656	61,803	54,713	62,254
- income not subject to tax	(297,388)	(28,594)	(3,325)	(28,594)
- temporary differences not recognised within the pioneer period	-	23	-	23
- tax incentives	(87,049)	(5,748)	(87,049)	(5,748)
- over accrual of income tax in prior years	(342)	(45)	(342)	(45)
Taxation	172,949	221,693	172,949	221,642

11 EARNINGS PER SHARE

(a) Basic earnings per share

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

	Group	
	2012	2011
Net profit for the financial year (RM'000)	1,831,338	555,324
Weighted average number of ordinary shares in issue ('000)	2,779,057	2,776,059
Earnings per share (sen)	65.9	20.0

(b) Diluted earnings per share

For the diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

The Group has dilutive potential ordinary shares arising from the Company's share options granted to employees.

In assessing the dilution in earnings per share arising from the issue of share options, a computation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. This computation serves to determine the "bonus" element to the ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to net profit for the financial year in the calculation of the diluted earnings per share from the issue of the share options.

The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Group	
	2012	2011
Net profit for the financial year (RM'000)	1,831,338	555,324
Weighted average number of ordinary shares in issue ('000)	2,779,057	2,776,059
Adjustment for ESOS ('000)	3,124	5,095
Weighted average number of ordinary shares for diluted earnings per share	2,782,181	2,781,154
Diluted earnings per share (sen)	65.8	20.0

12 PROPERTY, PLANT AND EQUIPMENT

	At 1 January 2012 RM'000	Additions RM'000	Disposals RM'000	Depreciation charge RM'000	At 31 December 2012 RM'000
Group					
Net book value					
Aircraft engines, airframe and service potential	8,379,790	1,827,282	(124,154)	(519,169)	9,563,749
Aircraft spares	109,404	40,624	(2,559)	(22,262)	125,207
Aircraft fixtures and fittings	15,655	12,948	(1,283)	(8,673)	18,647
Buildings	35,979	-	-	(1,398)	34,581
Motor vehicles	4,477	2,140	-	(1,806)	4,811
Office equipment, furniture and fittings	19,498	7,293	(335)	(6,751)	19,705
Office renovation	6,045	2,799	(790)	(1,836)	6,218
Simulator equipment	1,152	24	-	(38)	1,138
Operating plant and ground equipment	10,894	2,933	(2)	(4,030)	9,795
In flight equipment	1,381	83	(319)	(329)	816
Training equipment	2,176	71	-	(884)	1,363
	8,586,451	1,896,197	(129,442)	(567,176)	9,786,030

	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment loss RM'000	Net book value RM'000
Group				
At 31 December 2012				
Aircraft engines, airframe and service potential	11,830,322	(2,266,573)	-	9,563,749
Aircraft spares	253,714	(111,524)	(16,983)	125,207
Aircraft fixtures and fittings	83,180	(64,533)	-	18,647
Buildings	41,204	(6,623)	-	34,581
Motor vehicles	20,746	(15,935)	-	4,811
Office equipment, furniture and fittings	62,258	(42,553)	-	19,705
Office renovation	17,348	(11,130)	-	6,218
Simulator equipment	4,967	(3,829)	-	1,138
Operating plant and ground equipment	35,989	(26,194)	-	9,795
In flight equipment	1,732	(916)	-	816
Training equipment	4,419	(3,056)	-	1,363
	12,355,879	(2,552,866)	(16,983)	9,786,030

Notes to the Financial Statements
31 December 2012

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	At 1 January 2011 RM'000	Additions RM'000	Disposals RM'000	Write off RM'000	Depreciation charge RM'000	Impairment loss RM'000	At 31 December 2011 RM'000
Group							
Net book value							
Aircraft engines, airframe and service potential	9,045,624	1,210,565	(1,354,961)	-	(521,438)	-	8,379,790
Aircraft spares	125,781	22,843	(1,198)	-	(21,039)	(16,983)	109,404
Aircraft fixtures and fittings	22,763	6,031	(2,940)	-	(10,199)	-	15,655
Buildings	37,387	-	-	-	(1,408)	-	35,979
Motor vehicles	6,782	585	-	(605)	(2,285)	-	4,477
Office equipment, furniture and fittings	18,617	7,699	(404)	(270)	(6,144)	-	19,498
Office renovation	2,818	4,705	-	(20)	(1,458)	-	6,045
Simulator equipment	45,684	21,869	(65,038)	-	(1,363)	-	1,152
Operating plant and ground equipment	9,408	5,753	(4)	-	(4,263)	-	10,894
Kitchen equipment	194	-	-	(194)	-	-	-
In flight equipment	1,057	664	(28)	-	(312)	-	1,381
Training equipment	1,926	1,250	-	-	(1,000)	-	2,176
	9,318,041	1,281,964	(1,424,573)	(1,089)	(570,909)	(16,983)	8,586,451

	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment loss RM'000	Net book value RM'000
Group				
At 31 December 2011				
Aircraft engines, airframe and service potential	10,127,194	(1,747,404)	-	8,379,790
Aircraft spares	216,049	(89,662)	(16,983)	109,404
Aircraft fixtures and fittings	71,524	(55,869)	-	15,655
Buildings	41,204	(5,225)	-	35,979
Motor vehicles	18,599	(14,122)	-	4,477
Office equipment, furniture and fittings	55,602	(36,104)	-	19,498
Office renovation	15,339	(9,294)	-	6,045
Simulator equipment	4,943	(3,791)	-	1,152
Operating plant and ground equipment	33,529	(22,635)	-	10,894
Kitchen equipment	8	(8)	-	-
In flight equipment	1,968	(587)	-	1,381
Training equipment	4,348	(2,172)	-	2,176
	10,590,307	(1,986,873)	(16,983)	8,586,451

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment loss RM'000	Net book value RM'000
Group				
At 1 January 2011				
Aircraft engines, airframe and service potential	10,476,156	(1,423,536)	(6,996)	9,045,624
Aircraft spares	195,155	(69,374)	-	125,781
Aircraft fixtures and fittings	71,504	(48,741)	-	22,763
Buildings	41,204	(3,817)	-	37,387
Motor vehicles	18,619	(11,837)	-	6,782
Office equipment, furniture and fittings	49,116	(30,499)	-	18,617
Office renovation	10,655	(7,837)	-	2,818
Simulator equipment	55,988	(10,304)	-	45,684
Operating plant and ground equipment	28,121	(18,713)	-	9,408
Kitchen equipment	202	(8)	-	194
In flight equipment	1,385	(328)	-	1,057
Training equipment	3,098	(1,172)	-	1,926
	10,951,203	(1,626,166)	(6,996)	9,318,041

	At 1 January 2012 RM'000	Additions RM'000	Disposals RM'000	Depreciation charge RM'000	At 31 December 2012 RM'000
Company					
Net book value					
Aircraft engines, airframe and service potential	8,379,790	1,827,282	(124,154)	(519,169)	9,563,749
Aircraft spares	109,404	40,624	(2,559)	(22,262)	125,207
Aircraft fixtures and fittings	15,655	12,948	(1,283)	(8,673)	18,647
Buildings	35,979	-	-	(1,398)	34,581
Motor vehicles	4,477	2,140	-	(1,806)	4,811
Office equipment, furniture and fittings	19,193	7,293	(30)	(6,751)	19,705
Office renovation	6,045	2,799	(790)	(1,836)	6,218
Simulator equipment	1,152	24	-	(38)	1,138
Operating plant and ground equipment	10,894	2,933	(2)	(4,030)	9,795
In flight equipment	1,381	83	(319)	(329)	816
Training equipment	2,176	71	-	(884)	1,363
	8,586,146	1,896,197	(129,137)	(567,176)	9,786,030

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31 December 2012

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment loss RM'000	Net book value RM'000
Company				
At 31 December 2012				
Aircraft engines, airframe and service potential	11,830,322	(2,266,573)	-	9,563,749
Aircraft spares	253,714	(111,524)	(16,983)	125,207
Aircraft fixtures and fittings	83,180	(64,533)	-	18,647
Buildings	41,204	(6,623)	-	34,581
Motor vehicles	20,746	(15,935)	-	4,811
Office equipment, furniture and fittings	62,258	(42,553)	-	19,705
Office renovation	17,348	(11,130)	-	6,218
Simulator equipment	4,967	(3,829)	-	1,138
Operating plant and ground equipment	35,989	(26,194)	-	9,795
In flight equipment	1,732	(916)	-	816
Training equipment	4,419	(3,056)	-	1,363
	12,355,879	(2,552,866)	(16,983)	9,786,030

	At 1 January 2011 RM'000	Additions RM'000	Disposals RM'000	Impairment loss RM'000	Depreciation charge RM'000	At 31 December 2011 RM'000
Company						
Net book value						
Aircraft engines, airframe and service potential	9,045,624	1,210,565	(1,354,961)	-	(521,438)	8,379,790
Aircraft spares	125,781	22,843	(1,198)	(16,983)	(21,039)	109,404
Aircraft fixtures and fittings	22,763	6,031	(2,940)	-	(10,199)	15,655
Buildings	37,387	-	-	-	(1,408)	35,979
Motor vehicles	6,177	585	-	-	(2,285)	4,477
Office equipment, furniture and fittings	17,987	7,600	(404)	-	(5,990)	19,193
Office renovation	2,798	4,705	-	-	(1,458)	6,045
Simulator equipment	45,684	21,869	(65,038)	-	(1,363)	1,152
Operating plant and ground equipment	9,408	5,753	(4)	-	(4,263)	10,894
In flight equipment	1,057	664	(28)	-	(312)	1,381
Training equipment	1,926	1,250	-	-	(1,000)	2,176
	9,316,592	1,281,865	(1,424,573)	(16,983)	(570,755)	8,586,146

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment loss RM'000	Net book value RM'000
Company				
At 31 December 2011				
Aircraft engines, airframe and service potential	10,127,194	(1,747,404)	-	8,379,790
Aircraft spares	216,049	(89,662)	(16,983)	109,404
Aircraft fixtures and fittings	71,524	(55,869)	-	15,655
Buildings	41,204	(5,225)	-	35,979
Motor vehicles	18,606	(14,129)	-	4,477
Office equipment, furniture and fittings	55,119	(35,926)	-	19,193
Office renovation	15,339	(9,294)	-	6,045
Simulator equipment	4,943	(3,791)	-	1,152
Operating plant and ground equipment	33,529	(22,635)	-	10,894
In flight equipment	1,968	(587)	-	1,381
Training equipment	4,348	(2,172)	-	2,176
	10,589,823	(1,986,694)	(16,983)	8,586,146
At 1 January 2011				
Aircraft engines, airframe and service potential	10,476,156	(1,423,536)	(6,996)	9,045,624
Aircraft spares	195,155	(69,374)	-	125,781
Aircraft fixtures and fittings	71,504	(48,741)	-	22,763
Buildings	41,204	(3,817)	-	37,387
Motor vehicles	18,021	(11,844)	-	6,177
Office equipment, furniture and fittings	48,462	(30,475)	-	17,987
Office renovation	10,634	(7,836)	-	2,798
Simulator equipment	55,988	(10,304)	-	45,684
Operating plant and ground equipment	28,121	(18,713)	-	9,408
In flight equipment	1,385	(328)	-	1,057
Training equipment	3,098	(1,172)	-	1,926
	10,949,728	(1,626,140)	(6,996)	9,316,592

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Included in property, plant and equipment of the Group and the Company are assets with the following net book values:

	Group and Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Net book value of owned aircraft sub-leased out	3,494,822	3,068,452	3,445,485
Aircraft pledged as security for borrowings (Note 29)	9,561,999	8,363,292	9,030,028
Simulator pledged as security for borrowings (Note 29)	-	-	41,371
Motor vehicles on hire-purchase	-	-	16

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

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

13 INVESTMENT IN SUBSIDIARIES

	Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Unquoted investments, at cost	27,316	27,316	27,316
Less: Accumulated impairment losses	(3,836)	(3,836)	(1,932)
	23,480	23,480	25,384

	Company	
	2012 RM'000	2011 RM'000
At 1 January	23,480	25,384
Additional investment in a subsidiary	-	-
	23,480	25,384
Less: Impairment loss in investment in a subsidiary	-	(1,904)
At 31 December	23,480	23,480

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows:

Name	Country of incorporation	31.12.2012 %	Group's effective equity interest 31.12.2011 %	1.1.2011 %	Principal activities
Directly held by the Company					
Crunchtime Culinary Services Sdn Bhd **	Malaysia	-	100.0	100.0	Provision of in flight meals, previously dormant
AirAsia Investment Ltd ("AAIL")	Malaysia	100.0	100.0	100.0	Investment holding
AirAsia Go Holiday Sdn Bhd ("AGH")	Malaysia	100.0	100.0	100.0	Tour operating business
AirAsia (Mauritius) Limited*	Mauritius	100.0	100.0	100.0	Providing aircraft leasing facilities to Thai AirAsia Co. Ltd
Airspace Communications Sdn Bhd **	Malaysia	-	100.0	100.0	Media owner with publishing division, previously dormant
AirAsia (B) Sdn Bhd **	Negara Brunei Darussalam	-	100.0	100.0	Providing air transportation services, previously dormant
AirAsia Corporate Services Limited *	Malaysia	100.0	100.0	100.0	Facilitate business transactions for AirAsia Group with non-resident goods and service providers
Aras Sejagat Sdn Bhd	Malaysia	100.0	100.0	100.0	Special purpose vehicle for financing arrangements required by AirAsia
Koolred Sdn Bhd ("Koolred")	Malaysia	100.0	100.0	100.0	Investment holding
Asia Air Limited *	United Kingdom	100.0	100.0	100.0	To provide and promote AirAsia's in flight food tothe European market, currently dormant
Held by AGH					
AirAsia Exp Pte. Ltd ("AAE") *	Singapore	100.0	100.0	-	Investment holding

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

Name	Country of incorporation	Group's effective equity interest 31.12.2012 %	31.12.2011 %	1.1.2011 %	Principal activities
Held by AAIL					
AirAsia (Hong Kong) Limited **	Hong Kong	-	100.0	100.0	Dormant
AirAsia Capital Ltd *	Malaysia	100.0	100.0	100.0	Dormant

* Not audited by PricewaterhouseCoopers, Malaysia
** Approved for strike off from Companies Commission of Malaysia / Brunei Darussalam Government Gazette / Companies Registry of Hong Kong

14 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Represented by:						
Unquoted investments, at cost	123,728	123,728	12,054	81,559	81,559	-
Share of post-acquisition reserves	9,081	(74)	(12,054)	-	-	-
Effects of change in classification from jointly controlled entity to associates	(12,054)	-	-	-	-	-
	120,755	123,654	-	81,559	81,559	-

14 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

The details of the jointly controlled entity are as follows:

Name	Country of incorporation	Group's effective equity interest 31.12.2012 %	31.12.2011 %	1.1.2011 %	Principal activities
Think Big Digital Sdn Bhd ("BIG")	Malaysia	50.0	50.0	-	Financial services
Asian Aviation Centre of Excellence Sdn Bhd	Malaysia	50.0	50.0	-	Aviation training
Held by AAIL					
Thai AirAsia Co. Ltd ("TAA")	Thailand	45.0*	48.9	48.9	Commercial air transport services
Held by AAE					
AAE Travel Pte Ltd ("AAE Travel")	Singapore	50.0	50.0	-	Online travel agency
Held by AAE Travel					
AAEXP Malaysia Sdn Bhd	Malaysia	50.0	-	-	Online travel agency

* Reclassified as investment in associate (Note 15)

At the end of the previous financial year, the unrecognised amount of the Group's share of losses of TAA which has not been equity accounted for amounted to RM28.5 million (1.1.2011: RM127.8 million).

Subsequent to the intial public offering of Asia Aviation Plc, the major shareholder of TAA, the Group's effective interest in TAA reduced from 48.9% to 45%. As a consequence of the reduction in shareholding, TAA ceased to be a jointly controlled entity of the Group and became an associate of the Group. Accordingly, in the current financial year, the Group reclassified its investment in TAA from investment in jointly controlled entities to investment in associates as disclosed in Note 15 to the financial statements.

In accordance with the provisions of MFRS131, Interests in Joint Ventures, this has resulted in a RM120.1 million gain on the disposal of the 4% equity interest and a fair value gain on the remaining 45% equity interest in TAA of RM1,040.3 million. The total gain is presented in the income statement as a 'Fair value and gain on disposal of interest in Thai AirAsia Co. Ltd.'

14 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

The Group's share of the results of the jointly controlled entities, which has been equity accounted for, is as follows:

	2012 RM'000	2011 RM'000
Revenue	158,591	61,334
Net (loss)/profit for the financial year	(2,899)	11,980

The Group's share of assets and liabilities of the jointly controlled entities is as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Non-current assets	117,864	97,546	-
Current assets	53,018	51,137	-
Current liabilities	(50,127)	(25,029)	-
Share of net assets of the jointly controlled entities	120,755	123,654	-

The Group discontinued recognition of its share of profits made by BIG as the Group's interest in the joint venture has been reduced to zero and the Group has not incurred any obligations or guaranteed any obligations in respect of the joint venture. As at 31 December 2012, the unrecognised amounts of the Group's share of losses of BIG which have not been equity accounted for amounted to RM9.8 million (31.12.2011: RM4.4 million; 1.1.2011: RM Nil).

15 INVESTMENTS IN ASSOCIATES

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Unquoted investments, at cost	1,213,010	48,843	4,141	29	29	29
Group's share of post-acquisition losses	(8,435)	(9,764)	(4,112)	-	-	-
	1,204,575	39,079	29	29	29	29

15 INVESTMENTS IN ASSOCIATES (CONTINUED)

The details of the associates are as follows:

Name	Country of incorporation	31.12.2012 %	Group's effective equity interest 31.12.2011 %	1.1.2011 %	Principal activities
AirAsia Philippines Inc	Philippines	39.9	39.9	39.9	Providing air transportation services, currently dormant
Asian Contact Centres Sdn. Bhd.	Malaysia	50.0	50.0	50.0	Providing end-to-end solutions for customers contact management and contact centre
Held by AAIL					
PT Indonesia AirAsia ("IAA")	Indonesia	48.9	48.9	48.9	Commercial air transport services
Thai AirAsia Co. Ltd ("TAA")	Thailand	45.0	48.9**	48.9**	Commercial air transport services
AirAsia Go Holiday Co. Ltd	Thailand	49.0	49.0	49.0	Tour operating business, currently dormant
AirAsia Inc ("PAA")	Philippines	40.0	40.0	40.0	Commercial air transport services
AirAsia Japan Co., Ltd ("JAA")	Japan	49.0	49.0	-	Commercial air transport services
AirAsia Pte Ltd *	Singapore	-	48.9	48.9	Dormant
Held by Koolred					
Flight Focus Pte Ltd	Singapore	19.4 ***	20.0	-	Aeronautical services
Merlot Aero Limited	New Zealand	17.5 ***	12.5	-	Aeronautical services

* Approved for strike off
** Classified as investment in jointly controlled entity (Note 14)
*** Reclassified from investments in associates to available-for-sale financial assets as disclosed in Note 16 to the financial statements

The Group's share of the results of associates, which has been equity accounted for, is as follows:

	2012 RM'000	2011 RM'000
Revenue	918,649	271
Net profit/(loss) for the financial year	1,329	(5,652)

15 INVESTMENTS IN ASSOCIATES (CONTINUED)

The Group's share of assets and liabilities of the associates is as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Non-current assets	1,191,149	17,488	-
Current assets	321,710	29,860	29
Current liabilities	(223,088)	(8,201)	-
Non-current liabilities	(85,196)	(68)	-
Share of net assets of associates	1,204,575	39,079	29

The Group discontinued recognition of its share of profits made by IAA as the Group's interest in this associate has been reduced to zero and the Group has not incurred any obligations or guaranteed any obligations in respect of the associate. As at 31 December 2012, the unrecognised amounts of the Group's share of losses of IAA which have not been equity accounted for amounted to RM163.2 million (31.12.2011: RM186.0; 1.1.2011: RM196.6 million).

The Group discontinued recognition of its share of profits made by PAA as the Group's interest in this associate has been reduced to zero and the Group has not incurred any obligations or guaranteed any obligations in respect of the associate. As at 31 December 2012, the unrecognised amounts of the Group's share of losses of PAA which have not been equity accounted for amounted to RM26.6 million (31.12.2011: RM Nil; 1.1.2011: RM Nil).

The Group discontinued recognition of its share of profits made by JAA as the Group's interest in this associate has been reduced to zero and the Group has not incurred any obligations or guaranteed any obligations in respect of the associate. As at 31 December 2012, the unrecognised amounts of the Group's share of losses of JAA which have not been equity accounted for amounted to RM0.3 million (31.12.2011: RM Nil; 1.1.2011: RM Nil).

As at 31 December 2011 and 1 January 2011, Thai AirAsia was a jointly controlled entity of the Group. As explained in Note 14 to the financial statements, Thai AirAsia is now an associate of the Group.

16 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2012 RM'000	2011 RM'000
Non-current		
At 1 January	152,942	152,942
Reclassified from investments in associates (Note 15)	12,810	-
Additions	32,756	-
Fair value gain – recognised in other comprehensive income	110,284	-
At 31 December	308,792	152,942

16 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

	Company	
	2012 RM'000	2011 RM'000
Non-current		
At 1 January	152,942	152,942
Additions	32,756	-
Fair value gain – recognised in other comprehensive income	110,284	-
At 31 December	295,982	152,942

The Group has investments in Tune Ins Holdings Berhad ("TIH"), AirAsia X Berhad ("AAX"), Flight Focus Pte Ltd ("Flight Focus") and Merlot Aero Limited ("Merlot") which are classified as available-for-sale financial assets.

(a) During the current financial year, the Company exercised its rights under the Call Option Agreement with TIH and Tune Money Sdn Bhd to purchase 121,677,000 ordinary shares of RM0.10 each in TIH, for a consideration of RM16.0 million, representing 20% of the issued and paid up share capital of TIH of 608,385,080 shares. The fair value of the investment in TIH is based on a multiple of net assets derived from similar market transactions at the valuation date.

Subsequent to the balance sheet date, TIH was listed on the Main Market of Bursa Securities Malaysia following an initial public offering of shares at a price of RM1.35 per share.

(b) During the financial year, the Company increased its investment in AAX from 16% to 18.3% via the purchase of 6,252,919 ordinary shares for a consideration of RM16.8 million. The fair value of the investment in AAX is based on a multiple of expected future earnings derived from available market data.

The valuation of an available-for-sale equity investment requires a high degree of subjectivity and significant judgment. In making this judgment, the Group is dependent on the key bases and assumptions which include the short term business outlook for the investee, including factors such as industry performance, prospects for public listing, changes in technology, operational and financing cash flows, and the regulatory environment.

(c) The investments in Flight Focus and Merlot, held by Koolred, were reclassified from investments in associates during the financial year under review. The investment in Flight Focus was diluted to 19.4% from 20.0% in the previous financial year and Koolred ceased to have board representation in Merlot. As a consequence, Koolred ceased to exert significant influence over either investee entity such that the investments have been reclassified as available-for-sale financial assets, carried at their fair values.

The maximum exposure to credit risk at the reporting date is the carrying value of the securities classified as available-for-sale. These financial assets are neither past due nor impaired.

17 GOODWILL

	Group 2012 RM'000	Group 2011 RM'000
Cost		
At 1 January	7,334	8,738
Impairment loss charged for the year (Note 6)	-	(1,404)
At 31 December	7,334	7,334

The carrying amount of goodwill allocated to the Group's cash-generating unit ("CGU") is as follows:

	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Group 1.1.2011 RM'000
Cost			
AirAsia Investment Ltd ("AAIL")	7,334	7,334	7,334
Crunchtime Culinary Services Sdn Bhd ("Crunchtime")	-	-	1,404
	7,334	7,334	8,738

During the previous financial year, management performed an annual assessment on the carrying amount of goodwill allocated to Crunchtime which was dormant.

Arising from the above assessment, the Group recognised an impairment charge of RM1,404,000 during the financial year ended 31 December 2011.

18 DEFERRED TAXATION

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 balance sheets:

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Deferred tax assets	361,396	516,100	719,260	361,396	516,151	719,260

18 DEFERRED TAXATION (CONTINUED)

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

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
At start of financial year	516,100	719,260	516,151	719,260
(Charged)/credited to income statement (Note 10)				
- Property, plant and equipment	(241,753)	(208,908)	(241,804)	(208,857)
- Tax incentives	87,049	5,748	87,049	5,748
	(154,704)	(203,160)	(154,755)	(203,109)
At end of financial year	361,396	516,100	361,396	516,151

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Deferred tax assets (before offsetting)						
Tax incentives	1,084,532	997,483	991,735	1,084,532	997,483	991,735
Tax losses	9,171	9,171	9,171	9,171	9,171	9,171
	1,093,703	1,006,654	1,000,906	1,093,703	1,006,654	1,000,906
Offsetting	(732,307)	(490,554)	(281,646)	(732,307)	(490,503)	(281,646)
Deferred tax assets (after offsetting)	361,396	516,100	719,260	361,396	516,151	719,260
Deferred tax liabilities (before offsetting)						
Property, plant and equipment	(732,307)	(490,554)	(281,646)	(732,307)	(490,503)	(281,646)
Offsetting	732,307	490,554	281,646	732,307	490,503	281,646
Deferred tax liabilities (after offsetting)	-	-	-	-	-	-

18 DEFERRED TAXATION (CONTINUED)

As disclosed in Note 3 to the financial statements 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.

The Ministry of Finance has granted approval to the Company under Section 127 of Income Tax Act, 1967 for income tax exemption in the form of an Investment Allowance ("IA") of 60% on qualifying expenditure incurred within a period of 5 years commencing 1 July 2009 to 30 June 2014, to be set off against 70% of the statutory income for each year of assessment. Any unutilised allowance can be carried forward to subsequent years until fully utilised. The amount of income exempted from tax is credited to a tax-exempt account from which tax-exempt dividends can be declared.

19 RECEIVABLES AND PREPAYMENTS

	Group			Company		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Non-current:						
Trade receivables	28,141	-	-	28,141	-	-
Prepayments	-	15,548	23,593	-	15,548	23,593
	28,141	15,548	23,593	28,141	15,548	23,593
Current:						
Trade receivables	97,774	123,269	105,325	84,690	107,930	93,911
Less: Allowance for impairment	(1,458)	(1,458)	(1,994)	(1,458)	(1,458)	(1,994)
	96,316	121,811	103,331	83,232	106,472	91,917
Other receivables	160,057	143,746	124,045	139,741	130,623	110,815
Less: Allowance for impairment	(1,608)	(1,608)	(1,072)	(1,608)	(1,608)	(1,072)
	158,449	142,138	122,973	138,133	129,015	109,743
Prepayments	734,530	472,443	326,049	734,528	472,302	325,516
Deposits for maintenance of aircraft	64,014	50,352	38,034	64,014	50,352	38,034
Deposits – cash collateral for derivatives	226,279	238,489	177,729	226,279	238,489	177,729
Other deposits	77,506	84,542	73,006	77,428	84,495	72,982
	1,357,094	1,109,775	841,122	1,323,614	1,081,125	815,921

Credit terms of trade receivables range from 30 to 60 days (31.12.2011: 30 to 60 days; 1.1.2011: 30 to 60 days).

19 RECEIVABLES AND PREPAYMENTS (CONTINUED)

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

Receivables that are neither past due nor impaired of RM183,324,000 and RM149,924,000 (31.12.2011: RM198,242,000 and RM169,780,000; 1.1.2011: RM172,135,000 and RM147,491,000) for the Group and Company respectively. These are substantially companies with good collection track records with the Group and Company.

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

Receivables that are past due but not impaired amounted to RM71,441,000 (31.12.2011: RM65,707,000; 1.1.2011: RM54,169,000) for the Group and Company. These are related to a number of independent customers which have no recent history of default. The ageing analysis of these receivables that are past due but not impaired is as follows:

	Group and Company		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Up to 3 months	20,786	24,166	15,766
Over 3 months	50,655	41,541	38,403
	71,441	65,707	54,169

(iii) Financial assets that are past due and/or impaired

The carrying amount of receivables individually determined to be impaired are as follows:

	Group and Company		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Over 3 months	3,066	3,066	3,066
Less: Allowance for impairment	(3,066)	(3,066)	(3,066)
	-	-	-

The individually impaired 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.

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

Deposits of the Group and Company at the balance sheet date are with a number of external parties for which there is no expectation of default.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group and Company do not hold any collateral as security.

19 RECEIVABLES AND PREPAYMENTS (CONTINUED)

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

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Ringgit Malaysia	50,701	208,305	122,123	50,701	208,255	97,466
US Dollar	453,959	361,610	353,417	420,481	333,151	353,417
Others	146,045	67,417	39,533	146,045	67,417	39,522
	650,705	637,332	515,073	617,227	608,823	490,405

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

The carrying amounts of the Group's and the Company's trade and other receivables approximate their fair values.

20 DEPOSITS ON AIRCRAFT PURCHASE

Deposits on aircraft purchases represent amounts advanced towards the final cost of aircraft to be delivered to the Company.

21 AMOUNTS DUE FROM/(TO) ASSOCIATES

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Amounts due from associates	780,985	803,106	280,350	780,985	803,106	280,350
Amount due to an associate	(29,032)	(4,444)	(5,223)	(68,052)	(4,444)	(5,223)
	751,953	798,662	275,127	712,933	798,662	275,127

The analysis of the movements in the amounts due from associates is as follows:

	Group and Company	
	2012 RM'000	2011 RM'000
At 1 January	803,106	280,350
Income, recharges and other expenses	594,845	427,103
(Repayment)/advance for purchase of aircraft	(70,110)	565,965
Receipts and settlements	(534,652)	(492,908)
Foreign exchange gain/(loss) on translation	(12,204)	10,403
Unwinding of discount on receivables	-	12,193
At 31 December	780,985	803,106

21 AMOUNTS DUE FROM/(TO) ASSOCIATES (CONTINUED)

	Group and Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Current	331,407	289,492	162,386
Non-current	449,578	513,614	117,964
	780,985	803,106	280,350

Amounts due from associates include an amount of RM495,855,000 (31.12.2011: RM565,965,000; 1.1.2011: RM Nil) relating to advances to PT Indonesia AirAsia ("IAA") for purchase of aircraft in 2011 for the financing of aircraft purchase and are repayable over a term of up to 9 years at interest rates between 6.16% to 6.65% per annum. From this amount of RM495,855,000, RM449,578,000 (31.12.2011: RM513,614,000; 1.1.2011: RM Nil) is repayable after 12 months. The Company holds the aircraft as collateral. Other amounts due from associates were charged interest at 6% per annum with effect from 1 January 2010.

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

Amounts due from associates that are neither past due nor impaired of the Group and Company amounted to RM693,902,000 (31.12.2011: RM695,336,000; 1.1.2011: RM130,200,000).

The Group and Company have not made any impairment as management is of the view that these amounts are recoverable.

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

Amounts due from associates of the Group and Company that are past due but not impaired amounted to RM87,083,000 (31.12.2011: RM107,770,000; 1.1.2011: RM150,150,000). The ageing analysis of these amounts is as follows:

	Group and Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Up to 3 months	87,083	106,776	130,200
Over 3 months	-	994	19,950
	87,083	107,770	150,150

The maximum exposure to credit risk at the reporting date is the carrying value of the amounts due from associates mentioned above. Other than as disclosed above, the Group and Company do not hold any collateral as security.

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21 AMOUNTS DUE FROM/(TO) ASSOCIATES (CONTINUED)

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

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Amounts due from associates						
- US Dollar	779,307	798,586	268,058	779,307	798,586	268,058
- Philippines Peso	1,678	4,520	12,292	1,678	4,520	12,292
	780,985	803,106	280,350	780,985	803,106	280,350
Amounts due to an associate						
- Singapore Dollar	-	(4,444)	(5,223)	-	(4,444)	(5,223)
- US Dollar	(29,032)	-	-	(68,052)	-	-
	(29,032)	(4,444)	(5,223)	(68,052)	(4,444)	(5,223)

22 DERIVATIVE FINANCIAL INSTRUMENTS

	Group and Company					
	31.12.2012		31.12.2011		1.1.2011	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
Non-current						
Interest rate swaps – cash flow hedges	-	(368,984)	-	(337,083)	-	(211,457)
Interest rate swaps – held for trading	-	(95,463)	-	(113,847)	-	(105,545)
Interest rate caps – held for trading	2,364	-	5,507	-	23,306	-
Forward foreign exchange contracts – cash flow hedges	34,125	(39,782)	36,329	(32,124)	2,238	(132,656)
Forward foreign exchange contracts – held for trading	1,184	(5,979)	2,975	(5,267)	-	(3,207)
Total	37,673	(510,208)	44,811	(488,321)	25,544	(452,865)

22 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	Group and Company					
	31.12.2012		31.12.2011		1.1.2011	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
Current						
Interest rate swaps – held for trading	-	(29,950)	-	(35,322)	-	-
Forward foreign exchange contracts – held for trading	-	(5,469)	-	(2,689)	-	-
Commodity derivatives – cash flow hedges	-	-	3,428	-	-	-
Commodity derivatives – held for trading	-	-	4,231	-	-	-
Total	-	(35,419)	7,659	(38,011)	-	-

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedge 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.

The ineffective portion recognised in the Group's and Company's income statement arising from cash flow hedges amounted to a loss of RM0.085 million (2011: RM1.7 million gain) (Note 7).

	31.12.2012		31.12.2011		1.1.2011	
	Notional amount RM'000	Fair value RM'000	Notional amount RM'000	Fair value RM'000	Notional amount RM'000	Fair value RM'000
Interest rate caps	371,746	2,364	427,544	5,507	635,877	23,306
Interest rate swaps	4,090,465	(494,397)	3,789,186	(486,251)	2,684,830	(317,000)
Cross currency interest rate swaps	158,540	(14,238)	180,660	(12,481)	198,491	(11,357)
Forward foreign exchange contracts	3,664,530	(1,683)	3,616,486	11,705	3,522,199	(122,270)
Commodity derivatives	-	-	1,200,000*	7,659	-	-

*: in barrels

22 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(i) Forward foreign exchange contracts

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2012 were RM3.823 billion (31.12.2011: RM3.797 billion; 1.1.2011: RM3.721 billion).

As at 31 December 2012, the Group has hedged approximately 59% (31.12.2011: 64%; 1.1.2011: 60%) of its USD liabilities pertaining to its aircraft, engine and simulator loans into Malaysian Ringgit ("RM") by using long dated foreign exchange forward contracts to manage its foreign currency risk. The latest weighted average of USD:RM forward exchange rate is 3.2245 (31.12.2011: 3.2392; 1.1.2011: 3.2528). Gains and losses recognised in the hedging reserve in equity on forward foreign exchange contracts as of 31 December 2012 will be continuously released to the income statement within foreign exchange gains/(losses) on borrowings until the full repayment of the term loans (refer Note 29 to the financial statements).

(ii) Interest rate hedging

The notional principal amounts of the outstanding interest rate contracts at 31 December 2012 were RM4.462 billion (31.12.2011: RM4.217 billion; 1.1.2011: RM3.320 billion).

The Group has entered into interest rate contracts to hedge against fluctuations in the USD LIBOR on its existing and highly probable future floating rate aircraft financing for aircraft delivered from 2005 to 2013. As at 31 December 2012, the Group has hedged 82% (31.12.2011: 100%; 1.1.2011: 100%) of its existing and future floating aircraft loans at rates from 1.80% to 5.20% per annum (31.12.2011: 2.05% to 5.20% per annum; 1.1.2011: 3.25% to 5.20% per annum) via interest rate swaps, interest rate caps and cross-currency swaps. Out of the RM8.41 billion (31.12.2011: RM7.78 billion; 1.1.2011: RM7.86 billion) borrowings, the Group has hedged 30% (31.12.2011: 15%; 1.1.2011: 17%) of the term loans and 90% (31.12.2011: 66%; 1.1.2011: 90%) of the finance lease liabilities (Note 29). Gains and losses recognised in the hedging reserve in equity on interest rate swap contracts as of 31 December 2012 will be continuously released to the income statement within finance cost until the full repayment of the term loans (refer Note 29 to the financial statements).

(iii) Fuel contracts

The outstanding number of barrels of Brent and Singapore Jet Kerosene derivative contracts at 31 December 2012 was Nil (31.12.2011: 1.2 million; 1.1.2011: Nil).

23. INVENTORIES

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Spares and consumables	16,950	13,515	14,304	16,950	13,515	14,304
In flight merchandise and others	6,775	6,215	3,249	6,775	6,215	2,701
	23,725	19,730	17,553	23,725	19,730	17,005

24 AMOUNTS DUE FROM SUBSIDIARIES AND A RELATED PARTY

The amounts due from subsidiaries are unsecured, interest bearing and have no fixed terms of repayment. These balances are neither past due nor impaired.

The amount due from a related party is unsecured, interest free and has no fixed term of repayment.

The currency profile of amounts due from subsidiaries and a related party is as follows:

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Ringgit Malaysia	1,282	-	-	26,656	12,240	2,758
US Dollar	-	-	-	149,356	93,169	429,624
	1,282	-	-	176,012	105,409	432,382

25 AMOUNTS DUE FROM/(TO) JOINTLY CONTROLLED ENTITIES

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Amounts due from jointly controlled entities	10,765	4,526	99,802	3,066	4,526	-
Amounts due to jointly controlled entities	-	(19,761)	-	-	(50,087)	(322,614)
	10,765	(15,235)	99,802	3,066	(45,561)	(322,614)

Amounts due from/(to) jointly controlled entities are unsecured and have no fixed terms of repayment.

The amounts due from/(to) jointly controlled entity at 31 December 2011 and 1 January 2011 included amount due from/(to) Thai AirAsia Co Ltd ("TAA") which was denominated in US Dollar, unsecured and had no fixed terms of repayment, and bore interest at a rate equivalent to the Company's borrowing rate of 6% per annum with effect from 1 January 2010.

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25 AMOUNTS DUE FROM/(TO) JOINTLY CONTROLLED ENTITIES (CONTINUED)

The analysis of the movements in the amounts due from/(to) jointly controlled entities for the financial year ended 31 December 2012 is as follows:

	Group	
	2012 RM'000	2011 RM'000
Current		
At 1 January	(15,235)	99,802
Income, recharges other expenses	514,186	426,647
Receipts and settlements	(476,740)	(550,882)
Foreign exchange loss on translation	(2,178)	(1,265)
Unwinding on discount on receivables	-	10,463
Reclassified as amounts due from/(to) associates	(9,268)	-
At 31 December	10,765	(15,235)

The currency profile of the amounts due from/(to) jointly controlled entities is as follows:

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Amounts due to jointly controlled entities			
- US Dollar	-	(15,577)	-
- Singapore Dollar	-	(4,184)	-
	-	(19,761)	-
Amounts due from jointly controlled entities			
- US Dollar	-	-	99,802
- Ringgit Malaysia	3,066	4,526	-
- Singapore Dollar	7,699	-	-
	10,765	4,526	99,802
	10,765	(15,235)	99,802

26 CASH AND CASH EQUIVALENTS

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

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Cash and bank balances	1,552,043	1,339,527	681,859	1,489,408	1,314,229	676,303
Deposits with licensed banks	571,425	659,237	719,439	568,328	659,237	719,439
Short term deposits with fund management companies	109,263	106,246	103,319	109,263	106,246	103,319
Deposits, cash and bank balances	2,232,731	2,105,010	1,504,617	2,166,999	2,079,712	1,499,061
Deposits pledged as Securities	(13,488)	(12,394)	(28,789)	(13,488)	(12,394)	(28,789)
	2,219,243	2,092,616	1,475,828	2,153,511	2,067,318	1,470,272

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

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Ringgit Malaysia	989,551	818,728	784,672	986,161	817,261	783,031
US Dollar	203,848	216,220	211,677	141,550	192,570	207,851
Singapore Dollar	133,847	287,258	172,680	133,812	287,234	172,640
Australian Dollar	118,736	254,833	118,327	118,736	254,828	118,327
Chinese Renminbi	419,699	163,696	63,898	419,699	163,696	63,898
Hong Kong Dollar	32,529	132,185	63,428	32,529	132,167	63,428
India Rupee	116,547	87,934	41,802	116,547	87,944	41,802
Thai Baht	5,788	3,019	17,403	5,783	2,885	17,361
Indonesian Rupiah	144,678	82,941	10,691	144,678	82,941	10,691
Brunei Dollar	10,557	9,058	9,288	10,557	9,058	9,288
Euro	2,749	4,704	397	2,748	4,704	392
Philippine Peso	6,439	4,468	-	6,439	4,468	-
Vietnamese Dong	28,107	15,544	-	28,107	15,544	-
British Pound	9,766	19,717	-	9,763	19,717	-
Others	9,890	4,705	10,354	9,890	4,695	10,352
	2,232,731	2,105,010	1,504,617	2,166,999	2,079,712	1,499,061

26 CASH AND CASH EQUIVALENTS (CONTINUED)

The deposits with licensed banks of the Group and Company amounting to RM13,488,000 (31.12.2011: RM12,394,000; 1.1.2011: RM28,789,000) are pledged as securities for banking facilities granted to the Group and Company (Note 29).

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

	Group			Company		
	31.12.2012 %	**31.12.2011 %**	**1.1.2011 %**	**31.12.2012 %**	**31.12.2011 %**	**1.1.2011 %**
Deposits with licensed banks	3.00	2.80	2.62	3.00	2.80	2.62
Short term deposits with fund management companies	2.80	2.83	2.64	2.80	2.83	2.64

27 TRADE AND OTHER PAYABLES

	Group			Company		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Trade payables	65,134	81,268	53,178	42,652	57,428	31,710
Accrual for fuel	165,973	162,577	121,725	165,973	162,577	121,725
Aircraft maintenance accruals	628,917	409,628	254,036	628,917	409,628	254,036
Other payables and accruals	435,041	483,759	484,004	429,382	473,430	476,873
	1,295,065	1,137,232	912,943	1,266,924	1,103,063	884,344

Other payables and accruals include accruals for operational expenses payable to airport authorities and passenger service charge.

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

	Group			Company		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Ringgit Malaysia	107,439	525,939	343,518	107,439	525,939	314,919
US Dollar	1,131,763	583,942	553,608	1,103,622	549,773	553,608
Others	55,863	27,351	15,817	55,863	27,351	15,817
	1,295,065	1,137,232	912,943	1,266,924	1,103,063	884,344

28 AMOUNTS DUE TO SUBSIDIARIES AND A RELATED PARTY

The amounts due to subsidiaries and a related party are denominated in Ringgit Malaysia, unsecured, interest free and are repayable on demand.

29 BORROWINGS

	Group and Company					
	Weighted average rate of finance					
	31.12.2012 %	31.12.2011 %	1.1.2011 %	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Current: Secured						
Term loans	4.42	4.02	4.09	637,860	498,501	493,211
Finance lease liabilities	5.67	3.02	5.50	58,193	86,248	51,689
Commodity Murabahah Finance	4.95	4.92	4.46	10,101	9,482	9,067
Sukuk	4.85	4.85	4.85	420,000	-	-
				1,126,154	594,231	553,967
Non-current: Secured						
Term loans	4.42	4.02	4.09	6,446,740	5,376,455	5,906,715
Finance lease liabilities	5.67	3.02	5.50	757,060	1,300,834	876,929
Commodity Murabahah Finance	4.95	4.92	4.46	79,385	89,630	99,240
Sukuk	4.85	4.85	4.85	-	420,000	420,000
				7,283,185	7,186,919	7,302,884
Total borrowings				8,409,339	7,781,150	7,856,851

29 BORROWINGS (CONTINUED)

The Group's borrowings are repayable as follows:

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Not later than 1 year	1,126,154	594,231	553,967
Later than 1 year and not later than 5 years	3,180,247	3,078,462	2,863,736
Later than 5 years	4,102,938	4,108,457	4,439,148
	8,409,339	7,781,150	7,856,851

The currency profile of borrowings is as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Ringgit Malaysia	509,486	519,112	528,307
US Dollar	7,562,154	7,137,886	7,204,819
Euro	122,536	124,152	123,725
Singapore Dollar	215,163	-	-
	8,409,339	7,781,150	7,856,851

The carrying amounts and fair values of the non-current borrowings are as follows:

	Group and Company					
	31.12.2012		31.12.2011		1.1.2011	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Term loans	6,446,740	5,230,360	5,376,455	4,422,920	5,906,715	4,743,235
Finance lease liabilities	757,060	561,692	1,300,834	1,083,215	876,929	617,939
Commodity Murabahah Finance	79,385	65,988	89,630	72,684	99,240	80,085
Sukuk	-	-	420,000	400,572	420,000	382,043
	7,283,185	5,858,040	7,186,919	5,979,391	7,302,884	5,823,302

The fair values of the borrowings classified as current liabilities, equal their carrying amounts, as the impact of discounting is not significant.

The fair values of the non-current borrowings are based on cash flows discounted using borrowing rates of 4.42% to 5.67% (31.12.2011: 3.02% to 4.92%; 1.1.2011: 3.8%) per annum.

The above term loans, finance lease liabilities (Ijarah) and Commodity Murabahah Finance are for the purchase of aircraft, spare engines and simulators.

29 BORROWINGS (CONTINUED)

The repayment terms of term loans and finance lease liabilities are on a quarterly or semi-annually basis. These are secured by the following:

(a) Assignment of rights under contract with Airbus over each aircraft;

(b) Assignment of insurance of each aircraft; and

(c) Assignment of airframe and engine warranties of each aircraft.

The Commodity Murabahah Finance is secured by a second priority charge over the aircraft.

The purpose of the Sukuk is to fund the Company's working capital. The Sukuk is secured by the following:

(i) An unconditional and irrevocable bank guarantee provided by financial institutions; and

(ii) An assignment over the proceeds of the Ijarah Service Reserve Account opened by the Company pursuant to the exercise.

The Group has the following undrawn borrowing facilities:

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Fixed rate:			
- expiring within one year	-	-	48,000

30 SHARE CAPITAL

	Group and Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Authorised:			
Ordinary shares of RM0.10 each:			
At beginning and end of the financial year	500,000	500,000	500,000
Issued and fully paid up:			
Ordinary shares of RM0.10 each:			
At beginning of the financial year	277,809	277,344	275,774
Issued during the financial year	182	465	1,570
At end of the financial year	277,991	277,809	277,344

30 SHARE CAPITAL (CONTINUED)

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM277,808,558 to RM277,990,658 by way of issuance of 1,821,000 ordinary shares of RM0.10 each pursuant to the exercise of the Employee Share Option Scheme ("ESOS") at an exercise price of RM1.08 per share. The premium arising from the exercise of ESOS of RM1,784,580, has been credited to the Share Premium account.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company. There were no other changes in the issued and paid-up capital of the Company during the financial year.

During the previous financial year, the Company increased its issued and paid-up ordinary share capital from RM277,343,608 to RM277,808,558 by way of issuance of 4,649,500 ordinary shares of RM0.10 each pursuant to the exercise of the ESOS at an exercise price of RM1.08 per share. The premium arising from the exercise of ESOS of RM4,556,510 had been credited to the Share Premium account.

The new ordinary shares issued during the previous financial year ranked pari passu in all respects with the existing ordinary shares of the Company. There were no other changes in the issued and paid-up capital of the Company during the previous financial year.

EMPLOYEE SHARE OPTION SCHEME ("ESOS")

The Company implemented an ESOS on 1 September 2004 ("the Scheme"). The ESOS is governed by the by-laws which were approved by the shareholders on 7 June 2004 and was effective for a period of 5 years from the date of approval. On 28 May 2009, the Company extended the duration of its ESOS which expired on 6 June 2009 by another 5 years to 6 June 2014. This was in accordance with the terms of the ESOS By-Laws. The ESOS extension was not subject to any regulatory or shareholders' approval.

The main features of the ESOS are as follows:

(a) The maximum number of ordinary shares, which may be allotted pursuant to the exercise of options under the Scheme, shall not exceed ten per cent (10.0%) of the issued and paid-up share capital of the Company at any point in time during the duration of the Scheme.

(b) The Option Committee may from time to time decide the conditions of eligibility to be fulfilled by an Eligible Person in order to participate in the Scheme.

(c) The aggregate number of shares to be offered to any Eligible Person who has fulfilled the eligibility criteria for the time being by way of options in accordance with the Scheme shall be at the discretion of the Option Committee. The Option Committee may consider circumstances such as the Eligible Person's scope of responsibilities, performance in the Group, rank or job grade, the number of years of service that the Eligible Person has rendered to the Group, the Group's retention policy and whether the Eligible Person is serving under an employment contract for a fixed duration or otherwise. The Option Committee's decision shall be final and binding.

(d) The maximum number of shares allocated to Executive Directors, Non-Executive Directors and senior management by way of options shall in aggregate not exceed fifty per cent (50.0%) of the total number of shares (or such other percentage as may be permitted by the relevant regulatory authorities from time to time) available under the Scheme.

(e) The subscription price, in respect of options granted prior to the date of listing in Bursa Malaysia, shall be RM1.08 per share.

(f) The options granted are exercisable one year beginning from the date of grant.

The shares to be allotted and issued upon any valid exercise of options will, upon such allotment and issuance, rank pari passu in all respects with the existing and issued shares except that such shares so issued will not be entitled to any dividends, rights, allotments and/or any other distributions which may be declared, made or paid to shareholders prior to the date of allotment of such shares. The options shall not carry any right to vote at a general meeting of the Company.

30 SHARE CAPITAL (CONTINUED)

The Company granted 93,240,000 options at an exercise price of RM1.08 per share under the ESOS scheme on 1 September 2004, which expired on 6 June 2009. During the financial year ended 31 December 2009, the validity of this ESOS scheme was extended to 6 June 2014.

At 31 December 2012, options to subscribe for 3,739,000 (31.12.2011: 5,560,000; 1.1.2011: 10,437,000) ordinary shares of RM0.10 each at the exercise price of RM1.08 per share remain unexercised. These options granted do not confer any right to participate in any share issue of any other company.

Set out below are details of options over the ordinary shares of the Company granted under the ESOS:

Grant date	Expiry date	Exercise price RM/share	At 1.1.2012 '000	Granted '000	Exercised '000	Lapsed '000	At 31.12.2012 '000
1 September 2004	6 June 2014	1.08	5,560	-	(1,821)	-	3,739

Grant date	Expiry date	Exercise price RM/share	At 1.1.2011 '000	Granted '000	Exercised '000	Lapsed '000	At 31.12.2011 '000
1 September 2004	6 June 2014	1.08	10,437	-	(4,650)	(227)	5,560

	31.12.2012 '000	31.12.2011 '000	1.1.2011 '000
Number of share options vested at balance sheet date	3,739	5,560	10,437

Details relating to options exercised during the financial year are as follows:

Exercise date	Quoted price of shares at share issue date RM/share	Exercise price RM/share	Number of shares issued '000
January 2012 to March 2012	3.35 – 3.78	1.08	293
April 2012 to June 2012	3.31 – 3.70	1.08	801
July 2012 to September 2012	2.85 – 3.82	1.08	699
October 2012 to December 2012	2.53 – 3.16	1.08	28
			1,821

Notes to the Financial Statements
31 December 2012

30 SHARE CAPITAL (CONTINUED)

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Ordinary share capital at par	182	465	1,570
Share premium	1,785	4,556	15,378
Proceeds received on exercise of share options	1,967	5,021	16,948
Fair value at exercise date of shares issued	6,413	14,222	32,182

31 RETAINED EARNINGS

Under the single-tier tax system introduced by the Finance Act, 2007 which came into effect from the year of assessment 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders.

Companies with Section 108 credits as at 31 December 2007 may continue to pay franked dividends until the Section 108 credits are exhausted or 31 December 2013, whichever is earlier, unless they opt to disregard the Section 108 credits to pay single-tier dividends under the special transitional provisions of the Finance Act, 2007.

As at 31 December 2012, the Company has sufficient Section 108 tax credits to pay approximately RM Nil (31.12.2011: RM Nil; 1.1.2011: RM19.0 million) of its retained earnings as franked dividends.

In addition, the Company has tax exempt income as at 31 December 2012 amounting to approximately RM Nil (31.12.2011: RM Nil; 1.1.2011: RM0.5 million) available for distribution as tax exempt dividends to shareholders.

32 DIVIDENDS

Dividends declared or proposed by the Company are as follows:

	2012		2011	
	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 and final dividend paid in respect of the financial year ended 31 December 2011:				
Gross dividend of 0.91 sen per share less 25% tax	-	-	0.91	18,946
Tax exempt dividend of 0.02 sen per share	-	-	0.02	555
Single-tiered dividend of 5 sen per share (2011: 2.07 sen per share)	5.00	138,957	2.07	57,464
	5.00	138,957	3.00	76,965

32 DIVIDENDS (CONTINUED)

The Board has declared and approved a single-tier interim 'special' dividend of 18 sen per ordinary share on 2,779,906,580 ordinary shares of RM0.10 each for the financial year ended 31 December 2012, amounting to a dividend payable of RM500,383,184. The dividend was paid on 12 April 2013 to shareholders whose name appeared in the Record of Depositors at the close of business on 13 March 2013. As the dividend was declared after the balance sheet date, the single-tier interim 'special' dividend of RM500,383,184 was not recognised as a liability at the balance sheet date.

In addition to this, the Board recommends a final single-tier dividend in respect of the financial year ended 31 December 2012 of 6 sen per share on 2,780,510,580 ordinary shares of RM0.10 each amounting to RM166,830,635. The final dividend is subject to the approval of the shareholders at the forthcoming Annual General Meeting ("AGM").

33 COMMITMENTS

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

	Group and Company		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Property, plant and equipment:			
- Approved and contracted for	51,144,087	40,079,667	12,829,657
- Approved but not contracted for	13,756,500	16,841,539	7,931,251
	64,900,587	56,921,206	20,760,908

The capital commitments for the Group and Company are in respect of aircraft purchase.

Property, plant and equipment:			
- Share of a jointly controlled entity's capital commitments	25,109	-	17,100
- Share of an associate's capital commitments	8,985	-	8,626

33 COMMITMENTS (CONTINUED)

(b) Non-cancellable operating leases

The future minimum lease payments and sublease receipts under non-cancellable operating leases are as follows:

	Group and Company					
	31.12.2012		31.12.2011		1.1.2011	
	Future minimum lease payments RM'000	Future minimum sublease receipts RM'000	Future minimum lease payments RM'000	Future minimum sublease receipts RM'000	Future minimum lease payments RM'000	Future minimum sublease receipts RM'000
Not later than 1 year	198,800	591,550	143,270	534,854	49,469	422,224
Later than 1 year and not later than 5 years	795,200	2,236,713	547,952	1,626,436	172,266	768,539
Later than 5 years	1,036,015	2,670,361	726,171	438,013	194,136	-
	2,030,015	5,498,624	1,417,393	2,599,303	415,871	1,190,763

Sublease receipts include lease receipts from both owned and leased aircraft receivable from Thai AirAsia Co. Ltd, PT Indonesia AirAsia, AirAsia Inc and AirAsia Japan Co. Ltd.

34 CONTINGENT LIABILITIES

At the balance sheet date, there were no contingent liabilities which are expected to have a material impact on the financial statements of the Group or Company.

35 SEGMENTAL INFORMATION

Segmental information is as shown in the income statements, balance sheets and relevant notes as the Group's sole business segment is the provision of air transportation services. Management has determined the operating segment based on reports that are reviewed and used to make strategic decisions by the Chief Executive Officer who is identified as the chief operating decision maker.

The Group's operations are conducted predominantly in Malaysia.

36 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.

The related parties of the Company and their relationships at 31 December 2012 are as follows:

Related companies	Relationship
AirAsia Go Holiday Sdn Bhd	Subsidiary
AirAsia (Mauritius) Limited	Subsidiary
AirAsia Investment Limited	Subsidiary
Koolred Sdn Bhd	Subsidiary
AirAsia Philippines Inc	Associate
PT Indonesia AirAsia	Associate of a subsidiary
AirAsia Inc	Associate of a subsidiary
AirAsia Pte Limited	Associate of a subsidiary
Thai AirAsia Co. Ltd	Associate of a subsidiary
AirAsia Japan Co. Ltd	Associate of a subsidiary
AAE Travel Pte Ltd	Jointly controlled entity of a subsidiary
Asian Aviation Centre of Excellence Sdn Bhd	Jointly controlled entity
AirAsia X Berhad	Company with common directors and shareholders
AirAsia Asean Inc.	Common directors

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

Key management personnel are categorised as head or senior management officers of key operating divisions within the Group and Company. The key management compensation is disclosed in Note 36(e) below.

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	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
(a) Income:				
Aircraft operating lease income for owned and leased aircraft				
- Thai AirAsia Co. Ltd	310,553	270,123	310,553	270,123
- PT Indonesia AirAsia	184,323	218,313	184,323	218,313
- AirAsia Inc	26,012	6,980	26,012	6,980
- AirAsia Japan Co. Ltd	13,985	-	13,985	-
Gain on disposal of aircraft to PT Indonesia AirAsia	-	61,616	-	61,616
Gain on disposal of aircraft to Thai AirAsia Co. Ltd	9,574	-	-	-
Services charged to AirAsia X Berhad	6,035	35,833	6,035	35,833

36 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
(b) Recharges:				
Maintenance and overhaul charges to				
- PT Indonesia AirAsia	-	9,022	-	9,022
Recharges of expenses to				
- PT Indonesia AirAsia	107,005	97,611	107,005	97,611
- Thai AirAsia Co. Ltd	70,943	86,024	70,943	86,024
- AirAsia Inc	15,337	-	15,337	-
- AirAsia Japan Co. Ltd	12,806	-	12,806	-
Recharges of expenses by				
- Thai AirAsia Co. Ltd	(11,502)	(30,004)	(11,502)	(30,004)
(c) Other charges:				
Maintenance reserve fund charged to				
- PT Indonesia Airasia	100,977	79,283	100,977	79,283
- Thai AirAsia Co. Ltd	117,357	93,624	117,357	93,624
- AirAsia Inc	6,543	-	6,543	-
- AirAsia Japan Co. Ltd	6,069	-	6,069	-
Interest charges to				
- PT Indonesia AirAsia	49,417	26,466	49,417	26,466
- Thai AirAsia Co. Ltd	-	14,691	-	14,691
- AirAsia Inc	1,590	-	1,590	-
Interest charged by				
- Thai AirAsia Co. Ltd	-	(11,058)	-	(11,058)
(d) Advance for purchase of aircraft:				
- PT Indonesia AirAsia	-	565,965	-	565,965
(e) Regional expenses receivable:				
- AirAsia Asean Inc.	24,498	-	24,498	-
(f) Key management compensation:				
- basic salaries, bonus and allowances	22,939	26,285	25,277	26,285
- defined contribution plan	2,390	2,840	2,390	2,840
	25,329	29,125	27,667	29,125

Included in the key management compensation are Executive Directors' remuneration as disclosed in Note 5 to the financial statements.

36 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
(g) Receivables:						
- AirAsia (Mauritius) Limited	-	-	-	77,321	53,484	422,415
- AirAsia Investment Limited	-	-	-	72,020	39,670	7,208
- Koolred Sdn Bhd	-	-	-	19,811	12,240	-
- AirAsia Go Holiday Sdn Bhd	-	-	-	5,563	-	-
- Thai AirAsia Co. Ltd	-	-	99,802	-	-	-
- Asian Aviation Centre of Excellence Sdn Bhd	3,066	4,526	-	3,066	4,526	-
- PT Indonesia AirAsia	706,635	796,345	268,058	706,635	796,345	268,058
- AirAsia Philippines Inc	1,678	4,520	12,292	1,678	4,520	12,292
- AirAsia Inc	40,525	2,241	-	40,525	2,241	-
- AirAsia Japan Co. Ltd	32,147	-	-	32,147	-	-
- AAE Travel Pte Ltd	7,699	-	-	-	-	-
(h) Payables:						
- AirAsia Go Holiday Sdn Bhd	-	-	-	-	5,605	44,251
- Thai AirAsia Co. Ltd	29,032	15,576	-	68,052	50,087	322,614
- AAE Travel Pte Ltd	-	4,185	-	-	-	-
- AirAsia Pte Limited	-	4,444	5,223	-	4,444	5,223
- AirAsia X Berhad	12,639	10,560	41,262	12,639	10,560	41,262

37 FINANCIAL RISK MANAGEMENT POLICIES

The Group's activities expose it to market risk (including fuel price risk, interest rate risk and foreign currency risk), credit risk and liquidity risk. The Group's overall risk management programme seeks to minimise adverse effect from the unpredictability of financial markets on the Group's financial performance. The Group uses financial instruments such as fuel swaps, interest rate swaps and caps, and foreign currency forwards to manage these financial risks.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group and the Company. The management team then establishes detailed policies such as risk identification and measurement, exposure limits and risk management strategies. 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.

37 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

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

(a) Market risk

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

(i) Fuel price risk

The Group and Company are exposed to jet fuel price risk arising from the fluctuations in the prices of jet fuel, and seek to hedge their fuel requirements using fuel swaps in order to address the risk of rising fuel prices (Note 22). As at 31 December 2012 and 1 January 2011, there were no existing trades that would impact the post-tax profit for the year and equity. As at 31 December 2011, if USD denominated barrel had been USD5 higher/lower with all other variables held constant, the impact on the post-tax profit for the year end equity are tabulated below:

	31.12.2012		31.12.2011		1.1.2011	
	+USD5 RM'000	**-USD5 RM'000**	**+USD5 RM'000**	**-USD5 RM'000**	**+USD5 RM'000**	**-USD5 RM'000**
Impact on post tax profits	-	-	13,048	(13,048)	-	-
Impact on other comprehensive income	-	-	5,931	(5,931)	-	-

(ii) Interest rate risk

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

In view of the substantial borrowings taken to finance the acquisition of aircrafts, the Group's income and operating cash flows are also influenced by 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 at the most favourable interest rates.

The Group manages its cash flow interest rate risk by entering into a number of immediate and forward starting interest rate swap contracts and cross currency swap contracts that effectively converts its existing and future long-term floating rate debt facilities into fixed rate debts (Note 22). This hedging strategy ensures that the Group is paying a fixed interest expense on its borrowings and that the performance of the Group is not significantly impacted by the fluctuation in interest rates.

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates.

As at 31 December 2012, 31 December 2011 and 1 January 2011, if interest rate on USD denominated borrowings 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, after considering the hedging of the floating rate loans (Note 22).

37 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

At 31 December 2012, if interest rate on USD denominated borrowings 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:

	31.12.2012		31.12.2011		1.1.2011	
	+60bps RM'000	**-60bps RM'000**	**+60bps RM'000**	**-60bps RM'000**	**+60bps RM'000**	**-60bps RM'000**
Impact on post tax profits	24,969	(20,810)	32,015	(33,344)	12,559	(48,396)
Impact on other comprehensive income	116,294	(122,157)	108,443	(105,832)	58,222	(65,511)

The remaining terms of the outstanding interest rate derivative contracts of the Company at 31 December 2012, which are denominated in USD, are as follows:

	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Later than 1 year but less than 5 years:			
Interest rate swaps	15,172	-	-
Later than 5 years:			
Interest rate caps	371,746	427,544	635,877
Interest rate swaps	4,075,293	3,789,186	2,684,830
Cross currency interest rate swaps	158,540	180,660	198,491
	4,620,751	4,397,390	3,519,198

(iii) Foreign currency risk

Apart from the Ringgit Malaysia ("RM"), the Group transacts business in various foreign currencies and is therefore exposed to 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.

For the USD denominated borrowings, 59% of these are hedged by long dated foreign exchange forward contracts to manage the foreign currency risk (Note 22).

As at 31 December 2012, if RM had weakened/strengthened by 5% against the USD with all other variables held constant, post-tax profit for the financial year would have been RM191.1 million (2011: RM144.9 million) lower/higher, mainly as a result of foreign exchange losses/gains on translation of USD denominated receivables and borrowings (term loan and finance lease). Similarly, the impact on other comprehensive income would have been RM20.0 million (2011: RM23.0 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.

37 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(a) Market risk (continued)

(iii) Foreign currency risk (continued)

The Group's currency exposure is as follows:

At 31 December 2012	USD RM'000	AUD RM'000	SGD RM'000	RMB and HKD RM'000	Others RM'000
Financial assets					
Receivables	453,959	-	-	-	146,045
Amounts due from associates	779,306	-	-	-	1,679
Amount due from a jointly-controlled entity	-	-	7,699	-	-
Derivative financial instruments	37,673	-	-	-	-
Deposits, cash and bank balances	203,848	118,736	133,847	452,228	334,521
	1,474,786	118,736	141,546	452,228	482,245
Financial liabilities					
Trade and other payables	1,131,763	-	-	-	55,863
Amount due to an associate	29,032	-	-	-	-
Borrowings	7,562,154	-	215,163	-	122,536
Derivative financial instruments	545,627	-	-	-	-
	9,268,576	-	215,163	-	178,399
Net exposure	(7,793,790)	118,736	(73,617)	452,228	303,846

37 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(a) Market risk (continued)

(iii) Foreign currency risk (continued)

At 31 December 2011	USD RM'000	AUD RM'000	SGD RM'000	RMB and HKD RM'000	Others RM'000
Financial assets					
Receivables	361,610	-	-	-	67,417
Amounts due from associates	798,586	-	-	-	4,520
Derivative financial instruments	52,470	-	-	-	-
Deposits, cash and bank balances	216,220	254,833	287,258	295,881	232,090
	1,428,886	254,833	287,258	295,881	304,027
Financial liabilities					
Trade and other payables	583,942	-	-	-	27,351
Amounts due to jointly-controlled entities	15,577	-	4,184	-	-
Amount due to an associate	-	-	4,444	-	-
Borrowings	7,137,886	-	-	-	124,152
Derivative financial instruments	526,332	-	-	-	-
	8,263,737	-	8,628	-	151,503
Net exposure	(6,834,851)	254,833	278,630	295,881	152,524

37 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(a) Market risk (continued)

(iii) Foreign currency risk (continued)

At 1 January 2011	USD RM'000	AUD RM'000	SGD RM'000	RMB and HKD RM'000	Others RM'000
Financial assets					
Receivables	353,417	-	-	-	39,533
Amounts due from associates	268,058	-	-	-	12,292
Derivative financial instruments	25,544	-	-	-	-
Amounts due from a jointly-controlled entity	99,802	-	-	-	-
Deposits, cash and bank balances	211,677	118,327	172,680	127,326	89,935
	958,498	118,327	172,680	127,326	141,760
Financial liabilities					
Trade and other payables	553,608	-	-	-	15,817
Amount due to an associate	-	-	5,223	-	-
Borrowings	7,204,819	-	-	-	123,725
Derivative financial instruments	452,865	-	-	-	-
	8,211,292	-	5,223	-	139,542
Net exposure	(7,252,794)	118,327	167,457	127,326	2,218

The Group's financial assets and liabilities are significantly denominated in USD. To manage the Group's foreign exchange risk against its functional currency, the Group entered into forward foreign exchange contracts as disclosed in Note 22 to the financial statements.

(b) Credit risk

Credit risk is the risk of financial loss to the Group 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 financial assets (derivative instruments).

The Group's exposure to credit risks or the risk of counterparties defaulting arises mainly from various deposits and bank balances, receivables and derivative financial instruments. As the Group does not hold collateral, the maximum exposure to credit risks is represented by the total carrying amount of these financial assets in the balance sheet.

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

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

37 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(c) Liquidity and cash flow risk

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

The table below analyses the Group's payables, non-derivative financial liabilities, gross-settled and net-settled derivative financial liabilities 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'000	1 - 2 years RM'000	2-5 years RM'000	Over 5 years RM'000
Group				
At 31 December 2012				
Term loans	936,603	933,049	2,816,548	3,838,064
Finance lease liabilities	103,748	104,279	316,386	572,529
Commodity Murabahah finance	14,353	14,391	43,478	35,350
Sukuk	430,185	-	-	-
Trade and other payables	1,295,065	-	-	-
Amount due to an associate	29,032	-	-	-
Amount due to a related party	12,639	-	-	-
	2,821,625	1,051,719	3,176,412	4,445,943
At 31 December 2011				
Term loans	862,058	2,162,282	2,382,489	3,711,096
Finance lease liabilities	123,739	127,968	385,879	935,318
Commodity Murabahah finance	14,286	14,396	43,466	50,112
Sukuk	20,370	430,185	-	-
Trade and other payables	1,137,232	-	-	-
Amounts due to jointly-controlled entities	19,761	-	-	-
Amount due to an associate	4,444	-	-	-
Amount due to a related party	10,560	-	-	-
	2,192,450	2,734,831	2,811,834	4,696,526

37 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(c) Liquidity and cash flow risk (continued)

	Less than 1 year RM'000	1 – 2 years RM'000	2-5 years RM'000	Over 5 years RM'000
Group (continued)				
At 1 January 2011				
Term loans	702,425	712,286	2,954,474	3,659,957
Finance lease liabilities	68,265	72,118	1,028,971	196,720
Commodity Murabahah finance	14,761	14,774	44,266	65,323
Sukuk	20,370	20,370	430,185	-
Trade and other payables	912,943	-	-	-
Amount due to an associate	5,223	-	-	-
Amount due to a related party	41,262	-	-	
	1,765,249	819,548	4,457,896	3,922,000
Company				
At 31 December 2012				
Term loans	936,603	933,049	2,816,548	3,838,064
Finance lease liabilities	103,748	104,279	316,386	572,529
Commodity Murabahah finance	14,353	14,391	43,478	35,350
Sukuk	430,185	-	-	-
Trade and other payables	1,266,924	-	-	-
Amount due to an associate	68,052	-	-	-
Amount due to a related party	12,639	-	-	-
	2,832,504	1,051,719	3,176,412	4,445,943

37 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(c) Liquidity and cash flow risk (continued)

	Less than 1 year RM'000	1 - 2 years RM'000	2-5 years RM'000	Over 5 years RM'000
Company (continued)				
At 31 December 2011				
Term loans	862,058	2,162,282	2,382,489	3,711,096
Finance lease liabilities	123,739	127,968	385,879	935,318
Commodity Murabahah finance	14,286	14,396	43,466	50,112
Sukuk	20,370	430,185	-	-
Trade and other payables	1,103,063	-	-	-
Amounts due to subsidiaries	5,605	-	-	-
Amounts due to jointly-controlled entities	50,087	-	-	-
Amount due to an associate	4,444	-	-	-
Amount due to a related party	10,560	-	-	-
	2,194,212	2,734,831	2,811,834	4,696,526
At 1 January 2011				
Term loans	702,425	712,286	2,954,474	3,659,957
Finance lease liabilities	68,265	72,118	1,028,971	196,720
Commodity Murabahah finance	14,761	14,774	44,266	65,323
Sukuk	20,370	20,370	430,185	-
Trade and other payables	884,344	-	-	-
Amount due to a jointly-controlled entity	322,614	-	-	-
Amount due to an associate	5,223	-	-	-
Amount due to a related party	41,262	-	-	-
Amounts due to subsidiaries	44,251	-	-	-
	2,103,515	819,548	4,457,896	3,922,000

Notes to the Financial Statements
31 December 2012

37 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(c) Liquidity and cash flow risk (continued)

The table below analyses the Group's and Company's derivative financial instruments for which contractual maturities are essential for an understanding of the timing of the cash flows into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RM'000	1 - 2 years RM'000	2-5 years RM'000	Over 5 years RM'000
Group and Company				
At 31 December 2012				
Net-settled derivatives				
Trading	29,967	26,642	53,415	15,508
Hedging	96,560	90,421	169,949	15,508
Gross-settled derivatives				
Trading - outflow	97,055	94,184	242,657	245,157
Trading - inflow	(90,618)	(87,932)	(226,500)	(229,167)
Hedging - outflow	121,710	121,455	404,485	438,867
Hedging - inflow	(112,424)	(112,188)	(372,849)	(404,578)
At 31 December 2011				
Net-settled derivatives				
Trading	72,923	81,252	153,028	36,322
Hedging	35,405	31,174	62,873	24,554
Gross-settled derivatives				
Trading - outflow	99,933	97,055	258,285	323,713
Trading - inflow	(96,671)	(93,883)	(249,799)	(313,387)
Hedging - outflow	331,162	332,272	1,004,940	1,464,987
Hedging - inflow	(320,469)	(322,313)	(979,756)	(1,434,477)

37 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(c) Liquidity and cash flow risk (continued)

	Less than 1 year RM'000	1 – 2 years RM'000	2-5 years RM'000	Over 5 years RM'000
Group and Company (continued)				
At 1 January 2011				
Net-settled derivatives				
Trading	37,578	31,908	38,525	(891)
Hedging	72,865	64,260	75,806	2,892
Gross-settled derivatives				
Trading – outflow	10,149	9,649	17,780	-
Trading – inflow	(9,567)	(9,095)	(16,670)	-
Hedging – outflow	366,035	362,625	1,080,724	1,793,982
Hedging – inflow	(341,797)	(339,837)	(1,023,389)	(1,700,988)

(d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group'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 various businesses, the Group 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 overall strategy remains unchanged from 2011.

Consistent with others in the industry, the Group monitors capital utilisation on the basis of the gearing ratio. This ratio is calculated as total debts divided by total capital. Total debts are calculated as total borrowings (including "short term and long term borrowings" as shown in the Group's balance sheet). Total capital is calculated as the sum of 'equity attributable to equity holders of the Company' as shown in the balance sheet and total debts.

37 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(d) Capital risk management (continued)

The gearing ratio as at 31 December 2012, 31 December 2011 and 1 January 2011 was as follows:

	Group		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Total borrowings (Note 29)	8,409,339	7,781,150	7,856,851
Total equity attributable to equity holders of the Company	5,902,099	4,036,397	3,640,960
	14,311,438	11,817,547	11,497,811
Gearing ratio	58.8%	65.8%	68.3%

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2012 and 31 December 2011.

(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

Effective 1 January 2011, the Group adopted the Amendment to FRS 7 for financial instruments that are measured in the statement of financial position at fair value. This requires disclosure of fair value measurements 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).

37 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(e) Fair value measurement (continued)

The following table presents the Group and Company's assets and liabilities that are measured at fair value at 31 December 2012, 31 December 2011 and 1 January 2011.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group				
31 December 2012				
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	3,548	-	3,548
Derivatives used for hedging	-	34,125	-	34,125
Available-for-sale financial assets				
- Equity securities	-	-	308,792	308,792
	-	37,673	308,792	346,465
Liabilities				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	136,861	-	136,861
Derivatives used for hedging	-	408,766	-	408,766
	-	545,627	-	545,627
Company				
31 December 2012				
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	3,548	-	3,548
Derivatives used for hedging	-	34,125	-	34,125
Available-for-sale financial assets				
- Equity securities	-	-	295,982	295,982
	-	37,673	295,982	333,655
Liabilities				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	136,861	-	136,861
Derivatives used for hedging	-	408,766	-	408,766
	-	545,627	-	545,627

37 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(e) Fair value measurement (continued)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group and Company				
31 December 2011				
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	12,713	-	12,713
Derivatives used for hedging	-	39,757	-	39,757
Available-for-sale financial assets				
- Equity securities	-	-	152,942	152,942
	-	52,470	152,942	205,412
Liabilities				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	157,125	-	157,125
Derivatives used for hedging	-	369,207	-	369,207
	-	526,332	-	526,332
As at 1 January 2011				
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	23,306	-	23,306
Derivatives used for hedging	-	2,238	-	2,238
Available-for-sale financial assets				
- Equity securities	-	-	152,942	152,942
	-	25,544	152,942	178,486
Liabilities				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	108,752	-	108,752
Derivatives used for hedging	-	344,113	-	344,113
	-	452,865	-	452,865

37 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(e) Fair value measurement (continued)

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 is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities and actively exchange-traded derivatives.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group 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 over the counter ("OTC") derivatives.

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.

This category includes private equity investments, certain OTC derivatives (requiring complex and unobservable inputs such as correlations and long dated volatilities) and certain bonds.

There were no changes in Level 3 instruments for the financial year ended 31 December 2012 for the Group and Company.

38 FINANCIAL INSTRUMENTS

(a) Financial instruments by category

Group

	Loans and receivables RM'000	Assets at fair value through the profit and loss RM'000	Derivatives used for hedging RM'000	Available for sale RM'000	Total RM'000
31 December 2012					
Assets as per balance sheet					
Available-for-sale financial assets	-	-	-	308,792	308,792
Trade and other receivables excluding prepayments	650,705	-	-	-	650,705
Amounts due from associates	780,985	-	-	-	780,985
Amount due from a jointly-controlled entity	10,765	-	-	-	10,765
Amount due from a related party	1,282	-	-	-	1,282
Derivative financial Instruments	-	3,548	34,125	-	37,673
Deposits, cash and bank Balances	2,232,731	-	-	-	2,232,731
Total	3,676,468	3,548	34,125	308,792	4,022,933

38 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments by category (continued)

Group (continued)

	Liabilities at fair value through the profit and loss RM'000	Derivatives used for hedging RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
31 December 2012				
Liabilities as per balance sheet				
Borrowings (excluding finance lease liabilities)	-	-	7,594,086	7,594,086
Finance lease liabilities	-	-	815,253	815,253
Derivative financial instruments	136,861	408,766	-	545,627
Trade and other payables	-	-	1,295,065	1,295,065
Amount due to an associate	-	-	29,032	29,032
Amount due to a related party	-	-	12,639	12,639
Total	136,861	408,766	9,746,075	10,291,702

	Loans and receivables RM'000	Assets at fair value through the profit and loss RM'000	Derivatives used for hedging RM'000	Available for sale RM'000	Total RM'000
31 December 2011					
Assets as per balance sheet					
Available-for-sale financial assets	-	-	-	152,942	152,942
Trade and other receivables excluding prepayments	637,332	-	-	-	637,332
Amounts due from associates	803,106	-	-	-	803,106
Amount due from a jointly-controlled entity	4,526	-	-	-	4,526
Derivative financial Instruments	-	12,713	39,757	-	52,470
Deposits, cash and bank balances	2,105,010	-	-	-	2,105,010
Total	3,549,974	12,713	39,757	152,942	3,755,386

38 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments by category (continued)

Group (continued)

	Liabilities at fair value through the profit and loss RM'000	Derivatives used for hedging RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
31 December 2011				
Liabilities as per balance sheet				
Borrowings (excluding finance lease liabilities)	-	-	6,394,068	6,394,068
Finance lease liabilities	-	-	1,387,082	1,387,082
Derivative financial instruments	157,125	369,207	-	526,332
Trade and other payables	-	-	1,137,232	1,137,232
Amounts due to jointly controlled entities	-	-	19,761	19,761
Amount due to an associate	-	-	4,444	4,444
Amount due to a related party	-	-	10,560	10,560
Total	157,125	369,207	8,953,147	9,479,479

	Loans and receivables RM'000	Assets at fair value through the profit and loss RM'000	Derivatives used for hedging RM'000	Available for sale RM'000	Total RM'000
1 January 2011					
Assets as per balance sheet					
Available for sale financial assets	-	-	-	152,942	152,942
Trade and other receivables excluding prepayments	515,073	-	-	-	515,073
Amounts due from associates	280,350	-	-	-	280,350
Amounts due from a jointly controlled entity	99,802	-	-	-	99,802
Derivative financial instruments	-	23,306	2,238	-	25,544
Deposits, cash and bank balances	1,504,617	-	-	-	1,504,617
Total	2,399,842	23,306	2,238	152,942	2,578,328

38 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments by category (continued)

Group (continued)

	Liabilities at fair value through the profit and loss RM'000	Derivatives used for hedging RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
1 January 2011				
Liabilities as per balance sheet				
Borrowings (excluding finance lease liabilities)	-	-	6,928,233	6,928,233
Finance lease liabilities	-	-	928,618	928,618
Derivative financial instruments	108,752	344,113	-	452,865
Trade and other payables	-	-	912,943	912,943
Amount due to an associate	-	-	5,223	5,223
Amount due to a related party	-	-	41,262	41,262
Hire purchase payables	-	-	15	15
Total	108,752	344,113	8,816,294	9,269,159

(b) Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Counterparties without external credit rating			
Group 1	2,693	11,476	15,774
Group 2	93,623	110,335	87,557
Total unimpaired trade receivables	96,316	121,811	103,331

38 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Credit quality of financial assets (continued)

	Group		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Cash at bank and short-term bank deposits			
AAA to A-	1,788,499	1,992,841	1,398,674
BBB to B3	444,232	112,169	105,943
	2,232,731	2,105,010	1,504,617
Derivative financial assets			
AA+ to A+	18,744	16,896	23,306
A to BBB-	18,929	35,574	2,238
	37,673	52,470	25,544
Loans to related parties			
Group 2	780,985	807,632	380,152

Group 1 – New customers/related parties (Less than 6 months)
Group 2 – Existing customers/related parties (more than 6 months) with no defaults in the past.
Group 3 – Existing customers/related parties (more than 6 months) with some defaults in the past.

All defaults were fully recovered.

All other receivables and deposits are substantially with existing counterparties with no history of default.

39 RECLASSIFICATION OF COMPARATIVES

In conjunction with the adoption of MFRS, a review of asset and liability classification was also undertaken. Arising from the review, deposits on aircraft purchase have been reclassified to non-current assets.

Deposits on aircraft purchases which were previously classified based on the period in which the deposits were to be utilised have now been re-classified to non-current assets to be consistent with the underlying assets to which they relate.

The effects of the changes on the Group's financial statements are as follows:

	Group and Company		
	At 1 January 2011		
	As previously reported 1.1.2011* RM'000	Effects of reclassification RM'000	As restated 1.1.2011* RM'000
Balance sheet			
Non-current assets			
Deposits on aircraft purchase	-	248,684	248,684
Current assets			
Deposits on aircraft purchase	248,684	(248,684)	-

	Group and Company		
	At 31 December 2011		
	As previously reported RM'000	Effects of reclassification RM'000	As restated RM'000
Balance sheet			
Non-current assets			
Deposits on aircraft purchase	112,228	255,540	367,768
Current assets			
Deposits on aircraft purchase	255,540	(255,540)	-

* Also represents balances as at 31 December 2010.

40 SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES LISTING REQUIREMENT

The following analysis of realised and unrealised retained profits at the legal entity level is prepared in accordance with the Guidance on Special Matter No.1 – Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants. This disclosure is based on the format prescribed by Bursa Malaysia Securities Berhad.

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Total retained earnings of AirAsia Berhad and its subsidiaries:				
- Realised	2,196,856	1,781,491	2,175,079	1,769,575
- Unrealised	2,087,864	809,277	927,725	809,328
	4,284,720	2,590,768	3,102,804	2,578,903
Total share of accumulated losses from associated companies:				
- Realised	(8,436)	(9,764)	-	-
Total share of accumulated losses from jointly controlled entities				
- Realised	(2,973)	(74)	-	-
Total retained earnings as per consolidated financial statements	4,273,311	2,580,930	3,102,804	2,578,903

The disclosure of realised and unrealised profits above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be applied for any other purposes.

Statement by Directors Pursuant to

Section 169(15) of the Companies Act, 1965

We, Tan Sri Dr Anthony Francis Fernandes and Aireen Omar, being two of the Directors of AirAsia Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 198 to 291 are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at 31 December 2012 and of the results and the cash flows of the Group and Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965.

The information set out in Note 40 to the financial statements have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

In accordance with a resolution of the Board of Directors dated 29 April 2013.

TAN SRI DR. ANTHONY FRANCIS FERNANDES
DIRECTOR

AIREEN OMAR
DIRECTOR

Statutory Declaration Pursuant to Section 169(16) Of The Companies Act, 1965

I, Andrew Littledale, the Officer primarily responsible for the financial management of AirAsia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 198 to 291 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

ANDREW LITTLEDALE

Subscribed and solemnly declared by the abovenamed Andrew Littledale at Petaling Jaya in Malaysia on 29 April 2013, before me.

COMMISSIONER FOR OATHS

Independent Auditors' Report

To the Members of AirAsia Berhad
(Incorporated in Malaysia) (Company No. 284669 W)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of AirAsia Berhad on pages 198 to 291, which comprise the balance sheets as at 31 December 2012 of the Group and of the Company, and the statements of income, comprehensive income, changes in equity and cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out in Notes 1 to 39.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the financial year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 13 to the financial statements.

c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 40 on page 291 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysia Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

IRVIN GEORGE LUIS MENEZES
(No. 2932/06/14 (J))
Chartered Accountant

Kuala Lumpur
29 April 2013

Analysis Of Shareholdings
as at 16 April 2013

DISTRIBUTION OF SHAREHOLDINGS

Class of shares : Ordinary shares of RM0.10 each ("Shares")
Voting rights : One vote per ordinary share

Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	103	0.51	1,614	0.00
100 – 1,000	6,546	32.45	5,701,635	0.21
1,001 – 10,000	11,100	55.02	45,264,191	1.63
10,001 – 100,000	1,818	9.01	54,551,817	1.96
100,001 to less than 5% of issued shares	605	3.00	2,077,608,243	74.72
5% and above of issued shares	3	0.01	597,379,080	21.48
	20,175	**100.00**	**2,780,506,580**	**100.00**

SUBSTANTIAL SHAREHOLDERS

The direct and indirect shareholdings of the shareholders holding more than 5% in AirAsia Berhad based on the Register of Substantial Shareholders are as follows:-

	DIRECT		INDIRECT	
Name	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
Tune Air Sdn Bhd ("TASB")	640,608,382 [1]	23.04	-	-
Tan Sri Dr Anthony Francis Fernandes	3,227,010 [2]	0.12	640,608,382 [3]	23.04
Dato' Kamarudin bin Meranun	1,692,900	0.06	640,608,382 [3]	23.04
Employees Provident Fund Board	204,734,200 [4]	7.36	4,809,100 [5]	0.17
Wellington Management Company, LLP	250,338,371 [6]	9.00	-	-

NOTES:

[1] Shares held under ECML Nominees (Tempatan) Sdn. Bhd., Cimsec Nominees (Tempatan) Sdn Bhd, Maybank Nominees (Tempatan) Sdn. Bhd., HSBC Nominees (Tempatan) Sdn. Bhd. and Citigroup Nominees (Tempatan) Sdn. Bhd.
[2] Shares held under own name (600,000 shares) and Cimsec Nominees (Tempatan) Sdn. Bhd. (2,627,010 shares)
[3] Deemed interested by virtue of Section 6A of the Companies Act, 1965 ("the Act") through a shareholding of more than 15% in TASB.
[4] Shares held under own name (1,500,000 shares) and Citigroup Nominees (Tempatan) Sdn. Bhd. (203,234,200 shares)
[5] Shares held under Citigroup Nominees (Tempatan) Sdn. Bhd.
[6] Shares held under Cartaban Nominees (Asing) Sdn. Bhd., Citigroup Nominees (Asing) Sdn. Bhd., HSBC Nominees (Asing) Sdn. Bhd., JP Morgan Chase Bank N.A., Master Trust Bank of Japan Ltd., Mellon Bank N.A., RBC Dexia Investor Services and Danske Bank A/S.

DIRECTORS' SHAREHOLDINGS

The interests of the Directors of AirAsia in the Shares and options over shares in the Company and its related corporations based on the Company's Register of Directors' Shareholdings are as follows:-

	DIRECT		INDIRECT	
Name	**No. of Shares Held**	**% of Issued Shares**	**No. of Shares Held**	**% of Issued Shares**
Tan Sri Dr Anthony Francis Fernandes	3,227,010 (1)	0.12	640,608,382 (2)	23.04
Dato' Kamarudin bin Meranun	2,292,900	0.08	640,608,382 (2)	23.04
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	200,000 (3)	0.01	-	-
Conor Mc Carthy	9,100,000 (4)	0.33	-	-
Dato' Leong Sonny @ Leong Khee Seong	100,000	-*	-	-
Dato' Fam Lee Ee	50,000	-*	-	-
Dato' Mohamed Khadar bin Merican	-	-	-	-
Datuk Mohd Omar bin Mustapha	-	-	-	-
Aireen Omar	-	-	-	-

NOTES:

* Negligible.
(1) Shares held under own name (600,000 shares) and Cimsec Nominees (Tempatan) Sdn. Bhd. (2,627,010 shares)
(2) Deemed interested by virtue of Section 6A of the Act through a shareholding of more than 15% in TASB.
(3) Shares held under Cimsec Nominees (Tempatan) Sdn. Bhd.
(4) Shares held under own name (100,000 shares) and HSBC Nominees (Asing) Sdn Bhd - Exempt AN for Credit Suisse (SG BR-TST-Asing) (9,000,000 shares)

The breakdown of the options offered to and exercised by, or shares granted to and vested in non-executive director pursuant to the Company's Employee Share Option Scheme ("ESOS") in respect of the financial year is as follows:

	Amount of options granted	**Amount of options exercised**
Dato' Kamarudin bin Meranun	600,000	600,000

The options held over ordinary shares in the Company were granted on 1 September 2004 pursuant to the ESOS approved by the shareholders on 7 June 2004. On 28 May 2009, the Company extended the duration of its ESOS which expired on 6 June 2009 for 5 years to 6 June 2014. This was in accordance with the terms of the ESOS By-Laws. The ESOS extension was not subject to any regulatory or shareholders approval.

None of the Directors have any interests in the shares or options of the subsidiaries of the Company other than as disclosed above.

List of Top 30 Shareholders
as at 16 April 2013

	Name of Shareholders	No. of Shares Held	% of Issued share Capital
1.	HSBC Nominees (Tempatan) Sdn. Bhd. *Credit Suisse HK for Tune Air Sdn. Bhd.*	226,456,587	8.14
2.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Employees Provident Fund Board*	203,234,200	7.31
3.	Tune Air Sdn Bhd	167,688,293	6.03
4.	HSBC Nominees (Asing) Sdn. Bhd. *TNTC for The Nomad Investment Partnership LP Cayman*	120,175,500	4.32
5.	HSBC Nominees (Asing) Sdn. Bhd. *BBH (LUX) SCA for Genesis Smaller Companies*	119,582,381	4.30
6.	HSBC Nominees (Asing) Sdn. Bhd. *Exempt An for JPMorgan Chase Bank, National Association (U.S.A.)*	99,844,770	3.59
7.	Amanahraya Trustees Berhad *Skim Amanah Saham Bumiputera*	95,901,400	3.45
8.	CIMSEC Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Tune Air Sdn. Bhd. (EDG&GCM)*	86,039,161	3.09
9.	Cartaban Nominees (Asing) Sdn. Bhd. *SSBT Fund HG22 for Smallcap World Fund, Inc.*	66,490,000	2.39
10.	Valuecap Sdn. Bhd.	64,800,000	2.33
11.	Cartaban Nominees (Asing) Sdn. Bhd. *SSBT Fund HG05 for the New Economy Fund*	62,860,000	2.26
12.	HSBC Nominees (Asing) Sdn. Bhd. *NTGS LDN for Skagen Kon-Tiki Verdipapirfond*	61,505,000	2.21
13.	CIMB Group Nominees (Tempatan) Sdn. Bhd. *CIMB Bank Berhad (EDP 2)*	59,052,800	2.12
14.	Cartaban Nominees (Asing) Sdn. Bhd. *Exempt An for State Street Bank & Trust Company (West CLT OD67)*	50,342,700	1.81
15.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account – Bank Julius Baer & Co Ltd for Tune Air Sdn Bhd (CB SG)*	49,500,000	1.78

	Name of Shareholders	No. of Shares Held	% of Issued share Capital
16.	Maybank Nominees (Tempatan) Sdn. Bhd. *Maybank Trustees Berhad for Public Ittikal Fund (N14011970240)*	48,389,700	1.74
17.	HSBC Nominees (Asing) Sdn. Bhd. *BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund*	42,234,248	1.52
18.	HSBC Nominees (Asing) Sdn. Bhd. *Exempt An for The Bank of New York Mellon (Mellon Acct)*	41,843,797	1.50
19.	Maybank Nominees (Tempatan) Sdn. Bhd. *Kuwait Finance House (Malaysia) Berhad for Tune Air Sdn. Bhd. (Tony Fernandes)*	39,710,000	1.43
20.	ECML Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Tune Air Sdn. Bhd. (001)*	36,995,832	1.33
21.	HSBC Nominees (Asing) Sdn. Bhd. *Exempt An for JPMorgan Chase Bank, National Association (Norges Bk Lend)*	34,597,300	1.24
22.	ECML Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Tune Air Sdn. Bhd. (001)*	22,818,138	0.82
23.	Cartaban Nominees (Asing) Sdn. Bhd. *SSBT Fund HG19 for Global Small Capitalization (AM Funds INSSR)*	22,400,000	0.81
24.	Maybank Nominees (Tempatan) Sdn. Bhd. *Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)*	20,750,700	0.75
25.	HSBC Nominees (Asing) Sdn. Bhd. *Exempt An for JPMorgan Chase Bank, National Association (U.K.)*	20,154,642	0.72
26.	HSBC Nominees (Asing) Sdn. Bhd. *Exempt An for JPMorgan Chase Bank, National Association (Rep. of China)*	18,116,700	0.65
27.	Cartaban Nominees (Asing) Sdn. Bhd. *SSBT Fund Y72J for Litman Gregory Masters International Fund*	16,880,000	0.61
28.	HSBC Nominees (Asing) Sdn. Bhd. *Exempt An For Morgan Stanley & Co. LLC (Client)*	16,203,900	0.58
29.	Cartaban Nominees (Asing) Sdn. Bhd. *SSBT Fund NB37 for Janus Contrarian Fund*	15,526,289	0.56
30.	HSBC Nominees (Asing) Sdn. Bhd. *Exempt An for JPMorgan Chase Bank, National Association (Saudi Arabia)*	14,914,843	0.54

OTHER INFORMATION

List of Properties Held

Owner of building	Postal address/ location of building	Description/ existing use of building	Tenure/ date of expiry of lease	Build-up area	Approximate age of building	Audited net book value as at 31 December 2012 (RM'000)
AirAsia Berhad	Taxiway Charlie, KLIA(part of PT39 KLIA, Sepang) *See note 1*	Non permanent structure/aircraft maintenance hangar	*See note 2*	2,400 sqm	9 years and 5 months	1,722
AirAsia Berhad	AirAsia Academy, Lot PT25B, Southern Support Zone, KLIA 64000 Sepang, Selangor	AirAsia Simulator Complex	30 years from 20 September 2004 to 19 September 2034	4,997 sqm	8 years	9,877
AirAsia Berhad	AirAsia Academy, Lot PT25B, Southern Support Zone, KLIA 64000 Sepang, Selangor	AirAsia Academy, Engineering and In Flight Warehouse	30 years from 1 May 2007 to 30 April 2037	6,225 sqm Academy 5,255 sqm Engineering/ In-Flight Warehouse	5 years	22,982

Notes:

(1) On the fitness of occupation of the hangar, it is the subject of a year-to-year "Kelulusan Permit Bangunan Sementara" issued by the Majlis Daerah Sepang. The permit has been renewed and will expire on 31 December 2013.

(2) The land area occupied is approximately 2,400 square meters. The land is owned by Malaysia Airports (Sepang) Sdn. Bhd. ("MAB") and the Company has an automatic renewal of tenancy on a month to month basis. Revaluation of properties has not been carried out on any of the above properties to date

Group Directory

BRUNEI DARUSSALAM BANDAR SERI

BEGAWAN
Unit No.110 Ground Floor
Bangunan Kambang Pasang
Jln Gadong BSB, BE4119

CAMBODIA

PHNOM PENH
Phnom Penh Airport Office, 17
Mezzanine Floor of Arrival Domestic
Terminal, Phnom Penh Airport

179, Street Sisowath
Sangkat, Phsar Kandal 1
Khan Daun Penh 12204

CHINA

MACAU
Office 20, Mezzanine Level
Passenger Terminal
Macau International Airport Taipa

GUANG DONG
Century Holiday International
Travel Service (Shenzhen) Co.Ltd.
XY-10 Junting Hotel
3085 Eastern Road, Luo Hu
Shenzhen

Century Holiday International
Travel Service (Guang Zhou) Co Ltd.
First Floor, No 8 Zhong Shan
3 Road, Guang Zhou

Zhuhai Sun Star International
Travel Agency Co Ltd., 1151
South of Yingbin Road, Zhuhai

BEIJING
Century Holiday International
Travel Service (Beijing) Co Ltd.
No 163A Floor Of Yi No 6
Chaowai Street Of Chao Yang District
100022 Beijing

CHENGDU
Century Holiday International
Travel (ChengDu) CO.LTD
No. 172 Binjang East Road
Jinjang District

INDONESIA

BANDA ACEH
Bandara Sultan Iskandar
Muda, Blang Bintang, Aceh

DENPASAR, BALI
Bandara I Gusti Ngurah Rai
Terminal Keberangkatan International
Bali 80361

Jl. Legian Kaja no. 455 Kuta

BANDUNG
Ruangan Nombor 34
Bandara Husein Sastranegara
Jalan Pajajaran No 156 Bandung
Jawa Barat

Lobby Grand Serela Hotel
Jl. L.L. R.E Martadinata (Riau)
No 56, Telp. (022) 426 1636

JAKARTA
Terminal 3, Departure Hall Airlines
Offices, Soekarno-Hatta International
Airport, Cengkareng

Jl. Boulevard Raya, Blok LA 4
No. 10 Kelapa Gading, Jakarta Utara

Komp Rukan Dharmawangsa
Jl. Dharmawangsa VI No.43
Jakarta Selatan

Sarinah Plaza Jl. Mh Thamrin,
No. 11 (LG level) Jakarta Pusat

MAKASSAR
Departure Terminal, Sultan
Hasanuddin, International Airport
Makassar, South Sulawesi

Jl. Boulevard Ruko Ruby No. R28
Panakukkang Mas

MANADO
Sam Ratulangi International Airport
Jalan A.A. Maramis, Manado 95374

MEDAN
Bandara PoloniaTerminal,
Keberangkatan Internasional,
Medan 20157 Sumatra

Garuda Plaza Hotel, Jl.
Sisingamangaraja, No.18 Medan-20213

PADANG
Minangkabau International Airport
Padang, West Sumatra

PALEMBANG
Sultan Mahmud Badaruddin II
Airport Palembang, South Sumatra

PEKANBARU
Sultan Syarif Kasim II,
International Airport
Jalan Perhubungan Udara Simpang
Tiga, Pekanbaru, Sumatra

SOLO
Adi Soemarmo International
Airport, Solo, Central Java

SURABAYA
Lobby International Terminal
Juanda International Airport
Jalan Raya Juanda Surabaya
Jawa Timur

Grand Circle Tunjungan Plaza
3 Lantai 1, (Lobby Condominium
Regency), Jln. Basuki Rahmat 8-12

YOGYAKARTA
Adisutjipto Int. Airport, Jln.
Solo km.9, Yogyakarta, 55282

Melia Purosani Hotel, Jl Suryotomo
No.31, Yogyakarta

MALAYSIA

JOHOR
Tune Hotels.com Danga Bay
Lot PTB 22819, Jalan Skudai
Mukim Bandar, 80200 Johor Bahru

GL 13 Senai International Airport
81250 Johor Bahru

No. 26 Jalan Meriam
84000 Muar, Johor Bahru

No 7, Jalan Bestari 1/5
Taman Nusa Bestari,
79100 Bandar Nusajaya
Johor Bahru

KEDAH
Lot 20, Lapangan Terbang
Sultan Abdul Halim
06200 Kepala Batas, Alor Star

Langkawi International Airport
07100 Padang Mat Sirat, Langkawi

No. 68-B Ground Floor
Jalan Ibrahim, 08000 Sungai Petani

KUALA LUMPUR
Lot 4, Level 2
Stesen Sentral, KL, 50470

Lot G027B, Ground Floor
Podium Block, Plaza Berjaya
12 Jalan Imbi, 55100 KL

No 71 Jalan Metro Perdana Barat
1 Taman Usahawan Kepong
52100 KL

Lot UG-003, UG-003A & UG0038
Upper Ground Floor
Plaza Low Yat, 7 Jalan 1/77
55100 KL

OTHER INFORMATION

Group Directory

KELANTAN
Lapangan Terbang Sultan Ismail Petra, 16100 Pengkalan Chepa Kota Bharu

3183G, Jalan Sultan Ibrahim (Opp. KB Mall), 15050 Kota Bharu

PERAK
Tune Hotel, No.2, Ground Floor The Host, Jalan Veerasamy 30000 Ipoh

TERENGGANU
Level 1, Terminal Building Sultan Mahmud Airport 21300 Kuala Terengganu

LABUAN
Level 1, Labuan Airport Terminal 87008 Wilayah Persekutuan

MELAKA
No 32, Jalan Melaka Raya 23, Taman Melaka Raya 75000 Melaka

PENANG
Penang International Airport 11900 Bayan Lepas

Ground Floor, Kim Mansion 332 Chulia Street, 10200

No 723 L-G, Jln Sungai Dua 11700

A-G-07, Jalan Todak 4 Sunway Business Park 13700 Seberang Perai

SABAH
Lot 1 & 2, 1st Floor Terminal Building Sandakan Airport, 90719 Sandakan

FL4, 1st Floor, Tawau Airport Building, Jalan Apas-Balung 91100 Tawau

TB228, Lot 5, Ground Floor Istana Monaco, Jalan Bunga Fajar Complex 91000 Tawau

Lot G24, Ground Floor Wisma Sabah, Jln. Tun Razak 88000 Kota Kinabalu

Ground Floor, Terminal 2 Kota Kinabalu Int. Airport Old Airport Road,Tanjung Aru 88100 Kota Kinabalu

Lot G67, Ground Floor Oneplace Mall, Putatan 88200 Kota Kinabalu, Sabah

SARAWAK
GL02, Ground Floor Bintulu Airport, 97000 Bintulu

Ground Floor, Miri Airport 98000 Miri

Lot 946, Jalan Parry, 98000 Miri

Departure Level Kuching International Airport 93756 Kuching

Wisma Ho Ho Lim, 291 Sub Lot 4, Ground Floor, Jalan Abell 93100 Kuching

GFLO1, Departure Area Ground Floor, Sibu Airport 96000 Sibu

Ground Floor, No. 36 Jalan Keranji 96000 Sibu

Grd Flr, Lot 4034 Jln Tun Ahmad Zaidi Parkcity Commercial Sq, Phase 5, 97000 Bintulu

SL11 Ground Floor, Lot 2541 Lee Ling Heights Phase 2, Mile 6.5 Jalan Penrissen, P.O. Box 2044 93250 Kuching

Lot 6813, Ground Floor Synergy Square, (Matang Jaya Commercial Centre), Jalan Matang Jaya 93050 Kuching

SELANGOR
Ground Floor, Terminal 3 Sultan Abdul Aziz Shah Airport 47200 Subang

Jalan KLIA S3 Southern Support Zone Kuala Lumpur International Airport 64000 Sepang

Lot-35 Mydin Mall USJ 1, Subang

B-G-3A, IOI Boulevard Jalan Kenari 5, Bandar Puchong Jaya 47170 Puchong

Lot S141, 2nd Floor Plaza Metro Kajang, Section 7 Jalan Tun Abdul Aziz, 43000 Kajang

No 1, Jln PJS 3/48 Taman Sri Manja, 46000 Petaling Jaya

No 10, Jalan Bandar Rawang 11 Bandar Baru Rawang 48000 Rawang

No 2, Jalan Dagang SB 4/2 Taman Sungai Besi Indah 43300 Seri Kembangan

MYANMAR

YANGON
Yangon International Airport

Office Unit# 01-L Parkroyal Yangon

MANDALAY
Room 3, 26th (B) Road between 78th and 79th Road

PHILIPPINES

CLARK
Diosdado Macapagal International Airport Clark Civil Aviation Complex Clark Freeport Zone, 2023

MANILA
Wintrex Travel Corporation Unit 108 SM City North Edsa – The Block SM City Complex North Edsa, Pag-Asa 1 Quezon City

Wintrex Travel Corporation Unit 126 South Parking Building SM Mall of Asia Complex J.W Diokno Boulevard, Pasay City

DAVAO
4th Level, Gaisano Mall of Davao J.P Laurel Avenue, Bajada Davao City

SINGAPORE

Row: 13 & 14, Departure Level 2 Singapore Changi Airport Terminal 1

SRI LANKA

COLOMBO
Setmil Aviation (Pvt) Ltd. Ground Floor, Setmil Maritime Centre 256, Srimath Ramanathan Mawatha Colombo 15

THAILAND

BANGKOK
127 Tanao Road, Phra Nakorn Bangkok 10200

Suvarnabhumi International Airport Room A1-062 Ground Floor Concourse A, Bangna-Trad Road Racha Teva, Bang Pli Samutprakarn 10540

Tesco Lotus – Bangkapi
2nd Floor, 3109 Ladpro Road
Bangkapi, 10240

Tesco Lotus – Rama1
3rd Floor, 831 Rama 1 Road
Wangmai, Pathumwan
10330

Tesco Lotus – Rangsit, 2nd Floor
392/4, Moo2, Phaholyothin Road
Thanyaburi, Pathumthani, 12130

Tesco Lotus - Sukhumvit 50
1st floor, 1710, Sukhumvit Road
Klong Toey, 10110

Tesco Lotus - Lad Prao
2nd Floor, 1190, Phahonyothin Road
Jompol, Jatujak, 1090

CHIANG MAI
Chiangmai International Airport
60, 1st Floor, Tambol Sutep
Amphur Muang, 50200

416 Thaphae Road

Tesco Lotus - Chiang Mai
Kamtieng, 2nd Floor
19, Kamtieng Road, Patan Sub District
Muang District, 50340

CHIANG RAI
Chiang Rai International Airport
2305/2 404 Moo 10, Tambol Bandu
Amphur Muang, Chiang Rai 57100

HAT YAI
Hat Yai International Airport
125 Hadyai International Airport
Moo 3 Klongla, Klonghoikong
Songkhla 90115

Tesco Lotus - Hat Yai, 1st Floor
1142, Kanchanawit Road, Hat Yai
Songkla, 90115

KRABI
133 Moo 5 Petchkasem Road
Tambol Nuakrong, Amphur
Nuakrong, 81130

NARATHIWAT
Narathiwat Airport
330 Moo 5, Tambol Kok-Kian
Amphur Muang, 96000

PHUKET
Phuket International Airport
312, 3rd Floor, Tumbol Maikao
Amphur Thalang, 83110

Unit 9, Laflora Patong Area
No. 39, 39/1, Thaveewong Rd.
Patong, Kratoo

Tesco Lotus – Phuket
2nd Floor, 104, Chalermprakiat Road
Rasada Sub District
Muang District, 83000

SURAT THANI
Surat Thani International Airport
73 Moo 3 Tambol Huatuey
Amphur Punpin

UBON RATCHATHANI
Ubon Ratchathani Airport
297 Ubon Ratchathani Airport
Thepyotee Road
Amphur Nai Muang, 34000

UDON THANI
Udon Thani International Airport
224 Moo 1, Tambol Makkhang
Amphur Muang, 41000

PATTAYA
Tesco Lotus South Pattaya
2nd Floor 408/2 Moo 12
South Pattaya, Sukhumvit Road
Nongprue, Banglamung
Chonburi 20150

VIETNAM

HANOI
Lobby A,3rd floor
Noi Bai International Airport

HO CHI MINH
Room # 1.4.19
Tan Son Nhat International Airport

CALL CENTRE NUMBERS

AUSTRALIA	1300 760 330
CHINA	+86 20 2281 7666
INDIA	1860 500 8000
INDONESIA	+62 21 2927 0999
JAPAN	0120 963 516
JEDDAH	+966 8008449458 +966 8008500001 *(For Guests using Zain as their Telco service provider)*
HONG KONG	+852 3112 3222
MACAU	0800912
MALAYSIA	600 85 8888 *(AirAsia X Premium Line)* *chargeable at RM1.95 per minute*
PHILIPPINES	+63 2 588 9999
SINGPORE	+65 6307 7688 *(AirAsia X Premium Line)*
SOUTH KOREA	00798 1420 69940
TAIWAN	008 0185 3031
THAILAND	+66 2 515 9999

Glossary

AirAsia Berhad	"The Company" or "AirAsia".
Aircraft at end of period	Number of aircraft owned or on lease arrangements of over one month's duration at the end of the period.
Aircraft utilisation	Average number of block hours per day per aircraft operated.
Available seat Kilometres (ASK)	Total seats flown multiplied by the number of kilometres flown.
Average fare	Passenger seat sales, surcharges and fees divided by number of passengers.
Block hours	Hours of service for aircraft, measured from the time that the aircraft leaves the terminal at the departure airport to the time that it arrives at the terminal at the destination airport.
Capacity	The number of seats flown.
Cost per AsK (CASK)	Revenue less operating profit divided by available seat kilometres.
Cost per AsK, excluding fuel (CASK ex fuel)	Revenue less operating profit and aircraft fuel expenses, divided by available seat kilometres.
Load factor	Number of passengers as a percentage of capacity.
Passengers carried	Number of earned seats flown. Earned seats comprises seats sold to passengers (including no-shows), seats provided for promotional purposes and seats provided to staff for business travel.
Revenue per ASK (RASK)	Revenue divided by available seat kilometres.
Revenue Passenger Kilometres (RPK)	Number of passengers multiplied by the number of kilometres those passengers have flown.
Stage	A one-way revenue flight.

Form of Proxy

AIRASIA BERHAD
(Company No.: 284669-W)
Incorporated in Malaysia

I/We ______________________________ NRIC No./Co No.: ______________
(FULL NAME IN BLOCK LETTERS) (COMPULSORY)

of ____ being a
(ADDRESS)

member of **AIRASIA BERHAD** ("the Company") hereby appoint ______________________________
(FULL NAME IN BLOCK LETTERS)

NRIC No.: ______________ of ______________________________
(COMPULSORY) (ADDRESS)

and/or ______________________________ NRIC No. ______________
(FULL NAME IN BLOCK LETTERS) (COMPULSORY)

of ____
(ADDRESS)

as my / our proxy(ies) to vote in my / our name and on my / our behalf at the Twentieth Annual General Meeting of the Company to be held on Tuesday, 4 June 2013 at 10.00 a.m. and at any adjournment of such meeting and to vote as indicated below:

Resolutions	Description	FOR	AGAINST
Ordinary No. 1	**Ordinary Business** Receive the Audited Financial Statements and Reports		
No. 2	Declaration of Final Single Tier Dividend		
No. 3	Approval of Directors' Fees		
No. 4	Re-election of Dato' Mohamed Khadar Bin Merican		
No. 5	Re-election of Dato' Fam Lee Ee		
No. 6	Proposal for Dato' Fam Lee Ee to be retained as Independent Non-Executive Director of the Company		
No. 7	Re-election of Cik Aireen Omar		
No. 8	Re-appointment of Auditors		
No. 9	**Special Business** Authority to allot shares pursuant to Section 132D of the Companies Act, 1965		
No. 10	Proposed renewal of existing shareholders' mandate and new shareholders' mandate for recurrent related party transactions		

(Please indicate with an "X" in the spaces provided how you wish your votes to be cast. If you do not do so, the proxy will vote or abstain from voting as he thinks fit)

No. of shares held:	
CDS Account No.:	
The proportion of my/our holding to be represented by my/our proxies are as follows:	First Proxy : ______% Second Proxy : ______%
Date:	

____
Signature of Shareholder/Common Seal

Notes to Form of Proxy

a. Pursuant to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 and Article 43(1) of the Company's Articles of Association, only those Foreigners (as defined in the Articles) who hold shares up to the current prescribed foreign ownership limit of 45.0% of the total issued and paid-up capital, on a first-in-time basis based on the Record of Depositors to be used for the forthcoming Annual General Meeting, shall be entitled to vote. A proxy appointed by a Foreigner not entitled to vote, will similarly not be entitled to vote. Consequently, all such disenfranchised voting rights shall be automatically vested in the Chairman of the forthcoming Annual General Meeting.

b. A member must be registered in the Record of Depositors at 5.00 p.m. on 28 May 2013 ("General Meeting Record of Depositors") in order to attend and vote at the Meeting. A depositor shall not be regarded as a Member entitled to attend the Meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors. Any changes in the entries on the Record of Depositors after the abovementioned date and time shall be disregarded in determining the rights of any person to attend and vote at the Meeting.

c. A member entitled to attend and vote is entitled to appoint a proxy (or in the case of a corporation, to appoint a representative), to attend and vote in his stead. There shall be no restriction as to the qualification of the proxy(ies).

d. The Proxy Form in the case of an individual shall be signed by the appointor or his attorney, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.

e. Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.

f. Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

g. The Proxy Form or other instruments of appointment shall not be treated as valid unless deposited at the Registered Office of the Company at B-13-15, Level 13, Menara Prima Tower B, Jalan PJU 1/39, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time set for holding the meeting. **Faxed copies of the duly executed form of proxy are not acceptable.**

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stamp

Company Secretary
AirAsia Berhad (Company No. 2844669-W)
B-13-15, Level 13, Menara Prima Tower B
Jalan PJU 1/39, Dataran Prima
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

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