AirAsia X Berhad

200601014410 (734161-K)

(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements

31 December 2019

200601014410 (734161-K)

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Directors' report

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

Principal activities

The principal activity of the Company is that of providing long haul air transportation services.

The principal activities of the subsidiaries, associate and joint venture are disclosed in Notes 17, 18 and 19 to the financial statements.

Financial results

	Group RM'000	Company RM'000
Loss for the financial year	**(650,317)**	**(682,534)**

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

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Issue of shares and debentures

The Company did not issue any new shares and debentures during the financial year.

Directors

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

Tan Sri Rafidah Aziz
Datuk Kamarudin Bin Meranun
Tan Sri Anthony Francis Fernandes
Dato' Yusli Bin Mohamed Yusoff
Dato' Lim Kian Onn
Tan Sri Asmat Bin Kamaludin
Dato' Fam Lee Ee

Directors (cont'd.)

The names of the Directors of the Company’s subsidiaries in office since the beginning of the financial year to the date of this report (not including those Directors listed above) are:

Jean Marc Kin Voon Likamtin	
Benyamin Bin Ismail	
Natacha Sabrina Kong Hung Cheong	
Tommy Lo Seen Chong	
Wong Mee Yen	(Resigned on 30 August 2019)

Directors' benefits

Neither at the end of the financial year, nor at any time during the year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as shown in Note 7 to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which he is a member, or with a company in which the Director has a substantial financial interest, other than as disclosed in Note 33 to the financial statements.

Indemnity and insurance for Directors and officers

The Directors and officers of the Company and its subsidiaries are covered under a Directors' and Officers' Liability Insurance up to an aggregate limit of RM50 million against any legal liability, if incurred by the Directors and officers of the Company and its subsidiaries in the discharge of their duties while holding office for the Company and its subsidiaries. The insurance premium paid by the Company was RM180,000.

Directors' remuneration

The Directors’ remuneration are disclosed in Note 7 to the financial statements.

Directors' interests

According to the Register of Directors' Shareholdings, the interests of the Directors in office at the end of the financial year in shares in the Company or its related corporations during and at the end of the financial year are as follows:

	Number of ordinary shares			
	1.1.2019	**Acquired**	**Disposed**	**31.12.2019**
The Company				
Datuk Kamarudin Bin Meranun				
Direct interest	370,709,939	-	-	370,709,939
Indirect interest *	1,310,331,376	-	-	1,310,331,376
Tan Sri Anthony Francis Fernandes				
Direct interest	111,587,228	-	-	111,587,228
Indirect interest *	1,310,331,376	-	-	1,310,331,376
Dato' Lim Kian Onn				
Indirect interest **	175,833,356	-	-	175,833,356
Tan Sri Rafidah Aziz				
Direct interest	175,000	-	-	175,000
Indirect interest ***	100,000	-	-	100,000
Tan Sri Asmat Bin Kamaludin				
Direct interest	297,400	-	-	297,400
Indirect interest ****	40,000	-	-	40,000

* Deemed interest by virtue of their shareholding interests in AirAsia Berhad and Tune Group Sdn Bhd pursuant to Section 8A of the Companies Act 2016.

** Pursuant to Section 59(11)(c) of the Companies Act 2016, the interests of spouse and children of Dato' Lim Kian Onn in the shares of the Company shall also be treated as the interest of Dato' Lim Kian Onn.

*** Pursuant to Section 59(11)(c) of the Companies Act 2016, the interest of spouse (deceased) of Tan Sri Rafidah Aziz in the shares of the Company shall also be treated as the interest of Tan Sri Rafidah Aziz.

**** Pursuant to Section 59(11)(c) of the Companies Act 2016, the interests of spouse and children of Tan Sri Asmat Bin Kamaludin in the shares of the Company shall also be treated as the interest of Tan Sri Asmat Bin Kamaludin.

Directors' interests (cont'd.)

None of the other Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

Other statutory information

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts; and

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

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

(i) it necessary to write off any bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

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

(c) At the date of this report, the Directors are aware of the COVID-19 pandemic, which may have an impact on certain values attributed to current assets and valuation methods adopted by the Group and the Company.

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

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

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

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

Other statutory information (cont'd.)

(f) In the opinion of the Directors:

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

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

(g) As at 31 December 2019, the net current liabilities shortfall position of the Group and of the Company amounted to RM1,080.3 million and RM1,103.5 million respectively. Note 41 to the financial statements discussed the management steps to address the current impact of the COVID-19 pandemic. The Board of Directors is confident that based on the strategies and the funding plans, the Group will be in good stead to weather the current challenging environment.

Subsequent events

Details of subsequent events are disclosed in Note 41 to the financial statements.

Auditors and auditors' remuneration

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

Auditors' remuneration are disclosed in Note 8 to the financial statements.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young PLT, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been paid to indemnify Ernst & Young PLT during or since the end of the financial year.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 30 July 2020.

Tan Sri Rafidah Aziz
Director

Datuk Kamarudin Bin Meranun
Director

Kuala Lumpur, Malaysia

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Statements of profit or loss
For the financial year ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Revenue	4	**4,233,344**	4,571,376	**4,231,015**	4,568,277
Operating expenses					
- Staff costs	5	**(429,016)**	(422,845)	**(418,640)**	(412,383)
- Depreciation	6	**(745,434)**	(127,268)	**(755,567)**	(127,268)
- Aircraft fuel expenses		**(1,680,688)**	(1,876,060)	**(1,680,688)**	(1,876,060)
- Maintenance and overhaul		**(701,627)**	(485,389)	**(701,627)**	(485,389)
- User charges		**(431,336)**	(508,121)	**(431,336)**	(508,121)
- Aircraft operating lease expenses		**-**	(898,654)	**-**	(898,654)
- Other operating expenses	8	**(406,734)**	(464,398)	**(440,635)**	(473,727)
Other income	9	**41,055**	7,414	**23,209**	7,414
Operating loss		**(120,436)**	(203,945)	**(174,269)**	(205,911)
Finance income	10	**137,529**	55,773	**137,441**	55,773
Finance costs	10	**(364,911)**	(70,611)	**(345,706)**	(70,611)
Net operating loss		**(347,818)**	(218,783)	**(382,534)**	(220,749)
Net foreign exchange gain	10	**42,914**	16,011	**43,524**	16,112
Share of results of an associate	18	**(1,104)**	-	**-**	-
Share of results of a joint venture	19	**-**	-	**-**	-
Other losses	11	**-**	(23,889)	**-**	(23,889)
Loss before taxation		**(306,008)**	(226,661)	**(339,010)**	(228,526)
Taxation					
- Current taxation	12	**495**	(918)	**650**	172
- Deferred taxation	12	**(344,804)**	(73,903)	**(344,174)**	(74,423)
		(344,309)	(74,821)	**(343,524)**	(74,251)
Loss for the financial year		**(650,317)**	(301,482)	**(682,534)**	(302,777)
Loss per share (sen)					
- Basic	13	**(15.7)**	(7.3)		
- Diluted	13	**(15.7)**	(7.3)		

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

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AirAsia X Berhad
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Statements of comprehensive income
For the financial year ended 31 December 2019

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Loss for the financial year	**(650,317)**	(301,482)	**(682,534)**	(302,777)
<u>Other comprehensive income/ (loss)</u>				
Items that may be subsequently reclassified to profit or loss				
Cash flow hedges	**129,621**	(98,374)	**129,621**	(98,374)
Foreign currency translation differences	**60**	(149)	**-**	-
Other comprehensive income/(loss) for the financial year, net of tax	**129,681**	(98,523)	**129,621**	(98,374)
Total comprehensive loss for the financial year	**(520,636)**	(400,005)	**(552,913)**	(401,151)

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

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Statements of financial position
As at 31 December 2019

	Note	2019 RM'000	2018 RM'000
Group			
Assets			
Non-current assets			
Property, plant and equipment	14	**623,445**	624,964
Right-of-use assets	15	**4,959,771**	-
Finance lease receivables	16	**842,043**	-
Investment in an associate	18	**-**	-
Investment in a joint venture	19	**-**	-
Deferred tax assets	20	**-**	385,753
Trade and other receivables	23	**1,588,833**	1,714,195
Amount due from an associate	24	**50,165**	67,287
Derivative financial assets	21	**1,311**	-
		8,065,568	2,792,199
Current assets			
Inventories	22	**13,102**	13,257
Trade and other receivables	23	**671,902**	189,837
Amount due from an associate	24	**117,772**	-
Amount due from a joint venture	24	**4,501**	-
Amount due from related parties	24	**119,328**	48,851
Finance lease receivables	16	**170,631**	-
Derivative financial assets	21	**44,615**	-
Tax recoverable		**1,481**	806
Deposits, cash and bank balances	25	**357,961**	297,609
		1,501,293	550,360
Non-current assets held for sale	26	**-**	999,012
		1,501,293	1,549,372
Total assets		**9,566,861**	4,341,571
Equity and liabilities			
Current liabilities			
Sales in advance	2.17	**730,725**	697,126
Derivative financial liabilities	21	**2,317**	96,811
Trade and other payables	27	**823,811**	1,081,631
Amount due to an associate	24	**-**	7,777
Amount due to related parties	24	**30,616**	97,381
Borrowings	28	**860,070**	192,324
Provision for aircraft maintenance	29	**134,101**	-
		2,581,640	2,173,050
Net current liabilities		**(1,080,347)**	(623,678)

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Statements of financial position
As at 31 December 2019 (cont'd.)

	Note	2019 RM'000	2018 RM'000
Group (cont'd.)			
Non-current liabilities			
Derivative financial liabilities	21	**3,541**	33,675
Trade and other payables	27	**52,925**	52,767
Borrowings	28	**5,405,541**	494,728
Provision for aircraft maintenance	29	**1,385,285**	1,013,689
		6,847,292	1,594,859
Total liabilities		**9,428,932**	3,767,909
Net assets		**137,929**	573,662
Equity attributable to equity holders of the Company			
Share capital	30	**1,534,043**	1,534,043
Warrant reserve	31	**62,222**	62,222
Other reserves	31	**30,452**	(99,169)
Currency translation reserve		**89**	29
Accumulated losses		**(1,488,877)**	(923,463)
Total equity		**137,929**	573,662

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

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Statements of financial position
As at 31 December 2019 (cont'd.)

	Note	2019 RM'000	2018 RM'000
Company			
Assets			
Non-current assets			
Property, plant and equipment	14	**623,445**	624,964
Right-of-use assets	15	**5,041,965**	-
Finance lease receivables	16	**842,043**	-
Investments in subsidiaries	17	**4**	*
Investment in an associate	18	**-**	20,018
Investment in a joint venture	19	**-**	-
Deferred tax assets	20	**-**	385,108
Trade and other receivables	23	**1,588,833**	1,714,195
Amount due from an associate	24	**50,165**	67,287
Derivative financial assets	21	**1,311**	-
		8,147,766	2,811,572
Current assets			
Inventories	22	**13,102**	13,257
Trade and other receivables	23	**671,802**	189,760
Amount due from subsidiaries	24	**134,229**	33,464
Amount due from an associate	24	**16,568**	15,662
Amount due from a joint venture	24	**4,501**	-
Amount due from related parties	24	**119,328**	48,851
Finance lease receivables	16	**170,631**	-
Derivative financial assets	21	**44,615**	-
Tax recoverable		**1,616**	1,641
Deposits, cash and bank balances	25	**337,947**	296,150
		1,514,339	598,785
Non-current assets held for sale	26	**-**	999,012
		1,514,339	1,597,797
Total assets		**9,662,105**	4,409,369
Equity and liabilities			
Current liabilities			
Sales in advance	2.17	**730,725**	697,126
Derivative financial liabilities	21	**2,317**	96,811
Trade and other payables	27	**811,539**	1,078,906
Amount due to subsidiaries	24	**2,898**	1,688
Amount due to an associate	24	**26,622**	56,902
Amount due to related parties	24	**33,084**	99,723
Borrowings	28	**876,590**	192,324
Provision for aircraft maintenance	29	**134,101**	-
		2,617,876	2,223,480
Net current liabilities		**(1,103,537)**	(625,683)

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Statements of financial position
As at 31 December 2019 (cont'd.)

	Note	2019 RM'000	2018 RM'000
Company (cont'd.)			
Non-current liabilities			
Derivative financial liabilities	21	**3,541**	33,675
Trade and other payables	27	**52,925**	52,767
Borrowings	28	**5,479,458**	494,728
Provision for aircraft maintenance	29	**1,385,285**	1,013,689
		6,921,209	1,594,859
Total liabilities		**9,539,085**	3,818,339
Net assets		**123,020**	591,030
Equity attributable to equity holders of the Company			
Share capital	30	**1,534,043**	1,534,043
Warrant reserve	31	**62,222**	62,222
Other reserves	31	**30,452**	(99,169)
Accumulated losses		**(1,503,697)**	(906,066)
Total equity		**123,020**	591,030

*   Less than RM1,000

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

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Consolidated statement of changes in equity
For the financial year ended 31 December 2019

		<------------------- Attributable to equity holders of the Company -------------------->						
		<------------------- Non-Distributable ------------------->					Distributable	
	Note	Number of shares '000	Share capital RM'000	Warrant reserve RM'000	Cash flow hedge reserve RM'000	Currency translation reserve RM'000	Accumulated losses RM'000	Total equity RM'000
Group								
At 1 January 2019		**4,148,148**	**1,534,043**	**62,222**	**(99,169)**	**29**	**(923,463)**	**573,662**
Effects of adoption of MFRS 16	2.27	**-**	**-**	**-**	**-**	**-**	**84,903**	**84,903**
At 1 January 2019 (As restated)		**4,148,148**	**1,534,043**	**62,222**	**(99,169)**	**29**	**(838,560)**	**658,565**
Net loss for the financial year		**-**	**-**	**-**	**-**	**-**	**(650,317)**	**(650,317)**
Other comprehensive income for the financial year		**-**	**-**	**-**	**129,621**	**60**	**-**	**129,681**
Total comprehensive income/(loss) for the financial year		**-**	**-**	**-**	**129,621**	**60**	**(650,317)**	**(520,636)**
At 31 December 2019		**4,148,148**	**1,534,043**	**62,222**	**30,452**	**89**	**(1,488,877)**	**137,929**

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Consolidated statement of changes in equity
For the financial year ended 31 December 2019 (cont'd.)

	<------------------- Attributable to equity holders of the Company -------------------->						
	<------------------- Non-Distributable -------------------->					Distributable	
	Number of shares ‘000	**Share capital RM’000**	**Warrant reserve RM’000**	**Cash flow hedge reserve RM’000**	**Currency translation reserve RM’000**	**Accumulated losses RM’000**	**Total equity RM’000**
Group (cont'd.)							
At 1 January 2018	4,148,148	1,534,043	62,222	(795)	178	(607,042)	988,606
Effects of adoption of MFRS 9 and MFRS 15	-	-	-	-	-	(14,939)	(14,939)
At 1 January 2018 (As restated)	4,148,148	1,534,043	62,222	(795)	178	(621,981)	973,667
Net loss for the financial year	-	-	-	-	-	(301,482)	(301,482)
Other comprehensive loss for the financial year	-	-	-	(98,374)	(149)	-	(98,523)
Total comprehensive loss for the financial year	-	-	-	(98,374)	(149)	(301,482)	(400,005)
At 31 December 2018	4,148,148	1,534,043	62,222	(99,169)	29	(923,463)	573,662

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

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Statement of changes in equity
For the financial year ended 31 December 2019

		<-------------- Attributable to equity holders of the Company ------------->					
		<------------ Non-Distributable ------------>				Distributable	
	Note	**Number of shares '000**	**Share capital RM'000**	**Warrant reserve RM'000**	**Cash flow hedge reserve RM'000**	**Accumulated losses RM'000**	**Total equity RM'000**
Company							
At 1 January 2019		**4,148,148**	**1,534,043**	**62,222**	**(99,169)**	**(906,066)**	**591,030**
Effects of adoption of MFRS 16	2.27	**-**	**-**	**-**	**-**	**84,903**	**84,903**
At 1 January 2019 (As restated)		**4,148,148**	**1,534,043**	**62,222**	**(99,169)**	**(821,163)**	**675,933**
Loss for the financial year		**-**	**-**	**-**	**-**	**(682,534)**	**(682,534)**
Other comprehensive income for the financial year		**-**	**-**	**-**	**129,621**	**-**	**129,621**
Total comprehensive income/(loss) for the financial year		**-**	**-**	**-**	**129,621**	**(682,534)**	**(552,913)**
At 31 December 2019		**4,148,148**	**1,534,043**	**62,222**	**30,452**	**(1,503,697)**	**123,020**

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Statement of changes in equity
For the financial year ended 31 December 2019 (cont'd.)

	<-------------- Attributable to equity holders of the Company ------------->					
	<------------ Non-Distributable ------------>				Distributable	
	Number of shares '000	**Share capital RM'000**	**Warrant reserve RM'000**	**Cash flow hedge reserve RM'000**	**Accumulated losses RM'000**	**Total equity RM'000**
Company (cont'd.)						
At 1 January 2018	4,148,148	1,534,043	62,222	(795)	(588,350)	1,007,120
Effects of adoption of MFRS 9 and MFRS 15	-	-	-	-	(14,939)	(14,939)
At 1 January 2018 (As restated)	4,148,148	1,534,043	62,222	(795)	(603,289)	992,181
Loss for the financial year	-	-	-	-	(302,777)	(302,777)
Other comprehensive loss for the financial year	-	-	-	(98,374)	-	(98,374)
Total comprehensive loss for the financial year	-	-	-	(98,374)	(302,777)	(401,151)
At 31 December 2018	4,148,148	1,534,043	62,222	(99,169)	(906,066)	591,030

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

AirAsia X Berhad
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Statements of cash flows
For the financial year ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Cash flows from operating activities					
Loss before taxation		**(306,008)**	(226,661)	**(339,010)**	(228,526)
Adjustments for:					
Property, plant and equipment and right-of-use assets					
- Depreciation	6	**745,434**	127,268	**755,567**	127,268
- Write off	8	**10**	7,844	**10**	7,844
Allowance for impairment of trade and other receivables	8	**69,404**	149,897	**69,404**	149,897
Impairment loss on investment in an associate	8	**-**	-	**21,122**	-
Loss on disposal of non-current assets held for sale	8	**90,416**	-	**90,416**	-
(Gain)/loss on lease modification on right-of-use assets	8,9	**(16,337)**	-	**8,992**	-
Finance income	10	**(78,890)**	(17,961)	**(78,802)**	(17,961)
Finance costs	10	**315,536**	31,007	**296,331**	31,007
Impact of discounting effect on financial instruments (net)	10	**(9,264)**	1,792	**(9,264)**	1,792
Fair value losses on derivative financial instruments	11	**-**	23,889	**-**	23,889
Share of results of an associate	18	**1,104**	-	**-**	-
Net unrealised foreign exchange gain	10	**(39,299)**	(2,100)	**(39,909)**	(2,201)
Operating profit before working capital changes		**772,106**	94,975	**774,857**	93,009
Changes in working capital:					
Inventories		**155**	(4,739)	**155**	(4,739)
Trade and other receivables		**(24,634)**	(187,961)	**(24,611)**	(188,313)
Related parties balances		**(239,813)**	77,324	**(244,879)**	77,982
Trade and other payables		**(80,321)**	168,598	**(88,440)**	169,769
Sales in advance		**33,599**	(49,733)	**33,599**	(49,733)
Cash flows generated from operations		**461,092**	98,464	**450,681**	97,975

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Statements of cash flows
For the financial year ended 31 December 2019 (cont'd.)

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from operating activities (cont'd.)					
Finance costs paid		**(3,951)**	(3,834)	**(3,933)**	(3,834)
Interest received		**5,177**	5,263	**5,089**	5,263
Tax paid		**(676)**	(2,027)	**(676)**	(2,027)
Net cash generated from operating activities		**461,642**	97,866	**451,161**	97,377
Cash flows from investing activities					
Additions of property, plant and equipment		**(46,336)**	(9,165)	**(46,336)**	(9,165)
Proceeds from disposal of non-current assets held for sale		**908,596**	-	**908,596**	-
Additional subscription of shares in an associate		**(1,104)**	-	**(1,104)**	-
Receipt of principal portion of finance lease receivables		**163,014**	-	**163,014**	-
Net cash generated from/ (used in) investing activities		**1,024,170**	(9,165)	**1,024,170**	(9,165)
Cash flows from financing activities					
Repayment of lease liabilities	28	**(735,884)**	-	**(763,085)**	-
Repayment of term loans	28	**(377,786)**	(187,307)	**(377,786)**	(187,307)
Repayment of hire purchase	28	**(12)**	(32)	**(12)**	(32)
Interest paid for lease liabilities	28	**(293,901)**	-	**(274,714)**	-
Interest paid for term loans	28	**(17,682)**	(28,286)	**(17,682)**	(28,286)
Interest paid for hire purchase	28	**(2)**	(5)	**(2)**	(5)
Deposits pledged as securities		**(5,337)**	(3,777)	**(5,337)**	(3,777)
Net cash used in financing activities		**(1,430,604)**	(219,407)	**(1,438,618)**	(219,407)
Net increase/(decrease) in cash and cash equivalents		**55,208**	(130,706)	**36,713**	(131,195)
Currency translation differences		**(193)**	(8,137)	**(253)**	(7,988)
Cash and cash equivalents at beginning of the financial year		**252,604**	391,447	**251,145**	390,328
Cash and cash equivalents at end of the financial year	25	**307,619**	252,604	**287,605**	251,145

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

Notes to the financial statements - 31 December 2019

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). The registered office of the Company is located at Unit 30-01, Level 30, Tower A, Vertical Business Suite Avenue 3, Bangsar South No. 8, Jalan Kerinchi 59200 Kuala Lumpur, Wilayah Persekutuan Malaysia. The principal place of business of the Company is located at RedQ, Jalan Pekeliling 5, Lapangan Terbang Antarabangsa Kuala Lumpur (KLIA2), 64000 KLIA, Selangor Darul Ehsan.

The principal activity of the Company is that of providing long haul air transportation services. The principal activities of the subsidiary companies are disclosed in Note 17.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 30 July 2020.

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:

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

The financial statements of the Group and of the Company have been prepared under the historical cost basis except as disclosed in this summary of significant accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM’000) except when otherwise indicated.

As of 1 January 2019, the Group and the Company adopted new MFRS and amendments to MFRS (collectively referred to as “pronouncements”) that have been issued by the Malaysian Accounting Standards Board (“MASB”) as described fully in Note 2.27.

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

2.1 Basis of preparation (cont'd.)

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 the 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.

For the year ended 31 December 2019, the Group and the Company have reported a net loss of RM650.3 million and RM682.5 million respectively. In addition, as at 31 December 2019, the Group's and the Company’s current liabilities exceeded their current assets by RM1,080.3 million and RM1,103.5 million respectively. Further, in 2020, the global economy, in particular the commercial airlines industry, faces an uncertainty as a result of the unprecedented COVID-19 pandemic. The travel and border restrictions implemented by countries around the world has led to a significant fall in demand for international air travel which impacted the Group’s and the Company’s financial performance and cash flows. These events or conditions, along with other matters as set forth in Note 41, indicate the existence of material uncertainties that may cast significant doubt on the Group’s and the Company’s ability to continue as a going concern.

Nevertheless, the financial statements of the Group and of the Company have been prepared on a going concern basis, the validity of which is highly dependent on the successful implementation of the following management’s plans in responding to the conditions above:

(a) Deferral of payments to creditors and a financial institution

As at 31 December 2019, the current liabilities of the Group and the Company relating to aircraft lessors, maintenance service providers and a financial institution amounted RM877.8 million and RM894.3 million respectively. The Group and the Company have obtained payment deferrals on outstanding amounts due to certain lessors and are currently engaging with the lessors and maintenance service providers to seek for payment deferrals and concessions. In addition, the Group and the Company have also received an offer from the said financial institution to defer principal repayments and is currently finalising the terms and conditions for such deferral.

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

2.1 Basis of preparation (cont'd.)

(b) Rationalisation of fleet and routes

As part of the Group's and the Company's plans to return to profitability, the Group and the Company plan to focus in core markets to improve yield. Some of the initiatives include, amongst others, the following:

- focusing on mature routes in core markets with historically proven demand;
- determining the optimal flight frequency that commensurate with passenger demand; and
- terminating unprofitable routes.

In connection with the above plans, the Group and the Company plan to operate a leaner fleet size which require the Group and the Company to return excess aircraft to the aircraft lessors. At present, the Group and the Company have successfully returned one aircraft and are in discussions with the other aircraft lessors to achieve the optimal fleet size. The Group and the Company are also in discussions with the aircraft lessors to reduce future lease rental rates. Further, the Group and the Company are also in discussion with maintenance service providers to reduce future maintenance costs.

(c) Funding

The Company plans to make an application for a government guaranteed loan of up to RM500 million under the Danajamin PRIHATIN Guarantee Scheme ("DPGS"). This application is subject to the credit assessment, final evaluation and approval from the relevant financial institutions. At present, the Company is in discussion with a financial institution to secure the DPGS loan.

The above plans are formulated with an aim to achieve an organised and systematic resolution to address the Group's and the Company's current financial conditions. The validity of the going concern assumption of the Group and the Company is dependent on the ability of the Group and the Company to gradually resume their scheduled flight operations on a staggered basis starting early 2021 and their ability to return to profitability which requires the successful implementation of management's plans to obtain the continued support from the aircraft lessors, maintenance service providers and financial institutions.

Further details of management's plans are disclosed in Note 41 to the financial statements. The Directors believe that management's plans once finalised and implemented to address the financial conditions of the Group will enable the Group and the Company to generate sufficient cash flows to meet their financial obligations. Thus, the Directors believe that it is appropriate to prepare the financial statements of the Group and Company on a going concern basis.

Should the going concern basis for the preparation of the financial statements be no longer appropriate, adjustments will have to be made to state the assets at their realisable values and to provide for further liabilities which may arise.

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

2.2 Basis of consolidation

(i) Subsidiaries

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

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

Acquisition-related costs are expensed as incurred.

When a business combination is achieved in stages, the Group remeasures its previously held non-controlling equity interest in the acquiree at fair value at the acquisition date, with any resulting gain or loss recognised in the profit or loss. Increase in the Group’s ownership interest in an existing subsidiary is accounted for as equity transactions, with differences between the fair value of consideration paid and the Group’s proportionate share of net assets acquired, recognised directly in equity.

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

2.2 Basis of consolidation (cont'd.)

(i) Subsidiaries (cont'd.)

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

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

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

(ii) 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.

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.

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

2.2 Basis of consolidation (cont'd.)

(ii) Associates (cont'd.)

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

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

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

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

(iii) Joint arrangements

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

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

2.2 Basis of consolidation (cont'd.)

(iii) Joint arrangements (cont'd.)

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

Where an indication of impairment exists, the carrying value of the investment is assessed and written down immediately to its recoverable amount. Refer to accounting policy Note 2.5 on impairment of non-financial assets.

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

2.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Costs also include borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (refer to accounting policy Note 2.14 on borrowing costs).

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

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

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

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

The useful lives for this purpose are as follows:

Aircraft	
- engines and airframe excluding service potential	25 years
- service potential of engines and airframe	6 or 12 years
Aircraft spares	10 years
Aircraft fixtures and fittings	Useful life of aircraft or remaining lease term of aircraft, whichever is shorter
Motor vehicles	5 years
Office equipment, furniture and fittings	5 years

Service potential of 6 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 6 years.

Certain elements of the cost of an airframe are attributed on acquisition to 6 years interval check or 12 years interval check, reflecting its maintenance conditions. This cost is amortised over the shorter of the period to the next scheduled heavy maintenance or the remaining life of the aircraft.

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 financial position date.

Residual values, where applicable, are reviewed annually against prevailing market values at the financial position date for equivalent aged assets, and depreciation rates are adjusted accordingly on a prospective basis. For the current financial year ended 31 December 2019, the estimated residual value for aircraft airframes and engines is 10% of their cost (2018: 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.

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

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

The costs of upgrades to leased assets are capitalised and amortised over the shorter of the expected useful life of the upgrades or the remaining life of the aircraft.

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

At each financial year, the Group and the Company assess 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. Refer to accounting policy Note 2.5 on impairment of non-financial assets.

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

Non-current assets are classified as assets held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

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

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

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

2.4 Investments in subsidiaries, associates and joint ventures

In the Group's and the Company's separate financial statements, investments in subsidiaries, associates and joint ventures 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. Refer to Note 2.5 on impairment of non-financial assets.

On disposal of investments in subsidiaries, associates and joint ventures, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.5 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less 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 or cash generating units (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal at each reporting date.

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

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

2.6 Maintenance and overhaul

(i) Owned aircraft

The accounting for the cost of major airframe and certain engine maintenance checks for own aircraft is described in the accounting policy in Note 2.3 for property, plant and equipment.

(ii) Leased aircraft

Where the Group and the Company have a commitment to maintain aircraft held under operating leases, a 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 profit or loss calculated by reference to the number of flying hours, flying cycles operated during the financial year and calendar months of the components used.

2.7 Leases

The Group and the Company assess at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group and Company as a lessee

The Group and the Company apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group and the Company recognise lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Group and the Company recognise right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

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

2.7 Leases (cont'd.)

Group and Company as a lessee (cont'd.)

(i) Right-of-use assets (cont'd.)

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Aircraft and engines	2 to 10 years
- Office	2 to 19 years

If ownership of the leased asset transfers to the Group and the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment in accordance with accounting policy set out in Note 2.5.

(ii) Lease liabilities

At the commencement date of the lease, the Group and the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and the Company and payments of penalties for terminating the lease, if the lease term reflects the Group and the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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

The Group’s and the Company's lease liabilities are included in Note 28 Borrowings.

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

2.7 Leases (cont'd.)

Group and Company as a lessee (cont'd.)

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

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

(iv) Sale and leaseback transactions

Sale and leaseback transactions are tested under IFRS 15 at the date of the transaction, and if the transaction qualifies as a sale, the underlying asset is derecognised and a right-of-use asset with a corresponding liability is recognised equal to the retained interest in the asset. Any gain or loss is recognised immediately in the consolidated income statement for the interest in the asset transferred to the lessor. If the transaction does not qualify as sale under IFRS 15, a financial liability equal to the sale value is recognised in the consolidated financial statements as ‘Term loans’ within 'Borrowings'.

Gains and losses arising on sale and leaseback transactions resulting in an operating lease and where the sale price and subsequent future lease payments are at fair value, are recognised immediately in the consolidated income statement. Where the sale price is below fair value, any losses are immediately recognised in the consolidated income statement, except where the loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. Where the sale price is above fair value, the excess over fair value is accounted for as a deferred credit and amortised over the period for which the asset is expected to be used.

Group and Company as a lessor

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

i) Finance leases

The Group and the Company classify a lease as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

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

2.7 Leases (cont'd.)

Group and Company as a lessor (cont'd.)

i) Finance leases (cont'd.)

The Group and the Company derecognise the underlying asset and recognise a receivable at an amount equal to the finance lease receivables in a finance lease. Finance lease receivables in a finance lease are measured at an amount equal to the sum of the present value of lease payments from lessee and the unguaranteed residual value of the underlying asset. Initial direct costs are also included in the initial measurement of the finance lease receivables. The finance lease receivables are subject to MFRS 9 impairment (refer to Note 2.21) on impairment of financial assets. In addition, the Group and the Company review regularly the estimated unguaranteed residual value.

Lease income is recognised over the term of the lease using the finance lease receivables method so as to reflect a constant periodic rate of return. The Group and the Company revise the lease income allocation if there is a reduction in the estimated unguaranteed residual value.

ii) Operating leases

The Group and the Company classify a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group and the Company recognise lease payments received under operating lease as lease income on a straight-line basis over the lease term.

iii) Sublease classification

Until the financial year ended 31 December 2018, when the Group and the Company were intermediate lessors, the subleases were classified as finance or operating leases by reference to the underlying assets.

From 1 January 2019, when the Group and the Company are intermediate lessors, they assess the lease classification of a sublease with reference to the right-of-use ("ROU") asset arising from the head lease, not with reference to the underlying asset. If a head lease is short-term lease to which the Group and the Company apply the exemption described above, then they classify the sublease as an operating lease.

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

2.7 Leases (cont'd.)

Group and Company as a lessor (cont'd.)

iii) Sublease classification (cont'd.)

The Group and the Company as intermediate lessors account for the sublease as follows:

- If the sublease is classified as an operating lease, the original lessee continues to account for the lease liability and ROU asset on the head lease.

- If the sublease is classified as a finance lease, the original lessee derecognises the ROU asset on the head lease at the sublease commencement date and continues to account for the original lease liability. The original lessee, as the sublessor, recognises finance lease receivables in the sublease and evaluates it for impairment.

2.8 Inventories

Inventories comprising consumables used internally for repairs and maintenance and in-flight merchandise, 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.

2.9 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. Derivatives that do not qualify for hedge accounting are classified as held for trading and accounted for as financial liabilities in accordance with the accounting policy set out in Note 2.24. The Group and the Company designate certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

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

2.9 Derivative financial instruments and hedging activities (cont'd.)

The Group and the Company document 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 and the Company also document their 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 21. 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 profit or loss.

Amounts accumulated in equity are reclassified to the profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place).

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 the cost of goods sold in the case of inventory or in depreciation in the case of property, plant and equipment.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit or loss.

2.10 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.

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

2.11 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances, demand deposits, bank overdrafts and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Deposits held as pledged securities for term loans granted are not included as cash and cash equivalents.

2.12 Provisions

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

Contingent liabilities are not recognised in the consolidated statement of financial position but are disclosed in the notes to consolidated financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised but disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable. If it is virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the consolidated financial statements.

2.13 Share capital

(i) Classification

Ordinary shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

(ii) Share issue costs

Incremental external costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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

2.13 Share capital (cont'd.)

(iii) Dividends to shareholders of the Company

Dividends 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.

2.14 Borrowings

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

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

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

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

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

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

Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least twelve months after the financial year.

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

2.15 Income taxes

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associate and joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the forseeable future.

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

2.15 Income taxes (cont'd.)

(ii) Deferred tax (cont'd.)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associate and joint venture, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

2.16 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 and of the Company.

(ii) Defined contribution plan

The Group's and the Company's contributions to the Employees' Provident Fund are charged to the profit or loss in the period to which they relate. Once the contributions have been paid, the Group and the Company have 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.

2.17 Revenue recognition

(a) Revenue from contracts with customers

The Group and the Company recognise revenue from contracts with customers for the provision of services and sale of goods based on the five-step model as set out below:

(i) Identify contract(s) with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

(ii) Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

(iii) Determine the transaction price. The transaction price is the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

(iv) Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group and the Company allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group and the Company expect to be entitled in exchange for satisfying each performance obligation.

(v) Recognise revenue when (or as) the Group and the Company satisfy a performance obligation.

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

2.17 Revenue recognition (cont'd.)

(a) Revenue from contracts with customers (cont'd.)

The Group and the Company satisfy a performance obligation and recognise revenue over time if the Group's and the Company's performance:

(i) Do not create an asset with an alternative use to the Group and the Company and have an enforceable right to payment for performance completed to-date;

(ii) Create or enhance an asset that the customer controls as the asset is created or enhanced; or

(iii) Provide benefits that the customer simultaneously receives and consumes as the Group and the Company perform.

Revenue from scheduled passenger flights is recognised upon the rendering of transportation services net of discounts. The revenue of seats sold for which services have not been rendered is included in current liabilities as sales in advance.

Revenue from charter flights is recognised upon the rendering of transportation services.

Ancillary revenue including fuel surcharge, insurance surcharge, administrative fees, assigned seat, change fees, convenience fee, baggage fee, connecting fee, cancellation, documentation and other fees, and on-board sale of meals and merchandise are recognised upon the completion of services rendered net of discounts.

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

Management fees, incentives and commission income are recognised on an accrual basis.

Interest income is recognised using the effective interest method.

(b) Other revenue

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

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

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

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

(iii) Group companies

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

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

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

- all resulting exchange differences are recognised as a separate component of 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 profit or loss as part of the gain or loss on disposal.

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

2.19 Contingent liabilities

The Group and the Company do 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 and of the Company, 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. However contingent liabilities do not include financial guarantee contracts.

The Group and the Company recognise 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 and the Company measure 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.

2.20 Financial assets

(i) Recognition and initial measurement

Financial assets are classified, at initial recognition, as well as subsequent measurement at amortised cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s and the Company's business model for managing them.

With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, transaction costs, in the case of a financial asset not at fair value through profit or loss.

Prior to 1 January 2019, trade receivables are carried at amortised cost.

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

2.20 Financial assets (cont'd.)

(i) Recognition and initial measurement (cont'd.)

Trade receivables that do not contain a significant financing component or if the period between performance and payment is 1 year or less under practical expedient of MFRS 15, are measured at the transaction price determined under MFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place ("regular way trades") are recognised on the trade date, that is the date that the Group or the Company commit to purchase or sell the asset.

(ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

(a) Financial assets at amortised cost (debt instruments)

(b) Financial assets at fair value through OCI (debt instruments)

(c) Financial assets at fair value through profit or loss

Financial assets at amortised cost

This category is the most relevant to the Group and the Company. The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

i. The financial assets are held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

ii. The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2.20 Financial assets (cont'd.)

(ii) Subsequent measurement (cont'd.)

Financial assets at amortised cost (cont'd.)

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

(iii) Derecognition

A financial asset is derecognised when:

(a) The rights to receive cash flows from the asset have expired, or

(b) The Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

i. The Group and the Company have transferred substantially all the risks and rewards of the asset, or

ii. The Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When the Group and the Company have transferred their rights to receive cash flows from an asset or have entered into a pass-through arrangement, they evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

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

2.21 Impairment of financial assets

The Group and the Company recognise an allowance for expected credit losses ("ECLs") for all debt instruments carried at amortised cost and fair value through OCI. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognise a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group and the Company consider a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.22 Offsetting financial instruments

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

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

2.23 Trade and other 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). If not, they are presented as non-current liabilities.

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

2.24 Financial liabilities

(i) Recognition and initial measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings and payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's and the Company's financial liabilities include trade and other payables and loans and borrowings.

(ii) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group and the Company that are not designated as hedging instruments in hedge relationships as defined by MFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gain or losses on liabilities held for trading are recognised in the statement of profit or loss.

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

2.24 Financial liabilities (cont'd.)

(ii) Subsequent measurement (cont'd.)

Financial liabilities at fair value through profit or loss (cont'd.)

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group and the Company have not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Group and the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Subsequent to initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest method .

Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the profit or loss.

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

2.25 Segment reporting

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

2.26 Warrant reserve

Warrant reserve arising from the issuance of free warrants together with the rights issue, is determined based on the allocation of the proceeds from the rights issue using the fair value of the warrants and the ordinary shares on a pro-rate basis. Proceeds from warrants which are issued at a value, are credited to a warrant reserve. Warrant reserve is non-distributable, and is transferred to the share capital account upon the exercise of warrants. Warrant reserve in relation to unexercised warrants at the expiry of the warrants period is transferred to accumulated losses.

2.27 Adoption of new and revised pronouncements

As at 1 January 2019, the Group and the Company have adopted the following pronouncements that are applicable and have been issued by the MASB as listed below:

Effective for annual periods beginning on or after 1 January 2019

MFRS 16	Leases
Amendments to MFRS 3	Business Combinations: Annual Improvements to MFRS Standards 2015-2017 Cycle
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 11	Joint Arrangements: Annual Improvements to MFRS Standards 2015-2017 Cycle
Amendments to MFRS 112	Income Taxes: Annual Improvements to MFRS Standards 2015-2017 Cycle
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
Amendments to MFRS 123	Borrowing Costs: Annual Improvements to MFRS Standards 2015-2017 Cycle
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
IC Interpretation 23	Uncertainty over Income Tax Treatments

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

2.27 Adoption of new and revised pronouncements (cont'd.)

The principal changes in accounting policies and their effects are set out below:

(i) MFRS 16 Leases

The Group and the Company applied MFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

MFRS 16 supersedes MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 does not have an impact for leases where the Group and the Company is the lessor.

The Group and the Company adopted MFRS 16 using the modified retrospective method of adoption, with the date of initial application of 1 January 2019. The Group and the Company elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019. Instead, the Group and the Company applied the standard only to contracts that were previously identified as leases applying MFRS 117 and IC Interpretation 4 at the date of initial application. The Group and the Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

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

2.27 Adoption of new and revised pronouncements (cont'd.)

The principal changes in accounting policies and their effects are set out below (cont'd.):

(i) MFRS 16 Leases (cont'd.)

The effect of adopting MFRS 16 is, as follows:

Group	Audited 31.12.2018 RM'000	MFRS 16 adjustments RM'000	After adoption of MFRS 16 RM'000
Statement of financial position			
Right-of-use assets (Note 15)	-	5,657,360	5,657,360
Finance lease receivables	-	1,182,606	1,182,606
Lease Liabilities (Note 28)	-	(6,755,063)	(6,755,063)
Accumulated losses	(923,463)	84,903	(838,560)

Company	Audited 31.12.2018 RM'000	MFRS 16 adjustments RM'000	After adoption of MFRS 16 RM'000
Statement of financial position			
Right-of-use assets (Note 15)	-	5,749,687	5,749,687
Finance lease receivables	-	1,182,606	1,182,606
Lease Liabilities (Note 28)	-	(6,847,390)	(6,847,390)
Accumulated losses	(906,066)	84,903	(821,163)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

Liabilities	Group RM'000	Company RM'000
Operating lease commitments as at 31 December 2018 (Note 32(b))	6,664,520	6,664,520
Add: Lease modification	269,272	326,692
Add: Sales and leaseback of aircraft	1,154,795	1,154,795
Add: Commitments relating to office rental	64,760	64,760
Less: Present value of lease liabilities	(1,398,284)	(1,363,377)
Lease liabilities as at 1 January 2019	6,755,063	6,847,390

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

2.27 Adoption of new and revised pronouncements (cont'd.)

The principal changes in accounting policies and their effects are set out below (cont'd.):

(i) MFRS 16 Leases (cont'd.)

The weighted average incremental borrowing rate as at 1 January 2019 for the Group and the Company are 4.90% and 4.76% respectively.

Upon adoption of MFRS 16, the Group and the Company applied a single recognition and measurement approach for all leases for which it is the lessee, except for short-term leases and leases of low-value assets. The Group and the Company recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. In accordance with the modified retrospective approach method of adoption, the Group and the Company applied MFRS 16 at the date of initial application as if it had already been effective at the commencement date of existing lease contracts.

As at 1 January 2019:
- ‘Right-of-use assets’ and 'finance lease receivables' were recognised and presented separately in the statement of financial position.
- Additional lease liabilities were recognised and included under ‘Borrowings’.
- ‘Accumulated losses’ decreased due to the net impact of these adjustments.

(ii) MFRS 3 Business Combinations (Annual Improvements 2015-2017 Cycle)

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

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

2.27 Adoption of new and revised pronouncements (cont'd.)

The principal changes in accounting policies and their effects are set out below (cont'd.):

(iii) MFRS 11 Joint Arrangements (Annual Improvements 2015-2017 Cycle)

An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in MFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured. An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where a joint control is obtained.

2.28 Pronouncements yet in effect

The following pronouncements that have been issued by the MASB will become effective in future financial reporting periods and have not been adopted by the Group and/or the Company in these financial statements:

Effective for annual periods beginning on or after 1 January 2020

Amendments to MFRS 3	Business Combinations: Definition of a Business
Amendments to MFRS 7	Financial Instruments: Disclosures: Interest Rate Benchmark Reform
Amendments to MFRS 9	Financial Instruments: Interest Rate Benchmark Reform
Amendments to MFRS 16	Leases: Covid-19-Related Rent Concessions
Amendments to MFRS 16	Leases: Annual Improvements to MFRS Standards 2018-2020 Cycle
Amendments to MFRS 101	Presentation of Financial Statements: Definition of Material
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material
Amendments to MFRS 139	Financial Instruments: Recognition and Measurement: Interest Rate Benchmark Reform

Effective for annual periods beginning on or after 1 January 2021

MFRS 17	Insurance Contract

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

2.28 Pronouncements yet in effect (cont'd.)

Effective for annual periods beginning on or after 1 January 2022

Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards: Annual Improvements to MFRS Standards 2018-2020 Cycle
Amendments to MFRS 3	Business Combinations: Reference to the Conceptual Framework
Amendments to MFRS 9	Financial Instruments: Annual Improvements to MFRS Standards 2018-2020 Cycle
Amendments to MFRS 101	Presentation of Financial Statements: Classification of Liabilities as Current or Non-current
Amendments to MFRS 116	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts - Cost of Fulfilling a Contract
Amendments to MFRS 141	Agriculture: Annual Improvements to MFRS Standards 2018-2020 Cycle

Effective for a date yet to be confirmed

Amendments to MFRS 10	Consolidated Financial Statements: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 128	Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group and the Company are expected to apply the abovementioned pronouncements beginning from the respective dates the pronouncements become effective. The initial application of the abovementioned pronouncements are not expected to have any material impacts to the financial statements of the Group and the Company.

3. Critical accounting estimates and judgements

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

The Group and the Company make 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 and the Company'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 financial year are outlined below:

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

The Group and the Company reviews annually the estimated useful lives and residual values of aircraft frames and engines based on factors such as business plan 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 of 5% in the residual values of aircraft airframes and engines as disclosed in Note 2.3, would increase the recorded depreciation for the financial year ended 31 December 2019 by RM865,000 (2018: RM3,626,000) and decrease the carrying amount of property, plant and equipment as at 31 December 2019 by RM5,635,000 (2018: RM26,916,000).

(ii) Deferred tax assets

Deferred tax assets are mainly originating from unutilised tax incentives, investment tax allowances, unabsorbed capital allowances and tax losses carry forward. The deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Estimating the future taxable profits involves significant assumptions, especially in respect of regulatory approvals for prospective routes, aircraft delivery, fares, load factors, fuel price, maintenance cost and currency movements. Based on these projections, management has derecognised the deferred tax assets as at reporting date due to uncertainties relating to the COVID-19 environment.

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

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 financial year are outlined below (cont'd.):

(iii) Provision for aircraft maintenance

The Group and the Company operate aircraft under the operating leases. In respect of these operating lease arrangements, the Group and the Company are contractually obligated to maintain the aircraft during the lease period and to redeliver the aircraft to the lessors at the end of the lease term, in certain pre-agreed conditions.

Management estimates the overhaul, restoration and redelivery costs and accrues such costs over the lease term. The calculation of such costs includes management assumptions and estimates in respect of the anticipated rate of aircraft utilisation which includes flying hours and flying cycles and calendar months of the asset as used. These aircraft utilisation and calendar months affect the extent of the restoration work that will be required and the expected costs of such overhaul, restoration and redelivery at the end of the lease term.

(iv) Leases - Estimating the incremental borrowing rate

The Group and the Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group and the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group and the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group and the Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

4. Revenue

	Group		Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Revenue from contracts with customers	**4,013,967**	4,118,460	**4,011,638**	4,115,361
Aircraft operating lease income	**219,377**	452,916	**219,377**	452,916
	4,233,344	4,571,376	**4,231,015**	4,568,277
<u>Revenue from contracts with customers</u>				
Type of goods or services				
Scheduled flights	**2,893,458**	2,941,796	**2,893,458**	2,941,796
Charter flights	**114,946**	136,369	**114,946**	136,369
Freight services	**182,955**	182,997	**182,955**	182,997
Ancillary revenue	**820,279**	854,199	**820,279**	854,199
Management fees	**2,329**	3,099	**-**	-
	4,013,967	4,118,460	**4,011,638**	4,115,361
Timing of revenue recognition				
At a point of time	**4,013,967**	4,118,460	**4,011,638**	4,115,361

Ancillary revenue includes baggage fees, assigned seats, cancellations, documentation and other fees, and on-board sale of meals and merchandise.

5. Staff costs

	Group		Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Wages, salaries, bonuses and allowances	**394,635**	388,684	**385,073**	378,955
Defined contribution retirement plan	**34,381**	34,161	**33,567**	33,428
	429,016	422,845	**418,640**	412,383

Included in staff costs of the Group and of the Company was previous year's Executive Directors' remuneration amounting to RM2,763,000 as further disclosed in Note 7.

6. Depreciation

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment (Note 14)	**47,845**	127,268	**47,845**	127,268
Right-of-use assets (Note 15)	**697,589**	-	**707,722**	-
	745,434	127,268	**755,567**	127,268

7. Directors' remuneration

The details of remuneration paid to Directors of the Group and of the Company during the financial years ended 31 December 2019 and 2018, respectively, are as follows:

	Salary and other emoluments RM'000	Fees RM'000	EPF and other allowances RM'000	Total RM'000
2019				
Non-executive Directors:				
Datuk Kamarudin Bin Meranun	**-**	**85**	**6**	**91**
Tan Sri Anthony Francis Fernandes	**-**	**65**	**5**	**70**
Dato' Lim Kian Onn	**-**	**95**	**11**	**106**
Dato' Fam Lee Ee	**-**	**125**	**15**	**140**
Tan Sri Rafidah Aziz	**-**	**255**	**15**	**270**
Tan Sri Asmat Bin Kamaludin	**-**	**95**	**10**	**105**
Dato' Yusli Bin Mohamed Yusoff	**-**	**145**	**17**	**162**
Total Non-Executive Directors	**-**	**865**	**79**	**944**

7. Directors' remuneration (cont'd.)

	Salary and other emoluments RM'000	Fees RM'000	EPF and other allowances RM'000	Total RM'000
2018				
Executive Directors:				
Datuk Kamarudin Bin Meranun	1,265	-	149	1,414
Tan Sri Anthony Francis Fernandes	1,200	-	149	1,349
	2,465	-	298	2,763
Non-executive Directors:				
Dato' Lim Kian Onn	-	95	10	105
Dato' Fam Lee Ee	-	125	18	143
Tan Sri Rafidah Aziz	-	255	18	273
Tan Sri Asmat Bin Kamaludin	-	95	9	104
Dato' Yusli Bin Mohamed Yusoff	-	145	19	164
	-	715	74	789
Total Executive and Non-executive Directors	2,465	715	372	3,552

The remuneration paid to the Directors of the Group and of the Company is analysed as follows:

	Number of Directors	
	2019	**2018**
Executive Directors:		
Less than RM100,000	**-**	-
RM100,001 to RM150,000	**-**	-
RM150,001 to RM200,000	**-**	-
More than RM200,000	**-**	2
Non-executive Directors:		
Less than RM100,000	**2**	-
RM100,001 to RM150,000	**3**	3
RM150,001 to RM200,000	**1**	1
More than RM200,000	**1**	1

8. Other operating expenses

The following items have been charged in arriving at other operating expenses:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Management fee	**-**	-	**8,930**	10,254
Rental of land and buildings	**781**	8,132	**758**	7,911
Auditors' remuneration				
- Statutory audit	**621**	551	**445**	398
- Non-audit fees	**14**	14	**-**	14
Rental of equipment	**247**	78	**247**	78
Advertising expenses	**52,976**	77,409	**52,976**	77,180
Credit card charges	**41,333**	42,556	**41,333**	42,556
In-flight meal expenses	**24,152**	24,362	**24,152**	24,362
Insurance expenses	**26,620**	15,464	**26,620**	15,462
Allowance for impairment of trade and other receivables (Note 23)	**69,404**	149,897	**69,404**	149,897
Property, plant and equipment written off (Note 14)	**10**	7,844	**10**	7,844
Impairment loss on investment in an associate (Note 18)	**-**	-	**21,122**	-
Loss on disposal of non-current assets held for sale	**90,416**	-	**90,416**	-
Loss on lease modification on right-of-use assets (Note 15)	**-**	-	**8,992**	-

Other operating expenses include loss on disposal of assets previously held for sale of RM90,416,000 (2018: RM Nil).

9. Other income

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Gain on lease modification on right-of-use assets (Note 15)	**16,337**	-	**-**	-
Carbon credit sale	**8,353**	-	**8,353**	-
Others	**16,365**	7,414	**14,856**	7,414
	41,055	7,414	**23,209**	7,414

10. Finance income/(costs) and net foreign exchange gain

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
(a) Finance income:				
Interest income from deposits with licensed bank	**5,177**	5,807	**5,089**	5,807
Interest income from finance lease receivables (Note 15)	**61,904**	-	**61,904**	-
Other interest income	**11,809**	12,154	**11,809**	12,154
	78,890	17,961	**78,802**	17,961
Impact of discounting effect on financial instruments	**58,639**	37,812	**58,639**	37,812
	137,529	55,773	**137,441**	55,773
Finance costs:				
Interest expense on lease liabilities (Note 15 and Note 28)	**(293,901)**	-	**(274,714)**	-
Interest expense on term loans (Note 28)	**(17,682)**	(28,286)	**(17,682)**	(28,286)
Interest expense on hire purchase (Note 28)	**(2)**	(5)	**(2)**	(5)
Bank facilities and other charges	**(3,951)**	(2,716)	**(3,933)**	(2,716)
	(315,536)	(31,007)	**(296,331)**	(31,007)
Impact of discounting effect on financial instruments	**(49,375)**	(39,604)	**(49,375)**	(39,604)
	(364,911)	(70,611)	**(345,706)**	(70,611)
(b) Net foreign exchange gain:				
Realised	**3,615**	13,911	**3,615**	13,911
Unrealised	**39,299**	2,100	**39,909**	2,201
	42,914	16,011	**43,524**	16,112

11. Other losses

	Group and Company	
	2019	2018
	RM'000	RM'000
Other losses from fuel contracts held for trading	**-**	(23,889)

12. Taxation

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Current taxation:				
Malaysian income tax	**1,402**	3,151	**1,222**	3,151
Foreign tax	**280**	1,090	**-**	-
	1,682	4,241	**1,222**	3,151
Overprovision in respect of prior years	**(2,177)**	(3,323)	**(1,872)**	(3,323)
	(495)	918	**(650)**	(172)
Deferred taxation (Note 20):				
Relating to origination and reversal of temporary differences	**356,237**	85,575	**355,607**	86,095
Overprovision in respect of prior years	**(11,433)**	(11,672)	**(11,433)**	(11,672)
	344,804	73,903	**344,174**	74,423
Total income tax expense	**344,309**	74,821	**343,524**	74,251

The Group is subject to income tax on an entity basis on the profit arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate.

Domestic current income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the year.

12. Taxation (cont'd.)

A reconciliation of income tax expense applicable to loss before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Loss before taxation	**(306,008)**	(226,661)	**(339,010)**	(228,526)
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	**(73,442)**	(54,399)	**(81,362)**	(54,846)
Expenses not deductible for tax purposes	**56,297**	10,594	**62,680**	10,471
Income not subject to tax	**(29,377)**	(5,327)	**(28,930)**	(5,327)
Deferred tax assets not recognised	**241,915**	138,948	**241,915**	138,948
Utilisation of previously unrecognised unutilised reinvestment allowance	**(14,490)**	-	**(14,490)**	-
Utilisation of previously unrecognised unutilised investment tax allowance	**177,016**	-	**177,016**	-
Overprovision of deferred tax in respect of prior years	**(11,433)**	(11,672)	**(11,433)**	(11,672)
Overprovision of income tax in respect of prior years	**(2,177)**	(3,323)	**(1,872)**	(3,323)
Total income tax expenses	**344,309**	74,821	**343,524**	74,251

13. Loss per share (sen)

(a) Basic loss per share

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

	Group	
	2019	**2018**
Loss for the financial year (RM'000)	**(650,317)**	(301,482)
Weighted average number of ordinary shares in issue ('000)	**4,148,148**	4,148,148
Loss per share (sen)	**(15.7)**	(7.3)

(b) Diluted loss per share

The diluted loss per share of the Group is similar to the basic loss per share as the Group has no dilutive potential ordinary shares as at the end of the reporting date. There has been no other transaction involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

14. Property, plant and equipment

	Aircraft engines, airframes and service potential RM'000	Aircraft spares RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Ramp equipment RM'000	Assets not yet in operation RM'000	Pre-delivery payments RM'000	Total RM'000
Group and Company								
2019								
Net book value								
At 1 January 2019	**459,007**	**53,258**	**410**	**4,472**	**1**	**-**	**107,816**	**624,964**
Additions	**6,913**	**12,584**	**-**	**935**	**-**	**-**	**25,904**	**46,336**
Depreciation (Note 6)	**(32,938)**	**(12,452)**	**(148)**	**(2,306)**	**(1)**	**-**	**-**	**(47,845)**
Write off (Note 8)	**-**	**(10)**	**-**	**-**	**-**	**-**	**-**	**(10)**
At 31 December 2019	**432,982**	**53,380**	**262**	**3,101**	**-**	**-**	**133,720**	**623,445**

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(Incorporated in Malaysia)

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

	Aircraft engines, airframes and service potential RM'000	Aircraft spares RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Ramp equipment RM'000	Assets not yet in operation RM'000	Pre-delivery payments RM'000	Total RM'000
Group and Company								
2018								
Net book value								
At 1 January 2018	1,413,376	59,995	580	6,459	5	210	115,278	1,595,903
Additions	156,454	6,217	-	455	(4)	63	-	163,185
Depreciation (Note 6)	(112,190)	(12,466)	(170)	(2,442)	-	-	-	(127,268)
Write off (Note 8)	(4)	(105)	-	-	-	(273)	(7,462)	(7,844)
Reclassification (Note 26)	(998,629)	(383)	-	-	-	-	-	(999,012)
At 31 December 2018	459,007	53,258	410	4,472	1	-	107,816	624,964

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

The reconciliation of the gross carrying amount and the accumulated depreciation and impairment losses at the beginning and end of the financial year is as follows:

	Aircraft engines, airframes and service potential RM'000	Aircraft spares RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Ramp equipment RM'000	Assets not yet in operation RM'000	Pre-delivery payments RM'000	Total RM'000
Group and Company								
2019								
Cost	**677,225**	**155,636**	**3,475**	**17,890**	**-**	**-**	**133,720**	**987,946**
Accumulated depreciation	**(244,243)**	**(91,628)**	**(3,213)**	**(14,379)**	**-**	**-**	**-**	**(353,463)**
Accumulated impairment losses	**-**	**(10,628)**	**-**	**(410)**	**-**	**-**	**-**	**(11,038)**
	432,982	**53,380**	**262**	**3,101**	**-**	**-**	**133,720**	**623,445**
2018								
Cost	670,312	143,067	3,588	16,955	1	-	107,816	941,739
Accumulated depreciation	(211,305)	(79,181)	(3,178)	(12,073)	-	-	-	(305,737)
Accumulated impairment losses	-	(10,628)	-	(410)	-	-	-	(11,038)
	459,007	53,258	410	4,472	1	-	107,816	624,964

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

The reclassification amounting to RM999 million was related to asset held for sale (Note 26).

The additions and net book value of assets under hire purchase are as follows:

	Group and Company	
	2019	**2018**
	RM'000	**RM'000**
Assets under hire purchase:		
Net book value at the end of financial year	**33**	45

Included in property, plant and equipment of the Group and Company are aircraft pledged as security for borrowings (Note 28) with a net book value of RM424 million (2018: RM449 million).

The beneficial ownership and operational control of certain aircraft pledged as security for borrowings rests with the Group and the Company when the aircraft is delivered to the Group and the Company. Where the legal title to the aircraft is held by the financiers during delivery, the legal title will be transferred to the Group and the Company only upon settlement of the respective facilities.

Pre-delivery payments on aircraft purchases are denominated in US Dollar which represent initial payment made in respect of the price of the aircraft and are deducted from the final price on delivery.

15. Right-of-use assets

The Group and the Company leases various aircraft, engines and office used in its operations. Leases of aircraft and engines generally have lease terms between 6 to 12 years, while office generally have lease terms between 2 to 20 years. The Group's and the Company's obligations under its leases are secured by the lessor's title to the leased assets.

The Group and the Company also has certain leases of office with the lease terms of 12 months or less and leases of office equipment with low value. The Group and the Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

15. Right-of-use assets (cont'd.)

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Aircraft and engines RM'000	Office RM'000	Total RM'000
Group			
As at 1 January 2019	**-**	**-**	**-**
Additions	**5,613,880**	**43,480**	**5,657,360**
Depreciation expense	**(692,954)**	**(4,635)**	**(697,589)**
As at 31 December 2019	**4,920,926**	**38,845**	**4,959,771**

	Aircraft and engines RM'000	Office RM'000	Total RM'000
Company			
As at 1 January 2019	**-**	**-**	**-**
Additions	**5,706,207**	**43,480**	**5,749,687**
Depreciation expense	**(703,087)**	**(4,635)**	**(707,722)**
As at 31 December 2019	**5,003,120**	**38,845**	**5,041,965**

The following are the amounts recognised in profit or loss:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Depreciation on right-of-use assets (Note 6)	**697,589**	-	**707,722**	-
Interest income from finance lease receivables (Note 10)	**(61,904)**	-	**(61,904)**	-
Interest expense on lease liabilities (Note 10)	**293,901**	-	**274,714**	-
(Gain)/loss on lease modification (Note 8 and Note 9)	**(16,337)**	-	**8,992**	-
Unrealised foreign exchange gains	**(39,299)**	-	**(39,908)**	-
Total amount recognised in profit or loss	**873,950**	-	**889,616**	-

16. Finance lease receivables

	Weighted average rate of finance		Group and Company	
	2019	**2018**	**2019**	**2018**
	%	**%**	**RM'000**	**RM'000**
Secured:				
Current	**5.45%**	-	**170,631**	-
Non-current	**5.45%**	-	**842,043**	-
			1,012,674	-

Total finance lease receivables consist of the operating leases to an associate. The finance lease receivables are denominated in US Dollar.

The Group's and Company's finance lease receivables are as follows:

	Group and Company	
	2019	**2018**
	RM'000	**RM'000**
Not later than 1 year	**170,631**	-
Later than 1 year and not later than 5 years	**601,904**	-
Later than 5 years	**240,139**	-
	1,012,674	-

17. Investments in subsidiaries

	Company	
	2019	**2018**
	RM'000	**RM'000**
Unquoted investments, at cost	**4**	*

* Denotes RM10.

17. Investments in subsidiaries (cont'd.)

The details of the subsidiaries are as follows:

Name	Country of incorporation/ Principal place of business	Group's effective equity interest 2019 %	2018 %	Principal activities
AirAsia X Services Pty Ltd*	Australia	**100**	100	Provision of management logistical and marketing services
AAX Mauritius One Limited	Mauritius	**100**	100	Provision of aircraft leasing facilities
AAX Aviation Capital Ltd	Malaysia	**100**	100	Holding company
AAX Leasing One Ltd	Malaysia	**100**	100	Provision of aircraft leasing facilities
AAX Leasing Two Ltd	Malaysia	**100**	100	Provision of aircraft leasing facilities
AAX Leasing Three Ltd	Malaysia	**100**	100	Provision of aircraft leasing facilities
AAX Leasing Four Ltd	Malaysia	**100**	100	Provision of aircraft leasing facilities
AAX Leasing Five Ltd	Malaysia	**100**	100	Provision of aircraft leasing facilities
AAX Leasing Six Ltd	Malaysia	**100**	100	Provision of aircraft leasing facilities

17. Investments in subsidiaries (cont'd.)

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

Name	Country of incorporation/ Principal place of business	Group's effective equity interest 2019 %	2018 %	Principal activities
AAX Leasing Seven Ltd	Malaysia	**100**	100	Provision of aircraft leasing facilities
AAX Leasing Eight Ltd	Malaysia	**100**	100	Provision of aircraft leasing facilities
AAX Leasing Nine Ltd	Malaysia	**100**	100	Provision of aircraft leasing facilities
AAX Leasing Ten Ltd	Malaysia	**100**	100	Provision of aircraft leasing facilities
AAX Leasing Eleven Ltd *(Incorporated on 18 January 2019)*	Malaysia	**100**	-	Provision of aircraft leasing facilities

* Audited by a firm other than Ernst & Young PLT.

18. Investment in an associate

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Unquoted investments, at cost	**21,122**	20,018	**21,122**	20,018
Group's share of post-acquisition losses	**(21,122)**	(20,018)	**-**	-
Impairment loss	**-**	-	**(21,122)**	-
	-	-	**-**	20,018

On 20 February 2019, the Company has subscribed for newly issued ordinary shares of the associate of RM1,104,000.

18. Investment in an associate (cont'd.)

The details of the associate are as follows:

Name	Country of incorporation	Group's effective equity interest 2019 %	2018 %	Principal activity
Thai AirAsia X Co., Ltd ("TAAX")*	Thailand	**49**	49	Commercial air transport services

* Audited by a member of Ernst & Young Global.

TAAX is a private company for which there is no quoted market price available for its shares.

There are no contingent liabilities relating to the Group's investment in TAAX.

TAAX is an operator of commercial air transport services which is based in Thailand. This associated company is a strategic investment of the Group and forms an essential part of the Group's growth strategy. It provides access to a wider geographical market and network coverage in the provision of air transport services across the ASEAN region.

Set out below is the summarised financial information for the associate which is accounted for using the equity method:

Summarised statement of financial position

	TAAX 2019 RM'000	2018 RM'000
Current:		
Cash and cash equivalents	**84,047**	153,837
Other current assets	**468,945**	294,039
Total current assets	**552,992**	447,876
Non-current:		
Assets	**2,301,725**	165,393
Current:		
Financial liabilities	**(184,428)**	(83,033)
Other current liabilities	**(782,577)**	(507,547)
Total current liabilities	**(967,005)**	(590,580)
Non-current:		
Liabilities	**(2,114,064)**	(11,574)
Net (liabilities)/assets	**(226,352)**	11,115

18. Investment in an associate (cont'd.)

Summarised statement of comprehensive income

	TAAX 2019 RM'000	2018 RM'000
Revenue	**1,788,373**	1,523,905
Cost of sales	**(1,892,865)**	(1,390,683)
Other operating expenses	**(77,133)**	(106,712)
Interest expense	**(86,238)**	(1,149)
Other income	**36,612**	39,926
(Loss)/profit before tax	**(231,251)**	65,287
Taxation	**1,363**	469
(Loss)/profit after tax	**(229,888)**	65,756
Other comprehensive income	**3,743**	196
Total comprehensive (loss)/income	**(226,145)**	65,952
Dividend received from associate	**-**	-

Reconciliation of summarised financial information

	TAAX 2019 RM'000	2018 RM'000
Opening net liabilities at 1 January	**(32,791)**	(75,167)
Total comprehensive loss/(income) for the financial year	**(226,145)**	65,952
Effect of foreign exchange translation	**11,321**	(3,111)
Elimination of unrealised profit from downstream sales	**(21,001)**	(20,465)
Closing net liabilities at 31 December	**(268,616)**	(32,791)
Cumulative unrecognised share in losses as at 1 January	**(40,635)**	(61,399)
Share of (loss)/profit for the financial year	**(115,554)**	20,764
Cumulative unrecognised share in losses as at 31 December	**(156,189)**	(40,635)

19. Investment in a joint venture

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Unquoted investments, at cost	**53,888**	53,888	**53,888**	53,888
Group's share of post-acquisition losses	**(53,888)**	(53,888)	**-**	-
Accumulated impairment losses	**-**	-	**(53,888)**	(53,888)
	-	-	**-**	-

The details of the joint venture are as follows:

Name	Country of incorporation	Group's effective equity interest 2019 %	Group's effective equity interest 2018 %	Principal activity
PT Indonesia AirAsia Extra ("IAAX")*	Indonesia	**49**	49	Commercial air transport services

* Audited by a firm other than Ernst & Young PLT.

IAAX is a private company for which there is no quoted market price available for its shares.

There are no contingent liabilities relating to the Group's investment in IAAX.

IAAX is an operator of commercial air transport services which is based in Indonesia. This joint venture company is a strategic investment of the Company and forms an essential part of the Company's growth strategy. It provides access to a wider geographical market and network coverage in the provision of air transport services across the ASEAN region.

In previous financial years, impairment losses were recognised due to the continuous losses incurred by the joint venture.

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

Set out below is the summarised financial information for the joint venture which is accounted for using the equity method:

Summarised statement of financial position

	IAAX 2019 RM'000	2018 RM'000
Current:		
Cash and cash equivalents	**2,819**	1,288
Other current assets	**4,011**	57,874
Total current assets	**6,830**	59,162
Non-current:		
Assets	**8,535**	78,627
Current:		
Financial liabilities	**(362,465)**	(306,023)
Other current liabilities	**(6,729)**	(32,647)
Total current liabilities	**(369,194)**	(338,670)
Non-current:		
Liabilities	**(4,475)**	(3,756)
Net liabilities	**(358,304)**	(204,637)

Summarised statement of comprehensive income

	IAAX 2019 RM'000	2018 RM'000
Revenue	**91,013**	623,166
Cost of sales	**(231,858)**	(714,086)
Other operating expenses	**(23,537)**	-
Interest income	**100**	104
Interest expense	**(227)**	(568)
Other income	**-**	20,542
Loss before tax	**(164,509)**	(70,842)
Taxation	**-**	(27,581)
Loss after tax	**(164,509)**	(98,423)
Other comprehensive income	**655**	939
Total comprehensive loss	**(163,854)**	(97,484)
Dividend received from joint venture	**-**	-

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

Reconciliation of summarised financial information

	IAAX 2019 RM'000	IAAX 2018 RM'000
Opening net liabilities at 1 January	**(222,822)**	(114,846)
Total comprehensive loss for the financial year	**(163,854)**	(97,484)
Effect of foreign exchange translation	**(10,186)**	(3,621)
Other adjustments	**-**	(297)
Elimination of unrealised profit from downstream sales	**(7,084)**	(6,574)
Closing net liabilities at 31 December	**(403,946)**	(222,822)
Cumulative unrecognised share in losses as at 1 January	**(130,549)**	(77,641)
Share of loss for the financial year	**(88,751)**	(52,908)
Cumulative unrecognised share in losses as at 31 December	**(219,300)**	(130,549)

20. Deferred tax assets

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
At 1 January	**385,753**	423,664	**385,108**	423,497
Recognised in profit or loss (Note 12)	**(344,804)**	(73,903)	**(344,174)**	(74,423)
Deferred tax effect on items taken to equity	**(40,934)**	36,034	**(40,934)**	36,034
Exchange rate differences	**(15)**	(42)	**-**	-
At 31 December	**-**	385,753	**-**	385,108
Presented after appropriate offsetting as follows:				
Deferred tax assets	**159,311**	721,511	**142,218**	720,866
Deferred tax liabilities	**(159,311)**	(335,758)	**(142,218)**	(335,758)
	-	385,753	**-**	385,108

20. Deferred tax assets (cont'd.)

The components and movements of deferred tax assets and liabilities during the financial years prior to offsetting are as follows:

Deferred tax assets of the Group:

	Unutilised tax losses, investment tax allowances and capital allowances RM'000	Sales in advance RM'000	Derivatives and others RM'000	Total RM'000
At 1 January 2019	**485,613**	**166,624**	**69,274**	**721,511**
Recognised in profit or loss	**(485,613)**	**(99,095)**	**15,365**	**(569,343)**
Recognised directly to equity	**-**	**-**	**7,158**	**7,158**
Exchange rate differences	**-**	**-**	**(15)**	**(15)**
At 31 December 2019	**-**	**67,529**	**91,782**	**159,311**
At 1 January 2018	584,045	171,501	16,940	772,486
Recognised in profit or loss	(98,432)	(4,877)	16,342	(86,967)
Recognised directly to equity	-	-	36,034	36,034
Exchange rate differences	-	-	(42)	(42)
At 31 December 2018	485,613	166,624	69,274	721,511

Deferred tax liabilities of the Group:

	Property, plant and equipment RM'000	Derivatives RM'000	Total RM'000
At 1 January 2019	**335,758**	**-**	**335,758**
Recognised in profit or loss	**(227,317)**	**2,778**	**(224,539)**
Recognised directly to equity	**-**	**48,092**	**48,092**
At 31 December 2019	**108,441**	**50,870**	**159,311**
At 1 January 2018	343,279	5,543	348,822
Recognised in profit or loss	(7,521)	(5,543)	(13,064)
At 31 December 2018	335,758	-	335,758

20. Deferred tax assets (cont'd.)

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

Deferred tax assets of the Company:

	Unutilised tax losses, investment tax allowances and capital allowances RM'000	Sales in advance RM'000	Derivatives and others RM'000	Total RM'000
At 1 January 2019	**485,613**	**166,624**	**68,629**	**720,866**
Recognised in profit or loss	**(485,613)**	**(99,095)**	**(1,098)**	**(585,806)**
Recognised directly to equity	**-**	**-**	**7,158**	**7,158**
At 31 December 2019	**-**	**67,529**	**74,689**	**142,218**
At 1 January 2018	584,045	171,501	16,773	772,319
Recognised in profit or loss	(98,432)	(4,877)	15,822	(87,487)
Recognised directly to equity	-	-	36,034	36,034
At 31 December 2018	485,613	166,624	68,629	720,866

Deferred tax liabilities of the Company:

	Property, plant and equipment RM'000	Derivatives RM'000	Total RM'000
At 1 January 2019	**335,758**	**-**	**335,758**
Recognised in profit or loss	**(227,317)**	**(14,315)**	**(241,632)**
Recognised directly to equity	**-**	**48,092**	**48,092**
At 31 December 2019	**108,441**	**33,777**	**142,218**
At 1 January 2018	343,279	5,543	348,822
Recognised in profit or loss	(7,521)	(5,543)	(13,064)
At 31 December 2018	335,758	-	335,758

20. Deferred tax assets (cont'd.)

Deferred tax assets are mainly originating from unutilised tax incentives, investment tax allowances, unabsorbed capital allowances and tax losses carry forward. As disclosed in Note 3(ii) to the financial statements, the deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Estimating the future taxable profits involves significant assumptions, especially in respect of regulatory approvals for prospective routes, aircraft delivery, fares, load factors, fuel price, maintenance cost and currency movements. These assumptions have been built based on past performance and adjusted for non-recurring circumstances and a reasonable growth rate. Based on these projections, management has derecognised the deferred tax assets as at reporting date due to uncertainties relating to the COVID-19 environment.

Deferred tax assets not recognised in respect of the following items:

	Group and Company	
	2019	2018
	RM'000	RM'000
Unutilised investment tax allowances and other temporary differences	**1,586,930**	578,950

21. Derivative financial assets and liabilities

	Group and Company			
	2019		2018	
	Assets	Liabilities	Assets	Liabilities
	RM’000	RM’000	RM’000	RM’000
Current				
Commodity derivatives of cash flow hedge	**44,615**	**2,317**	-	96,811
Non-current				
Commodity derivatives of cash flow hedge	**1,311**	**3,541**	-	33,675

21. Derivative financial assets and liabilities (cont'd.)

The full fair value of a hedging derivative is classified as a non-current assets or liabilities if the remaining maturity of the hedged item is more than 12 months and, as a current assets or liabilities, 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. These derivatives are denominated in US Dollar.

Fuel contracts

The outstanding number of barrels of Brent and fuel derivative contracts as at 31 December 2019 is 4,842,043 barrels (2018: 4,857,328 barrels).

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

22. Inventories

	Group and Company	
	2019	**2018**
	RM'000	**RM'000**
Consumables and in-flight merchandise	**13,102**	13,257

23. Trade and other receivables

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Non-current					
Deposits	(c)	**792,778**	800,767	**792,778**	800,767
Prepayments	(d)	**769,440**	876,537	**769,440**	876,537
Deferred lease expenses	(e)	**26,615**	36,891	**26,615**	36,891
		1,588,833	1,714,195	**1,588,833**	1,714,195
Current					
Trade receivables		**79,365**	66,228	**79,365**	66,228
Less: Allowance for impairment of receivables		**(57,219)**	(59,324)	**(57,219)**	(59,324)
Trade receivables, net	(a)	**22,146**	6,904	**22,146**	6,904
Other receivables		**257,192**	225,797	**257,192**	225,797
Less: Allowance for impairment of receivables		**(236,666)**	(165,157)	**(236,666)**	(165,157)
	(b)	**20,526**	60,640	**20,526**	60,640
Deposits	(c)	**185,578**	26,047	**185,575**	25,992
Prepayments	(d)	**438,739**	90,705	**438,642**	90,683
Deferred lease expenses	(e)	**4,913**	5,541	**4,913**	5,541
Other receivables, net		**649,756**	182,933	**649,656**	182,856
		671,902	189,837	**671,802**	189,760

23. Trade and other receivables (cont'd.)

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Total trade and other receivables		**2,260,735**	1,904,032	**2,260,635**	1,903,955
Add: Finance lease receivables	16	**1,012,674**	-	**1,012,674**	-
Add: Deposits, cash and bank balances	25	**357,961**	297,609	**337,947**	296,150
Add: Amount due from subsidiaries	24	**-**	-	**134,229**	33,464
Add: Amount due from an associate	24	**167,937**	67,287	**66,733**	82,949
Add: Amount due from a joint venture	24	**4,501**	-	**4,501**	-
Add: Amount due from related parties	24	**119,328**	48,851	**119,328**	48,851
Less: Prepayments		**(1,208,179)**	(967,242)	**(1,208,082)**	(967,220)
Less: Deferred lease expenses		**(31,528)**	(42,432)	**(31,528)**	(42,432)
Total financed assets carried at amortised cost	35(a)	**2,683,429**	1,308,105	**2,696,437**	1,355,717

The normal credit terms of the Group and of the Company range from 15 to 30 days (2018: 15 to 30 days).

(a) Trade receivables

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

Trade receivables that are neither past due nor impaired for the Group and Company of RM15,414,000 (2018: RM4,095,000) are substantially from companies with good collection track records.

23. Trade and other receivables (cont'd.)

(a) Trade receivables (cont'd.)

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

As of 31 December 2019, trade receivables for the Group and Company of RM6,732,000 (2018: RM2,809,000) were past due but not impaired. These debts relate to a number of independent customers for whom there is no recent history of default.

The ageing analysis of these trade receivables that are past due but not impaired are as follows:

	Group and Company	
	2019	**2018**
	RM'000	**RM'000**
Less than 30 days	**1,359**	2,809
Between 31 and 60 days	**4,045**	-
Between 61 and 90 days	**1,328**	-
Between 91 and 120 days	**-**	-
Between 121 and 180 days	**-**	-
More than 180 days	**-**	-
	6,732	2,809

(iii) Financial assets that are past due and impaired

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

	Group and Company	
	2019	**2018**
	RM'000	**RM'000**
More than 180 days	**57,219**	59,324
Less: Allowance for impairment of receivables	**(57,219)**	(59,324)
	-	-

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

23. Trade and other receivables (cont'd.)

(a) Trade receivables (cont'd.)

(iii) Financial assets that are past due and impaired (cont'd.)

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

	Group and Company	
	2019	**2018**
	RM'000	**RM'000**
At 1 January	**59,324**	57,089
Charged to profit or loss (Note 8)	**(2,105)**	2,235
At 31 December	**57,219**	59,324

(b) Other receivables

Other receivables include lease receivables, refunds of value-added tax receivable from the authorities in various countries in which the Group and the Company operates.

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

Other receivables that are neither past due nor impaired for the Group and Company of RM18,950,000 (2018: RM51,035,000) respectively are substantially with companies with good collection track records.

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

As at 31 December 2019, other receivables for the Group and Company of RM1,576,000 (2018: RM9,605,000) were past due. These debts relate to a number of external parties where there is no expectation of default.

The ageing analysis of these other receivables that are past due but not impaired are as follows:

	Group and Company	
	2019	**2018**
	RM'000	**RM'000**
Less than 30 days	**339**	4
Between 31 and 60 days	**416**	565
Between 61 and 90 days	**-**	751
Between 91 and 120 days	**161**	-
Between 121 and 180 days	**400**	8,285
More than 180 days	**260**	-
	1,576	9,605

23. Trade and other receivables (cont'd.)

(b) Other receivables (cont'd.)

(iii) Financial assets that are past due and impaired

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

	Group and Company	
	2019	2018
	RM'000	RM'000
More than 180 days	**236,666**	165,157
Less: Allowance for impairment of receivables	**(236,666)**	(165,157)
	-	-

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

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

	Group and Company	
	2019	2018
	RM'000	RM'000
At 1 January	**165,157**	17,495
Charged to profit or loss (Note 8)	**71,509**	147,662
At 31 December	**236,666**	165,157

(c) Deposits

Deposits of the Group and of the Company at the reporting date are with a number of external parties.

Included in deposits are deposits paid to lessors for leased aircraft and funds placed with lessor in respect of maintenance of the leased aircraft. These deposits are denominated in US Dollar.

(d) Prepayments

Included in prepayments are prepayments for maintenance of aircraft, advances made for purchases of fuel, lease of aircraft and maintenance of engines.

23. Trade and other receivables (cont'd.)

(e) Deferred lease expenses

Deferred lease expenses represent the differences between fair value of non-current rental deposits recognised at initial recognition and the absolute deposit amount, which are amortised on a straight-line basis over the lease terms ranging from 10 to 12 years (2018: 6 to 12 years).

The movement of deferred lease expense (current and non-current) is as follows:

	Group and Company	
	2019	**2018**
	RM'000	**RM'000**
At 1 January	**42,432**	37,118
Impact of discounting effect on financial instruments - net	**(10,904)**	5,314
At 31 December	**31,528**	42,432
Representing:		
Current	**4,913**	5,541
Non-current	**26,615**	36,891
	31,528	42,432

The other classes within receivables do not contain impaired assets.

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

The currency profile of trade and other receivables (excluding prepayments and deferred lease expense) are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	**30,190**	63,194	**30,187**	63,194
US Dollar	**966,902**	815,548	**966,902**	815,548
Australian Dollar	**8,055**	1,214	**8,055**	1,159
Euro	**213**	352	**213**	352
Indian Rupee	**4,837**	4,582	**4,837**	4,582
Chinese Renminbi	**1,513**	1,406	**1,513**	1,406
Japanese Yen	**6,202**	4,371	**6,202**	4,371
Others	**3,116**	3,691	**3,116**	3,691
	1,021,028	894,358	**1,021,025**	894,303

24. Amount due from/(to) subsidiaries, an associate, a joint venture and related parties

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Amount due from				
Non-current				
Amount due from an associate	**50,165**	67,287	**50,165**	67,287
Current				
Amount due from subsidiaries	**-**	-	**134,229**	33,464
Amount due from an associate	**117,772**	-	**16,568**	15,662
Amount due from a joint venture	**4,501**	-	**4,501**	-
Amount due from related parties	**119,328**	48,851	**119,328**	48,851
	241,601	48,851	**274,626**	97,977
	291,766	116,138	**324,791**	165,264
Amount due to				
Current				
Amount due to subsidiaries	**-**	-	**(2,898)**	(1,688)
Amount due to an associate	**-**	(7,777)	**(26,622)**	(56,902)
Amount due to related parties	**(30,616)**	(97,381)	**(33,084)**	(99,723)
	(30,616)	(105,158)	**(62,604)**	(158,313)

The amount due from subsidiaries and related parties are unsecured, interest free and repayable on demand.

The amount due from an associate at Group of RM167,937,000 (2018: RM67,287,000) and at Company of RM66,733,000 (2018: RM82,949,000) respectively are unsecured, bearing effective weighted average interest rate of 9.6% per annum and repayable over 6 years.

The amount due from a joint venture at Group of RM4,501,000 (2018: RM Nil) and at Company of RM4,501,000 (2018: RM Nil) respectively are unsecured, bearing effective weighted average interest rate of 10.6% per annum and repayable over 7 years.

The amount due to subsidiaries, an associate, a joint venture and related parties are unsecured, interest free and repayable on demand.

24. Amount due from/(to) subsidiaries, an associate, a joint venture and related parties (cont'd.)

The amount due from/(to) related parties are in respect of trading transactions. The normal credit terms of the Group and the Company range from 30 to 60 days (2018: 30 to 60 days).

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

Amount due from subsidiaries, an associate, a joint venture and related parties that are neither past due nor impaired for the Group and the Company amounted to RM160,459,000 (2018: RM111,256,000) and RM166,894,000 (2018: RM155,191,000) respectively.

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

The ageing analysis of amount due from subsidiaries, an associate, a joint venture and related parties that are past due but not impaired is as follows:

	Group		**Company**	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Less than 6 months	**84,269**	4,881	**143,116**	10,072
More than 6 months	**47,038**	1	**14,781**	1
	131,307	4,882	**157,897**	10,073

(iii) Financial assets that are past due and impaired

There are no amounts due from subsidiaries, an associate, a joint venture and related parties that are past due and not impaired.

The maximum exposure to credit risk as at the reporting date is the carrying value of the amount due from subsidiaries, an associate, a joint venture, and related parties mentioned above.

The currency profile of amount due from subsidiaries, an associate, a joint venture and related parties are as follows:

	Group		**Company**	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	**64,702**	385	**64,852**	33,849
US Dollar	**177,448**	96,945	**210,018**	112,607
Others	**49,616**	18,808	**49,921**	18,808
	291,766	116,138	**324,791**	165,264

24. Amount due from/(to) subsidiaries, an associate, a joint venture and related parties (cont'd.)

The currency profile of amount due to subsidiaries, an associate, a joint venture and related parties are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	**11,083**	12,037	**11,083**	17,539
US Dollar	**12,641**	72,780	**43,312**	118,091
Australian Dollar	**-**	1,395	**984**	3,737
Others	**6,892**	18,946	**7,225**	18,946
	30,616	105,158	**62,604**	158,313

25. Deposits, cash and bank balances

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash and bank balances	**261,652**	241,017	**241,638**	239,558
Deposits with licensed banks	**96,309**	56,592	**96,309**	56,592
Total deposits, cash and bank balances	**357,961**	297,609	**337,947**	296,150
Less: Bank balances pledged as securities	**(31,522)**	(29,412)	**(31,522)**	(29,412)
Deposits pledged as securities	**(18,820)**	(15,593)	**(18,820)**	(15,593)
Cash and cash equivalents	**307,619**	252,604	**287,605**	251,145

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

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	**192,120**	110,271	**192,062**	110,271
US Dollar	**65,289**	41,089	**47,651**	41,089
Australian Dollar	**39,508**	83,602	**37,190**	82,143
Euro	**778**	673	**778**	673
Indian Rupee	**16,654**	11,722	**16,654**	11,722
Chinese Renminbi	**2,227**	7,994	**2,227**	7,994
Japanese Yen	**21,359**	12,797	**21,359**	12,797
Others	**20,026**	29,461	**20,026**	29,461
	357,961	297,609	**337,947**	296,150

The Group's and the Company's weighted average effective interest rate of deposits at the reporting date is 3.06% (2018: 3.15%) per annum.

The bank balances and deposits with licensed banks of the Group and of the Company amounting to RM31,522,000 and RM18,820,000 (2018: RM29,412,000 and RM15,593,000) respectively are pledged as securities for banking facilities granted to the Group and of the Company.

26. Non-current assets held for sale

	Group and Company	
	2019	**2018**
	RM'000	**RM'000**
At net book value:		
Property, plant and equipment	**-**	999,012

In prior year, the non-current assets held for sale are pledged as security for borrowings (Note 28).

The non-current assets held for sale were for certain aircraft and related equipments for which have been disposed and disclosed under other operating expenses (Note 8).

27. Trade and other payables

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Current					
Trade payables	**(a)**	**241,100**	300,728	**230,111**	300,728
Other payables and accruals	**(b)**	**581,108**	778,913	**579,825**	776,188
Deferred lease income	**(c)**	**1,603**	1,990	**1,603**	1,990
		823,811	1,081,631	**811,539**	1,078,906
Non-current					
Other deposits		**47,896**	43,069	**47,896**	43,069
Deferred lease income	**(c)**	**5,029**	9,698	**5,029**	9,698
		52,925	52,767	**52,925**	52,767
Total trade and other payables		**876,736**	1,134,398	**864,464**	1,131,673
Add: Borrowings	28	**6,265,611**	687,052	**6,356,048**	687,052
Add: Amount due to subsidiaries	24	**-**	-	**2,898**	1,688
Add: Amount due to an associate	24	**-**	7,777	**26,622**	56,902
Add: Amount due to related parties	24	**30,616**	97,381	**33,084**	99,723
Less: Deferred lease income		**(6,632)**	(11,688)	**(6,632)**	(11,688)
Total financial liabilities carried at amortised cost	35(a)	**7,166,331**	1,914,920	**7,276,484**	1,965,350

(a) Trade payables

The credit term of trade payables granted to the Group and the Company is 7 to 90 days (2018: 7 to 90 days).

(b) Other payables and accruals

Included in other payables and accruals are operational expenses and passenger service charges payable to airport authorities.

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

(c) Deferred lease income

Deferred lease income represent the differences between fair value of non-current rental deposits recognised at initial recognition and the absolute deposit amount, which are amortised on a straight-line basis over the lease terms ranging from 7 to 11 years (2018: 7 to 11 years).

The movement of deferred lease income (current and non-current) are as follows:

	Group and Company	
	2019	2018
	RM'000	RM'000
At 1 January	**11,688**	20,218
Impact of discounting effect on financial instruments (net	**(5,056)**	(8,530)
At 31 December	**6,632**	11,688
Representing:		
Current	**1,603**	1,990
Non-current	**5,029**	9,698
	6,632	11,688

The currency profile of trade and other payables (excluding deferred lease income) are as follows:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	**482,488**	684,003	**482,488**	683,843
US Dollar	**249,759**	348,416	**240,570**	348,416
Australian Dollar	**23,548**	29,037	**20,464**	26,472
Euro	**1,336**	3,739	**1,336**	3,739
Indian Rupee	**9,867**	6,688	**9,867**	6,688
Chinese Renminbi	**24,481**	16,085	**24,481**	16,085
Japanese Yen	**45,768**	4,629	**45,768**	4,629
Others	**32,857**	30,113	**32,858**	30,113
	870,104	1,122,710	**857,832**	1,119,985

28. Borrowings

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current				
Secured:				
- Lease liabilities	**803,518**	-	**820,038**	-
- Term loans	**56,541**	192,313	**56,541**	192,313
- Hire purchase	**11**	11	**11**	11
	860,070	192,324	**876,590**	192,324
Non-current				
Secured:				
- Lease liabilities	**5,158,147**	-	**5,232,064**	-
- Term loans	**247,372**	494,694	**247,372**	494,694
- Hire purchase	**22**	34	**22**	34
	5,405,541	494,728	**5,479,458**	494,728
Total borrowings	**6,265,611**	687,052	**6,356,048**	687,052

	2019	**2018**	**2019**	**2018**
	%	**%**	**%**	**%**
Weighted average rate of finance				
- Lease liabilities	**4.90**	-	**4.76**	-
- Term loans	**2.75**	4.13	**2.75**	4.13
- Hire purchase	**5.12**	3.96	**5.12**	3.96

Total borrowings consist of the following banking facilities:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fixed rate borrowings	**5,961,698**	323,610	**6,052,135**	323,610
Floating rate borrowings	**303,913**	363,442	**303,913**	363,442
	6,265,611	687,052	**6,356,048**	687,052

28. Borrowings (cont'd.)

The Group’s and Company’s borrowings are repayable as follows:

	Group		Company	
	2019	2018	2019	2018
	RM’000	RM’000	RM’000	RM’000
Not later than 1 year	**860,070**	192,324	**876,590**	192,324
Later than 1 year and not later than 5 years	**3,497,156**	416,323	**3,549,966**	416,323
Later than 5 years	**1,908,385**	78,405	**1,929,492**	78,405
	6,265,611	687,052	**6,356,048**	687,052

The currency profile of borrowings are as follows:

	Group		Company	
	2019	2018	2019	2018
	RM’000	RM’000	RM’000	RM’000
Ringgit Malaysia	**39,800**	45	**39,800**	45
US Dollar	**6,225,811**	687,007	**6,316,248**	687,007
	6,265,611	687,052	**6,356,048**	687,052

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

	2019		2018	
	Carrying amount RM’000	Fair value RM’000	Carrying amount RM’000	Fair value RM’000
Group				
Lease liabilities	**5,961,665**	**7,053,511**	-	**-**
Term loans	**-**	**-**	323,565	324,810
Hire purchase	**33**	**36**	45	48
	5,961,698	**7,053,547**	323,610	324,858

	2019		2018	
	Carrying amount RM’000	Fair value RM’000	Carrying amount RM’000	Fair value RM’000
Company				
Lease liabilities	**6,052,102**	**7,115,471**	-	**-**
Term loans	**-**	**-**	323,565	324,810
Hire purchase	**33**	**36**	45	48
	6,052,135	**7,115,507**	323,610	324,858

28. Borrowings (cont'd.)

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

The fair values of the fixed rate borrowings are based on cash flows discounted using borrowing rates that are reflective of the Group's and Company's credit risk at the reporting date, at 4.91% (2018: 4.54%) and 4.76% (2018: 4.54%) per annum respectively. The fair values of fixed rate borrowings are within level 2 of the fair value hierarchy (Note 34(e)).

Lease liabilities
The lease liabilities are for operating leases of aircraft, engines and office (Note 15). The maturity of the lease liabilities is between 31 March 2020 to 31 March 2037. The maturity analysis of lease liabilities are disclosed in Note 34(c).

Term loans
The term loans are for the purchase of new Airbus A330-300 aircraft. The repayment of the term loans is on a quarterly basis over 12 years (2018: 10 to 12 years), with equal principal instalments, at a combination of floating rate of LIBOR + 0.8% and fixed interest rates were between 2.82% to 5.45% per annum. The term loans 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.

Reconciliation of movement of liabilities to cash flows arising from financing activities are as follows:

Group	Lease Liabilities RM'000	Term loans RM'000	Hire purchase RM'000	Total RM'000
Balance as at 1 January 2019	**-**	**687,007**	**45**	**687,052**
Changes from financing cash flows				
Additions	**6,755,063**	**-**	**-**	**6,755,063**
Lease modification	**(16,337)**	**-**	**-**	**(16,337)**
Repayment of borrowings	**(735,884)**	**(377,786)**	**(12)**	**(1,113,682)**
Interest paid (Note 10(a))	**(293,901)**	**(17,682)**	**(2)**	**(311,585)**
Total changes from financing cash flows	**5,708,941**	**291,539**	**31**	**6,000,511**
Other changes				
Liability-related				
Finance costs	**293,901**	**17,682**	**2**	**311,585**
Unrealised foreign exchange gains	**(41,177)**	**(5,308)**	**-**	**(46,485)**
Balance as at 31 December 2019	**5,961,665**	**303,913**	**33**	**6,265,611**

28. Borrowings (cont'd.)

Reconciliation of movement of liabilities to cash flows arising from financing activities are as follows (cont'd.):

Group	Lease Liabilities RM'000	Term loans RM'000	Hire purchase RM'000	Total RM'000
Balance as at 1 January 2018	-	861,893	77	861,970
Changes from financing cash flows				
Repayment of borrowings	-	(187,307)	(32)	(187,339)
Interest paid (Note 10(a))	-	(28,286)	(5)	(28,291)
Total changes from financing cash flows	-	646,300	40	646,340
Other changes				
Liability-related				
Finance costs	-	28,286	5	28,291
Unrealised foreign exchange losses	-	12,421	-	12,421
Balance as at 31 December 2018	-	687,007	45	687,052

Company	Lease Liabilities RM'000	Term loans RM'000	Hire purchase RM'000	Total RM'000
Balance as at 1 January 2019	**-**	**687,007**	**45**	**687,052**
Changes from financing cash flows				
Additions	**6,847,390**	**-**	**-**	**6,847,390**
Lease modification	**8,992**	**-**	**-**	**8,992**
Repayment of borrowings	**(763,085)**	**(377,786)**	**(12)**	**(1,140,883)**
Interest paid (Note 10(a))	**(274,714)**	**(17,682)**	**(2)**	**(292,398)**
Total changes from financing cash flows	**5,818,583**	**291,539**	**31**	**6,110,153**
Other changes				
Liability-related				
Finance costs	**274,714**	**17,682**	**2**	**292,398**
Unrealised foreign exchange gains	**(41,195)**	**(5,308)**	**-**	**(46,503)**
Balance as at 31 December 2019	**6,052,102**	**303,913**	**33**	**6,356,048**

28. Borrowings (cont'd.)

Reconciliation of movement of liabilities to cash flows arising from financing activities are as follows (cont'd.):

Company	Lease Liabilities RM'000	Term loans RM'000	Hire purchase RM'000	Total RM'000
Balance as at 1 January 2018	-	861,893	77	861,970
Changes from financing cash flows				
Repayment of borrowings	-	(187,307)	(32)	(187,339)
Interest paid (Note 10(a))	-	(28,286)	(5)	(28,291)
Total changes from financing cash flows	-	646,300	40	646,340
Other changes				
Liability-related				
Finance costs	-	28,286	5	28,291
Unrealised foreign exchange losses	-	12,421	-	12,421
Balance as at 31 December 2018	-	687,007	45	687,052

During the current financial year, the Group and the Company have requested a waiver of the debt to equity covenants relating to the term loans, and was granted such a waiver for the period commencing on 31 December 2019 and ending on 31 December 2020.

29. Provision for aircraft maintenance

	Group and Company 2019 RM'000	2018 RM'000
Aircraft maintenance provision		
Current	**134,101**	-
Non-current	**1,385,285**	1,013,689
	1,519,386	1,013,689

The movements in the provision account are as follows:

	Group and Company 2019 RM'000	2018 RM'000
At 1 January	**1,013,689**	789,043
Additions during the year	**534,860**	235,158
Reversal during the year	**(29,163)**	(10,512)
At 31 December	**1,519,386**	1,013,689

30. Share capital

	Group and Company 2019 RM'000	2018 RM'000
Issued and fully paid up:		
Ordinary shares:		
1 January/ 31 December	**1,534,043**	1,534,043

There were no changes in the issued and paid-up capital of the Company during the financial year.

31. Warrant and other reserves

	Group and Company Cash flow hedge reserve 2019 RM'000	2018 RM'000
At 1 January	**(99,169)**	(795)
Net change in fair value, net of deferred tax	**129,621**	(98,374)
At 31 December	**30,452**	(99,169)

Warrant reserve

On 11 June 2015, the Company completed a renounceable rights issue of new ordinary shares of RM0.15 each in the Company together with free detachable warrants for working capital purpose. As a result, 1,777,777,790 ordinary shares of RM0.15 each were issued during the financial year ended 31 December 2015. These new ordinary shares rank pari passu with the existing ordinary shares. Following the completion of the exercise, the issued and fully paid ordinary shares of the Company consists of 4,148,148,177 ordinary shares of RM0.15 each with a share premium of RM911,820,644 and warrant reserve of RM62,222,223. Each warrant is entitled at any time during the exercise period, to subscribe for one new ordinary share at the exercise price of RM0.46.

32. Capital commitments

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

	Group and Company	
	2019	**2018**
	RM'000	**RM'000**
Property, plant and equipment approved and contracted for:		
- later than 1 year and not later than 5 years	**64,424,839**	72,688,701
- later than 5 years	**70,918,961**	43,036,513
	135,343,800	115,725,214

The approved and contracted capital commitments for the Group and the Company are in respect of aircraft purchase.

(b) Non-cancellable leases

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

	2018	
	Future minimum lease payments RM'000	**Future minimum sublease receipts RM'000**
Group and Company		
Not later than 1 year	987,091	291,298
Later than 1 year and not later than 5 years	4,968,902	1,290,295
Later than 5 years	708,527	174,113
	6,664,520	1,755,706

The Group and the Company leased various aircraft and engines under non-cancellable lease agreements. The lease terms were between 6 to 12 years.

33. Significant related party transactions

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

The related parties of the Group and of the Company and their relationships at 31 December 2019 are as follows:

Name of Companies	**Relationship**
AirAsia X Services Pty Ltd	Subsidiary
AirAsia X Mauritius One Ltd	Subsidiary
Thai AirAsia X Co., Ltd	Associate
PT Indonesia AirAsia Extra	Joint Venture
AirAsia Berhad	Shareholder of the Company for which there is no control, significant influence or joint control; common Directors and shareholders
<u>Subsidiaries of AirAsia Group Berhad</u>	
- AirAsia SEA Sdn Bhd	Common Directors and shareholders
- Rokki Sdn Bhd	Common Directors and shareholders
- BIGLIFE Sdn Bhd	Common Directors and shareholders
- Big Pay Malaysia Sdn Bhd	Common Directors and shareholders
- Ground Team Red Sdn Bhd	Common Directors and shareholders
- Red Cargo Logistics Sdn Bhd	Common Directors and shareholders
- AirAsia (Guanghou) Aviation Service Limited	Common Directors and shareholders
<u>Associates of AirAsia Group Berhad</u>	
- Thai AirAsia Co., Ltd	Common Directors and shareholders
- PT Indonesia AirAsia	Common Directors and shareholders
- AirAsia Japan Co. Ltd	Common Directors and shareholders
- Philippines AirAsia	Common Directors and shareholders
- Philippines AirAsia Inc	Common Directors and shareholders
- AirAsia (India) Pvt Ltd	Common Directors and shareholders
<u>Other related entities</u>	
- Ormond Lifestyle Services Sdn Bhd (formerly known as Yummy Kitchen Sdn Bhd)	Common Directors and shareholders
- Tune Protect Re Ltd	Common Directors and shareholders
- Tune Insurance Malaysia Berhad	Common Directors and shareholders

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 the Company. The key management compensation is disclosed in Note 33(f).

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

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
(a) Income:				
Aircraft operating lease income for leased aircraft				
- AAX Mauritius One Limited	**-**	-	**378,640**	365,464
- PT Indonesia AirAsia Extra	**65,655**	87,452	**65,655**	87,452
- Thai AirAsia X Co., Ltd	**378,640**	365,464	**-**	-
Commission on travel insurance for passengers charged to Tune Insurance Malaysia Berhad	**1,974**	3,234	**1,974**	3,234
Provision of lounge services to AirAsia Berhad	**1,832**	1,788	**1,832**	1,788
Management fees charged to PT Indonesia AirAsia	**2,317**	3,098	**-**	-
Sale of ticket and other ancillary revenue to BIGLIFE Sdn Bhd	**17,738**	12,675	**17,738**	12,675
Sale of cargo transportation to Red Cargo Logistics Sdn Bhd	**185,957**	88,407	**185,957**	88,407

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

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
(b) Recharges:				
Recharges of expenses to				
- Philippines AirAsia Inc	**3,669**	1,530	**3,669**	1,530
- Thai AirAsia Co., Ltd	**862**	315	**862**	315
- AirAsia Japan Co., Ltd	**556**	464	**556**	464
- PT Indonesia AirAsia	**36**	29	**36**	29
- Thai AirAsia X Co., Ltd	**37,789**	27,567	**37,789**	27,567
- PT Indonesia AirAsia Extra	**2,164**	2,991	**2,164**	2,991
- AirAsia (Guanghou) Aviation Service Limited	**392**	199	**392**	199
Recharges of expenses by				
- AirAsia Berhad	**(21,618)**	(40,133)	**(21,618)**	(40,133)
- AirAsia Japan Co., Ltd	**(2,426)**	(3,089)	**(2,426)**	(3,089)
- AirAsia (India) Pvt Ltd	**(777)**	(926)	**(777)**	(926)
- AirAsia SEA Sdn Bhd	**(2,273)**	(1,948)	**(2,273)**	(1,948)
- Ground Team Red Sdn Bhd	**(656)**	(530)	**(656)**	(530)
(c) Other charges:				
Management fees charged by AirAsia X Services Pty Ltd (Note 8)	**-**	-	**(8,930)**	(10,254)
Brand license fee charged by AirAsia Berhad	**(8,600)**	(8,530)	**(8,600)**	(8,530)
Office rental charged by AirAsia Berhad	**(3,360)**	(3,360)	**(3,360)**	(3,360)

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

(c) Other charges (cont'd.):

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
In-flight entertainment system and software expense charged by Rokki Sdn Bhd	**(4,476)**	(3,725)	**(4,476)**	(3,725)
Shared service management fee charged by AirAsia SEA Sdn Bhd	**(3,551)**	(3,239)	**(3,551)**	(3,239)
Provision of food catering services charged by Ormond Lifestyle Services Sdn Bhd	**(1,537)**	(1,486)	**(1,537)**	(1,486)
Ground handling services charged by Ground Team Red Sdn Bhd	**(39,763)**	(21,894)	**(39,763)**	(21,894)
Purchase of loyalty point from BIGLIFE Sdn Bhd	**(6,538)**	(6,140)	**(6,538)**	(6,140)
Turnaround charges charged by AirAsia (Guanghou) Aviation Service Limited	**(5,089)**	-	**(5,089)**	-
Marketing funds charged by AirAsia (Guanghou) Aviation Service Limited	**(13,985)**	-	**(13,985)**	-
Premium collected on travel insurance for passengers paid to Tune Insurance Malaysia Berhad	**(7,898)**	(12,934)	**(7,898)**	(12,934)

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
(d) Receivables (Note 24):				
- AAX Mauritius One Limited	**-**	-	**127,795**	33,464
- Red Cargo Logistics Sdn Bhd	**38,140**	15,083	**38,140**	15,083
- Thai AirAsia X Co., Ltd	**167,937**	67,287	**66,733**	82,949
- PT Indonesia AirAsia Extra	**4,501**	-	**4,501**	-
- AirAsia Berhad	**71,039**	24,302	**71,039**	24,302
- Others	**10,149**	9,466	**16,583**	9,466
	291,766	116,138	**324,791**	165,264
(e) Payables (Note 24):				
- Thai AirAsia X Co., Ltd	**-**	7,777	**26,622**	56,902
- AirAsia (Guanghou) Aviation Service Limited	**6,892**	12,790	**6,892**	12,790
- Philippines AirAsia (including Philippines AirAsia Inc)	**354**	19,806	**354**	19,806
- PT Indonesia AirAsia	**6,183**	18,862	**8,650**	21,203
- Thai AirAsia Co., Ltd	**6,105**	26,422	**6,105**	26,422
- Ground Team Red Sdn Bhd	**5,726**	8,986	**5,726**	8,986
- Others	**5,356**	10,515	**8,255**	12,204
	30,616	105,158	**62,604**	158,313

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

(f) Key management personnel compensation:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Basic salaries, bonus and allowances	**5,564**	8,857	**5,564**	8,857
Defined contribution plan	**494**	852	**494**	852
	6,058	9,709	**6,058**	9,709

34. Financial risk management policies

The Group's and the Company's financial risk management policies seek to ensure that adequate financial resources are available for the development of the Group's and the Company's businesses whilst managing their market risk (including fuel price risk, interest rate risk and foreign currency exchange risk), credit risk and liquidity and cash flow risk. The Group and the Company operate within defined guidelines that are approved and reviewed periodically by the Board of Directors to minimise the effects of such volatility on their financial performance.

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 and the Company's activities.

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

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

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 currency 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 the Company are exposed to jet fuel price risk arising from the fluctuations in the prices of jet fuel. The Group and the Company rely on a related party for certain treasury activities, including hedging of fuel price, which is contracted and managed by the related party. Any gain or loss arising from fuel hedging is recognised when the risk transfers to the Group and the Company upon consumption of the fuel, within “Aircraft fuel expenses” in Operating Expenses.

During the financial year ended 31 December 2019, the Group and the Company entered into Brent fixed swap contracts. There were 4,842,043 barrels (2018: 4,857,328 barrels) (Note 21) of Brent and fuel contracts outstanding as at 31 December 2019.

As at 31 December 2019, if USD denominated barrel had been USD5 higher/lower with all other variables held constant, the impact on the post-tax profit/(loss) and equity for the year end equity are tabulated below:

	2019		**2018**	
	+USD5	**-USD5**	**+USD5**	**-USD5**
	RM’000	**RM’000**	**RM’000**	**RM’000**
Impact on other comprehensive income/(loss)	**98,122**	**(98,122)**	102,501	(102,501)

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

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

(a) Market risk (cont'd.)

(ii) Interest rate risk

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 the 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 aircraft, the Group's and the Company's income and operating cash flows are also influenced by changes in market interest rates. Interest rate exposure arises from the Group's and the Company's floating rate borrowings and deposits. Surplus funds are placed with reputable financial institutions at the most favourable interest rate.

At 31 December 2019, 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 (loss)/profit for the financial year are tabulated below:

	2019		2018	
	+60bps RM'000	**-60bps RM'000**	**+60bps RM'000**	**-60bps RM'000**
Impact on post tax (loss)/ profits	**(1,839)**	**1,839**	(2,124)	2,124

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

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

(a) Market risk (cont'd.)

(iii) Foreign currency risk

Apart from Ringgit Malaysia ("RM"), the Group and the Company transact business in various foreign currencies including United States Dollar ("USD"), Australian Dollar ("AUD"), EURO, Indian Rupee ("INR"), Chinese Renminbi ("RMB") and Japanese Yen ("JPY"). In addition, the Group and the Company have significant borrowings in USD (Note 28), mainly to finance the purchase of aircraft and pre-delivery payments in respect of the Group's and the Company's firm order of Airbus A330-300 aircraft. Therefore, the Group and the Company are 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.

As at 31 December 2019, if RM had weakened/strengthened by 5% against the USD with all other variables held constant, the impact on the post-tax (loss)/profit for the financial year are tabulated below:

	2019		**2018**	
	+5%	**-5%**	**+5%**	**-5%**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Impact on post tax (loss)/ profits	**(211,292)**	**211,292**	(14,255)	14,255

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

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

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

(a) Market risk (cont'd.)

(iii) Foreign currency risk (cont'd.)

The Group's currency exposure is as follows:

	Note	USD RM'000	AUD RM'000	EURO RM'000	INR RM'000	RMB RM'000	JPY RM'000	Others RM'000
At 31 December 2019								
Financial assets								
Finance lease receivables	16	1,012,674	-	-	-	-	-	-
Trade and other receivables	23	966,902	8,055	213	4,837	1,513	6,202	3,116
Amount due from an associate, a joint venture and related parties	24	177,448	-	-	-	-	-	49,616
Deposits, cash and bank balances	25	65,289	39,508	778	16,654	2,227	21,359	20,026
Derivative financial assets	21	45,926	-	-	-	-	-	-
		2,268,239	47,563	991	21,491	3,740	27,561	72,758
Financial liabilities								
Trade and other payables	27	249,759	23,548	1,336	9,867	24,481	45,768	32,857
Amount due to related parties	24	12,641	-	-	-	-	-	6,892
Borrowings	28	6,225,811	-	-	-	-	-	-
Derivative financial libialities	21	5,858	-	-	-	-	-	-
		6,494,069	23,548	1,336	9,867	24,481	45,768	39,749
Net exposure		(4,225,830)	24,015	(345)	11,624	(20,741)	(18,207)	33,009

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

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

(a) Market risk (cont'd.)

(iii) Foreign currency risk (cont'd.)

The Group's currency exposure is as follows:

	Note	USD RM'000	AUD RM'000	EURO RM'000	INR RM'000	RMB RM'000	JPY RM'000	Others RM'000
At 31 December 2018								
Financial assets								
Trade and other receivables	23	815,548	1,214	352	4,582	1,406	4,371	3,691
Amount due from an associate and related parties	24	96,945	-	-	-	-	-	18,808
Deposits, cash and bank balances	25	41,089	83,602	673	11,722	7,994	12,797	29,461
		953,582	84,816	1,025	16,304	9,400	17,168	51,960
Financial liabilities								
Trade and other payables	27	348,416	29,037	3,739	6,688	16,085	4,629	30,113
Amount due to an associate and related parties	24	72,780	1,395	-	-	-	-	18,946
Borrowings	28	687,007	-	-	-	-	-	-
Derivative financial libialities	21	130,486	-	-	-	-	-	-
		1,238,689	30,432	3,739	6,688	16,085	4,629	49,059
Net exposure		(285,107)	54,384	(2,714)	9,616	(6,685)	12,539	2,901

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

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

(a) Market risk (cont'd.)

(iii) Foreign currency risk (cont'd.)

The Company's currency exposure is as follows:

	Note	USD RM'000	AUD RM'000	EURO RM'000	INR RM'000	RMB RM'000	JPY RM'000	Others RM'000
At 31 December 2019								
Financial assets								
Finance lease receivables	16	1,012,674	-	-	-	-	-	-
Trade and other receivables	23	966,902	8,055	213	4,837	1,513	6,202	3,116
Amount due from subsidiaries, an associate, a joint venture and related parties	24	210,018	-	-	-	-	-	49,921
Deposits, cash and bank balances	25	47,651	37,190	778	16,654	2,227	21,359	20,026
Derivative financial assets	21	45,926	-	-	-	-	-	-
		2,283,171	45,245	991	21,491	3,740	27,561	73,063
Financial liabilities								
Trade and other payables	27	240,570	20,464	1,336	9,867	24,481	45,768	32,858
Amount due to subsidiaries, an associate and related parties	24	43,312	984	-	-	-	-	7,225
Borrowings	28	6,316,248	-	-	-	-	-	-
Derivative financial libialities	21	5,858	-	-	-	-	-	-
		6,605,988	21,448	1,336	9,867	24,481	45,768	40,083
Net exposure		(4,322,817)	23,797	(345)	11,624	(20,741)	(18,207)	32,980

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

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

(a) Market risk (cont'd.)

(iii) Foreign currency risk (cont'd.)

The Company's currency exposure is as follows:

	Note	USD RM'000	AUD RM'000	EURO RM'000	INR RM'000	RMB RM'000	JPY RM'000	Others RM'000
At 31 December 2018								
Financial assets								
Trade and other receivables	23	815,548	1,159	352	4,582	1,406	4,371	3,691
Amount due from a subsidiary, an associate, and related parties	24	112,607	-	-	-	-	-	18,808
Deposits, cash and bank balances	25	41,089	82,143	673	11,722	7,994	12,797	29,461
		969,244	83,302	1,025	16,304	9,400	17,168	51,960
Financial liabilities								
Trade and other payables	27	348,416	26,472	3,739	6,688	16,085	4,629	30,113
Amount due to a subsidiary, an associate and related parties	24	118,091	3,737	-	-	-	-	18,946
Borrowings	28	687,007	-	-	-	-	-	-
Derivative financial liabilities	21	130,486	-	-	-	-	-	-
		1,284,000	30,209	3,739	6,688	16,085	4,629	49,059
Net exposure		(314,756)	53,093	(2,714)	9,616	(6,685)	12,539	2,901

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

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

(b) Credit risk

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

The Group’s and the Company’s exposure to credit risk or the risk of counterparties defaulting arises mainly from various deposits and bank balances, and receivables. As the Group and the Company do not hold collateral, the maximum exposure to credit risk is represented by the total carrying amounts of these financial assets in the financial position. Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures.

Credit risk relating to receivables is minimised by regular monitoring and, in addition, credit risk is controlled as the majority of the Group’s and the Company’s deposits and bank balances are placed 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.

(c) Liquidity and cash flow risk

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

Following the COVID-19 pandemic, the liquidity of the Group is impacted as it is influenced by the booking and payment pattern of customers which saw a decline. Further details are as disclosed in Note 41.

The management will continue to monitor liquidity reserves and rolling cash flow forecasts throughout the year based on the measures put in place as disclosed in Note 41 and also potential impacts from events outside the Group's control.

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

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

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

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

	Note	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
Group					
At 31 December 2019					
Term loans		**64,433**	**62,836**	**179,070**	**21,418**
Hire purchase	28	**13**	**13**	**10**	**-**
Lease liabilities	28	**1,076,138**	**1,070,942**	**2,882,880**	**2,023,551**
Trade and other payables	27	**823,811**	**-**	**-**	**52,925**
Amount due to related parties	24	**30,616**	**-**	**-**	**-**
		1,995,011	**1,133,791**	**3,061,960**	**2,097,894**
At 31 December 2018					
Term loans		216,908	193,890	258,981	80,596
Hire purchase	28	13	13	22	-
Trade and other payables	27	1,081,631	-	-	52,767
Amount due to an associate	24	7,777	-	-	-
Amount due to related parties	24	97,381	-	-	-
		1,403,710	193,903	259,003	133,363

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

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

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

	Note	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
Company					
At 31 December 2019					
Term loans		**64,433**	**62,836**	**179,070**	**21,418**
Hire purchase	28	**13**	**13**	**10**	**-**
Lease liabilities	28	**1,085,590**	**1,080,393**	**2,908,146**	**2,041,342**
Trade and other payables	27	**811,539**	**-**	**-**	**52,925**
Amount due to subsidiaries	24	**2,898**	**-**	**-**	**-**
Amount due to an associate	24	**26,622**	**-**	**-**	**-**
Amount due to related parties	24	**33,084**	**-**	**-**	**-**
		2,024,179	**1,143,242**	**3,087,226**	**2,115,685**
At 31 December 2018					
Term loans		216,908	193,890	258,981	80,596
Hire purchase	28	13	13	22	-
Trade and other payables	27	1,078,906	-	-	52,767
Amount due to a subsidiary	24	1,688	-	-	-
Amount due to an associate	24	56,902	-	-	-
Amount due to related parties	24	99,723	-	-	-
		1,454,140	193,903	259,003	133,363

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

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

(d) Capital risk management

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

In order to maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group and the Company monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the Group's and the Company's financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the Group's and the Company's financial position plus net debt.

The Group's and the Company's overall strategy remained unchanged from 2017. The gearing ratio as at 31 December 2019 and 2018 were as follows:

	Group		**Company**	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total borrowings (Note 28)	**6,265,611**	687,052	**6,356,048**	687,052
Less: Cash and cash equivalents (Note 25)	**(307,619)**	(252,604)	**(287,605)**	(251,145)
Net debt	**5,957,992**	434,448	**6,068,443**	435,907
Total equity attributable to equity holders of the Group and Company	**137,929**	573,662	**123,020**	591,030
Total capital	**6,095,921**	1,008,110	**6,191,463**	1,026,937
Gearing ratio	**0.98**	0.43	**0.98**	0.42

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

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

(e) Fair value measurement

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

Determination of fair value and fair value hierarchy

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

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

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

Group	Level 1 RM’000	Level 2 RM’000	Level 3 RM’000	Total RM’000
31 December 2019				
Assets				
Derivatives used for hedging	**-**	**45,926**	**-**	**45,926**
Liabilities				
Derivatives used for hedging	**-**	**(5,858)**	**-**	**(5,858)**
Loans and borrowings	**-**	**(7,053,547)**	**-**	**(7,053,547)**
	-	**(7,013,479)**	**-**	**(7,013,479)**
31 December 2018				
Liabilities				
Derivatives used for hedging	-	(130,486)	-	(130,486)
Loans and borrowings	-	(324,858)	-	(324,858)
	-	(455,344)	-	(455,344)

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

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

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

Company	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2019				
Assets				
Derivatives used for hedging	**-**	**45,926**	**-**	**45,926**
Liabilities				
Derivatives used for hedging	**-**	**(5,858)**	**-**	**(5,858)**
Loans and borrowings	**-**	**(7,115,507)**	**-**	**(7,115,507)**
	-	**(7,075,439)**	**-**	**(7,075,439)**
31 December 2018				
Liabilities				
Derivatives used for hedging	-	(130,486)	-	(130,486)
Loans and borrowings	-	(324,858)	-	(324,858)
	-	(455,344)	-	(455,344)

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group and the Company then determine fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The Group's and the Company's Level 2 financial instruments comprise fuel swap contracts. The fair value of fuel swap contracts is determined using forward fuel price at the reporting date, with the resulting value discounted back to present value.

35. Financial instruments

(a) Financial instruments by category

Group 31 December 2019	Assets at fair value through other comprehensive income RM'000	Amortised cost RM'000	Total RM'000
Assets as per statement of financial position			
Derivative financial assets	45,926	-	45,926
Trade and other receivables excluding prepayments and deferred lease expense	-	1,021,028	1,021,028
Finance lease receivables	-	1,012,674	1,012,674
Amount due from an associate	-	167,937	167,937
Amount due from a joint venture	-	4,501	4,501
Amount due from related parties	-	119,328	119,328
Deposits, cash and bank balances	-	357,961	357,961
Total	45,926	2,683,429	2,729,355

Group 31 December 2019	Derivatives used for hedging RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
Liabilities as per statement of financial position			
Derivative financial liabilities	5,858	-	5,858
Borrowings	-	6,265,611	6,265,611
Trade and other payables excluding deferred lease income	-	870,104	870,104
Amount due to related parties	-	30,616	30,616
Total	5,858	7,166,331	7,172,189

35. Financial instruments (cont'd.)

(a) Financial instruments by category (cont'd.)

Group 31 December 2018	Assets at fair value through other comprehensive income RM'000	Amortised cost RM'000	Total RM'000
Assets as per statement of financial position			
Trade and other receivables excluding prepayments and deferred lease expense	-	894,358	894,358
Amount due from an associate	-	67,287	67,287
Amount due from related parties	-	48,851	48,851
Deposits, cash and bank balances	-	297,609	297,609
Total	-	1,308,105	1,308,105

Group 31 December 2018	Derivatives used for hedging RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
Liabilities as per statement of financial position			
Derivative financial liabilities	130,486	-	130,486
Borrowings	-	687,052	687,052
Trade and other payables excluding deferred lease income	-	1,122,710	1,122,710
Amount due to an associate	-	7,777	7,777
Amount due to related parties	-	97,381	97,381
Total	130,486	1,914,920	2,045,406

35. Financial instruments (cont'd.)

(a) Financial instruments by category (cont'd.)

Company 31 December 2019	Assets at fair value through other comprehensive income RM'000	Amortised cost RM'000	Total RM'000
Assets as per statement of financial position			
Derivative financial assets	45,926	-	45,926
Trade and other receivables excluding prepayments and deferred lease expense	-	1,021,025	1,021,025
Finance lease receivables	-	1,012,674	1,012,674
Amount due from subsidiaries	-	134,229	134,229
Amount due from an associate	-	66,733	66,733
Amount due from a joint venture	-	4,501	4,501
Amount due from related parties	-	119,328	119,328
Deposits, cash and bank balances	-	337,947	337,947
Total	45,926	2,696,437	2,742,363

Company 31 December 2019	Derivatives used for hedging RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
Liabilities as per statement of financial position			
Derivative financial liabilities	5,858	-	5,858
Borrowings	-	6,356,048	6,356,048
Trade and other payables excluding deferred lease income	-	857,832	857,832
Amount due to subsidiaries	-	2,898	2,898
Amount due to an associate	-	26,622	26,622
Amount due to related parties	-	33,084	33,084
Total	5,858	7,276,484	7,282,342

35. Financial instruments (cont'd.)

(a) Financial instruments by category (cont'd.)

Company 31 December 2018	Assets at fair value through other comprehensive income RM’000	Amortised cost RM’000	Total RM’000
Assets as per statement of financial position			
Trade and other receivables excluding prepayments and deferred lease expense	-	894,303	894,303
Amount due from subsidiaries	-	33,464	33,464
Amount due from an associate	-	82,949	82,949
Amount due from related parties	-	48,851	48,851
Deposits, cash and bank balances	-	296,150	296,150
Total	-	1,355,717	1,355,717

Company 31 December 2018	Derivatives used for hedging RM'000	Other financial liabilities at amortised cost RM’000	Total RM’000
Liabilities as per statement of financial position			
Derivative financial liabilities	130,486	-	130,486
Borrowings	-	687,052	687,052
Trade and other payables excluding deferred lease income	-	1,119,985	1,119,985
Amount due to subsidiaries	-	1,688	1,688
Amount due to an associate	-	56,902	56,902
Amount due to related parties	-	99,723	99,723
Total	130,486	1,965,350	2,095,836

35. Financial instruments (cont'd.)

(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 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Counterparties without external credit rating				
Group 1	**-**	-	**-**	-
Group 2	**15,414**	4,095	**15,414**	4,095
Total trade receivables that are neither past due nor impaired (Note 23 (a)(i))	**15,414**	4,095	**15,414**	4,095

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Deposits, cash and bank balances					
AAA to A-		**356,317**	295,064	**336,303**	293,605
BBB to BBB-		**1,295**	2,250	**1,295**	2,250
		357,612	297,314	**337,598**	295,855
Cash on hand		**349**	295	**349**	295
Total	25	**357,961**	297,609	**337,947**	296,150
Amount due from subsidiaries, an associate, a joint venture and related parties					
Group 1		**-**	15,083	**-**	15,083
Group 2		**160,459**	96,173	**166,894**	140,108
Total	24(i)	**160,459**	111,256	**166,894**	155,191

35. Financial instruments (cont'd.)

(b) Credit quality of financial assets (cont'd.)

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 (cont'd.):

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Derivative financial assets					
AA+ to A+		**15,525**	-	**15,525**	-
A to BBB-		**25,838**	-	**25,838**	-
No rating		**4,563**	-	**4,563**	-
Total	21	**45,926**	-	**45,926**	-

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

All other receivables and deposits are substantially with existing counterparties with no history of default.

36. Segmental information

Management has determined the operating segments based on reports that are reviewed and used to make strategic decisions by the Group's CEO who is identified as the chief operating decision maker.

The Group's CEO considers the business from a geographic perspective. The operating segments have been identified by each Air Operator Certificate ("AOC") held under the AirAsia brand, and are categorised as Malaysia, Thailand and Indonesia.

The Group's CEO assesses the performance of the operating segments based on revenue and net operating profit.

The Group's operations by geographical segments are as follows:

2019	Malaysia RM'000	Thailand RM'000	Indonesia RM'000	Elimination adjustments RM'000	Total RM'000
Segment results					
Revenue	**4,233,344**	**1,788,373**	**91,013**	**(219,377)**	**5,893,353**
Operating expenses					
- Staff costs	**(429,016)**	**(206,060)**	**(19,736)**	**-**	**(654,812)**
- Depreciation of property, plant and equipment and ROU assets	**(745,434)**	**(325,951)**	**(1,935)**	**224,918**	**(848,402)**
- Aircraft fuel expenses	**(1,680,688)**	**(701,256)**	**(3,901)**	**-**	**(2,385,845)**
- Maintenance and overhaul	**(701,627)**	**(290,692)**	**(10,060)**	**153,722**	**(848,657)**
- User charges	**(431,336)**	**(350,342)**	**(14,728)**	**-**	**(796,406)**
- Aircraft operating lease expenses	**-**	**-**	**(65,655)**	**65,655**	**-**
- Other operating expenses	**(406,734)**	**(96,114)**	**(139,380)**	**-**	**(642,228)**
Other income	**41,055**	**36,612**	**-**	**-**	**77,667**
Operating (loss)/ profit	**(120,436)**	**(145,430)**	**(164,382)**	**224,918**	**(205,330)**
Finance income	**137,529**	**-**	**100**	**(61,904)**	**75,725**
Finance costs	**(364,911)**	**(86,238)**	**(227)**	**-**	**(451,376)**
Net operating (loss)/profit	**(347,818)**	**(231,668)**	**(164,509)**	**163,014**	**(580,981)**
Net foreign exchange gain	**42,914**	**417**	**-**	**-**	**43,331**
Share of result of an associate	**(1,104)**	**-**	**-**	**-**	**(1,104)**
(Loss)/profit before taxation	**(306,008)**	**(231,251)**	**(164,509)**	**163,014**	**(538,754)**
Taxation	**(344,309)**	**1,363**	**-**	**-**	**(342,946)**
(Loss)/profit after taxation	**(650,317)**	**(229,888)**	**(164,509)**	**163,014**	**(881,700)**

36. Segmental information (cont'd.)

The Group's operations by geographical segments are as follows (cont'd.):

2018	Malaysia RM'000	Thailand RM'000	Indonesia RM'000	Elimination adjustments RM'000	Total RM'000
Segment results					
Revenue	4,571,376	1,523,905	623,166	(452,916)	6,265,531
Operating expenses					
- Staff costs	(422,845)	(116,691)	(29,059)	-	(568,595)
- Depreciation of property, plant and equipment	(127,268)	(5,523)	(2,048)	-	(134,839)
- Aircraft fuel expenses	(1,876,060)	(552,898)	(298,062)	-	(2,727,020)
- Maintenance and overhaul	(485,389)	(194,140)	(78,188)	181,283	(576,434)
- User charges	(508,121)	(189,015)	(63,310)	-	(760,446)
- Aircraft operating lease expenses	(898,654)	(269,900)	(192,324)	271,633	(1,089,245)
- Other operating expenses	(464,398)	(187,004)	(51,095)	-	(702,497)
Other income	7,414	39,926	20,542	-	67,882
Operating (loss)/ profit	(203,945)	48,660	(70,378)	-	(225,663)
Finance income	55,773	-	104	-	55,877
Finance costs	(70,611)	(1,149)	(568)	-	(72,328)
Net operating (loss)/profit	(218,783)	47,511	(70,842)	-	(242,114)
Net foreign exchange gain	16,011	17,776	-	-	33,787
Other losses	(23,889)	-	-	-	(23,889)
(Loss)/profit before taxation	(226,661)	65,287	(70,842)	-	(232,216)
Taxation	(74,821)	469	(27,581)	-	(101,933)
(Loss)/profit after taxation	(301,482)	65,756	(98,423)	-	(334,149)

36. Segmental information (cont'd.)

The Group's operations by geographical segments are as follows (cont'd.):

	Malaysia RM'000	Thailand RM'000	Indonesia RM'000	Elimination adjustments RM'000	Total RM'000
2019					
Segment assets					
Non-current assets^	**8,065,568**	**2,301,725**	**8,535**	**(213,179)**	**10,162,649**
Investment in an associate and a joint venture	**-**	**-**	**-**	**-**	**-**
Current assets	**1,501,293**	**552,992**	**6,830**	**(122,273)**	**1,938,842**
	9,566,861	**2,854,717**	**15,365**	**(335,452)**	**12,101,491**
Segment liabilities					
Non-current liabilities	**(6,847,292)**	**(2,114,064)**	**(4,475)**	**50,165**	**(8,915,666)**
Current liabilities	**(2,581,640)**	**(967,005)**	**(369,194)**	**122,273**	**(3,795,566)**
	(9,428,932)	**(3,081,069)**	**(373,669)**	**172,438**	**(12,711,232)**
2018					
Segment assets					
Non-current assets^	2,792,199	165,393	78,627	(67,287)	2,968,932
Investment in an associate and a joint venture	-	-	-	-	-
Current assets	1,549,372	447,876	59,162	(7,777)	2,048,633
	4,341,571	613,269	137,789	(75,064)	5,017,565
Segment liabilities					
Non-current liabilities	(1,594,859)	(11,574)	(3,756)	67,287	(1,542,902)
Current liabilities	(2,173,050)	(590,580)	(338,670)	7,777	(3,094,523)
	(3,767,909)	(602,154)	(342,426)	75,064	(4,637,425)

^ Excluding investment in an associate and a joint venture.

36. Segmental information (cont'd.)

	2019 RM'000	2018 RM'000
(a) Reconciliation of segment revenue to reported revenue:		
Segment revenue	**5,893,353**	6,265,531
Less: Revenue from an associate and a joint venture which were not consolidated	**(1,660,009)**	(1,694,155)
	4,233,344	4,571,376
(b) Reconciliation of segment loss before taxation to reported loss before taxation:		
Segment loss before taxation	**(538,754)**	(232,216)
Add: Expenses from an associate and a joint venture which were not consolidated	**232,746**	5,555
	(306,008)	(226,661)
(c) Reconciliation of segment assets to reported total assets:		
Segment assets	**12,101,491**	5,017,565
Less: Assets of an associate and a joint venture which were not consolidated	**(2,534,630)**	(675,994)
	9,566,861	4,341,571
(d) Reconciliation of segment liabilities to reported total liabilities:		
Segment liabilities	**(12,711,232)**	(4,637,425)
Add: Liabilities of an associate and a joint venture which were not consolidated	**3,282,300**	869,516
	(9,428,932)	(3,767,909)

37. Unconsolidated structured entities

The Group and the Company have set up Merah X entities, special purpose companies ("SPC") pursuant to aircraft related borrowings obtained from various financial institutions. Under the arrangement, the Group and the Company entered into an Aircraft Instalment Sale Agreement with the SPC, permitting the company to possess and operate each of the Airbus A330-300 aircraft financed under the facility.

The SPC are orphan trust companies in which the Group and the Company have no equity interest.

37. Unconsolidated structured entities (cont'd.)

The details of the Merah X entities are as follows:

Name	Country of incorporation	Purpose
Merah X Dua Limited	Malaysia	Purchase of 3 Airbus A330-300 aircraft
Merah X Tiga Limited	Malaysia	Purchase of 2 Airbus A330-343 aircraft
Merah X Enam Limited	Malaysia	Purchase of 2 Airbus A330-300 aircraft

The SPC do not incur any losses or earn any income during the financial year ended 31 December 2019. The aircraft and the corresponding term loans and finance costs associated with the SPC have been recognised by the Group and Company upon the purchase of the aircraft.

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

38. Comparative figures

Certain comparative amounts of the Group and of the Company have been reclassified to conform with current year's presentation.

39. Other matters

Litigation involving the Company and Malaysia Airports (Sepang) Sdn Bhd

In the prior year, the Company received a sealed Writ of Summons and Statement of Claim, dated 10 December 2018, from Messrs Skrine (“Skrine”) on behalf of Malaysia Airports (Sepang) Sdn Bhd (“MASSB”) for RM26.7 million being the alleged outstanding passenger service charges (“PSC”) and shortfall of RM23 in PSC per passenger which was purportedly effective from 1 July 2018.

On 18 July 2019, the Kuala Lumpur High Court allowed MASSB’s application for summary judgment against the Company and ordered payments of the outstanding PSC (“Judgment Order”). On 22 July 2019, the Company appealed against the Judgment Order and any connected interlocutory applications.

On 18 September 2019, the Company paid the sum of RM27,387,890.77 (being the amounts specified in the Garnishee Show Cause Orders dated 23 August 2019 plus late payment charges and costs) to MASSB to defray the garnishee execution proceedings. The payment was made by the Company without prejudice to the Company’s rights, including the Company’s rights in the appeals made in relation to the Judgment Order.

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

The Company is vigorously defending the proceedings relating to the above claims through its solicitors.

40. Significant event

<u>Sale and leaseback transactions</u>

On 27 March 2019, the Company had entered into sub-sale arrangements through AAX Leasing Eleven Ltd ("AAXLEL") (an indirect subsidiary of the Company through AAX Aviation Capital Ltd) for the disposal of three (3) aircraft owned by the Company to Jerdons Baza Leasing 1048 DAC (pertaining to aircraft with Manufacturing Serial Number ("MSN") 1048), Jerdons Baza Leasing 1066 DAC (pertaining to aircraft with MSN 1066) and Jerdons Baza Leasing 1075 DAC (pertaining to aircraft with MSN 1075) for an aggregate consideration of USD164.3 million (approximately RM680.0 million) (before adjustments).

On the same date, AAXLEL had entered into lease agreements with Jerdons Baza Leasing 1048 DAC (pertaining to aircraft with MSN 1048), Jerdons Baza Leasing 1066 DAC (pertaining to aircraft with MSN 1066) and Jerdons Baza Leasing 1075 DAC (pertaining to aircraft with MSN 1075). Simultaneously, the Company entered into sub-leases with AAXLEL as sub-lessor and the Company as sub-lessee to continue operating the abovementioned aircraft in its fleet.

On 16 August 2019, the Company had entered into sub-sale arrangements through AAXLEL for the disposal of two (2) aircraft owned by the Company (pertaining to aircraft with MSN1126 and MSN1311) to Bluesky 33 Leasing Company Limited for an aggregate consideration of USD113.5 million (approximately RM474.5 million) (before adjustments).

On the same date AAXLEL had entered into lease agreements with Bluesky 33 Leasing Company Limited (pertaining to aircraft with MSN1126 and MSN1311). Simultaneously, the Company entered into sub-leases with AAXLEL as sub-lessor and the Company as sub-lessee to continue operating the abovementioned aircraft in its fleet.

The above transactions were completed during the year resulting in a loss on sale of RM90.4 million and a net cash inflow of RM908.6 million, as reflected in the Company’s statements of cash flows.

41. Subsequent events

<u>Airbus bribery allegations</u>

AirAsia X Berhad (“AAX”) was mentioned in the Approved Judgment and the Statement of Facts in relation to the case of Regina v Airbus SE ("Airbus"), dated 31 January 2020, whereby Airbus signed a Deferred Prosecution Agreement (“DPA”) with the U.K. Serious Fraud Office (“SFO”) with a settlement of US$4 billion. Indicated therein is that Airbus paid US$50 million and offered US$55 million more to sponsor a sports team linked to two non-executive directors of AAX.

On 2 February 2020, the Securities Commission Malaysia (“SC”) announced that it will examine the allegations against AAX as mentioned in the SFO report.

41. Subsequent events (cont'd.)

Airbus bribery allegations (cont'd.)

On 3 February 2020, the Board formed a Non-Executive Independent Board Committee ("Committee") to review the allegations and to take any necessary action. The Committee engaged BDO Governance Advisory Sdn Bhd ("BDO") to assist them in conducting an independent internal inquiry.

On 16 March 2020, the independent inquiry report was presented to the Committee and the final report was circulated to and accepted by the Committee on 20 March 2020. The report concluded that AAX's sponsorship of the sports team was approved in compliance with its procedures, and that the sponsorship of the sports team by Airbus was disclosed to and supported by the Board of Directors of AAX at the relevant time. The two non-executive directors (Tan Sri Anthony Francis Fernandes and Datuk Kamarudin bin Meranun) had properly disclosed their interests to the Board of Directors of AAX and abstained from discussions and/or decisions relating to the said sponsorships.

On 20 March 2020, the same report from BDO was submitted to the SC. As of 30 July 2020, there was no update subsequent to the submission of the report.

COVID-19 pandemic

In 2020, the global economy, in particular the commercial airlines industry, faces uncertainty as a result of the unprecedented COVID-19 pandemic. The travel and border restrictions implemented by countries around the world has led to a significant fall in demand for international air travel which impacted the Group's and the Company's financial performance and cash flows. These travel restrictions have had a material impact on the operations of the Group and the Company, commencing with the cancellation of flights in the months of February 2020 and March 2020, followed by a complete suspension of services in mid-April 2020, a consequence of government imposed travel restrictions. As at the date of this report, the Group and the Company have not resumed scheduled flight operations, but are limited to a number of ad-hoc cargo and charter operations. The Group and the Company expect to gradually resume their scheduled flight operations on a staggered basis starting early 2021. However, should travel and border restrictions be lifted earlier, the Group and the Company may resume scheduled flight operations in the last quarter of 2020.

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

41. Subsequent events (cont'd.)

COVID-19 pandemic (cont'd.)

Given the continued uncertainty around the duration and extent of the travel restrictions, and the length of time that will be required for the airline industry to recover to pre-COVID-19 levels, the Group and the Company have initiated several measures to weather through the current challenging times:

(a) Capacity

The travel restrictions imposed around the world meant that capacity of the Group and the Company fell by 22% in the first quarter of 2020 compared to the first quarter of 2019 and by 99% in the second quarter of the year. As at the date of this report, 20 aircraft have been placed in long term parking and are subjected to a regular supplier mandated maintenance program, which will allow them to return to service when required.

As and when there is a gradual reopening of international borders, the Group and the Company will be able to restart scheduled flight services and increase capacity as demand returns. The Group and the Company expect to gradually resume their scheduled flight operations on a staggered basis starting early 2021. However, should travel and border restrictions be lifted earlier, the Group and the Company may resume scheduled flight operations in the last quarter of 2020.

The Group and the Company also intend to operate a leaner fleet size to reduce the fixed operating cost base.

(b) Route rationalisation

The Group and the Company intend to focus in core markets such as China, South Korea, Japan and Australia to build yield and optimise profitability by focusing on mature routes in core markets with historically proven demand and economics, and operating at optimal frequency to avoid deploying excess capacity in the market to rebuild route yield. In addition, the Group and the Company also plan to terminate unprofitable routes.

(c) Working Capital Management

The main creditors of the Group and the Company are aircraft lessors, maintenance providers and a financial institution. The Group and the Company have obtained payment deferrals on outstanding amounts due from certain lessors and are currently engaging with the lessors and maintenance service providers to seek for payment deferrals and concessions. In addition, the Group and the Company have also received an offer from a financial institution to defer principal repayments.

The Group and the Company also intend to operate a leaner fleet size and are currently in discussions with lessors to reduce future lease rental rates which are integral in reducing the future operating cost base and to return to profitability.

41. Subsequent events (cont'd.)

COVID-19 pandemic (cont'd.)

The Group and the Company have initiated several measures to weather through the current challenging times (cont'd.):

(c) Working Capital Management (cont'd.)

The Group and the Company also restructured fuel hedges exposures to reduce the Group’s and the Company’s hedging losses.

Further, salary reductions, ranging from 15% to 75%, have been implemented across all levels of the Group and the Company apart from the most junior staff, while headcount has been reduced by 10% with further reductions planned, primarily in the flight operations related functions.

(d) Funding

The Company plans to make an application for a government guaranteed loan of up to RM500 million under the Danajamin PRIHATIN Guarantee Scheme (“DPGS”). This application is subject to the credit assessment, final evaluation and approval from the relevant financial institutions. At present, the Company is in discussion with a financial institution to secure the DPGS loan.

Accordingly, the Directors are of the opinion that the going concern basis used in the preparation of financial statements is appropriate and no adjustments was necessary to be made to the financial statements.

The financial statements have been prepared based upon conditions existing at 31 December 2019 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period. As the outbreak of COVID-19 occurred after 31 December 2019, its impact is considered an event that is indicative of conditions that arose after the reporting period and accordingly, no adjustments have been made to financial statements as at 31 December 2019 for the impacts of COVID-19. For the next financial year ending 2020, based on the performance for the remainder of the year, the Group and the Company will reassess right-of-use (“ROU”) assets and any other affected areas for impairment.

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

Statement by Directors
Pursuant to Section 251(2) of the Companies Act 2016

We, Tan Sri Rafidah Aziz and Datuk Kamarudin Bin Meranun, being two of the Directors of AirAsia X Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 6 to 131 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia, so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 30 July 2020.

Tan Sri Rafidah Aziz
Director

Datuk Kamarudin Bin Meranun
Director

Kuala Lumpur, Malaysia

Statutory declaration
Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Andrew Littledale, the officer primarily responsible for the financial management of AirAsia X Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 6 to 131 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed Andrew Littledale
at Kuala Lumpur in the Federal Territory
on 30 July 2020.

Andrew Littledale
1-KWQX

Before me,

Commissioner for Oaths
Kuala Lumpur

EY
Building a better working world

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200601014410 (734161-K)

Independent auditors' report to the members of AirAsia X Berhad (Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of AirAsia X Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 6 to 131.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Material uncertainty related to going concern

We draw attention to Note 2.1 to the financial statements, which indicates that the Group and Company have reported a net loss of RM650.3 million and RM682.5 million respectively for the year ended 31 December 2019. In addition, the Group's and Company's current liabilities exceeded its current assets by RM1,080.3 million and RM1,103.5 million respectively. Further, in 2020, the global economy, in particular the commercial airlines industry, faces an uncertainty as a result of the unprecedented COVID-19 pandemic. The travel and border restrictions implemented by countries around the world has led to a significant fall in demand for international air travel which impacted the Group's and the Company's financial performance and cash flows. These events or conditions, along with other matters as set forth in Note 2.1 and Note 41 to the financial statements, indicate the existence of material uncertainties that may cast significant doubt on the Group's and the Company's ability to continue as a going concern.

Material uncertainty related to going concern (cont'd)

Nevertheless, as disclosed in Note 2.1 and Note 41 to the financial statements, the financial statements of the Group and of the Company have been prepared on a going concern basis, the validity of which is highly dependent on the successful implementation of the following management's plans in responding to the conditions above:

(a) Deferral of payments to creditors and a financial institution

As at 31 December 2019, the current liabilities of the Group and the Company relating to aircraft lessors, maintenance service providers and a financial institution amounted to RM877.8 million and RM894.3 million respectively. The Group and the Company have obtained payment deferrals on outstanding amounts due to certain lessors and are currently engaging with the lessors and maintenance service providers to seek for payment deferrals and concessions. In addition, the Group and the Company have also received an offer from the said financial institution to defer principal repayments and is currently finalising the terms and conditions for such deferral.

(b) Rationalisation of fleet and routes

As part of the Group's and the Company's plans to return to profitability, the Group and the Company plan to focus in core markets to improve yield. Some of the initiatives include, amongst others, the following:

- focusing on mature routes in core markets with historically proven demand;
- determining the optimal flight frequency that commensurate with passenger demand; and
- terminating unprofitable routes.

In connection with the above plans, the Group and the Company plan to operate a leaner fleet size which require the Group and the Company to return excess aircraft to the aircraft lessors. At present, the Group and the Company have successfully returned one aircraft and are in discussions with the other aircraft lessors to achieve the optimal fleet size. The Group and the Company are also in discussions with the aircraft lessors to reduce future lease rental rates. Further, the Group and the Company are also in discussion with maintenance service providers to reduce future maintenance costs.

Independent auditors' report to the members of
AirAsia X Berhad (cont'd.)
(Incorporated in Malaysia)

Material uncertainty related to going concern (cont'd.)

(c) Funding

The Company plans to make an application for a government guaranteed loan of up to RM500 million under the Danajamin PRIHATIN Guarantee Scheme ("DPGS"). This application is subject to the credit assessment, final evaluation and approval from the relevant financial institutions. At present, the Company is in discussion with a financial institution to secure the DPGS loan.

The above plans are formulated with an aim to achieve an organised and systematic resolution to address the Group's and the Company's current financial conditions. The validity of the going concern assumption of the Group and the Company is dependent on the ability of the Group and the Company to gradually resume their scheduled flight operations on a staggered basis starting early 2021 and their ability to return to profitability which requires the successful implementation of management's plans to obtain the continued support from the aircraft lessors, maintenance service providers and financial institutions.

Should the going concern basis for the preparation of the financial statements be no longer appropriate, adjustments will have to be made to state the assets at their realisable values and to provide for further liabilities which may arise.

Our opinion is not modified in respect of this matter.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

**Independent auditors' report to the members of
AirAsia X Berhad (cont'd.)
(Incorporated in Malaysia)**

Key audit matters (cont'd.)

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

Key risk	Our response
Revenue recognition from scheduled flights and ancillary services	
Refer to Note 4 to the financial statements for revenue and statement of financial position for sales in advance. For the financial year ended 31 December 2019, revenue from scheduled flights and ancillary services represent 88% (2018: 83%) of the total revenue of the Group and of the Company. The Group and the Company rely on an integrated information technology system (including the flight reservation system and revenue accounting system) in accounting for its scheduled flights and ancillary revenue. Such information system processes large volumes of data comprising individually low value transactions. The flight reservation system is managed by a third party vendor.	Our audit sought to place a high level of reliance on the Group's and the Company's information technology systems and key controls which the management relies on in recording revenue from scheduled flights and ancillary services. As the flight reservation system is managed by a third party vendor, we obtained and evaluated the external auditors' report on the operating effectiveness of the key controls over the flight reservation system and revenue accounting system. We involved our information technology specialists to test the operating effectiveness of the automated controls of the other key modules of the information technology system. We also tested the non-automated controls in place to ensure completeness and accuracy of revenue recognised, including timely updating of approved changes to base fares and ancillary fares.

Key audit matters (cont'd.)

Key risk	**Our response**
Revenue recognition from scheduled flights and ancillary services (cont'd.)	
The accounting for revenue from scheduled flights and ancillary services are susceptible to management override through the posting of manual journal entries either in the underlying ledgers or as a consolidation journal. The above factors gave rise to higher risk of material misstatement in the timing and amount of revenue from scheduled flights and ancillary services recognised. Accordingly, we identified revenue recognition to be an area of focus.	In addition, we also performed, amongst others, the following procedures: (a) Performed data analytics to reconcile the revenue recognised in respect of scheduled flights and ancillary services and the amount of sales in advance to the payments received from passengers; (b) Performed procedures to corroborate the occurrence of revenue by tracing samples of revenue recognised to settlement reports from financial institutions; (c) Tested the reconciliation of data between the flight reservation system and the general ledger to corroborate the completeness of revenue; and (d) Performed cut-off procedures to determine if revenue from scheduled flights and ancillary services are recorded in the correct accounting period.

Key audit matters (cont'd.)

Key risk	Our response
Provision for aircraft maintenance	
Refer to Note 3(iii) and Note 29 to the financial statements for provision for aircraft maintenance. As at 31 December 2019, the provision for aircraft maintenance of the Group and of the Company amounted to RM1,519 million (2018: RM1,014 million). As of 31 December 2019, the Group and the Company operate thirty (30) aircraft under operating leases. In respect of these operating lease arrangements, the Group and the Company are contractually obligated to maintain the aircraft during the lease period and to redeliver the aircraft to the lessors at the end of the lease term, in certain pre-agreed conditions. Management estimates the overhaul, restoration and redelivery costs and accrues such costs over the lease term. The calculation of such costs includes management assumptions and estimates in respect of the anticipated rate of aircraft utilisation which includes flying hours and flying cycles and calendar months of the asset as used. These aircraft utilisation and calendar months affect the extent of the restoration work that will be required and the expected costs of such overhaul, restoration and redelivery at the end of the lease term. Given the significant amounts of these provisions and the extent of management judgment and estimates required, we considered this area as a key audit matter.	In addressing this area of audit focus, our audit procedures included, amongst others: (a) we obtained an understanding of management's process over estimating aircraft maintenance for aircraft held under operating leases; (b) we recalculated the aircraft maintenance and evaluated the key assumptions adopted by management in estimating the aircraft return obligations for each aircraft by discussing with the Group's and the Company's relevant fleet maintenance engineers the aircraft utilisation statistics; and (c) in addition, we obtained an understanding of the redelivery terms of operating leases by comparing the estimated costs and comparable actual costs incurred by the Group and the Company.

Key audit matters (cont'd.)

Key risk	Our response
Recognition of deferred tax assets	
Refer to Note 3(ii) and Note 20 to the financial statements for deferred tax.	Our audit procedures included, amongst others:
As at 31 December 2019, the Group and the Company had derecognised deferred tax assets amounting to RMNil (2018: RM386 million and RM385 million), respectively, in relation to unutilised investment tax allowance, unabsorbed capital allowances, unused tax losses, sales in advance and other deductible temporary differences ("unused tax losses/ allowances and deductible temporary differences") to the extent that it is probable that future taxable profits will be available against which these deductible temporary differences can be utilised.	(a) we evaluated the key assumptions applied in respect of revenue growth rates and operating costs by comparing them to past actual outcome, supplemented by expectations of the future economic conditions; and (b) we also assessed the adequacy of the Group's and the Company's disclosures on the deferred tax assets in Note 3(ii) and Note 20 to the financial statements.
The assessment of future taxable profits is a complex process and requires significant management's judgments, in particular the judgments applied in respect of the expected future economic conditions of the industry which impact the revenue growth rates and operating costs of the entities being assessed. During the year, management has derecognised the deferred tax assets as at reporting date due to uncertainties relating to the COVID-19 environment.	
In view of the significance of the amount and the significant judgements involved, we consider this to be a key audit matter.	

Key audit matters (cont'd.)

Key risk	Our response
Fair value derivative financial assets/liabilties	
Refer to Note 21 to the financial statements for derivative financial assets/liabilities.	In addressing this area of audit focus, our audit procedures included, amongst others:
As at 31 December 2019, the Group's and the Company's derivative financial assets and liabilities amounted to RM46 million and RM6 million respectively (2018: RM130 million derivative financial liabilities). Net gains on effective cash flow hedges during the financial year amounting to RM130 million (2018: RM98 million net loss) were recognised in other comprehensive income. The gain or loss arising from ineffective hedges is recognised immediately in the income statement.	(a) involved our valuation specialists to assess the methodology and the appropriateness of the valuation models used to estimate the fair value of the derivative financial instruments;
The Group and the Company enter into various derivative financial instruments as part of the Group's overall hedging strategy to manage its exposure to fuel price risk. These instruments comprise fuel options and fuel swap contracts.	(b) our valuation specialists also evaluated the key inputs applied in the valuation model such as contractual cash flows, risk free rates, interest rate volatility and forward rates, by benchmarking them with external data; and
Valuation models used to estimate the fair value of derivative financial instruments can be subjective in nature and involve various assumptions regarding future market conditions, such as risk free rates, interest rate volatility and forward rates. The use of different valuation techniques and assumptions could produce significantly different estimates of fair value and/or hedge effectiveness.	(c) obtained third party confirmations to corroborate the existence and valuation of the derivative financial instruments.
Due to the complexity involved and the magnitude of the balance, we consider the fair value measurement of derivative financial instruments to be an area of audit focus.	

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Independent auditors' report to the members of AirAsia X Berhad (cont'd.) (Incorporated in Malaysia)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the 2019 annual report, which is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

When we read the 2019 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate action.

Responsibilities of the Directors for the financial statements

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

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

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Independent auditors' report to the members of
AirAsia X Berhad (cont'd.)
(Incorporated in Malaysia)

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

Building a better working world

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Independent auditors' report to the members of AirAsia X Berhad (cont'd.) (Incorporated in Malaysia)

Auditors' responsibilities for the audit of the financial statements (cont'd.)

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

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Independent auditors' report to the members of AirAsia X Berhad (cont'd.)
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Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that a subsidiary of which we have not acted as auditors, is disclosed in Note 17 to the financial statements.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Lim Eng Hoe
No. 03403/12/2020 J
Chartered Accountant

Kuala Lumpur, Malaysia
30 July 2020