The Sixth Issue / Annual Report **2018**

THE DIGITAL AIRLINE

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NOW EVERYONE CAN FLY XTRA LONG...

AirAsia X Berhad (734161-K)

what's insid

AIRASIA X BERHAD
AAX_AR/18

FINANCIAL STATEMENTS

e

an incredible journey

Go online to our website at:

www.airasiax.com

THEME

The Digital Airline

RATIONALE

Digitalisation is key to delivering great flying experiences. And at AirAsia X, we are extending our leadership into the digital space by harnessing technology to optimise processes, introduce new business models, improve revenue streams and increase market reach. Best of all, technology also greatly enhances our guests' experience.

With 31 destinations across Asia, Australia and the USA to choose from, we are eager to engage with our guests to give them a more personalised digital experience and to distinguish our brand in an increasingly competitive market. Together with the dedication and passion of our awesome team of Allstars, we are confident of AirAsia X taking to the skies as the digital airline of the future.

NOTICE OF ANNUAL GENERAL MEETING

13th

ANNUAL GENERAL MEETING OF

AIRASIA X BERHAD

WHERE

CAE Kuala Lumpur
Lot PT25B, Jalan KLIA S5,
Southern Support Zone,
Kuala Lumpur International Airport,
64000 Sepang, Selangor Darul Ehsan,
Malaysia

WHEN

Wednesday, 26 June 2019

TIME

10.00 a.m.

vision

TO BE THE LARGEST LOW COST AIRLINE IN ASIA AND

serving the 3 billion people

WHO ARE CURRENTLY UNDERSERVED WITH POOR CONNECTIVITY AND HIGH FARES.

mission

1 To be the best company to work for whereby employees are treated as part of a big family

2 CREATE A GLOBALLY RECOGNISED

ASEAN BRAND

3 To attain the lowest cost so that everyone can fly with AirAsia

4 Maintain the highest quality product, embracing technology to reduce cost and enhance service levels


AirAsia

values

Dare to Dream
PROGRESS COMES FROM INNOVATION.
BOTH REQUIRE CHANGE TO HAPPEN.

People First
CARE FOR OUR PEOPLE, CARE FOR OUR GUESTS.

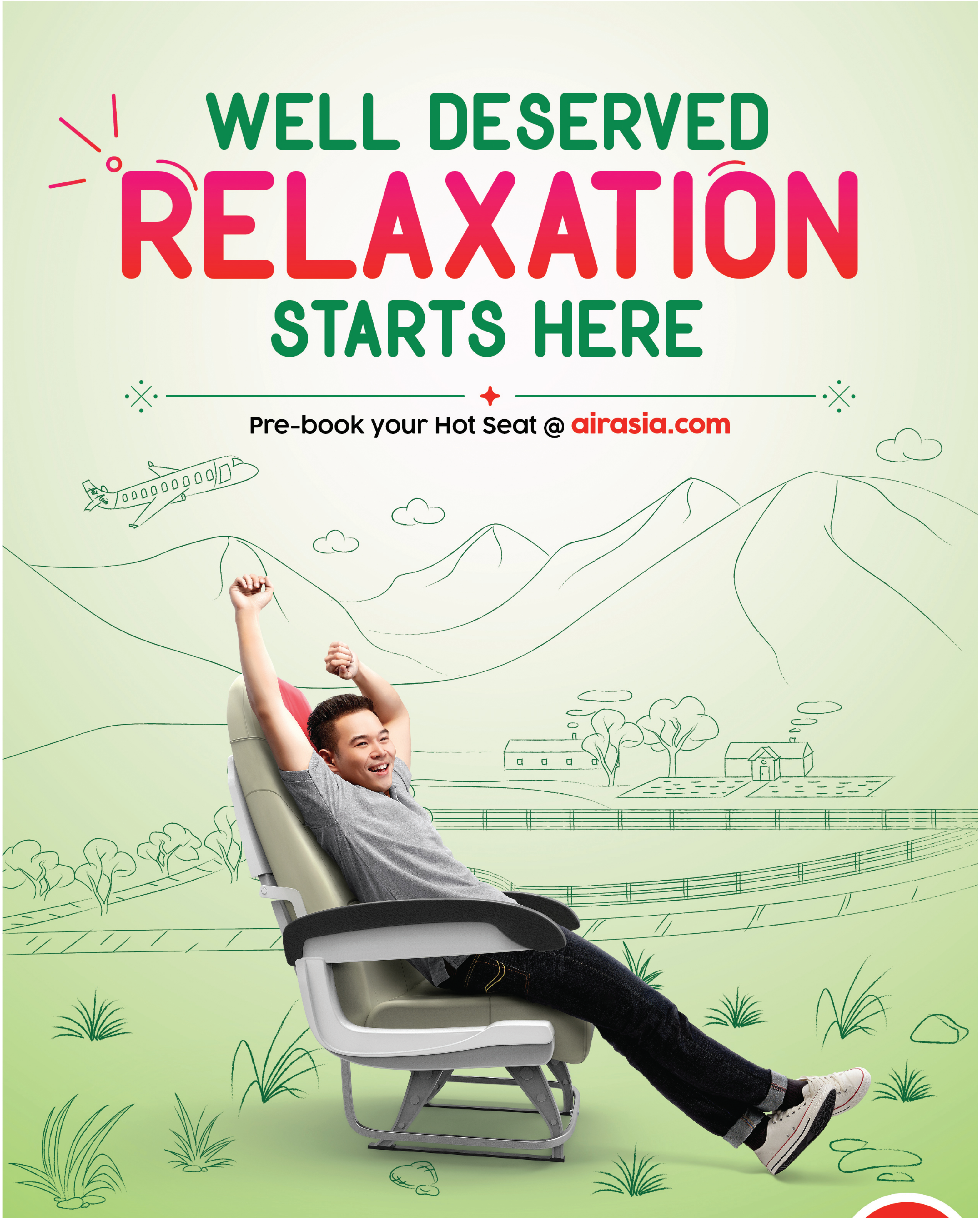
Make it Happen
LEARN FAST AND DELIVER MORE WITH LESS.

Be Guest-Obsessed
UNDERSTAND DEEPLY WHAT OUR GUESTS WANT.
THEN GIVE THEM MORE THAN THEY EXPECT.

One AirAsia
WE ARE ONE AIRLINE, WITH ONE VISION,
AND ONE PEOPLE.

Safety Always
SAFETY IS EVERYONE'S RESPONSIBILITY,
IT STARTS WITH YOU.


FLY LIKE A CHAMPION
WORLD'S BEST PREMIUM CABIN
AT THE LOWEST FARE #weareallchampions
WORLD AIRLINE
WINNER
SKYTRAX
AWARDS 2018
6 YEARS RUNNING


WELL DESERVED
RELAXATION
STARTS HERE
Pre-book your Hot Seat @ airasia.com
AirAsia

Thank You Allstars

FROM US :

From left to right:

Benyamin Ismail

Nadda Buranasiri

Tan Sri Tony Fernandes

Datuk Kamarudin Meranun


thank you
ALLSTARS
AIRASIA
ONE AIRASIA
SAFETY
MAKE STORIES HAPPEN
#throughthelens
SKYTRAX
Namaste
AMRITSAR
finding
inner
peace

key highlights

AIRASIA X MARKET SHARE TO DESTINATIONS WE OPERATE INTO

AirAsia X Malaysia (Operate From Malaysia)

Passenger Share

Australia	Greater China	South Korea	Japan
60%	55%	68%	44%

Network

No. of Routes
AirAsia X Malaysia = **25** (excluding JED & MED)
AirAsia X Thailand = **6**
AirAsia X Indonesia = **1**

3
No. of Hubs
(as at 31 December 2018)

KEY MILESTONE
AirAsia X
World's Best Low-Cost Airline Premium Cabin for the sixth year running

Unique Routes *(as at 31 December 2018)*		Routes Launched	
AirAsia X Malaysia =	9	AirAsia X Malaysia =	6
AirAsia X Thailand =	0	AirAsia X Thailand =	2
AirAsia X Indonesia =	0	AirAsia X Indonesia =	0

Stations

No. of Destinations *(as at 31 December 2018)*		No. of Countries		No. of Flights Per Week-Average
AirAsia X Malaysia = (excluding JED & MED)	25	AirAsia X Malaysia = (excluding JED & MED)	7	220 AirAsia X Malaysia
AirAsia X Thailand =	6	AirAsia X Thailand =	3	77 AirAsia X Thailand
AirAsia X Indonesia =	1	AirAsia X Indonesia =	1	2 AirAsia X Indonesia

Social Media subscribers as at 31 Mar 2019

Facebook 12,027,088	LINE 26,600,000	LinkedIn 299,753	Pinterest 3,530	TALK 20,227
Twitter 7,946,904	Weibo 1,374,710	YouTube 120,597	8,005	TikTok 24,535
Instagram 1,694,390	WeChat 1,990,143			

FINANCIAL HIGHLIGHTS (MAAX)

Revenue: **RM4.6** billion	Operating Loss: **(RM204)** million
Net Loss: **(RM301)** million	Total Assets: **RM4.3** billion

No. of Aircraft

35

- AirAsia X Malaysia 24
- AirAsia X Thailand 9
- AirAsia X Indonesia 2

PASSENGERS CARRIED

8,593,205

- AirAsia X Malaysia 6,167,465
- AirAsia X Thailand 2,009,813
- AirAsia X Indonesia 415,927

CALL SIGNS

AirAsia X Malaysia	AirAsia X Thailand	AirAsia X Indonesia
IATA: D7	IATA: XJ	IATA: XT
ICAO: XAX	ICAO: TAX	ICAO: IDX
Call Sign: XANADU	Call Sign: EXPRESS WING	Call Sign: RED PHOENIX

No. of Allstars

(as at 31 December 2018)

- AirAsia X Malaysia = **2,427**
- AirAsia X Thailand = **750**
- AirAsia X Indonesia = **135**

Load Factor

- AirAsia X Malaysia = **81%** (excluding JED & MED)
- AirAsia X Thailand = **89%**
- AirAsia X Indonesia = **71%**

AirAsia X Group

24

Allstar nationalities

Notes:

1) All figures refer to AirAsia X Group unless stated otherwise.
2) AirAsia X Group includes AirAsia X Malaysia, AirAsia X Thailand and AirAsia X Indonesia.
3) Financials refer to AirAsia X Berhad's 2018 audited financial statements.
4) All figures provided are as at 31 December 2018.
5) Source of Market Share: Paxls, based on number of passengers carried from January to December 2018.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Now Everyone Can Fly
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*Products/services may differ according to airports, departure countries and flight types/carriers. Visit airasia.com for more info.(284669-W)


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airasia.com
Now Everyone Can Fly
AirAsia

PASSENGERS CARRIED

8,593,205

NO. OF AIRCRAFT

35

AirAsia

about us

BASED ON OUR BREAKTHROUGH BUSINESS MODEL, WE BELIEVE WE HAVE THE LOWEST UNIT COST BASE OF ANY LONG-HAUL AIRLINE IN THE WORLD, WITH COST PER AVAILABLE SEAT KILOMETRE (CASK) OF US¢3.20 AND CASK (EXCLUDING FUEL) OF US¢1.95 FOR THE YEAR ENDED 2018.

AirAsia X Berhad (AirAsia X) is a leading long-haul, low-cost airline operating primarily in the Asia-Pacific region. Established as Fly Asian Express (FAX) in 2006, we started out servicing rural areas of Sarawak and Sabah with turboprop aircraft before undergoing a comprehensive rebranding in September 2007 followed by our first flight to the Gold Coast, Australia in November 2007.

Today, AirAsia X as a Group serves 31 destinations across Asia (Bali, Sapporo, Tokyo, Osaka, Nagoya, Fukuoka, Seoul, Busan, Jeju, Taipei, Xi'an, Beijing, Hangzhou, Chengdu, Shanghai, Chongqing, Changsha, Tianjin, Wuhan, Lanzhou, New Delhi, Jaipur and Amritsar), Australia (Sydney, Melbourne, Perth, Brisbane and the Gold Coast), the Middle East (Jeddah and Medina) and the United States of America (Hawaii) from two hubs: Kuala Lumpur and Bangkok. We are the first low-cost airline in Asean to be given approval by the Federal Aviation Administration to operate into USA.

As at 31 December 2018, we have a core fleet of 35 Airbus A330-300 aircraft including 11 in our affiliates – nine in AirAsia X Thailand and two in AirAsia X Indonesia.

Based on our breakthrough business model, we believe we have the lowest unit cost base of any long-haul airline in the world, with cost per available seat kilometre (CASK) of US¢3.20 and CASK (excluding fuel) of US¢1.95 for the year ended 2018. This enables us to offer fares that are targeted, on average, to be 30% to 50% lower than full-service carriers and to stimulate new market demand.

On top of that, AirAsia X offers a Quiet Zone on all flights across our network. The service enhancement is exclusively for guests above the age of 12. The Quiet Zone features soft lighting and a more relaxed cabin atmosphere, which help to ensure a more pleasant journey.

AirAsia X was voted as having the World's Best Low-Cost Airline Premium Cabin for six consecutive years while the AirAsia Group was named the World's Best Low-Cost Airline for 10 consecutive years at the Skytrax World Airline Awards.

AAX Group destinations

(as at 12 March 2019)

AIRASIA X MALAYSIA NETWORK

AUSTRALIA	CHINA	JAPAN	SOUTH KOREA
Gold Coast Melbourne Perth Sydney	Beijing Chengdu Chongqing Hangzhou Shanghai Wuhan Xi'an Tianjin Changsha Lanzhou Taipei	Tokyo (Haneda) Osaka Sapporo Fukuoka	Seoul Busan Jeju

INDIA	SAUDI ARABIA	UNITED STATES	INDONESIA
Jaipur New Delhi Amritsar	Jeddah Medina	Hawaii (Honolulu)	Bali (Denpasar)

AIRASIA X THAILAND NETWORK

AUSTRALIA	CHINA	JAPAN	SOUTH KOREA
Brisbane	Shanghai	Tokyo (Narita) Osaka Sapporo Nagoya	Seoul

AirAsia X Group & AirAsia Group network

From servicing rural areas of Sarawak and Sabah with turboprop aircraft, AirAsia X as a Group now operates a core fleet of 35 Airbus A330-300 aircraft, flying to 31 destinations across Asia, Australia, the Middle East and the United States of America.

FLY-THRU FACTS

Connected **3,120,000** passengers in 2018 from **732,000** passengers in 2011

Connecting over **147** destinations via Malaysia (as at 12 March 2019)

Honolulu

AK-D7* remains the largest AOC pair for Fly-Thru traffic

* AK refers to AirAsia Malaysia and D7 refers to AirAsia X Malaysia

AirAsia
BIG
LOYALTY
See the world in a BIG way
Redeem for free flights
Pay with BIG Points and save more on flight bookings
24 Hours
24-hour priority FREE SEAT redemption
PLATINUM
Get Priority Check-in, Boarding and Xpress Baggage with Platinum and Black Status
Over 160 lifestyle and travel partners
AirAsia BIG
Get rewarded and travel the world with AirAsia BIG Points!
There are big perks for being a BIG Member. Collect BIG Points and you can start to redeem free flights to over 140 destinations around the world with our award-winning AirAsia BIG app. On top of that, enjoy great deals at over 160 lifestyles and travel partners while you get rewarded with BIG Points for every purchase.
More than 20 million people have gone BIG – what about you?
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Terms & Conditions apply.

CORPORATE structure

As at 31 March 2019

AIRASIA X BERHAD

THAI AIRASIA X CO., LTD 49%
Thai associate

PT INDONESIA AIRASIA EXTRA 49%
Indonesian joint venture

AAX MAURITIUS ONE LIMITED
100%
Aircraft leasing facilities

FLY X LIMITED
100%
Dormant

AIRASIA X SERVICES PTY LTD
100%
Logistical & marketing services

AAX AVIATION CAPITAL LTD.
100%
Holding co. of leasing entities

AAX LEASING ONE LTD.
100%
Leasing entity

AAX LEASING TWO LTD.
100%
Leasing entity

AAX LEASING THREE LTD.
100%
Leasing entity

AAX LEASING FOUR LTD.
100%
Leasing entity

AAX LEASING FIVE LTD.
100%
Leasing entity

AAX LEASING SIX LTD.
100%
Leasing entity

AAX LEASING SEVEN LTD.
100%
Leasing entity

AAX LEASING EIGHT LTD.
100%
Leasing entity

AAX LEASING NINE LTD.
100%
Leasing entity

AAX LEASING TEN LTD.
100%
Leasing entity

AAX LEASING ELEVEN LTD.
100%
Leasing entity

corporate INFORMATION

BOARD OF DIRECTORS

TAN SRI RAFIDAH AZIZ
(also known as Tan Sri Rafidah)
Senior Independent Non-Executive Chairman

DATUK KAMARUDIN BIN MERANUN
(also known as Datuk Kamarudin Meranun)
Non-Independent Non-Executive Director

TAN SRI ANTHONY FRANCIS FERNANDES
(also known as Tan Sri Tony Fernandes)
Non-Independent Non-Executive Director

DATO' YUSLI BIN MOHAMED YUSOFF
(also known as Dato' Yusli)
Independent Non-Executive Director

LIM KIAN ONN
(also known as Mr. Lim)
Non-Independent Non-Executive Director

TAN SRI ASMAT BIN KAMALUDIN
(also known as Tan Sri Asmat)
Independent Non-Executive Director

DATO' FAM LEE EE
(also known as Dato' Fam)
Non-Independent Non-Executive Director

AUDIT COMMITTEE
Dato' Yusli bin Mohamed Yusoff
Tan Sri Asmat bin Kamaludin
Lim Kian Onn

NOMINATION AND REMUNERATION COMMITTEE
Tan Sri Rafidah Aziz
Dato' Yusli bin Mohamed Yusoff
Dato' Fam Lee Ee

RISK MANAGEMENT COMMITTEE
Tan Sri Rafidah Aziz
Dato' Yusli bin Mohamed Yusoff
Dato' Fam Lee Ee

SAFETY REVIEW BOARD
Tan Sri Rafidah Aziz
Datuk Kamarudin bin Meranun
Dato' Fam Lee Ee
Benyamin bin Ismail

COMPANY SECRETARIES
Jasmindar Kaur a/p Sarban Singh
(MAICSA 7002687)
Lau Yen Hoon
(MAICSA 7061368)

AUDITORS
Ernst & Young (AF 0039)
Chartered Accountants
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur
Wilayah Persekutuan
Tel : +603 7495 8000
Fax : +603 2095 5332

REGISTERED OFFICE
AirAsia X Berhad (Company No.: 734161-K)
Unit 30-01, Level 30, Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan
Tel : +603 2783 9191
Fax : +603 2783 9111

HEAD OFFICE
RedQ
Jalan Pekeliling 5
Lapangan Terbang Antarabangsa Kuala Lumpur (KLIA2)
64000 KLIA
Selangor Darul Ehsan
Tel : +603 8660 4600
Fax : +603 8660 7722
Email : aax_shareholder@airasia.com
Website : www.airasiax.com

SHARE REGISTRAR
Boardroom Share Registrars Sdn Bhd
(formerly known as Symphony Share Registrars Sdn Bhd) (Company No.: 378993-D)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : +603 7849 0777 (Helpdesk)
Fax : +603 7841 8151/8152
Email : bsr.helpdesk@boardroomlimited.com

SOLICITORS
Foong & Partners
13-1 Menara 1MK, Kompleks 1 Mont' Kiara
No. 1 Jalan Kiara, Mont' Kiara
50480 Kuala Lumpur
Wilayah Persekutuan
Tel : +603 6419 0822
Fax : +603 6419 0823

STOCK EXCHANGE LISTING
Main Market of Bursa Malaysia Securities Berhad
Listing Date : 10 July 2013
Stock Name : AAX
Stock Code : 5238

SHAREHOLDERS' BENEFIT PROGRAMME

CALLING ALL ELIGIBLE AIRASIA X SHAREHOLDERS TO REDEEM RETURN TICKETS TO ANY

AIRASIA X DESTINATION

ONLY FOR SHAREHOLDERS WHO SUBSCRIBED TO AND ACQUIRED A MINIMUM OF 10,000 IPO SHARES AND HAVE HELD ON UP TO OUR SIXTH ANNIVERSARY

4TH Anniversary
10 July 2017 - 9 July 2018

6TH Anniversary
10 July 2019 - 9 July 2020

5TH Anniversary
10 July 2018 - 9 July 2019

THE BENEFIT:

- **Category A: Min. 10,000 – 99,999 shares**
  1 Return Flight with Zero Base Fare to any AirAsia X destination
- **Category B: Min. 100,000 shares and above**
  3 Return Flights with Zero Base Fare to any AirAsia X destination

HOW TO CHECK ELIGIBILITY & REDEEM YOUR TICKET

Email us at **aax_shareholder@airasia.com** or contact us at **+603 8660 0007** (Monday – Friday, 9am to 6pm) to provide the following details:

Full Name as per your National Registration Identity Card (NRIC):
NRIC Number/Passport Number:
BIG Card Number (if applicable):
AirAsia Member User ID (if applicable):
Travel Destination:
Preferred Travel Date and Time:

Lowest fares@airasia.com

TERMS AND CONDITIONS

- All return tickets must be utilised before the start of next anniversary; no extension is allowed.
- All return tickets are not available during the blackout period (refer to AirAsia X website).
- All tickets from previous years will be forfeited if not redeemed.
- For further terms and conditions, please refer to AirAsia X website at www.airasiax.com

Board of Directors


Lim Kian Onn
Tan Sri Asmat bin Kamaludin
Tan Sri Rafidah Aziz

OUR BOARD AT A GLANCE

POSITION

1 Senior Independent Non-Executive Chairman

4 Non-Independent Non-Executive Directors

2 Independent Non-Executive Directors

NATIONALITY

100% Malaysian

AGE GROUP

50-59	60-69	70-79
3	2	2

ETHNICITY

Malay	Chinese	Indian
4	2	1

BOARD OF DIRECTORS
- Committee Membership

- ● ● ● **TAN SRI RAFIDAH AZIZ** (Nomination and Remuneration Committee, Risk Management Committee, Safety Review Board of the Company)
  Senior Independent Non-Executive Chairman
- ● **DATUK KAMARUDIN MERANUN** (Safety Review Board of the Company)
  Non-Independent Non-Executive Director
- **TAN SRI TONY FERNANDES**
  Non-Independent Non-Executive Director
- ● ● ● **DATO' YUSLI MOHAMED YUSOFF** (Audit Committee, Nomination and Remuneration Committee, Risk Management Committee)
  Independent Non-Executive Director
- ● **LIM KIAN ONN** (Audit Committee)
  Non-Independent Non-Executive Director
- ● **TAN SRI ASMAT KAMALUDIN** (Audit Committee)
  Independent Non-Executive Director
- ● ● ● **DATO' FAM LEE EE** (Nomination and Remuneration Committee, Risk Management Committee, Safety Review Board of the Company)
  Non-Independent Non-Executive Director

GENDER

Male	Female
6	1

● Audit Committee ● Nomination and Remuneration Committee ● Risk Management Committee ● Safety Review Board of the Company

DIRECTORS' PROFILES

Tan Sri Rafidah, Malaysian (female), aged 75, was appointed as an Independent Non-Executive Director and Chairman of the Board on 3 March 2011 and re-designated as a Senior Independent Non-Executive Chairman upon listing of the Company on 10 July 2013. She is also the Chairman of the Nomination and Remuneration Committee as well as the Risk Management Committee of the Board, and the Safety Review Board of the Company.

She holds a Bachelor of Arts degree in Economics and a Master's degree in Economics from the University of Malaya.

Tan Sri Rafidah was Malaysia's longest-serving Minister of International Trade and Industry, having served in that capacity from 1987 to 2008, and contributes a wealth of international experience.

Prior to this, she has also held the portfolio of Minister of Public Enterprises from 1980 to 1987 and Deputy Minister of Finance from 1977 to 1980. Tan Sri Rafidah also lectured at the Faculty of Economics and Administration at the University of Malaya, between 1966 and 1976. She now serves as an Adjunct Professor at the College of Business, University Utara Malaysia, and the Chancellor of the Meritus University.

She has received various awards from the states of Selangor, Perak, Melaka, Sarawak and Terengganu as well as from Thailand, Argentina and Chile. She has also been conferred Honorary Doctorates from University Putra Malaysia, University Utara Malaysia, University Tun Razak Malaysia, University of Malaya, HELP University and the Dominican University of California, United States of America.

Tan Sri Rafidah also serves as the Chairman of Megasteel Sdn Bhd and Pinewood Iskandar Malaysia Studio. She is an Advisor to the Government of Sarawak on the Renewable Energy Corridor (RECODA) and she is also Patron of several NGOs.

TAN SRI RAFIDAH AZIZ
Senior Independent Non-Executive Chairman

DIRECTORS' PROFILES

Datuk Kamarudin bin Meranun (male), Malaysian, aged 57, is the co-founder of the Company. Datuk Kamarudin was appointed as Non-Independent Non-Executive Director of the Company on 6 June 2006. He was appointed as Chairman of the Board on 3 February 2010 till 3 March 2011. Datuk Kamarudin was re-designated as Non-Independent Executive Director and Group Chief Executive Officer on 30 January 2015. On 1 November 2018, he was re-designated as a Non-Independent Non-Executive Director. He is also a member of the Safety Review Board of the Company.

In December 2001, Datuk Kamarudin, together with Tan Sri Tony Fernandes, Dato' Pahamin Ab Rajab and Dato' Abdul Aziz bin Abu Bakar acquired struggling domestic airline AirAsia and, with the help of Conor McCarthy, relaunched it as a budget travel pioneer in Asia and built it into the world's best low-cost carrier.

Prior to setting up the Company, Datuk Kamarudin worked at Arab-Malaysian Merchant Bank from 1988 to 1993 as a Portfolio Manager, managing both institutional and high net-worth individual clients' investment funds. In 1994, he was appointed as Executive Director of Innosabah Capital Management Sdn Bhd, a subsidiary of Innosabah Securities Sdn Bhd. He subsequently acquired the shares of the joint venture partner of Innosabah Capital Management Sdn Bhd, which was later renamed Intrinsic Capital Management Sdn Bhd.

He holds a Diploma in Actuarial Science from University Technology MARA (UiTM), and graduated with a BSc with Distinction (Magna Cum Laude) majoring in Finance in 1986 and an MBA in 1987 from Central Michigan University.

He received the Darjah Panglima Jasa Negara (PJN), which carries the title Datuk, from the Malaysian King in November 2013.

Datuk Kamarudin is a Non-Independent Executive Chairman of AirAsia Group Berhad and AirAsia Berhad. He is also a Non-Independent Non-Executive Director of Tune Protect Group Berhad and a Director of Yayasan Pendidikan Titiwangsa.

DATUK KAMARUDIN BIN MERANUN
Non-Independent Non-Executive Director

Tan Sri Tony Fernandes (male), Malaysian, aged 55, is the co-founder of the Company. Fernandes was appointed as Non-Independent Non-Executive Director of the Company on 18 July 2006 and was re-designated as the Non-Independent Executive Director and Co-Group Chief Executive Officer on 1 January 2018. On 1 November 2018, he was re-designated as a Non-Independent Non-Executive Director of the Company.

Fernandes is one of Asia's most recognisable entrepreneurs, best known for co-founding AirAsia and democratising air travel in the region. In December 2001, Fernandes, together with Datuk Kamarudin Meranun, Dato' Pahamin Ab Rajab and Dato' Abdul Aziz bin Abu Bakar, acquired struggling domestic airline AirAsia and, with the help of Conor McCarthy, relaunched it as a pioneer of budget travel in Asia, subsequently building it into the world's best low-cost carrier.

Fernandes studied in the UK, and qualified as an Associate Member of the Association of Chartered Certified Accountants in 1991, then as a Fellow Member in 1996. An accountant by training, he began his career in Virgin Group before returning to Malaysia as Warner Music Group's Vice President for Southeast Asia. This was just prior to launching AirAsia.

He has received numerous honours and awards over the course of his career. These include the Honour of the Commander of the Order of the British Empire, conferred by Her Majesty Queen Elizabeth II in 2011, and the Commander of the Legion d'Honneur, awarded by the French Government for outstanding contributions to the economy of France through the aviation industry.

Fernandes is also a Non-Independent Executive Director and Group Chief Executive Officer of AirAsia Group Berhad.

TAN SRI TONY FERNANDES
Non-Independent Non-Executive Director

DIRECTORS' PROFILES

Dato' Yusli, Malaysian (male), aged 60, was appointed as an Independent Non-Executive Director of the Company on 13 May 2013. He is the Chairman of the Audit Committee and a member of the Nomination and Remuneration Committee as well as the Risk Management Committee of the Board.

He graduated from the University of Essex, United Kingdom with a Bachelor of Economics in 1981. He qualified as a member of the Institute of Chartered Accountants England and Wales and is a member of the Malaysian Institute of Accountants.

He commenced his professional career in 1981 as a Trainee Accountant with Peat Marwick Mitchell & Co in London, United Kingdom.

He returned to Malaysia and held various key positions at industrial and financial groups in the country's capital, providing him with experience in a number of different industries including property and infrastructure development, telecommunications, engineering and merchant banking.

Dato' Yusli entered the stockbroking industry when he was appointed as the Chief Executive Director of CIMB Securities Sdn Bhd from 2000 to 2004. He also served as the Chairman of the Association of Stockbroking Companies Malaysia from 2003 to 2004.

From 2004 to 2011, he was the Executive Director/Chief Executive Officer of Bursa Malaysia Berhad, previously known as the Kuala Lumpur Stock Exchange. During the same period, he also sat on the Board of the Capital Market Development Fund and was an Executive Committee member of the Financial Reporting Foundation of Malaysia.

He also serves as an Independent Non-Executive Director on the Board of Directors of a few public listed companies in Malaysia, namely Mulpha International Berhad, Mudajaya Group Berhad Group, Westports Holdings Berhad and FGV Holdings Berhad. He also sits on the Board of Dato' HM Shah Foundation, Australaysia Resources & Minerals Berhad, Malaysian Institute of Corporate Governance and Infinity Trustee Berhad. Outside his professional engagements, he also serves as the Patron of the Victoria Institution Old Boys Association. Currently, Dato' Yusli is the President of the Malaysian Institute of Corporate Governance.

DATO' YUSLI BIN MOHAMED YUSOFF
Independent Non-Executive Director

Mr Lim, Malaysian (male), aged 62, was appointed as an Alternate Director to Dato' Seri Kalimullah bin Masheerul Hassan (Dato' Seri Kalimullah) on 11 June 2007. He ceased as an Alternate Director to Dato' Seri Kalimullah and was appointed as a Non-Independent Non-Executive Director of the Company on 10 July 2012. Mr Lim was re-designated as an Independent Non-Executive Director on 26 February 2016. On 24 May 2016, he was re-designated as an Non-Independent Non-Executive Director of the Company. Mr Lim is also a member of the Audit Committee of the Board.

He is a member of the Institute of Chartered Accountants in England & Wales and the Malaysian Institute of Accountants. He served his articleship with KMG Thomson McLintock in London and was a consultant with Andersen Consulting from 1981 to 1984. Between 1984 and 1993, he was with Hong Leong Group, Malaysia as an Executive Director in the stockbroking arm responsible for corporate finance, research and institutional sales.

Mr Lim founded the Libra Capital Group in 1994 and co-founded the ECM Libra Group in 2002. He is the Managing Director of ECM Libra Financial Group Berhad since 16 July 2015 and also serves as the Non-Executive Non-Independent Chairman of Plato Capital Limited, a company listed on the Stock Exchange of Singapore and a trustee of the ECM Libra Foundation.

LIM KIAN ONN
Non-Independent Non-Executive Director

DIRECTORS' PROFILES

Tan Sri Asmat, Malaysian (male), aged 75, was appointed as an Independent Non-Executive Director of the Company on 13 May 2013. He is also a member of the Audit Committee of the Board.

Tan Sri Asmat graduated from the University of Malaya with a Bachelor of Arts (Honours) degree in Economics. He also holds a Diploma in European Economic Integration from the University of Amsterdam.

Tan Sri Asmat has vast experience of 35 years in various capacities in the public service and his last post as the Secretary General of the Ministry of International Trade & Industry Malaysia, a position he held since May 1992. In the last five (5) years prior to his retirement in 2001, Tan Sri Asmat served as a Board member of Malaysia Technology Development Corporation, Multimedia Development Corporation, Malaysian Trade Development Corporation, Permodalan Nasional Berhad, Small and Medium Industries Development Corporation and Perbadanan Johor.

Tan Sri Asmat serves as the Non-Executive Chairman of Panasonic Manufacturing Malaysia Berhad and Compugates Holdings Berhad, companies listed on the Main Market of Bursa Malaysia Securities Berhad. He is also the Non-Executive Vice Chairman of YTL Cement Berhad and a Director of The Royal Bank of Scotland Berhad and JACTIM Foundation, all public companies. Tan Sri Asmat is a Governor of JACTIM and has also represented Malaysia for several years as Governor on the Governing Board of The Economic Research Institute for Asean and East Asia.

TAN SRI ASMAT BIN KAMALUDIN
Independent Non-Executive Director

Dato' Fam, Malaysian (male), aged 58, was appointed as a Non-Independent Non-Executive Director of the Company on 24 March 2008. He is also a member of the Nomination and Remuneration Committee as well as Risk Management Committee of the Board and a member of the Safety Review Board of the Company.

He received his BA (Hons) from the University of Malaya in 1986 and LLB (Hons) from the University of Liverpool, England in 1989. Upon obtaining his Certificate of Legal Practice in 1990, he has been practising law since 1991 and is currently a Partner at Messrs Gan & Zul Advocates & Solicitors.

Dato' Fam sat on the Board of Trustees of Yayasan PEJATI from 1996 to 2007. Since 2001, he has served as a legal advisor to the Chinese Guilds and Association and charitable organisations such as Yayasan SSL Haemodialysis Centre in Petaling Jaya, Selangor.

He also serves as a Senior Independent Non-Executive Director of AirAsia Group Berhad.

DATO' FAM LEE EE

Non-Independent Non-Executive Director

Declaration of Directors:

- **Family relationship**
  None of the Directors has any family relationship with any other Director and/or major shareholder of AirAsia X Berhad
- **Conflict of Interest**
  None of the Directors has any conflict of interest with AirAsia X Berhad
- **Conviction for Offences**
  None of the Directors has been convicted for any public offence during the financial year ended 31 December 2018 or had any penalty imposed by the relevant regulatory bodies within the past five (5) years, other than traffic offences, if any
- **Attendance of Board Meetings**
  The attendance of the Directors at Board of Directors' meetings for the financial year ended 31 December 2018 is disclosed in the Corporate Governance Overview Statement

The Chief Executive Officers

AirAsia X Berhad

NADDA BURANASIRI

Group Chief Executive Officer
AirAsia X Berhad

BENYAMIN ISMAIL

Chief Executive Officer
AirAsia X Berhad

FROM LEFT TO RIGHT (TOP TO BOTTOM)

First Row: Wong Mee Yen, Nadda Buranasiri, Benyamin Ismail
Second Row: Moses Devanayagam, Eddie Tan, Hanif Idrose Mohamed
Third Row: Captain Suresh Bangah, Ong Soon Yee

FROM LEFT TO RIGHT (TOP TO BOTTOM)

Fourth Row: Vanessa Regan, Captain Lim Kok Hooi, Azahar Othman, Seng Kian Aik
Fifth Row: Muhammad Alif Soon, Aspa Linda Ahmad, Venggatarao Niadu, Selvam Velaitham, Wong Ooi Ling, Jessica Man Hui Sze

PROFILES OF THE LEADERSHIP TEAM

01 NADDA BURANASIRI
GROUP CHIEF EXECUTIVE OFFICER

Nationality	Thai
Age	57
Gender	Male
Date of Appointment	1 November 2018

Responsibilities:

Group
- Aligns all AOCs within AirAsia X Group in a parallel direction to deliver sustainable business growth through focus on core markets
- Ensures all AOCs fully utilise the Group's strengths to reduce costs through negotiations and commercial activity
- Ensures all AOCs share best practices among each other while working collaboratively as one team
- Embraces the One AirAsia vision and values in transforming the existing business into a travel and financial platform company

Thailand
- Provides leadership in guiding AirAsia X Thailand to achieve its vision and mission, while overseeing growth strategies as approved by the Board
- Ensures continuous improvements in safety, quality and security while maintaining high standards
- Supervises the operation to be more customer-centric by utilising available processes, technologies and training
- Leads transformation into a travel and financial platform company while embracing and promoting One AirAsia values

Experience:
- Gained experience in marketing and sales from leading companies such as Siam Cement and American Express
- Joined J Walter Thompson, the world-renowned marketing and communications company, as Account Group Director in 1991
- Part of the team that set up Universal Music (Thailand) Co Ltd and was promoted to Managing Director in 2007
- Joined Warner Music (Thailand) as Managing Director until 2014
- Part of the set-up team for Thai AirAsia X Co., Ltd, and appointed as Chief Executive Officer in 2014
- Appointed as Group Chief Executive Officer of AirAsia X Berhad, 1 November 2018

Qualifications and Professional Membership:
- Bachelor of Business Management in Marketing, Assumption University, Thailand
- Directors Certificate Program (DCP 254), Thai Institute of Directors Association (IOD)

Additional Information:
- Nadda is a member of the Board of Directors of Thai AirAsia X Co., Ltd
- Nadda does not own any shares of AirAsia X Berhad

02 BENYAMIN ISMAIL
CHIEF EXECUTIVE OFFICER

Nationality	Malaysian
Age	42
Gender	Male
Date of Appointment	1 September 2015

Responsibilities:
- Provides leadership and vision towards increasing shareholder value and growth of AirAsia X while delivering our Sustainability commitments
- Manages the Group's business and affairs, ensuring operational excellence and strong governance
- Executes the turnaround plan of AirAsia X
- Develops and spearheads high-level business and growth strategies in line with AirAsia X's vision and mission, as approved by the Board

Experience:
- Handled Debt Capital Markets portfolio at Affin Investment Bank, 2003
- Joined Maybank Investment Bank to manage Debt Capital Markets, 2004
- Joined CIMB Investment Bank focusing on Debt Capital Markets, 2007
- Joined AirAsia as Head of Investor Relations, March 2010
- Promoted to Group Head of Investor Relations, Corporate Development and Implementation, 2014
- Appointed AirAsia X Chief Executive Officer (CEO) effective 1 September 2015 after assuming the role of Acting CEO on 30 January 2015

Qualifications and Professional Membership:
- Bachelor of Commerce (Banking & Finance), Curtin University of Technology, Australia
- Master of Electric Commerce, Edith Cowan University, Australia

Membership of Board Committees in AirAsia X:
- Safety Review Board (Member)

Awards/Recognition:
- Four-time winner of Best Investor Relations Officer by Corporate Governance Asia (2011-2014)
- Two-time recipient of Best IR Professional award by Bursa Malaysia's Malaysian Investor Relations Association (MIRA) (2011 & 2012)

Additional Information:
- Benyamin does not own any shares of AirAsia X Berhad

PROFILES OF THE LEADERSHIP TEAM

03 RACHEL WONG MEE YEN
CHIEF FINANCIAL OFFICER

Nationality	Malaysian
Age	53
Gender	Female
Date of Appointment	1 January 2018

Responsibilities:
- Manages the financial and management accounting aspects of AirAsia X operations
- Ensures accurate and timely preparation of financial and accounting information
- Manages business risks and assurance
- Manages capital funding, tax-related matters and treasury functions
- Ensures compliance with proper corporate governance
- Develops and implements initiatives and strategies to improve the company's financial performance

Experience:
- Started career with BDO Binder as an Article Student, 1986
- Joined KPMG Peat Marwick as an Audit Senior, 1991
- Joined Press Metal Berhad in 1992, with last position held as Group Financial Controller cum Company Secretary
- Joined TV Media Pte Ltd as Regional Financial Controller, 1996
- Joined MCS Microsystems Sdn Bhd as Operations Director cum Company Secretary, 1997
- Joined AirAsia in 2003, last position held as Group Financial Controller
- Started own business in retail and consumer marketing, 2007
- Joined LMG Rail Car Sdn Bhd as CFO, 2013
- Joined Beacon International Specialist Centre Sdn Bhd as Director of Corporate Finance and Business Analysis Performance, 2015
- Joined AirAsia X as CFO on 1 January 2018

Qualifications and Professional Membership:
- Member of the Malaysian Institute of Certified Public Accountants (MICPA)
- Member of the Malaysian Institute of Accountants (MIA)

04 MOSES DEVANAYAGAM
SENIOR DIRECTOR

Nationality	Malaysian
Age	68
Gender	Male
Date of Appointment	1 October 2013

Responsibilities:
- Leads the coordination of operational functions within the AirAsia Group, airport authorities and government agencies including the Malaysian Aviation Commission and the Civil Aviation Authority of Malaysia
- Advises and mentors the Operations team
- Instrumental in setting up Operations functions including Cargo, Flight Operations, Engineering, Ground and Group Operations, In-Flight Operations, Safety and Security

Experience:
- 48 years of aviation experience including key positions in leading airlines in Singapore and Malaysia:
  - Joined Malaysia-Singapore Airlines, 1971
  - Served Malaysia Airline System Berhad in various senior management positions including General Manager-Operations, Head of Contracts Management and Warranty and Contracts Manager, 1972
  - Joined AirAsia X as Director of Operations, 2007
  - Regional Head of Operations of AirAsia Berhad, 2009
  - Appointed as Senior Director, 2013

Qualifications and Professional Membership:
- Associate Member of the Royal Aeronautical Institute United Kingdom (by award), 1975
- Cadet/apprentice Technical Services in-house training with Malaysia-Singapore Airlines, 1971/72
- Type-rated approvals from Qantas and Air New Zealand, 1971

Awards/Recognition:
- 40 years Long-Service Award from Malaysia Airlines

PROFILES OF THE LEADERSHIP TEAM

05 CAPT SURESH BANGAH
FLIGHT OPERATIONS DIRECTOR

Nationality	Malaysian
Age	44
Gender	Male
Date of Appointment	1 October 2013

Responsibilities:
- Coordinates, supervises and monitors the functions and performance of management personnel, pilots, cabin crew and all departments within Flight Operations
- Manages the safety and security of all flights
- Liaison person with local and international regulators, ensuring operations are in line with the Air Operator Certificate
- Represents the company's interest in national and international bodies and institutions as far as flight operations are concerned

Experience:
- Started as a pilot with AirAsia, 2003
- Internal auditor of Flight Operations at AirAsia, 2005
- Cadet Pilot Coordinator managing the Cadet Pilot Training Programme, 2007-2009
- Flight Deck Recruitment Manager responsible for hiring and promoting pilots, 2009-2010
- Joined AirAsia X as Chief Pilot, Operations, 2010
- Promoted to Flight Operations Director, 2013

Qualifications and Professional Membership:
- Air Transport Pilot License, 1999
- A320 Type Rating License, 2007
- A340 Type Rating License, 2009
- A330 Type Rating License, 2011

Awards/Recognition:
- 10 Years Long-Service Award from AirAsia Group

06 LIM KOK HOOI
HEAD OF CORPORATE SAFETY

Nationality	Malaysian
Age	47
Gender	Male
Date of Appointment	22 January 2018

Responsibilities:
- Provides guidance and direction for AirAsia X's Safety Management System
- Ensures safety documentation accurately reflects the current situation, monitors the effectiveness of corrective actions, and provides periodic reports on safety performance
- Provides independent advice to the CEO, senior managers and other personnel on safety-related matters

Experience:
- Kok Hooi has been in the airline industry since the early 1990s, and has broad experience in safety and training with an accumulated more than 15,000 flying hours:
  - Started commercial flying in the Dornier 228, then Twin-Otter (DHC-6), Fokker 50, B737, A340 and now, A330
  - Joined Malaysian Helicopter Services as a co-pilot, and was seconded to Pelangi Air Sdn Bhd, Kuala Lumpur, and to Royal Air Cambodge, Phnom Penh, 1992
  - Joined Malaysia Airlines as a Captain of DHC 6 Twin Otter, based in Miri, Sarawak, following which he became a Captain of Fokker 50, B737-400 and B737-800, 1997
  - Joined AirAsia X as a Captain of A340/330, leading the flight data monitoring team, 2011
  - Became Chief Pilot Flight Safety, 2016
  - Appointed to current post of Safety Director, January 2018

Qualifications and Professional Membership:
- Commercial Pilot License Australia
- Commercial Pilot License Malaysia
- Airline Transport Pilot License Malaysia
- Type Rated Instructor (TRI) A340/A330/Fokker 50/DHC-6 Twin Otter
- Member of Malaysia National Runway Safety Team
- Member of Malaysia Flight Safety Team
- IATA qualified trained SMS implementer
- Cranfield University Certified Aviation Investigator
- IATA Trained Aviation Auditor

Awards/Recognition:
- Approved by Civil Aviation Authority of Malaysia as a nominated post holder

PROFILES OF THE LEADERSHIP TEAM

07 VANESSA REGAN
HEAD OF GROUP COMMUNICATIONS

Nationality	New Zealander
Age	46
Gender	Female
Date of Appointment	14 May 2018

Responsibilities:
- Provides communication leadership for the senior management team
- Develops and implements AirAsia X's communication strategies including corporate communication, CEO and management profiling, media relations, issues management and commercial communication to support revenue and sales objectives in all key markets
- Focused on continual improvement across all communication channels and on driving brand awareness and reputation in key markets
- Promotes innovation across the communication spectrum to support the AirAsia X turnaround plan
- Responsible for managing the external and internal profile of the business with all key stakeholders including staff, media, government, regulators and travel & tourism industry partners

Experience:
- Over 25 years' experience in a range of high-profile corporate communication roles in Asia, Australia and New Zealand (NZ):
  - Publicity Manager at SKY TV, driving strong publicity and celebrity profiling outcomes for NZ's then pay TV leader, 1993-1995
  - Publicity Manager at TV3/TV4, the leading national broadcasting company in NZ, 1996-1998
  - PR Executive at DDB Needham PR and advertising agency, 1999-2000
  - Communications Manager for SKYCITY Entertainment Group (NZ and Australia), responsible for the media profile and communication strategy of the gaming, tourism and entertainment business. Launched numerous key tourism products - Sky Jump and Vertigo Climb off the Sky Tower in Auckland. Also oversaw marketing and PR for the Village Cinemas chain of cinemas throughout NZ, 2000-2008
  - Head of Marketing and Communications for Tigerair Australia, responsible for managing the marketing, media/communication and customer services functions for the business. Key part of the senior leadership team that successfully re-launched the airline in July 2011. Instrumental in development of the Tigerair turnaround strategy and rebrand of the airline in July 2011
  - Key media spokesperson for Tigerair Australia next to CEO, 2009-2018
  - Joined AirAsia X in May 2018

Qualifications and Professional Membership:
- Bachelor of Communication Studies (PR Major) Auckland, NZ, 1993

Awards/Recognition:
- Virgin Australia CEO awards: finalist - 2016 for diligence in achieving outstanding safety and communication strategy outcomes for the business (within the Virgin Australia Group of Airlines)
- PRINZ (PR Institute of NZ) runner up award in 2005 for the launch of the new SKYCITY Auckland Convention Centre and dine by Peter Gordon premium restaurant
- Quest for the Best employee award 2008 from SKYCITY Entertainment Group

08 ONG SOON YEE
HEAD OF ENGINEERING

Nationality	Malaysian
Age	50
Gender	Male
Date of Appointment	1 March 2018

Responsibilities:
- Manages the Department of Engineering overseeing resources, staffing, system enhancement and maintenance
- Leads the team with focus on technologies inclusive of AMOS, skywise, AIMS and Airman for defect monitoring
- Manages departmental operating budget
- Drives key performance indicators across all areas of engineering function to ensure that Parts M and 145 are delivered within budget and on time to the highest quality standards

Experience:
- Joined AirAsia (then DRB-HICOM), 1996
- Became a Licensed Aircraft Engineer B1.1 holder with A320 type rated, 2009
- Maintenance Manager at Malaysia AirAsia, managing Allstars and maintenance activities in Kuala Lumpur, Johor Bahru, Penang, Kuching and Kota Kinabalu, 2014
- Head of Ground Operations and Nominated Post Holder to Civil Aviation Authority of Malaysia, 2016
- Joined AirAsia X Berhad in early 2018

Qualifications and Professional Membership:
- Master of Business Administration, University of New Castle, 2005
- EASA part 66 B1.1 Licence, 2007
- CAAM part 66 B1.1 Licence, 2009

PROFILES OF THE LEADERSHIP TEAM

09 VENGGATARAO NIADU
HEAD OF REGULATORY & NETWORK

Nationality	Malaysian
Age	44
Gender	Male
Date of Appointment	1 October 2014

Responsibilities:
- Assesses new markets based on strategic fit, financial potential, growth opportunity, risks and possible entry points
- Develops network expansion plans for company's long and short-term objectives
- Develops schedules to utilise crew manpower and aircraft efficiently and effectively, considering commercial requirements and network connectivity
- Builds and maintains relationships with local and foreign regulators as well as airports, while monitoring and negotiating bilateral agreements in relevant markets
- Manages and negotiates arrival and departure slots at local and foreign destinations

Experience:
- Venggatarao has more than 10 years of management experience in the aviation industry, in cross-functional roles across network and fleet planning
  - Started his career with SINGER Sdn Bhd as an internal auditor, 1996
  - Moved to AirAsia Berhad as a scheduling executive, 2005
  - Moved to AirAsia X in 2006 as a Scheduling and Network Executive
  - Promoted to Manager of Network and Scheduling, 2010
  - Appointed as Head of Network and Regulatory, 2014

Qualifications and Professional Membership:
- Master of Business Administration, Anglia Ruskin University, 2018

Awards/Recognition:
- Best Network Performance Award (Airline Category) by World Routes Award
- 10 Years Long-Service Award from AirAsia Group

10 SENG KIAN AIK
HEAD OF INTERNAL AUDIT

Nationality	Malaysian
Age	47
Gender	Male
Date of Appointment	3 April 2017

Responsibilities:
- Provides independent and objective assurance as to the adequacy and effectiveness of system of internal controls, risk management and governance processes

Experience:
- Started his career as an auditor at Azman, Wong, Salleh & Co, 1997
- Joined PricewaterhouseCoopers in Assurance & Business Advisory Services and rose to Audit Manager, 2000
- Served Sunway Group Internal Audit and led Sunway REIT's Internal Audit function as Assistant General Manager, 2007
- Joined AirAsia X as Head of Internal Audit, 2017

Qualifications and Professional Membership:
- Member of the Institute of Internal Auditors Malaysia (IIAM)
- Member of the Malaysian Institute of Certified Public Accountants (MICPA)
- Member of the Malaysian Institute of Accountants (MIA)
- Member of the Chartered Accountants Australia and New Zealand (CAANZ)

PROFILES OF THE LEADERSHIP TEAM

11 WONG OOI LING
HEAD OF CORPORATE QUALITY AND ASSURANCE

Nationality	Malaysian
Age	48
Gender	Female
Date of Appointment	1 July 2016

Responsibilities:
- Ensures core business processes necessary for meeting business objectives are established, implemented and documented
- Provides support to business units in process development and continual improvement
- Works with Heads of Department of all business operations to coordinate business continuity management (BCM) related activities including development and documentation of business continuity plan

Experience:
- Joined PricewaterhouseCoopers in its Audit and Assurance Department, 1995
- Joined EON Bank Berhad as Corporate Planning Manager, 2000
- Vice President of Group Management Services and PMO, EON Bank Berhad, 2003
- Joined Measat Broadcast Network Systems Sdn Bhd (Astro) as a Senior Manager in Planning, Broadcast and Operation, 2007
- Joined DRB-HICOM Group as a Senior Manager in GST PMO, 2014
- Joined AirAsia X as Head of Corporate Quality and Assurance, 2016

Qualifications and Professional Membership:
- Bachelor of Business (Accounting), Monash University, Australia
- Member of the Malaysian Institute of Accountants (MIA)

12 HANIF IDROSE MOHAMED

HEAD OF INVESTOR RELATIONS AND CORPORATE FINANCE

Nationality	Malaysian
Age	31
Gender	Male
Date of Appointment	1 October 2017

Responsibilities:

- Engages with the investment community to ensure full appreciation of the company's business activities, strategy and prospects to allow the market to make informed judgments
- Secures financing and undertakes corporate exercises
- Coordinates shareholder meetings, conferences and investor roadshows; leads the annual general meetings & financial analyst briefings; releases financial data, publishes reports as well as leads the production of the company's annual report
- Responsible for matters related to aircraft leases

Experience:

- Started career at Telekom Malaysia Berhad (TM) as Assistant Manager of Investor Relations, 2011
- Promoted to Manager of Investor Relations of TM, 2015
- Joined AirAsia as Investor Relations Manager, 2016
- Joined AirAsia X to spearhead Investor Relations department, 2016
- Given an expanded role within the company and appointed Head of Investor Relations and Corporate Finance, 2017

Qualifications and Professional Membership:

- Bachelor of Business and Commerce (Accounting, Banking & Finance), Monash University, Australia
- Master of Applied Finance, Monash University, Australia
- Member of the Malaysian Investor Relations Association (MIRA)
- Member of the Malaysia Australia Business Council (MABC)

Awards/Recognition:

- Two-time recipient of Best IR Professional award by Bursa Malaysia's Malaysian Investor Relations Association (MIRA), 2017 & 2018
- TM Group CEO Merit Award 2013

PROFILES OF THE LEADERSHIP TEAM

13 MUHAMMAD ALIF SOON
HEAD OF GROUND OPERATIONS

Nationality	Malaysian
Age	43
Gender	Male
Date of Appointment	9 April 2015

Responsibilities:
- Leads the team of Guest Service Assistants in improving our customer experience
- Ensures full compliance with all regulatory requirements by the department

Experience:
- Joined AirAsia as a Guest Service Assistant, 2004
- Moved to Airasia X as Duty Executive, 2010
- Promoted as Airport Manager, 2013
- Appointed as Head of Ground Operations, 2015

Qualifications and Professional Membership:
- Sijil Pelajaran Malaysia

Awards/Recognition:
- 10 Years Long-Service Award from AirAsia Group

14 ASPA LINDA AHMAD

CABIN CREW MANAGER

Nationality	Malaysian
Age	42
Gender	Female
Date of Appointment	16 March 2015

Responsibilities:

- Leads and manages manpower planning for the entire AirAsia X Cabin Crew Department
- Responsible for the management and supervision of all Cabin Operation activities and safety, ensuring these are conducted in accordance with applicable regulations and company standards
- Ensures cabin crew deliver world-class customer service

Experience:

- More than 20 years of experience in the aviation industry:
  - Started her career with AirAsia as a Cabin Crew (2002) and was promoted to Senior Cabin Crew (2003), Purser (2005) and a Cabin Crew Executive (2009)
  - Moved to AirAsia X and served as an Assistant Cabin Crew Manager, 2010
  - Further enhanced her skills set by joining the Cabin Safety Department as a Safety Examiner, and was promoted to Cabin Safety Manager in 2012
  - Appointed as Head Cabin Crew of AirAsia X, leading more than 1,000 cabin crew, 2015

Qualifications and Professional Membership:

- B737 Type Rating Certificate, 2002
- A320 Type Rating Certificate, 2006
- A330 Type Rating Certificate, 2007
- A340 Type Rating Certificate, 2009

Awards/Recognition:

- 10 Years Long-Service Award from AirAsia Group

PROFILES OF THE LEADERSHIP TEAM

15 SELVAM VELAITHAM

PART M - CONTINUING AIRWORTHINESS MANAGER

Nationality	Malaysian
Age	50
Gender	Male
Date of Appointment	1 August 2018

Responsibilities:
- Institutes and maintains an effective and efficient administrative system to ensure Continuing Airworthiness activities comply with Civil Aviation Authority of Malaysia (CAAM) requirements
- Ensures implementation of Safety Management System including management of safety risks within the organisation
- Provides communication and supports the senior leadership team on regulatory matters regarding airworthiness

Experience:
- Over 25 years' experience in aircraft engineering & maintenance
  - Licensed Aircraft Engineer in base maintenance and line maintenance at Malaysia Airlines Berhad, 1998 – 2004 and AirAsia Berhad, 2004 – 2006
  - Quality Assurance Inspector in AirAsia Berhad, 2006 – 2013
  - CAAM Nominated Post Holder as Quality Assurance Manager at AirAsia X Berhad, 2014 – 2018
  - Joined AirAsia X as a manager, January 2014
  - Became a CAAM Nominated Post Holder as Part M - Continuing Airworthiness Manager, August 2018

Qualifications and Professional Membership:
- Diploma of Aircraft Maintenance - Oxford Air Training School, 1998
- Aircraft Maintenance Engineer Licence - CAA UK, 1998
- Aircraft Maintenance Engineer Licence - DCA Malaysia, 1998

16 JESSICA MAN HUI SZE
GENERAL COUNSEL

Nationality	Malaysian
Age	31
Gender	Female
Date of Appointment	1 February 2018

Responsibilities:
- Primary contact point for all legal matters relating to the operations of the airline business, including regulatory, compliance and litigation
- Provides strategic support to the Board of Directors and senior management of AirAsia X and AirAsia Group on complex and/or high value legal matters and projects
- Synergises with AirAsia Group Legal leadership in supporting the most crucial business and compliance needs of the airline and the AirAsia Group
- Designated legal point of contact responsible for advising the airline on legal risks, exposure and liabilities
- Oversees the legal department's assistance with company secretarial matters

Experience:
- Pupillage with Chooi & Company, 2012
- Joined the Corporate and Financial Services Department of Chooi & Company as an Associate, 2013
- Joined the Corporate Department of Lee Hishammuddin Allen & Gledhill as an Associate, 2014
- Seconded by Lee Hishammuddin Allen & Gledhill to Gibraltar BSN Life Bhd to provide assistance to the company's Legal Department, 2016
- Joined AirAsia X Berhad as Legal Manager, 2017
- Promoted to General Counsel in February 2018

Qualifications and Professional Membership:
- Admitted as an Advocate and Solicitor of the High Court of Malaya, 2013
- Certificate in Legal Practice in Malaysia, 2011
- Bachelor of Laws (LLB), University of London, 2010

Awards/Recognition:
- Top 100 General Counsel listed in the Legal 500 GC Powerlist: Southeast Asia 2019

PROFILES OF THE LEADERSHIP TEAM

17 EDDIE TAN
LINE OPERATIONS MANAGER

Nationality	Malaysian
Age	46
Gender	Male
Date of Appointment	14 April 2014

Responsibilities:
- Oversees and manages all overseas stations, including the set-up of new stations
- Manages ground operations related contracts
- Ensures accurate and timely execution of all processes and procedures whilst maintaining the highest level of safety, security and operational efficiency throughout the network

Experience:
- Eddie has more than 27 years of management experience in handling operations in the aviation industry:
  - Started career with Singapore Airlines Limited as a Passenger Services Agent, 1992
  - Joined All Nippon Airways Co Limited as Traffic and Flight Operations Officer, 1995
  - Joined AirAsia Berhad as Station Manager, Kuching, 2005
  - Transferred to Kuala Lumpur Hub (LCCT) as a Station Manager, 2006
  - Appointed as Station Manager for AirAsia X, Kuala Lumpur hub, 2010
  - Appointed as Line Operations Manager for AirAsia X, 2014

Qualifications and Professional Membership:
- Tertiary studies – Beaufort College, Western Australia

Awards/Recognition:
- 10 Years Long-Service Award from AirAsia Group

18 AZAHAR OTHMAN
RAMP MANAGER

Nationality	Malaysian
Age	61
Gender	Male
Date of Appointment	1 February 2013

Responsibilities:
- Ensures that ramp and transport services, loading and unloading of aircraft, weight and balance, ground equipment and mishandled load are managed according to company procedures and established standards
- Represents AirAsia X at meetings with airport authorities and with other in-house departments in matters involving ramp handling
- Conducts training for weight & balance and ramp handling

Experience:
- Azahar has 39 years of experience in the aviation industry:
  - Joined Malaysia Airlines as a traffic clerk, 1978
  - Promoted to Customer Service Officer of Malaysia Airlines, 1988
  - Moved to KL Airport Services (KLAS) as Flight Operation Officer, 1999
  - Promoted to Passenger Handling Supervisor, 2001
  - Assigned as Aircraft Handling Supervisor, later in 2001
  - Duty Manager of Flight Operations, 2001
  - Promoted to Head of Aircraft Handling and Flight Operation, 2009
  - Joined AirAsia X as Ramp Duty Manager, 2013

Qualifications and Professional Membership:
- Malaysian Certificate of Education

Declaration of Leadership Team:

- **Family relationship**
  None of the Leadership Team has any family relationship with any other Director and/or major shareholder of AirAsia X Berhad

- **Conflict of Interest**
  None of the Leadership Team has any conflict of interest with AirAsia X Berhad

- **Conviction for Offences**
  None of the Leadership Team has been convicted for any public offence during the financial year ended 31 December 2018 or had any penalty imposed by the relevant regulatory bodies within the past five (5) years, other than traffic offences, if any

- **Other Directorship**
  None of the Leadership Team has any other directorship in public companies

AirAsia X Thailand

Leadership Team

CAPTAIN PITTINUN INTARASAK

Head of Flight Operations

KRIRKWOOT BOONSORN

Head of Engineering

PHAIRAT PORNPATHANANANGOON

Chief Financial Officer

THAILAND

NADDA BURANASIRI

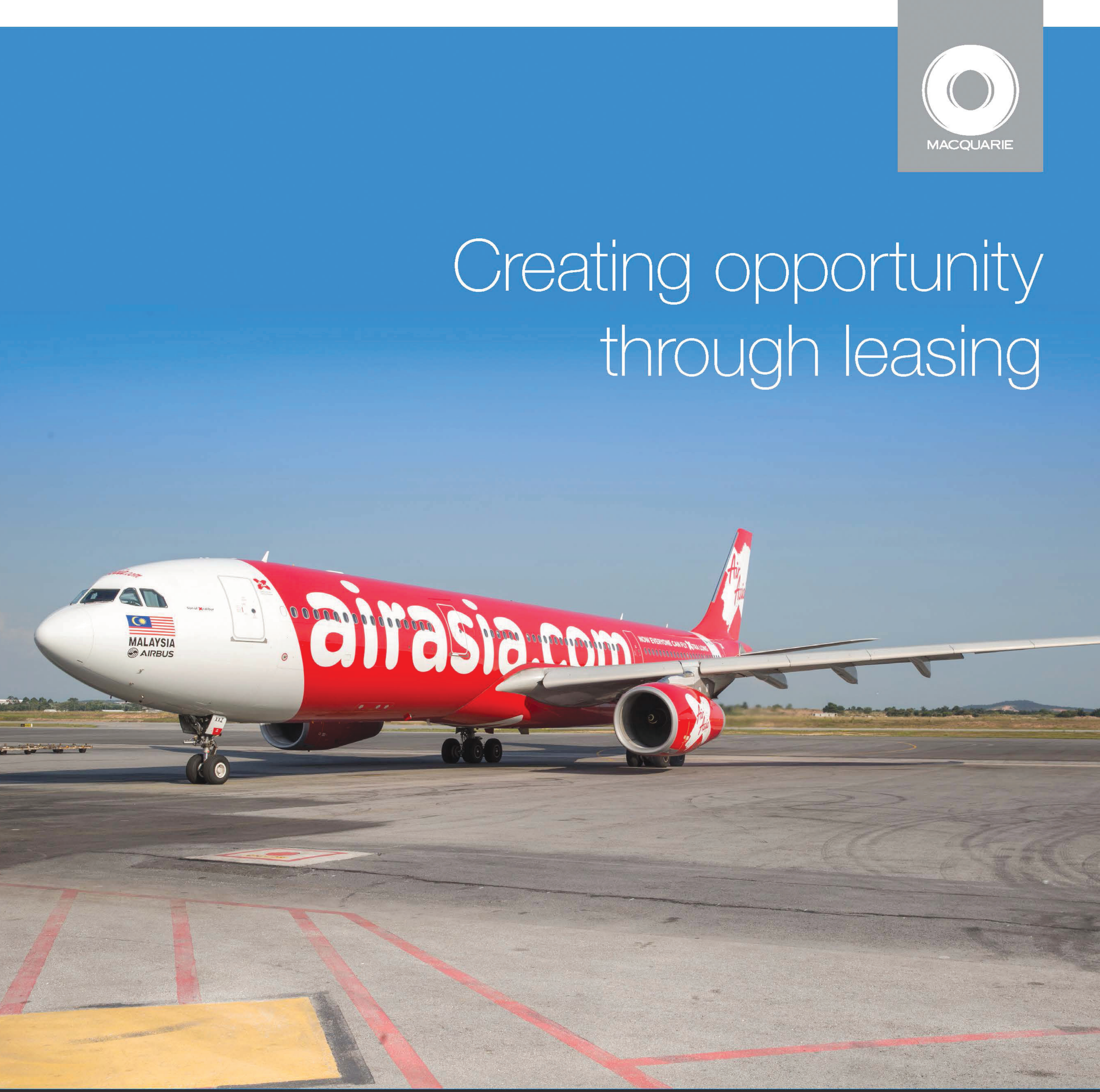
Chief Executive Officer

MATANA THIENTHONG

Head of Commercial

NITIROTE KITCHAROEN

Head of Group Operations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GCEO'S Statement

DEAR VALUED SHAREHOLDERS,

IT IS AN HONOUR AND PRIVILEGE TO PRESENT THIS STATEMENT AS GROUP CEO OF AIRASIA X, A POSITION TO WHICH I WAS APPOINTED AT THE BEGINNING OF NOVEMBER 2018. AN HONOUR BECAUSE IN ASSUMING MY POSITION I AM STEPPING INTO THE SHOES OF NOT JUST ONE BUT TWO GREAT ASEAN AVIATION LEADERS – TAN SRI TONY FERNANDES AND DATUK KAMARUDIN MERANUN, WHO FOUNDED AIRASIA X AND WERE CO-GROUP CEOS BEFORE ME. AND A PRIVILEGE BECAUSE AIRASIA X IS THE PIONEERING LONG-HAUL LOW-COST AIRLINE IN THE REGION, STIMULATING DEMAND WHERE PREVIOUSLY THERE WAS NONE, WINNING COUNTLESS AWARDS AS WE MAKE MILLIONS OF EXCITING TRAVEL DREAMS COME TRUE.

When Tony and Kamarudin set up AirAsia X 11 years ago, many said the airline would never take off. A low-cost carrier for short-haul flights – yes. But, low-cost for long haul – it has never been done before! Yet AirAsia X has proven the sceptics wrong. It took a few years to fine-tune our model; however, in 2016, we finally did it – we achieved our first full-year of profit. We repeated the feat in 2017, demonstrating it was not just a one-off. In 2018, unfortunately, we experienced a setback. But this was mainly due to factors beyond our control, such as the 28% increase in fuel cost, currency volatility, natural disasters in the markets we serve, and general elections in Malaysia, which is our home base and where most of our routes originate.

Despite these challenges, 2018 marked a year of growth. We made all the right moves in 2018 by cutting cost further, adding capacity, and capturing greater market share even as the airline posted its first losses since 2016. It was the first year since 2015 that we took in new aircraft, a total of five on lease – two for Malaysia and three for Thailand. We expanded the Group network with a net addition of four new destinations for AirAsia X Malaysia and two for AirAsia X Thailand. New routes developed support our strategy of establishing country dominance, namely strengthening our position in core markets – Greater China, Japan, South Korea and India. It saw us introduce flights from Kuala Lumpur to two destinations in India – Amritsar and Jaipur – where we were already serving New Delhi; as well as Changsha and Tianjin in China where we were already operating flights to Beijing, Shanghai, Hangzhou, Wuhan, Xi'an, Chengdu and Chongqing. From Bangkok, we introduced flights to Nagoya and Sapporo. We also increased the frequency of flights to Greater China, Japan and South Korea.

WE MADE ALL THE RIGHT MOVES IN 2018 BY CUTTING COST FURTHER, ADDING CAPACITY, AND CAPTURING GREATER MARKET SHARE.

NADDA BURANASIRI

GROUP CHIEF EXECUTIVE OFFICER

GCEO'S STATEMENT

AirAsia X Group increased the number of guests carried during the year by **10%, from 7.8 million in 2017 to 8.6 million in 2018.**

While building our key markets we also pulled out of countries where we were serving just single destinations, namely Tehran in Iran; Male in the Maldives; and Kathmandu in Nepal. The only destination left in our expanding network that is an exception to our country dominance strategy is Honolulu which, however, has such an exceptionally strong tourist pull that our being the only low-cost airline in Asean to fly to this destination ensures constantly high load factors. In fact, this route has proven so successful that we increased the frequency of flights from four times a week initially to daily in August in order to cater to demand.

Overall, through our route rationalisation, AirAsia X Group increased the number of guests carried during the year by 10%, from 7.8 million in 2017 to 8.6 million in 2018.

We realise that the bigger our airline becomes, the more imperative it is to operate as leanly and efficiently as possible. Hence, we continued to constantly review our cost structures and seek ways to trim any unnecessary expense. This is something that is truly part of our DNA as it is integral to the AirAsia business model. Indeed, being part of the AirAsia family provides additional avenues for cost saving, especially now as the Group is progressing towards the One AirAsia concept. Under One AirAsia, various commercial, engineering and procurement functions are being streamlined and centralised to avoid duplication and create greater resource efficiencies. We also continue to leverage AirAsia's expansive network as a funnel into our own routes. The combined route networks of AirAsia and AirAsia X Groups is truly one of our greatest strengths and something that sets us apart from other long-haul low-cost airlines.

A drastic cost saving move was to shift our base in Melbourne from Tullamarine Airport to Avalon Airport, which to us is ideal for low-cost carriers as its focus is to make flying easier through 'convenient, uncomplicated and time-efficient service' and 'pocket-friendly fares'. Cost savings from use of the airport will be translated into even more attractive fares for our guests. We are the first international carrier to fly to Avalon Airport and are confident the move will bring in the numbers to secure Melbourne as one of our more popular destinations. Although we did not build much capacity to Australia this year, it remains one of our core markets and our associate in Thailand has plans to penetrate the continent in the near future, once it receives more aircraft.

AirAsia X Thailand, in fact, was a star performer in the Group during the year, further validating our long-haul low-cost model. Without some of the constraints that faced the Malaysian operations, Thailand pulled in an exceptionally strong set of results to achieve a record net operating profit of USD12.0 million.

Following a strategy it called 'Master of Japan Network', our associate launched the Nagoya and Sapporo routes, as mentioned earlier, while increasing its flight frequency to Tokyo (Narita). These led to a 17% increase in capacity, and a total of 1,154,202 guests carried to the Land of the Rising Sun. Although the load factors to Nagoya and Sapporo averaged 75% and 72% respectively, we are confident of the numbers increasing as the routes mature. A key challenge for Thailand now is to meet an internally set target of growing the number of guests carried in 2019 by 50% along with a fleet expansion from nine to 14.

WE ARE BUILDING UP OUR THAI OPERATIONS' FLEET, WITH TWO OUT OF FIVE AIRCRAFT TO BE RECEIVED BEING BRAND-NEW AIRBUS A330NEO

Our operations in Indonesia, meanwhile, was plagued by a series of natural disasters – including earthquakes and tsunamis across the vast archipelago – following Mount Agung's continuous eruptions since November 2017. To manage the drop in tourist numbers, in May we adopted a dual-hub strategy, operating out of Jakarta in addition to our original base in Bali. However, performance did not pick as well as we hoped, leading management to make the difficult yet strategic decision to operate AirAsia X Indonesia on a non-scheduled commercial airline basis. Its last route, from Bali to Tokyo (Narita), was terminated in January 2019.

Looking forward, we have some very firm plans to guide our continued growth. While we will be looking to optimise our Malaysian route network, we are building up our Thai operations' fleet, with two out of five aircraft to be received being brand-new Airbus A330neo. These open up some very exciting possibilities. The sheer number of destinations that lie within a 10-hour flying radius from Bangkok is dizzying; we are almost too spoilt for choice. Having learnt from experience, however, we will seek either to continue to build on our market dominance strategy or launch another Honolulu, or two.

My own 'key personal indicator' is to ensure AirAsia X Group – Malaysia and Thailand – works together closely to achieve our common goals while also capitalising the synergies of operating in a more interconnected manner with AirAsia Group. A key area that we have yet to fully leverage is our sister airline Group's extensive data accumulated from more than half a billion guests. The potential of mining this data for more targeted, effective marketing as well as an enhanced guest experience is just mind-boggling, and is something we are determined to look into. As the concept of One AirAsia becomes more grounded in reality, there will be increasing opportunities for us to tap into this huge data bank to further drive our passenger loads and ancillary income.

The price of fuel has begun to stabilise, enabling us to hedge a significant portion of our requirements for the year at reasonable prices. This, combined with intense focus on cost-saving initiatives, will drive our cost down, providing the impetus for further growth. Growth is certainly on the cards for AirAsia X Thailand, which is preparing for a listing at the end of 2019. Already performing very well, funds from the initial public offering (IPO) will stand it in good stead to accelerate its onward journey. Malaysia, meanwhile, will continue to strengthen its route network while supporting and receiving support from its associate in Thailand and the rest of the AirAsia Group.

These are certainly very exciting times for us. The year 2018 brought mixed fortunes for the different AOCs, but I believe we are more aligned now and stand stronger as a Group as we enter the year 2019. All the building blocks are in place to launch AirAsia X into a brighter future. With the continued support of our Allstars, we are ready to take this metaphorical X-tra long leap together. Our Allstars are our heroes, giving us their all over the last 11 years. We could not have got to where we are today without them, and we are determined to take them with us as we reach for the skies.

Thank you.

Nadda Buranasiri
Group Chief Executive Officer
AirAsia X Berhad

CEO'S MANAGEMENT DISCUSSION & ANALYSIS

DEAR VALUED SHAREHOLDERS,

IT HAS BEEN AN EVENTFUL YEAR FOR AIRASIA X AS WE CONTINUED TO STRENGTHEN OUR MARKET SHARE ACROSS ASIA PACIFIC. DESPITE A CHALLENGING 2018, WE MADE MAJOR INVESTMENTS THAT WILL INCREASE OUR FOOTPRINT AS ASIA'S LEADING MEDIUM-TO-LONG-HAUL LOW-COST CARRIER WITH NEW ROUTES, MORE FLIGHTS, A GROWING FLEET AND EVEN MORE INVESTMENTS IN DIGITAL TECHNOLOGY. THIS EXPANSION HAS HELPED US OFFER OUR GUESTS A BETTER CUSTOMER EXPERIENCE AT AFFORDABLE FARES, LEADING TO ANOTHER YEAR OF RECORD-HIGH NUMBER OF GUESTS CARRIED.

The financial year 2018 has been tough but operationally successful for AirAsia X. After two years of making profits, it was definitely with a measure of disappointment to see our financial numbers dwindle as a result of increasing fuel prices which averaged USD89 per barrel, 35% higher than USD66 in 2017; uncertainties brought about by the election of the opposition coalition in Malaysia, the first time ever since the nation's independence in 1957; and, most unfortunately, a series of natural disasters in Indonesia, Japan and Hawaii, all among our key markets. Despite the full year losses, I share the same sentiment as our Group CEO Nadda Buranasiri that we made all the right moves in 2018 to prepare a stronger platform for 2019.

After 11 years of fine-tuning our strategies, we have definitely hit upon what we believe is a winning formula: to build country dominance in our network; leverage our sister group AirAsia's vast network and resources to create cost and operational efficiencies; and look continuously for other means to cut costs further such as renegotiation of aircraft leases and ground handling. With these three focus areas in mind, we achieved a few notable successes during the year that we can be proud of and which will help to create an even stronger base for AirAsia X to support future growth.

Launched four new destinations in India and China

India is an amazing market with a vast number of tourist sites. In choosing our destinations, we are guided by what they have to offer. This year, we launched Kuala Lumpur – Jaipur in February followed by Kuala Lumpur – Amritsar in August. Jaipur, the famous Pink City, lies within easy access of other popular destinations in Rajasthan such as Jodhpur, Jaisalmer, Udaipur and Bikaner. Amritsar is home to the revered Golden Temple and is one of the most visited destinations in India because of this Sikh shrine.

China is not just supplying the global tourism market with the highest number of travellers; the country itself is the third most popular among global tourists; in fact the most popular in the world if Hong Kong and Macau (another two destinations that we serve) are included. It is particularly popular as a tourist destination among Asians because of the Chinese diaspora, leading to many wanting to visit so as to be able to discover their roots. During the year, we launched flights from Kuala Lumpur to Changsha and Tianjin in December.

These new launches further strengthened our presence in India and China, two core markets, and were made possible by the addition of two aircraft during the year, as well as termination of three routes.


BENYAMIN ISMAIL
CHIEF EXECUTIVE OFFICER

CEO'S MANAGEMENT DISCUSSION & ANALYSIS

Terminated single-country destination routes

The year saw us pull back from three single-country destinations namely Tehran in Iran, Kathmandu in Nepal and Male in the Maldives. We had launched Tehran and Kathmandu because they are very popular tourist destinations. They still are. However, we do not have the benefit of country support to truly capitalise on these routes. Male was a route that we took over from our short-haul sister airline, and recognised that the destination is better suited to their narrow-bodied, smaller aircraft. Flights to Tehran stopped in May, to Male in August, and to Kathmandu in October.

Created barrier to entry to Hawaii

Hawaii is one of those very special places that has earned a place in the hearts of everyone around the world. While the volcanic eruption in May followed by floods in August and September dampened tourism for a while, everyone knows it is just temporary, and tourists will keep flocking back. The success of our route, launched in 2017, inspired a competitor to also fly to Honolulu. Then we increased our flight frequency from four a week to daily, and our competitor withdrew its route completely.

Continued to develop ancillary offerings

Ancillary offerings serve as a hedge against costs we cannot control, such as fuel. We therefore place a great deal of emphasis on driving ancillary sales. In recent years we introduced the use of dynamic pricing mechanisms for baggage and seat upgrades, both of which are now the largest contributors to ancillary income. This year, we continued to innovate on our offerings, partnering Caravelo.com to introduce a bidding system for flatbed upgrades; enhancing our inflight menu with destination-based cuisine; and delivering pre-purchased Duty Free and other merchandise to guests on-board or designated pick-up points in airports. Revenue from inflight Duty Free more than doubled, recording the highest increase among our ancillary portfolio.

Maintained our low-cost edge

As AirAsia X increases in size, the airline will drive further economies of scale from long-term deals with airports and ground handling operators. We continued to re-negotiate contracts with airport authorities and ground-handling service providers to derive the best possible deals. Significantly, we became the first international airline to be given the right to operate out of Avalon Airport in Melbourne, an airport that provides great convenience to travellers at a lower cost than standard airports. This is a testament of the airline's commitment to work with airports that support efficient operations and growth with attractive financial agreements. It takes no more than 15 minutes on average for a passenger to get from the aircraft to the kerb-side, ready to leave. While Avalon is farther from the central business district than Tullamarine Airport, we worked with bus companies to develop seamless connectivity to the city and suburbs. Avalon is also close to one of Australia's biggest tourist attractions, the Great Ocean Road, and many of our guests would appreciate the opportunity to experience a road trip along this very scenic coastal stretch.

Efforts to bring down costs resulted in our cost per available seat kilometre excluding fuel (CASK ex-fuel) dropping from 8.7 sen in 2017 to 8.06 sen in 2018. In May 2018, we were also recognised by global trip planner, Rome2rio, for being the World's Best Value International Airline.

Renewed our IOSA certification

In April, AirAsia X Malaysia received our third biennial IATA Operational Safety Audit (IOSA) registration, affirming our commitment to the highest standards of operational safety. Safety is at the heart of everything we do. We strive continuously not only to meet regulatory requirements but to surpass them as the safety of our guests and Allstars is more important than anything else. AirAsia X Malaysia joined the IOSA Registry on 16 April 2015, becoming the second airline in Malaysia to successfully pass the internationally recognised operational safety audit.

Overview of Group's Business and Operations

Revenue (RM'000)	Net Loss (RM'000)	Return on Total Assets (%)
FY2018 **4,571,376**	FY2018 **(301,482)**	FY2018 **(6.9)**
FY2017 | 4,578,674	FY2017 | 98,886	FY2017 | 2.1

EBITDAR (RM'000)	Total Assets (RM'000)	Return on Shareholders' Equity (%)
FY2018 **821,977**	FY2018 **4,341,571**	FY2018 **(52.4)**
FY2017 | 1,166,509	FY2017 | 4,764,180	FY2017 | 10.0

Review of Financial Results and Financial Condition

AirAsia X Group reported a relatively flat year-on-year (YoY) revenue of RM4.6 billion, while operating expenses increased 5.9% YoY, mainly due to significantly higher aircraft fuel expenses and provision for impairment on amount due from a joint venture. This led the Company to record a net operating loss (NOL) of RM218.8 million against a profit of RM84.6 million in 2017. Excluding the provision for doubtful debts, our normalised NOL was a lot narrower at RM68.9 million.

AirAsia X Group reported a loss before tax (LBT) of RM226.7 million for the financial year ended 31 December 2018, while loss after tax (LAT) stood at RM301.5 million, against a profit after tax (PAT) of RM98.9 million in FY2017.

Loss Before Tax

(RM226.7) million

Group Earnings

Revenue

The Group achieved a relatively flat YoY turnover of RM4.6 billion.

Aircraft operating lease expenses decreased

4.9%

2017	2018
RM944.6 million	RM898.7 million

Maintenance and overhaul expenses decreased

25.7%

2017	2018
RM652.9 million	RM485.4 million

Aircraft fuel expenses increased

27.9%

2017	2018
RM1.47 billion	RM1.88 billion

Other operating expenses increased

12.2%

2017	2018
RM413.8 million	RM464.4 million

DEPRECIATION

Depreciation expenses increased by

16.5%

2017	2018
RM109.3 million	RM127.3 million

Scheduled flights revenue remained largely unchanged at RM2.94 billion. This was on the back of 6% YoY growth in number of passengers carried from 5,837,530 passengers in 2017 to 6,167,465 passengers in 2018. Passenger growth was in line with 7% increase in seat capacity which grew from 7,152,067 seats in 2017 to 7,622,940 seats in 2018. This resulted in a slightly lower load factor for the year at 81% as compared to 82% in 2017, and 5% lower average base fare at RM477.

CEO'S MANAGEMENT DISCUSSION & ANALYSIS

Our passenger load factor (PLF) on several routes to Japan and Indonesia was also impacted by natural disasters. In addition the load factor for Kathmandu route was significantly impacted by a gradual route termination begining 3Q18 as well as the Nepalese Government's ban on workers going to Malaysia. The drop in load factor was also partly due to the additional frequencies introduced during the year. Frequencies to Honolulu, Hangzhou, Sapporo, Busan and Taipei were increased as the Company seized the opportunity to invest substantial capacity to strengthen our leadership position in core markets while realigning routes to fully optimise our network. All of these factors however contributed to a decrease in RASK.

Throughout 2018, AirAsia X Malaysia optimised its route network by terminating non-core routes, redeploying capacity to new destinations and increasing frequencies on core routes. These initiatives have set the platform for the Group to build and capitalise on a tighter network, leveraging the strengths of both the Malaysian and Thai hubs to drive up frequency into core routes and complement the Group's market leadership strategy.

Ancillary revenue was relatively flat YoY at RM854.2 million as compared to RM847.2 million in 2017. On the other hand, average revenue per passenger dropped 5.4% YoY to RM477 against RM504 in 2017, on the back of shorter stage length routes as well as promo fares on four new destinations introduced during the year.

In line with the Group's decision to reduce charter activities in recent years, revenue from charter flights decreased further to RM136.4 million, down 17.5% YoY, as compared to RM165.3 million in 2017.

Revenue from freight services increased by 7.0% YoY from RM171.0 million in 2017 to RM183.0 million, mainly attributed to higher tonnage transported in 2018.

Aircraft operating lease income remained largely unchanged at RM452.9 million in 2018, versus RM452.7 million in 2017.

Expenditures

Aircraft fuel expenses increased 27.9% from RM1.47 billion in 2017 to RM1.88 billion in 2018. This was mainly due to the significant increase in average fuel price by 35% from USD66 per barrel in 2017 to USD89 per barrel in 2018, in addition to the 1% increase in fuel consumption from 5,145,455 barrels in 2017 to 5,223,409 barrels in 2018 as a result of 7% YoY increase in number of sections flown.

Aircraft operating lease dropped by 4.9% from RM944.6 million in 2017 to RM898.7 million, due to a stronger Malaysian Ringgit against the US Dollar during the year.

On the back of a credit note from an engine supplier and overprovision for prior year maintenance expenses, maintenance and overhaul expenses dropped 25.7% from RM652.9 million in 2017 to RM485.4 million in 2018.

Depreciation of property, plant and equipment increased by 16.5% from RM109.3 million in 2017 to RM127.3 million, mainly attributed to the capitalisation of eight engines during the year.

Other operating expenses increased by 12.2% from RM413.8 million in 2017 to RM464.4 million mainly due to the increase in provision for doubtful debts.

Profit & Loss Summary	FY2018 RM million	FY2017 RM million	YoY %
Revenue	4,571.4	4,578.7	(0.2)
Total operating expenses	4,782.7	4,517.1	5.9
EBITDAR	822.0	1,166.5	(29.5)
Operating profit / (loss)	(203.9)	112.6	(>100)
Net operating profit / (loss)	(218.8)	84.6	(>100)
Profit / (loss) before tax	(226.7)	186.8	(>100)
Taxation	74.8	87.9	(14.9)
Profit / (loss) after tax	(301.5)	98.9	(>100)
Basic EPS (sen)	(7.3)	2.4	(>100)

1 Scheduled flights revenue

RM2.940 billion	▲	RM2.942 billion
2017		2018

2 **Ancillary revenue increased slightly to RM854.2 million as compared to RM847.2 million in 2017.**

Ancillary revenue increased by

0.8%

RM847.2 million	▲	RM854.2 million
2017		2018

CHARTER FLIGHTS

Revenue from charter flights decreased by

17.5%

RM165.3 million	▼	RM136.4 million
2017		2018

in alignment with the Group's decision to reduce charter activities

FREIGHT SERVICE

3 Freight service revenue increased by

7%

RM171.0 million	▲	RM183.0 million
2017		2018

due to higher tonnage transported in the current period

Aircraft operating lease income remained relatively unchanged at R**M452.9 million** in 2018, versus **RM452.7 million** in 2017

Group Financial Position

As at 31 December 2018, the Group's net gearing increased from 0.43x in 2017 to 0.68x on the back of lower cash balances, despite lower debt.

Below are key highlights of our Group Balance Sheet:

Total equity
decreased by RM414.9 million mainly due to:
- Increase in fuel hedging reserve from RM0.8 million in 2017 to RM99.2 million in 2018
- Net loss during the year

Total assets
decreased RM422.6 million driven by:
- Provision for doubtful debts on Indonesian joint venture of RM161.7 million
- Reduction in cash balance

Total liabilities
stood at RM3.8 billion, an increase by RM7.7 million from 2017 on the back of:
- Increase in provision for aircraft maintenance (RM1.0 billion in 2018 vs RM0.79 billion in 2017)
- Recognition of derivative financial liabilities in 2018 of RM130.5 million

Capital Structure and Capital Resources

Cash in-flow from operations stood at RM97.9 million, against RM291.4 million in the previous year. The Group's borrowings has reduced by 20.3% to close at RM687.1 million as at 31 December 2018 arising from loan repayments during the year and foreign exchange translation. However, against the backdrop of a challenging macroeconomic environment, cash balance dropped 31.2% YoY to RM297.6 million, effectively increasing the Group's net gearing from 0.43x to 0.68x in 2018.

Given the economic and currency exposures, the Group is committed to undertaking various initiatives which include hedging and paring down our gearing to a more comfortable level. We remain prudent in maintaining a sound financial position that enables the execution of our strategic objectives in creating value over the coming years.

Group net gearing increased from

0.43x → 0.68x

2018

CEO'S MANAGEMENT DISCUSSION & ANALYSIS

Review of Operating Activities

As per our quarterly Bursa Announcement, the Group's reportable operating segments have been identified as each company with an Air Operator Certificate (AOC) held under the AirAsia brand, namely Malaysia, Thailand and Indonesia.

AirAsia X Malaysia

Malaysia continues to be the biggest revenue generator at RM4.6 billion before elimination adjustments in FY2018. Revenue for Malaysia was flat YoY as the Company moved away from longer-haul routes such as Tehran and Kathmandu, replacing these with shorter stage length routes which resulted in lower average fare. Number of aircraft increased to 24 Airbus A330.

AirAsia X Thailand

Following a successful 2017, Thailand continued its momentum in 2018 with a record profit before tax of RM65.3 million as compared to RM38.9 million in 2017. This was largely due to significantly improved segment revenue, which was up 32.0% to RM1.5 billion recorded in 2018. Thailand added three Airbus A330 throughout 2018, bringing its total fleet to nine Airbus A330 at the end of the year.

AirAsia X Indonesia

Indonesia went through a very challenging operational environment, primarily due to the series of natural disasters that occurred in proximity to Bali in 2018. Despite that, segment revenue improved by 13.3% to RM265.6 million. However, on the back of higher operating cost faced in 2018, loss before tax widened to RM72.4 million. Following thorough evaluation, Indonesia will operate on a non-scheduled commercial airline basis following the Company's last scheduled flight from Bali to Tokyo (Narita) in January 2019.

Segmental Performance Review

Revenue	FY2018 RM'000	FY2017 RM'000	YoY %
Malaysia	4,571,376	4,578,674	(0.2)
Thailand	1,523,905	1,154,285	32.0
Indonesia	265,573	234,371	13.3
Elimination adjustment	(452,916)	(452,727)	0.0
Total	**5,907,938**	**5,514,603**	**7.1**

EBITDAR/(LBITDAR)[1]	FY2018 RM'000	FY2017 RM'000	YoY %
Malaysia	821,977	1,166,509	(29.5)
Thailand	324,083	304,012	6.6
Indonesia	(14,619)	23,716	(>100)
Elimination adjustment	(271,633)	(304,508)	10.8
Total	**859,808**	**1,189,729**	**(27.7)**

1 *EBITDAR/(LBITDAR) represents earnings/ (loss) before finance cost, taxation, depreciation, amortisation, and aircraft rental expenses*

Profit Before Tax (PBT)/(Loss) Before Tax (LBT)	FY2018 RM'000	FY2017 RM'000	YoY %
Malaysia	(226,661)	186,804	(>100)
Thailand	65,287	38,869	68.0
Indonesia	(72,364)	(54,209)	(33.5)
Total	**(233,738)**	**171,464**	**(>100)**

THE COMPANY IS ALSO INVESTING IN DIGITAL TECHNOLOGY AS WE SEEK TO REDUCE THE IMPACT OF OIL PRICE FLUCTUATION ON THE COMPANY'S BOTTOM LINE.

AirAsia X sees the current market environment as an opportunity to build and strengthen our network and customer experience for the long term. AirAsia X Malaysia will not be bringing in any aircraft in 2019 but will instead ensure optimal route performance as we continue to build our key markets, especially China and Japan – China for the reasons already mentioned; Japan because, among others, it will be hosting the 2020 Olympics and we definitely want to be a part of that.

Guest service is going to be a key focus area. AirAsia X prides itself on making travel easy, enjoyable and affordable for our guests whether it is for business or leisure – seamlessly connecting Asia Pacific with the warmest welcome in the sky. We aim to up the ante, in the belief that our guests would appreciate certain luxuries to make their long-haul flights more comfortable. The menu upgrade introduced in 2018 has led to greater uptake of pre-booked food. For better entertainment and connectivity, we will be rolling out ROKKI, AirAsia's brand of wifi and entertainment. There are many more digital offerings being developed by AirAsia, both inflight and on-ground, that we can leverage to make AirAsia X an even more attractive proposition to travellers.

The Company is also investing in digital technology as we seek to reduce the impact of oil price fluctuation on our bottom line. I believe AirAsia's digital businesses, under RedBeat Ventures, are going to add another very exciting dimension to the entire One AirAsia group. AirAsia X, together with our sister airlines under the AirAsia Group umbrella, has been at the forefront of digital innovation in the airline industry with digitalisation forming a core part of a wider customer strategy. Our digital capability helps to build stronger customer loyalty, drives revenue growth, secures cost savings and delivers greater customer satisfaction. Increasingly sophisticated use of data will enable us to make travel more seamless for our customers in the long term.

I am very excited about Nadda's appointment as Group CEO. We have worked closely as the respective CEOs of AirAsia X Malaysia and Thailand and have discovered many similarities in our business approach and vision. Given his track record at AirAsia X Thailand, we can expect some amazing things from him. Although Tan Sri Tony and Datuk Kamarudin are no longer our co-Group CEOs, they are still very much part of the Group's onward journey as Directors of AirAsia X. I would like to thank them, for guiding us over the years, through the many ups and downs.

Most of all, I would like to say a big thank you to our Allstars. We have been though a rollercoaster journey these last 11 years. I do sincerely believe, now, we have smoothened the course, ironing out some kinks that made for a bumpy ride. That's not to say the going will be easy. There will still be challenges; there always will be. But we have proven our resilience. We have proven our dedication. And we have proven that, working together, there is almost nothing that we cannot overcome.

To everyone, once again, thank you.

Benyamin Ismail
Chief Executive Officer
AirAsia X Berhad


ENDLESS
POSSIBILITIES
AVOLON
Air
Asia
Avolon and AirAsia X – Proud Partners
avolon.aero

business model

AIRCRAFT CONFIGURATION

- High seat density

377 seats
per aircraft (12% more than manufacturer's configuration)

- Two-class – **12 Premium Class Seats (flat beds) & 365 Economy Class Seats** on all aircraft

YOUNG & EFFICIENT AIRCRAFT TYPE

- Average aircraft age of eight years
- All Airbus A330 (2015 onwards)
- Aircraft can be interchanged
- Long-term engine programme

HIGH AIRCRAFT UTILISATION AND OPERATIONAL EXCELLENCE

- Aircraft utilisation of up to **16 hours per day**
- **75-90 minutes** turnaround time

LOW DISTRIBUTION COST

- More than **75% sales via Internet**

INNOVATIVE FUEL MANAGEMENT

Aircraft weight optimisation:

- Inflight service and meal inventory
- No heavy wiring for inflight entertainment equipment
- Customised water levels and monitoring
- Paperless cockpit *(in progress)*

Flight operations optimisation:

- Fuel-efficient speeds
- Fuel tankering
- Pilot flying techniques and monitoring

ECONOMIES OF SCALE – PROVIDE GOOD COST-SAVINGS

- Discount on aircraft and engine purchase
- Manpower merger with AirAsia Group
- Fleet flexibility due to good relationship with Airbus
- Leverage on AirAsia brand, technology infrastructure and network
- Strong bargaining power with vendors
- Fuel contracts negotiated together with AirAsia Group for better pricing

PEOPLE

- No **UNIONS**
- High productivity – multi-tasking, interchangeable roles
- Highly experienced, hands-on management team

ATTRACTIVE FARES

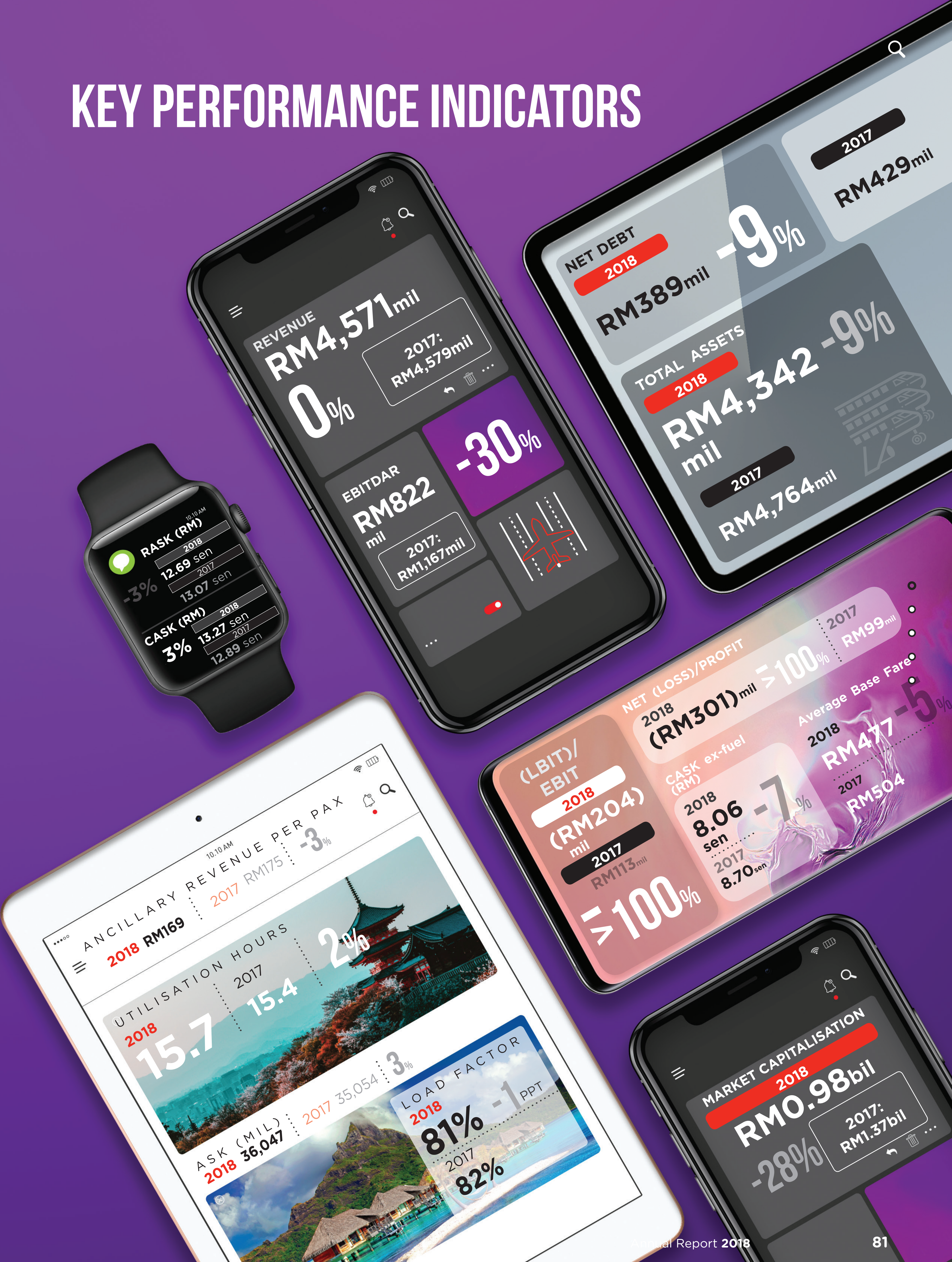
- Fares at least **30% lower than full-service carriers**


AirAsia

FIVE-YEAR FINANCIAL & OPERATIONAL HIGHLIGHTS

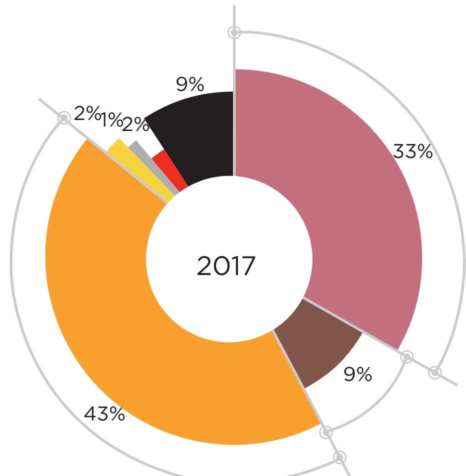
	2014	2015 (restated)	2016 (restated)	2017	2018
Income Statement (in RM'mil)					
Revenue	2,937	3,151	3,901	4,579	**4,571**
Total operating expenses	3,304	3,217	3,850	4,517	**4,783**
EBITDAR	342	902	1,067	1,167	**822**
EBITDA	5	196	221	222	**(77)**
EBIT/(LBIT)	(176)	51	107	113	**(204)**
Net operating profit/(loss)	(329)	(13)	82	85	**(219)**
Profit/(Loss) before tax	(605)	(341)	82	187	**(227)**
Net profit/(loss)	(519)	(244)	45	99	**(301)**
Balance Sheet (in RM'mil)					
Deposits, cash and bank balances	127	311	422	433	**298**
Total assets	3,736	4,250	4,672	4,764	**4,342**
Net debt (total debt - total cash)	1,452	1,118	738	429	**389**
Shareholders' equity	704	737	997	989	**574**
Cash flow statement (in RM'mil)					
Net cash generated from/(used in) operating activities	(53)	(13)	387	291	**98**
Net cash generated from/(used in) investing activities	392	297	(20)	(22)	**(9)**
Net cash generated from/(used in) financing activities	(483)	(114)	(239)	(238)	**(219)**
Net cash flow	(143)	170	128	31	**(131)**
Consolidated financial performance (%)					
Return on total assets	(13.9)	(5.7)	1.0	2.1	**(6.9)**
Return on shareholders' equity	(73.8)	(33.1)	4.5	10.0	**(52.4)**
ROCE (EBIT/(net debt + equity))	(8.2)	2.8	6.2	8.0	**(21.2)**
EBITDAR margin	11.6	28.6	27.3	25.5	**18.0**
EBITDA margin	0	6.2	5.7	4.8	**(1.7)**
EBIT/(LBIT) margin	(6)	1.6	2.7	2.5	**(4.5)**
Profit/(Loss) before tax margin	(20.6)	(10.8)	2.1	4.1	**(5.0)**
Net Profit/(Loss) margin	(17.7)	(7.7)	1.1	2.2	**(6.6)**
Consolidated operating statistics					
Passenger carried	4,230,952	3,613,537	4,688,077	5,837,530	**6,167,465**
Capacity	5,150,574	4,848,974	5,935,111	7,152,067	**7,622,940**
Load factor (%)	82	75	79	82	**81**
RPK (million)	20,817	17,552	23,188	28,578	**29,111**
ASK (million)	25,374	23,388	29,343	35,054	**36,047**
Aircraft utilisation (hours per day)	12.6	14.1	13.5	15.4	**15.7**
Average fare (RM)	469	490	518	504	**477**
Ancillary revenue per pax (RM)	167	164	167	175	**169**
Revenue per ASK (sen)	11.97	13.50	13.32	13.07	**12.69**
Revenue per ASK (USc)	3.66	3.46	3.22	3.22	**3.06**
Cost per ASK (sen)	12.91	13.75	13.12	12.89	**13.27**
Cost per ASK (USc)	3.94	3.53	3.17	3.17	**3.20**
Cost per ASK – excluding fuel (sen)	6.92	9.38	9.32	8.70	**8.06**
Cost per ASK – excluding fuel (USc)	2.11	2.40	2.25	2.14	**1.95**
Size of fleet at year end	26	27	30	30	**35**
Average stage length (km)	4,927	4,761	4,944	4,901	**4,729**
Sectors flown	13,662	13,033	15,743	18,971	**20,220**
Fuel consumed ('000 bbl)	3,657	3456	4,418	5,145	**5,223**
Average fuel price	127	76	61	66	**89**
Number of employees at year end for MAAX	2,380	2,204	2,621	2,326	**2,427**

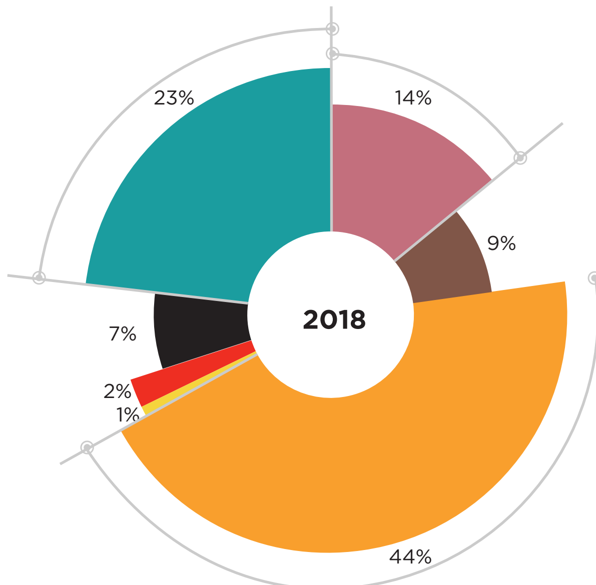
KEY PERFORMANCE INDICATORS



SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION & SEGMENTAL ANALYSIS

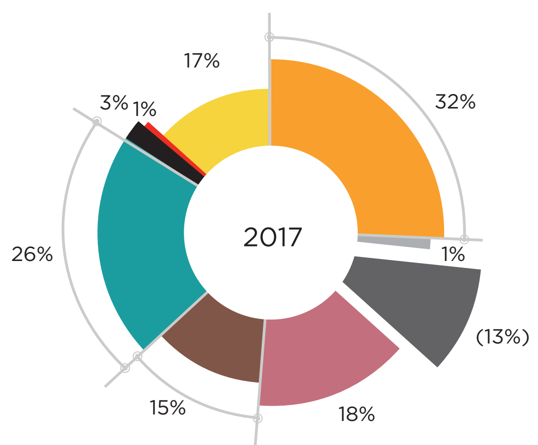
TOTAL ASSETS

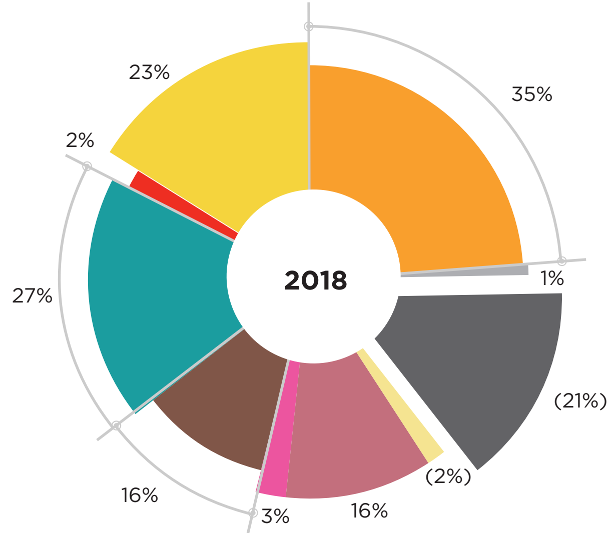




- Non-current assets held for sale
- Deposits, cash and bank balances
- Tax recoverable
- Derivative financial instruments
- Amount due from an associate
- Amount due from a joint venture
- Amount due from related parties
- Receivables and prepayments
- Inventories
- Deferred tax assets
- Property, plant and equipment

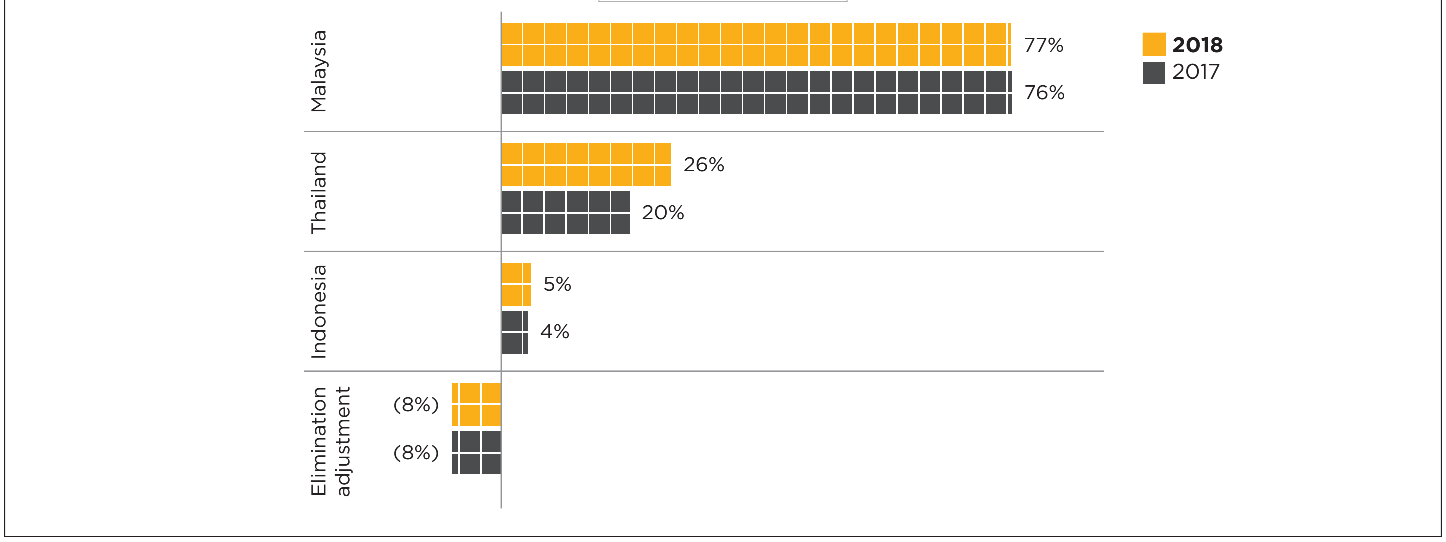
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY



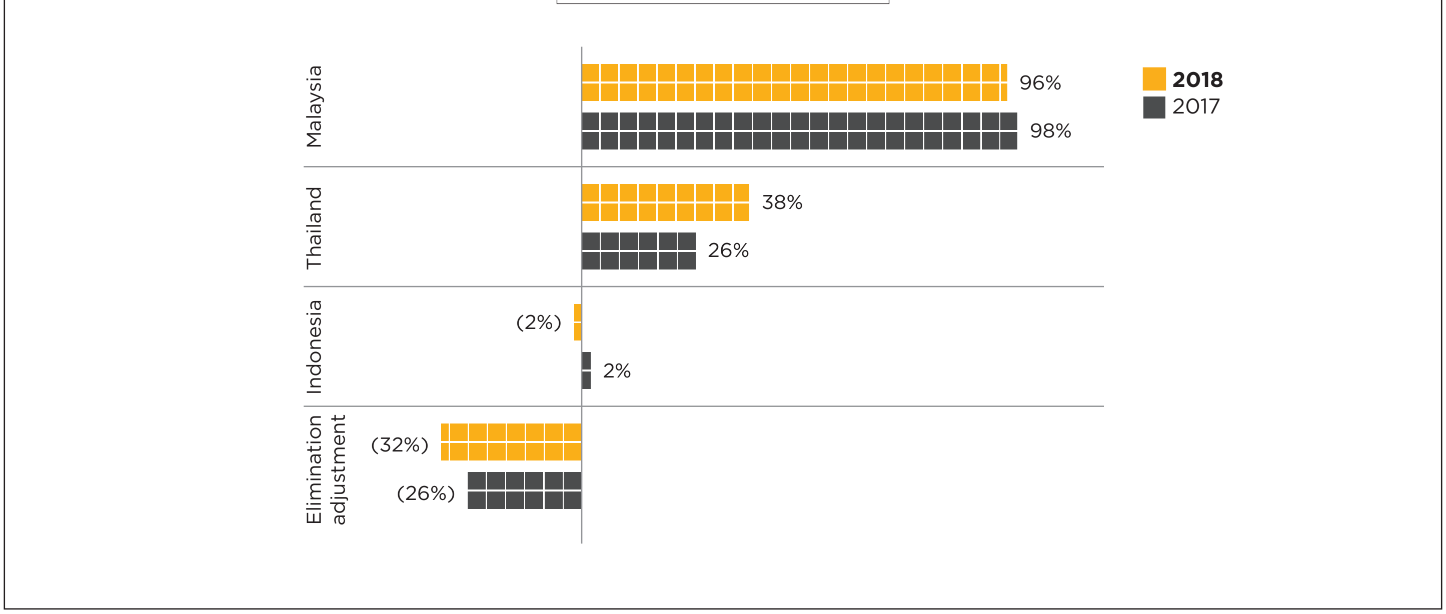


- Provision for aircraft maintenance
- Amount due to related parties
- Amount due to a joint venture
- Provision for taxation
- Trade and other payables
- Sales in advance
- Derivative financial liabilities
- Borrowings
- Other reserves
- Accumulated losses
- Currency translation reserve
- Warrant reserve
- Share capital

REVENUE

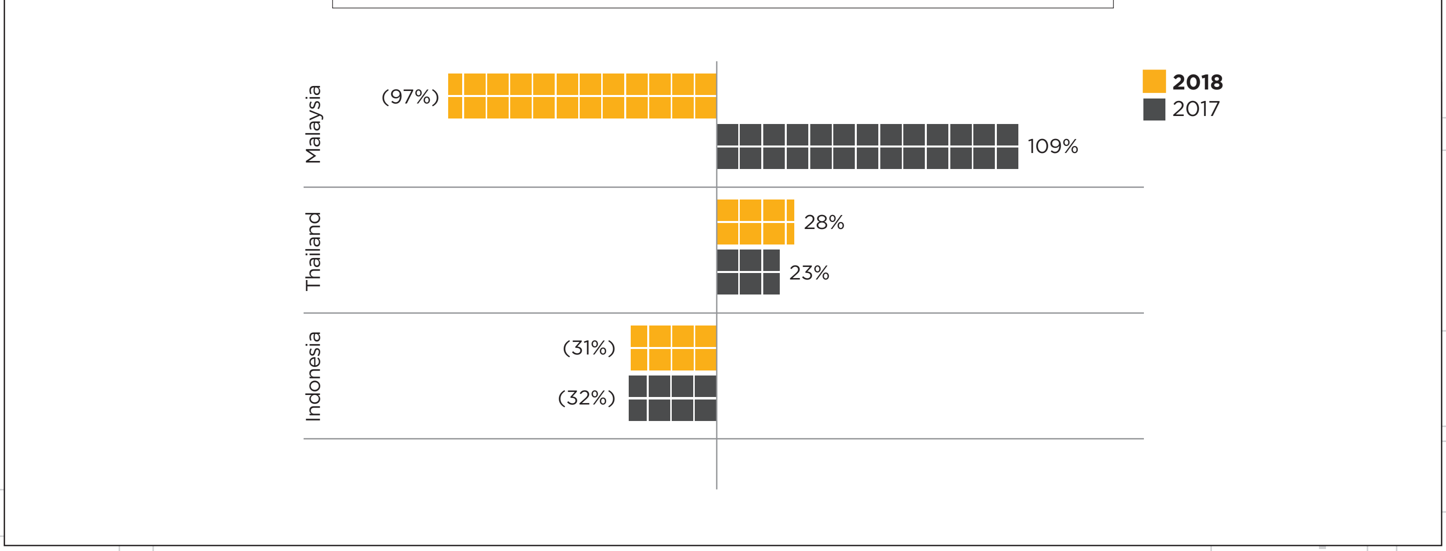


EBITDAR / (LBITDAR)[1]



[1] *EBITDAR / (LBITDAR) represents earnings/(loss) before finance cost, taxation, depreciation, amortisation and aircraft rental expenses*

PROFIT BEFORE TAX (PBT) / (LOSS BEFORE TAX) (LBT)

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100% Airline MRO
100% Adaptiveness
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Kailash Biharie, Brake Technician
AFI KLM E&M delivers services guaranteed to match your requirements 100%, buttressed by know-how rooted in the experience of an MRO backed by a group of world-class airlines. Our Global Network delivers those solutions on your doorstep, giving you the benefit of our wealth of innovations, so that our services are always the Best4You.
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ADAPTIVENESS®

GROUP QUARTERLY FINANCIAL PERFORMANCE

	2018			
	Q1	Q2	Q3	Q4
PnL (RM'mil)				
Revenue	1,265	1,054	1,077	1,175
EBITDAR	305	146	70	301
Operating Profit/(Loss)	61	(96)	(202)	33
Net Operating Profit/(Loss)	58	(99)	(205)	27
Profit/(Loss) Before Tax	55	(65)	(248)	31
Taxation	(14)	7	50	(117)
Profit/(Loss) After Tax	41	(58)	(198)	(86)
Basic EPS (sen)	1.0	(1.4)	(4.8)	(2.1)
Balance Sheet (RM'mil)				
Deposit, Cash and Balances	468	338	266	298
Total Assets	4,687	4,620	4,468	4,342
Total Borrowings	775	764	735	687
Shareholders' Equity	1,029	958	774	574
Net Debt	307	426	469	389
Net Gearing (x)	0.30	0.44	0.61	0.68

INVESTOR RELATIONS

AirAsia X recognises that, as a responsible organisation, we have a duty to maintain an open and honest relationship with our shareholders and the investment community at large. We further strengthen our standing in the marketplace by placing top priority on serving our guests, anticipating their needs and going one step beyond to ensure they have the best possible experience at every stage of their interaction with us.

We continued to improve the quality of our disclosures during the year to address rising demand from the investment community for more detailed and specific information as a result of the more challenging economic landscape. Effective teamwork between the Investor Relations team and various information providers and leaders within AirAsia X allowed us to provide the necessary information to better serve our stakeholders' needs.

To ensure that the investment community is kept abreast of our strategies, performance and key business activities, we continuously engage with our investors through a planned investor relations programme. In 2018, AirAsia X Investor Relations continued its strategy of diversifying its shareholder base by targeting more emerging market funds preferably with an Asian and/or Asean focus, and long-term funds focused on the aviation sector. We also target prospective investors with exposure in our peers as well as fixed-income investors.

INVESTOR MEETINGS, ROADSHOWS & CONFERENCES

During the year under review, the CEO and Investor Relations team continued their regular engagements by way of one-on-one meetings, conference calls, investment conferences and non-deal roadshow (NDRs) with analysts, fund managers, institutional shareholders and other stakeholders. AirAsia X reached out to a wider investor audience internationally by participating in six roadshows, conferences and corporate days in the United Kingdom, Hong Kong, Taiwan, Thailand and Singapore.

Locally, AirAsia X also participated in small group meetings as well as large group presentations organised by local and foreign research houses. We met more than 100 analysts and fund managers throughout 2018. We continued to uphold best practices in terms of providing as much disclosure as possible and sufficient guidance on the Group's strategies in all segments, markets and financial performance. Among efforts to uphold best practices is to update both the domestic buy- and sell-side in pre-closed period meetings every quarter to ensure that the investment community is kept abreast of latest developments. Management shared the Group's strategy and financial performance and received valuable feedback from both current and prospective shareholders.

ANALYST BRIEFINGS FOR QUARTERLY RESULTS ANNOUNCEMENTS

Subsequent to the release of our quarterly earnings disclosures to Bursa Securities, briefings are held for analysts and fund managers/investors via teleconferencing. These sessions are chaired by the Group CEO who is accompanied by the CEO, CFO and the Investor Relations team. To ensure that investors and analysts are provided with comprehensive and equal access to the results announcements, we provide a briefing pack which is emailed to our distribution list and is made available on the corporate website immediately after the announcement is made to Bursa Malaysia. The briefing pack includes the financial statements to the exchange, an analyst presentation and a press release.

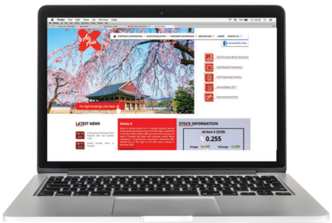
ANNUAL GENERAL MEETING

AirAsia X's 12th Annual General Meeting (AGM) was held on 4 June 2018 in Sepang, Malaysia. During the AGM, shareholders were able to raise questions and provide feedback to the Board and Leadership team. All the proposed resolutions were duly passed by the shareholders.

ANALYST COVERAGE

AirAsia X remains a well-covered stock amongst the investment community with 11 analysts and research houses maintaining core coverage on the stock as at end December 2018.

No	Research House	Analyst
1	Nomura	Ahmad Maghfur
2	KAF	Max Koh
3	Citi	Kaseedit Choonnawat
4	Public Invest	Nur Farah Syifaa' Mohamad Fu'ad
5	CIMB	Raymond Yap
6	Maybank	Mohshin Aziz
7	Macquarie	Ben Shane Lim
8	Alliance DBS	Ruzanna Faruk
9	MIDF	Adam Rahim
10	Affin Hwang	Isaac Chow
11	RHB	Alan Lim



Investor Relations Website

AirAsia X's corporate website at www.airasiax.com continued to be an important channel for disseminating investor information and receiving queries and feedback, both locally and overseas. The website contains the Group's annual reports, financial results, investor presentations, capital structure information, press releases and disclosures to Bursa Securities. The Investor Relations team continued to ensure that the website remained up-to-date with the latest investor-related Group disclosures.

SHAREHOLDER BASE

AirAsia X has a diversified shareholder base with 42,485 institutional and private/retail shareholders across the globe as at 31 December 2018. Our substantial shareholders are Tune Group Sdn Bhd – 17.83%, and AirAsia Group Berhad – 13.76% which together account for 31.59% holding of the Group. Meanwhile, our foreign shareholding as at 31 December 2018 stood at 9.62%.

AWARDS AND RECOGNITION

The concerted efforts carried out by Investor Relations department to effectively communicate and engage with the Investment Community were recognised with the achievement of various awards and recognition as follows:

Awards/Recognition	Venue	Recognition Body
Investor Relations:		
• Best Company for Investor Relations (Small Cap) • Best Investor Relations Website (Small Cap) • Best Investor Relations Professional (Small Cap) - Hanif Idrose	Kuala Lumpur, Malaysia	Malaysian Investor Relations Association (MIRA) Awards 2018
• Certificate for Excellence in Investor Relations	Singapore	IR Magazine Forum & Awards – South East Asia 2018
Annual Report:		
• Gold - Non-Traditional Annual Report: Airlines • Gold - Interior Design: Airlines • Gold - Cover Photo/Design: Airlines • Gold - Infographics: Airlines • Silver - Printing & Production: Airlines	Hamburg, Germany	32nd Annual International Annual Report Competition (ARC) Awards
• Gold - Integrated Presentation: Airlines • Gold - Interior Design: Airlines • Gold - Photography: Airlines • Silver - Infographics: Airlines • Silver - Printing & Production: Airlines • Silver - Typography: Airlines	London, United Kingdom	International Annual Report Design Awards 2018

FEEDBACK

AirAsia X highly values feedback from the investing community. This helps to ensure that we constantly meet their requirements while further improving our relationship with this stakeholder group through direct communication.

To further enhance our Investor Relations function, we seek constructive ideas through on-going engagement with stakeholders as well as provide an avenue through which they may communicate with the team at

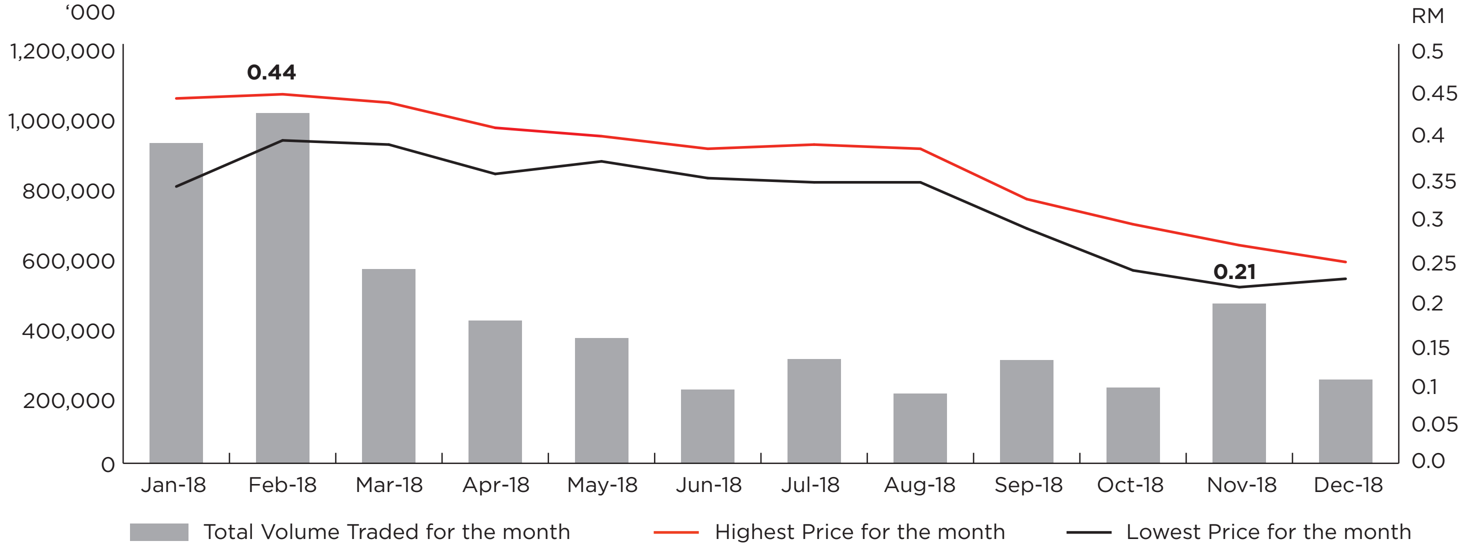
aax_ir@airasia.com

INVESTOR RELATIONS

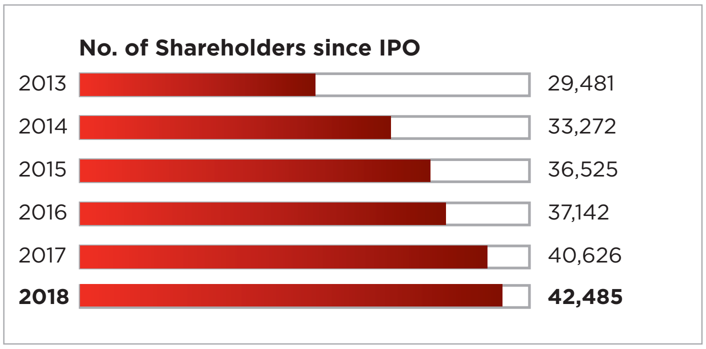
INVESTOR RELATIONS EVENTS

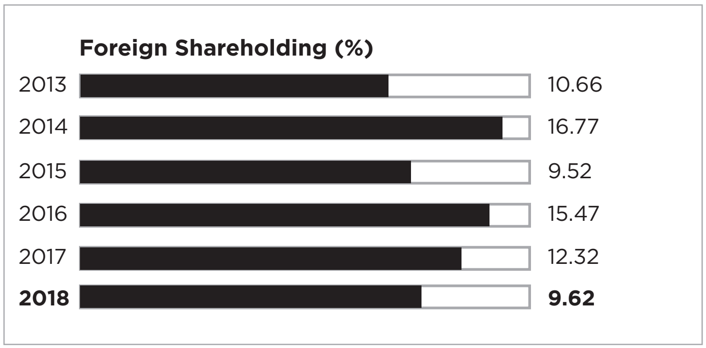
Month	Date	Details	Venue	Type
January	25 January 2018	KAF Corporate Day	Kuala Lumpur, Malaysia	Corporate Day
February	5 February 2018	Non-Deal Roadshow in Taipei- MIDF	Taipei, Taiwan	Non-Deal Roadshow
	21 February 2018	Announcement of the unaudited results for 4Q17	Sepang, Malaysia	Analysts' Briefing
	27 February 2018	Wealth Academy Investor Inner Circle Club	Kuala Lumpur, Malaysia	Presentation
March	26 March 2018	RHB Corporate Digest Luncheon	Kuala Lumpur, Malaysia	Analysts' Briefing
May	22 May 2018	Announcement of the unaudited results for 1Q18	Sepang, Malaysia	Analysts' Briefing
	23 May 2018	Bloomberg TV - Interview with Mr Benyamin Ismail	Kuala Lumpur, Malaysia	Interview
June	4 June 2018	12th Annual General Meeting	Sepang, Malaysia	AGM
	26-27 June 2018	Citi ASEAN C-Suite Investor Conference 2018	Singapore	Conference
	28 June 2018	MIRA Dialogue Session: Communicating What Analysts Want	Kuala Lumpur, Malaysia	Dialogue
July	2 July 2018	The 22nd ATRS World Conference	Seoul, South Korea	Conference
	11 July 2018	Goldman Sachs Aviation Summer Series: "Long-haul/Low-cost Carriers"	Kuala Lumpur, Malaysia	Conference
	26 July 2018	Citi Malaysia C-Suite Investor Corporate Day 2018	Kuala Lumpur, Malaysia	Conference
August	30 August 2018	Announcement of the unaudited results for 2Q18	Sepang, Malaysia	Analysts' Briefing
September	18 September 2018	MIRA Workshop: Storytelling Techniques in Investor Relations	Kuala Lumpur, Malaysia	Workshop
	26 September 2018	Non-Deal Roadshow in Bangkok	Bangkok, Thailand	Non-Deal Roadshow
	27-28 September 2018	Non-Deal Roadshow in London	London, United Kingdom	Non-Deal Roadshow
October	10-11 October 2018	Avalon: International Leasing School	Dublin, Ireland	Conference
	18 October 2018	MIRA Workshop: Shape Analysts' Expectations	Kuala Lumpur, Malaysia	Workshop
	30-31 October 2018	Airline Economics Growth Frontiers Hong Kong 2018	Hong Kong	Conference
	31 October 2018	AirFinance Journal Asia Pacific 2018	Hong Kong	Conference
November	1 November 2018	AirFinance Journal Asia Pacific 2018	Hong Kong	Conference
	21 November 2018	Announcement of the unaudited results for 3Q18	Sepang, Malaysia	Analysts' Briefing
December	5 December 2018	MIRA Investor Relations Awards 2018	Kuala Lumpur, Malaysia	Awards Ceremony - AirAsia X won Best Company, Best Investor Relations Website and Best IR Professional (Hanif Idrose)

SHARE PRICE PERFORMANCE



2018	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Volume ('000)	916,050	1,001,903	555,445	408,035	358,329	210,989	298,943	200,103	295,126	216,311	457,515	239,322
Highest (RM)	0.435	0.44	0.43	0.4	0.39	0.375	0.38	0.375	0.315	0.285	0.26	0.24
Lowest (RM)	0.33	0.385	0.38	0.345	0.36	0.34	0.335	0.335	0.28	0.23	0.21	0.22





Based on 31 December 2018 information

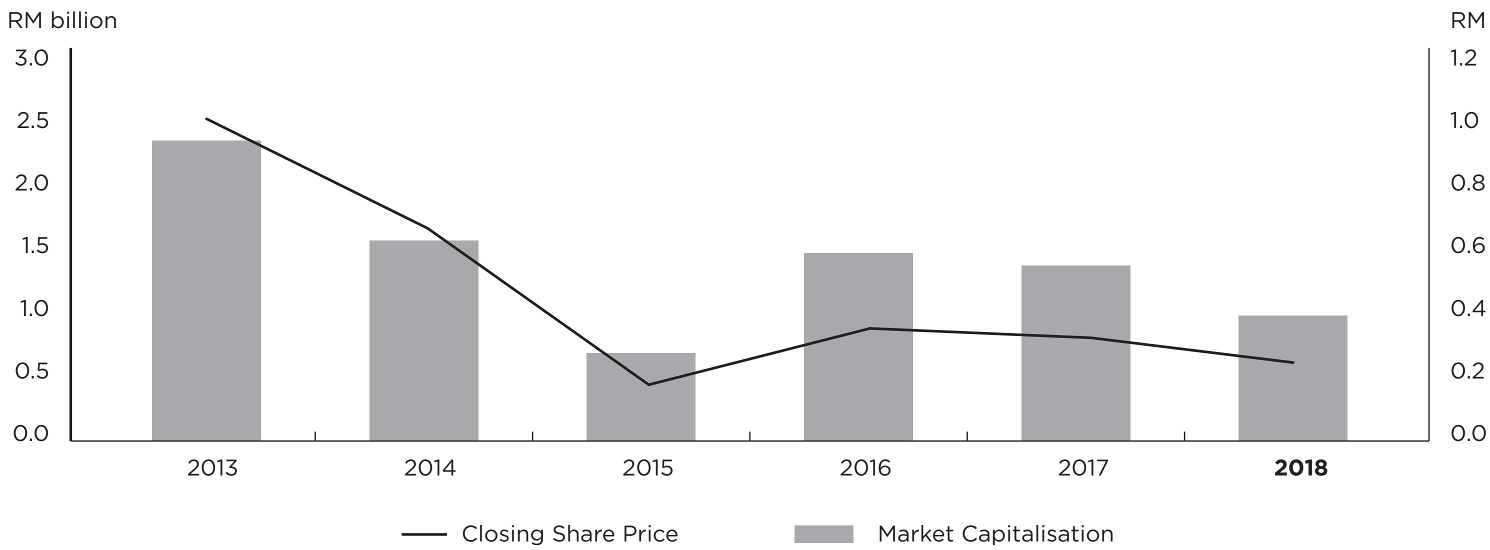
Individuals	**34.51%**
Others	**65.49%**

Based on 31 December 2018 information

Bumiputera	**37.85%**
Non-Bumiputera	**52.53%**
Foreign	**9.62%**

Bumiputera shareholdings include shares held through institution channelling funds of individual Bumiputera and trust agencies, such as Lembaga Tabung Haji, Permodalan Nasional Berhad and State Economic Development Corporations. For purposes of this submission, shares held by Khazanah Nasional Berhad, Minister of Finance Incorp, Bank Negara Malaysia, Employees Provident Fund Board, Kumpulan Wang Simpanan Pekerja and Kumpulan Wang Amanah Pencen should be classified under the non-Bumiputera column.

MARKET CAPITALISATION



Year	Closing Share Price	Market Capitalisation
2013	RM1.03	RM2.44 billion
2014	RM0.68	RM1.60 billion
2015	RM0.18	RM0.75 billion
2016	RM0.36	RM1.49 billion
2017	RM0.33	RM1.37 billion
2018	RM0.235	RM0.98 billion

ORDINARY SHARES

Highest Price	0.44	(23 February 2018)
Lowest Price	0.21	(29 & 30 November 2018)

Average Trading Volume

430 million

No. of Outstanding Shares

4,148,148,552

Market Capitalisation

RM0.98 billion

WARRANTS

Highest Price	0.21	(26 January 2018)
Lowest Price	0.045	(20 & 31 December 2018)

Listing Date

11 June 2015

Maturity Date

8 June 2020

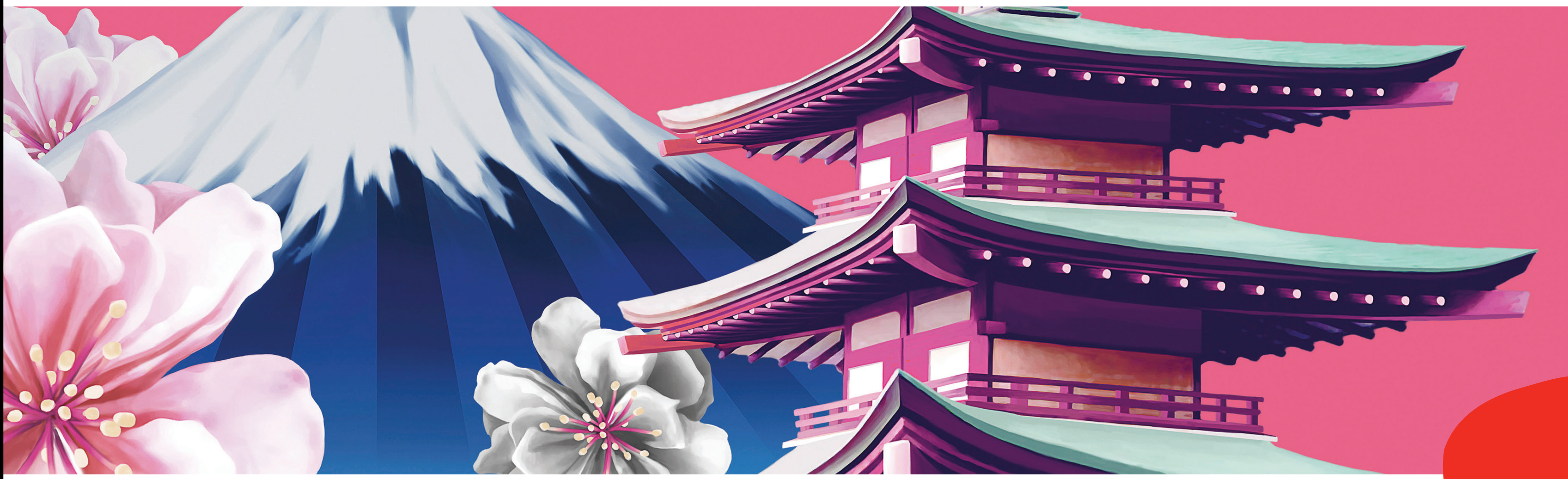
Issue Size

889 million

Exercise Price

RM0.46

AIRASIA X THAILAND: MASTER OF JAPAN NETWORK



For two years from 2015, when the International Civil Aviation Organization (ICAO) imposed a blanket foreign expansion ban on all Thai airlines, our associate was also affected. Immediately after this ban was lifted in 2017, AirAsia X Thailand set about increasing its frequency to popular routes – Osaka and Seoul. New routes were out of the question because of insufficient physical capacity. This changed in 2018, when AirAsia X Thailand received three new aircraft. Armed with the seats to support growth, it embarked on a new expansionary phase that is set to continue.

On 10 April, it inaugurated its first (daily) flight from Bangkok to Sapporo, equally famous for its beer as for its mountains and winter sports. This was followed, on 30 October, by the inaugural flight to Nagoya, the fourth most populous city in Japan and home to industrial names such as Toyota and Noritake. Further enhancing its country dominance, it also increased the frequency of flights to Tokyo (Narita) and Osaka from 14 and 7 flights a week to 21 and 14 flights per week, respectively.

The increased capacity to Japan was not incidental. It was based on a well thought out strategy that our AOC aptly called 'Master of Japan network'. Japan is the decade's fastest growing tourist destination, with overseas arrivals increasing 334% since 2010.[1] The number moreover is set to increase exponentially this and next year given that the nation will be hosting the 2019 Rugby World Cup and the 2020 Olympic Games. Travel pundits are calling Japan the new destination waiting to be explored – a land both exotic and enticing, with culturally steeped experiences few other countries can offer.

These attractions are not lost on Thais, who have also shown very strong interest in exploring its eastern neighbour. Japan is the third most visited country among Thais, after Malaysia and Laos, countries with which Thailand shares borders. With the addition of Nagoya and Sapporo, and the increased frequencies, AirAsia X Thailand now flies 21 times weekly to Tokyo, 14 times weekly to Osaka, and 7 times weekly to both Sapporo and Nagoya, commanding around 30% of the air travel market to Japan on Thai airlines, earning its moniker Master of Japan network.

At the same time, Thailand is a popular tourist destination for the Japanese. During the year, while the number of inbound tourists from China dropped, that from Japan increased 7%, followed by from Korea with 5% growth. Our associate can therefore be assured of strong loads both to and from the Land of the Rising Sun.

Along with its 32% increased capacity, as measured by available seat kilometre (ASK), AirAsia X Thailand was able to maintain a high load factor of 89%, and grow the number of guests flown for the year by an impressive 24% to 2.01 million. Meanwhile, efficient management of its aircraft led to a better utilisation rate of 13.9 hours, a significant 1.6 hours higher than in 2017.

These strong operational figures were reflected in our associate achieving its best financial results since becoming operational in 2014, with net profit surging 67% year-on-year from THB310 million to THB517 million on the back of a 31% increase in revenue from THB9.11 billion to THB11.95 billion.

In 2019, AirAsia X Thailand's expansion plans will receive another boost, in the form of the five more aircraft, among which two will be the fuel-efficient Airbus A330neo. These create the possibility of some very exciting new destinations, with our associate looking at both Europe and Australia. While tapping into these new regions, however, it will not stop deepening its network in its core North Asian market. During the year, it had entered into a partnership with L.POINT, an integrated membership service by Lotte, a well-known conglomerate. This will help to enhance its visibility in South Korea, providing the right kind of foundation to further grow its presence in the country which it currently serves through three flights a day to Seoul.

On safety standards, during the year, AirAsia X Thailand launched a Safety beyond Compliance Project so as to achieve the highest safety standards based on European Aviation Safety Agency (EASA) and the Civil Aviation Safety Authority (CASA) regulations. Within a year, AirAsia X Thailand has been authorised by EASA and CASA, and certified by the International Organization for Standardization (ISO) and the IATA Operational Safety Audit (IOSA). These ensure compliance with the most up-to-date global regulations and standards.

AirAsia X Thailand has set itself the challenge of increasing the number of guests carried by 50% in 2019. With an expanded fleet, a determined team and increasingly strong reputation, we feel quite certain that the target will be achieved.

1 *According to the UN's World Tourism Organization (UNWTO), as reported in a Telegraph UK article, https://www.telegraph.co.uk/travel/destinations/asia/japan/articles/japan-fastest-growing-travel-destination/*

AIRASIA X INDONESIA: CEASED SCHEDULED FLIGHT OPERATIONS

Our associate in Indonesia is perhaps a good example of a great product in the wrong place and time. Since it was set up in 2014, it has faced a series of obstacles preventing it from truly taking off. These have included delays in flight approvals, regulatory restrictions as well as, in 2018, a difficult business environment with an increasing cost of fuel and depreciating Indonesian Rupiah.

Most significantly, in the last couple of years, it has been besieged by natural disasters – many in the vicinity of Bali where AirAsia X Indonesia's operations are based. Since September 2017, Mt Agung has been spewing and erupting, at certain points forcing the closure of Ngurah Rai International Airport in Denpasar, Bali. Added to this, in 2018 earthquakes and tsunamis wreaked havoc in various popular island destinations especially in the second half the year, once again quelling tourist numbers.

According to the Central Statistics Agency, foreign tourist arrivals to Indonesia totalled 15.8 million in 2018, well short of the 17 million that the Ministry of Tourism had targeted.

ACCORDING TO THE CENTRAL STATISTICS AGENCY, FOREIGN TOURIST ARRIVALS TO INDONESIA TOTALLED 14.9 MILLION IN 2018, WELL SHORT OF THE 17 MILLION THAT THE MINISTRY OF TOURISM HAD TARGETED.

The drop in tourist confidence led to our associate terminating the Bali – Mumbai route it had launched in May 2017. A dual hub strategy was initiated in an attempt to capture a larger base of inbound and outbound travellers, by also operating out of the Soekarno-Hatta International Airport in Jakarta with the launch of a new route from Jakarta to Tokyo (Narita) in May 2018. Then came the avalanche of natural disasters, and termination of this route just five months later, in October. Our associate was left operating just a single route, from Bali to Tokyo (Narita).

When our associate reported its losses in the third quarter of the year, it also announced the management's tough but strategic decision to terminate its daily flights to Japan in January 2019 upon which the airline would operate only non-scheduled commercial flights. The last flight on this route was on 15 January 2019.

Despite the turn of events in 2018, AirAsia X Indonesia performed commendably in terms of operational parameters. Compared to year 2017 (when it was functional only from May till year-end), its capacity, as measured by available seat kilometre, grew 44%. Along with a seven percentage point increase in load factor to 76%, the number of guests flown increased by 32% to 416,000. This, together with more efficient aircraft utilisation of 12.3 hours a day as compared to 10.4 hours in 2017, contributed to a 21% increase in revenue to USD65.8 million.

Today, our associate looks forward to its journey as a charter flight operator. It has been analysing the market and sees great potential in the Hajj and Umrah sectors, which it might start serving some time in the second quarter of this year.

milesto

2007

05 JANUARY
Tan Sri Tony Fernandes and Datuk Kamarudin bin Meranun announce the launch of AirAsia X.

14 JUNE
AirAsia X places an order for 15 Airbus A330-300 aircraft.

10 AUGUST
AirAsia X announces a 20% investment by Sir Richard Branson's Virgin Group.

02 OCTOBER
AirAsia X receives its Air Operator's Certificate and Air Service License from the Department of Civil Aviation Malaysia.

02 NOVEMBER
The first flight to Australia's Gold Coast is launched, with pioneering assigned seating and pre-booked meals.

2008

04 FEBRUARY
The Kuala Lumpur – Hangzhou, China route is launched.

13 MARCH
More than 100,000 seats have been sold, valued at approximately RM100 million.

27 MARCH
An order is placed for another 10 Airbus A330-300 aircraft, bringing the airline's total order to 25 A330-300 aircraft.

31 OCTOBER
AirAsia X takes delivery of its first brand-new Airbus A330-300 aircraft in Toulouse, France.

02 NOVEMBER
AirAsia X celebrates its first anniversary with a second Australian destination, Perth.

13 NOVEMBER
AirAsia X's inaugural flight from Kuala Lumpur to Melbourne, Australia takes off.

2009

13 JANUARY
The Supersize baggage policy is introduced.

17 FEBRUARY
Passengers can make use of a web-based self check-in facility.

11 MARCH
AirAsia X celebrates its inaugural flight to Stansted, London.

02 APRIL
Transport Minister Dato' Sri Ong Tee Keat sends off AirAsia X's first flight to Tianjin, China.

28 APRIL
AirAsia X and AirAsia partner Scicom (MSC) Berhad to establish a world-class, state-of-the-art global contact centre.

16 JUNE
AirAsia X orders 10 Airbus A350-900 aircraft with an option for another five.

24 JUNE
With the administration fee abolished, passengers now pay only for their seats and airport tax.

26 JUNE
AirAsia X sponsors the Oakland Raiders, three-time National Football League (NFL) Super Bowl champion.

01 JULY
A new route to Taipei, Taiwan is launched.

08 AUGUST
AirAsia X celebrates the 42nd ASEAN Day at the Low Cost Carrier Terminal (LCCT) in Sepang.

20 OCTOBER
A new route is launched to Chengdu, China.

corporate
ones

AN 11-YEAR GROWTH STORY

2010

20 JANUARY
Self check-in kiosks are introduced at the LCCT and selected regional airports.

10 FEBRUARY
AirAsia X and AirAsia are the title sponsors of the 2010 AirAsia British Grand Prix at Silverstone.

05 APRIL
AirAsia X intoduces its popular Premium flatbeds.

08 APRIL
AirAsia X and AirAsia put a Malaysian team in the 2010 MotoGP World Championship.

06 MAY
AirAsia X launches a new route to Mumbai, India.

04 AUGUST
New routes are launched to New Delhi, India and Tehran, Iran.

02 NOVEMBER
Seoul, South Korea becomes AirAsia X's 12th destination.

09 DECEMBER
A new route is launched to Tokyo (Haneda), Japan.

2011

17 JANUARY
The Fly-Thru service is launched at the LCCT.

27 JANUARY
Passengers can upgrade to Premium Class for a nominal fee via OptionTown.

03-07 FEBRUARY
2,380 Malaysians are returned on AirAsia X rescue flights from the Egyptian cities of Cairo and Alexandria.

14 FEBRUARY
Valentine's Day is celebrated with the first flight to Paris Orly, France.

01 APRIL
AirAsia X launches a new route to Christchurch, New Zealand.

07 APRIL
Adventurer Khoo Swee Chow is flown to eight destinations within AirAsia X's network, namely China, the UK, France, Iran, Japan, Korea, Taiwan and New Zealand, to scale their highest peaks, culminating with a successful ascent of Mount Everest on 21 May.

10 MAY
AirAsia X joins the Group's year-long "To Japan with Love" campaign.

26 MAY
Celebrity Chef Shingun is to prepare Korean dishes for Seoul – Kuala Lumpur flights.

22 JUNE
A Memorandum of Understanding (MOU) is signed with Rokki Sdn Bhd (formerly known as Tune Box Sdn Bhd) for the development of an In-Flight Entertainment (IFE) solution.

28 JUNE
The Malaysian Government lifts route restrictions on AirAsia X, with the exception of Sydney.

30 NOVEMBER
AirAsia X touches down at Kansai International Airport in Osaka, Japan.

2012

12 JANUARY
AirAsia X announces the suspension of flights to London, Paris, Mumbai and New Delhi as part of its network consolidation.

09 FEBRUARY
The Empty Seat Option (ESO) via OptionTown is launched.

02 APRIL
The long-awaited route to Kingsford Smith International Airport, Sydney, Australia is launched.

22 JUNE
AirAsia X transfers its service from Tianjin to Beijing, China.

10 JULY
Kathmandu, Nepal becomes a new destination from Kuala Lumpur.

23 JULY
The Samsung Galaxy Tab 10.1 is made available on all flights as a pre-booked option.

09 AUGUST
A letter of intent is signed with the International Lease Finance Corporation (ILFC) for the lease of six Airbus A330-300 aircraft.

02 NOVEMBER
An Australian wins AirAsia X's Friendsy Facebook contest – held to celebrate the airline's fifth anniversary – and gets to fly with 300 of her family and friends from Sydney to Kuala Lumpur on their own exclusive flight.

CORPORATE MILESTONES

2013

01 FEBRUARY

AirAsia X caters to guests who like their peace and quiet with the launch of the Quiet Zone.

16 FEBRUARY

AirAsia X's first flight to Jeddah, Saudi Arabia takes off.

19 FEBRUARY

AirAsia X's first flight to Shanghai, China takes off.

26 FEBRUARY

The Red Carpet service is launched, providing VIP treatment to guests.

10 APRIL

AirAsia X launches the 'Fly Home to Vote' campaign in conjunction with Malaysia's 13th General Elections.

23 APRIL

AirAsia X receives its 10th Airbus A330-300 aircraft in Toulouse, France.

12 MAY

Sir Richard Branson dresses as a flight attendant and serves on board flight D7237 from Perth to Kuala Lumpur.

10 JUNE

AirAsia X launches its Initial Public Offering (IPO) prospectus.

13 JUNE

AirAsia X launches a Shareholders' Benefit Programme for retail investors who maintain their IPO shares for the first three years, subject to terms and conditions.

10 JULY

AirAsia X commences trading under AAX (Stock Code: 5238) on the Main Market of Bursa Malaysia.

15 JULY

AirAsia X arrives in Busan, its second destination in South Korea after Seoul.

29 AUGUST

AirAsia X completes its rescue mission in Cairo, after having brought home a total of 1,110 Malaysians.

14 OCTOBER

AirAsia X Thailand receives its Air Operator's License from the Ministry of Transport Thailand.

18 DECEMBER

The single largest aircraft type firm order of 25 Airbus A330-300 aircraft is sealed with Airbus, valued at USD6 billion.

2014

04 FEBRUARY

AirAsia X Thailand obtains its Air Operator's Certificate and appoints Nadda Buranasiri as its new CEO.

28 APRIL

AirAsia X signs an MOU with GE for the supply of CF6 engines for its fleet.

09 MAY

AirAsia X together with AirAsia Berhad begin operations in klia2.

25 MAY

AirAsia X signs a Commercial Marketing Agreement with Air Busan offering customers affordable fares to Jeju Island from Busan, both in South Korea.

17 JUNE

AirAsia X Thailand launches its inaugural flight from Bangkok to Seoul, South Korea with a 100% load factor.

02 JULY

AirAsia X sends off its first flight to Xi'an, China marking it as the only airline from Kuala Lumpur to connect both cities.

15 JULY

AirAsia X and Airbus sign an MOU for Airbus A330neo aircraft valued at USD13.8 billion.

AirAsia X is named the World's Best Low-Cost Airline – Premium Class Seat and World's Best Low-Cost Airline – Premium Cabin at the Skytrax World Airline Awards in London.

15 AUGUST

AirAsia X unveils a new livery, called Xcintillating Phoenix, for its 21st aircraft - the name being the winning entry by Denzel Yap in a social media contest.

28 AUGUST

AirAsia X Indonesia obtains its Air Operator's Certificate.

04 SEPTEMBER

AirAsia X flies the first batch of Malaysian Battalion (MALBATT) 850-2 to Lebanon.

30 OCTOBER

AirAsia X is presented with an Excellence award by Expatriate Lifestyle's The Best of Malaysia Awards.

19 NOVEMBER

AirAsia X supports Neubodi's 'Uplift Charity Trail' to donate bras to village women in Nepal.

21 NOVEMBER

AirAsia X commences flights to Narita, Tokyo.

25 NOVEMBER

AirAsia X supports the Awesome All Stars, Malaysia's elite cheerleading team, to compete in the 2014 Australian All Star Cheer & Dance Championship held in the Gold Coast.

28 NOVEMBER

AirAsia X welcomes its 22nd Airbus A330-300 aircraft, called Rhythmic Experience, powered by Rolls-Royce's 1,500th Trent 700 engine.

03 DECEMBER

AirAsia X sponsors 87 return flights from Shanghai to Kuala Lumpur for the Shanghai Symphony Orchestra in support of a charity concert organised by the Alzheimer's Disease Foundation Malaysia.

10 DECEMBER

AirAsia X, together with AirAsia, announces global football icon Park Ji Sung as its new global ambassador with the unveiling of a Park Ji Sung livery.

15 DECEMBER

AirAsia X places a firm order for 55 Airbus A330neo aircraft.

19 DECEMBER

AirAsia X helps to spread Christmas cheer at klia2.

2015

30 JANUARY

AirAsia X announces leadership changes with Datuk Kamarudin Meranun as Group CEO and Benyamin Ismail as Acting CEO.

13 FEBRUARY

AirAsia X launches its inaugural flight from Kuala Lumpur to Chongqing, China.

25 FEBRUARY

AirAsia X appoints Cheok Huei Shian as Chief Financial Officer.

05 MARCH

Civil Aviation Safety Authority (CASA) approves AirAsia X Indonesia's direct flight from Melbourne, Australia to Bali, Indonesia.

28 MARCH

AirAsia X supports young climbers taking part in the Misi Perdana UTM Everest 2015.

29 APRIL

AirAsia X offers free flights to Nepal for NGOs and humanitarian agencies in aid of relief efforts.

12 MAY

AirAsia X receives the IATA Operational Safety Audit (IOSA) Registration.

18 MAY

AirAsia X Indonesia launches its inaugural flight from Bali to Melbourne.

02 JUNE

AirAsia X and Flight Centre sign a Key Supplier Agreement.

16 JUNE

AirAsia X is named the World's Best Low-Cost Airline Premium Cabin & Premium Seat for the third consecutive year.

11 JULY

AirAsia X's leadership team brings cheer to orphans at Rumah Kasih Sayang.

12 AUGUST

AirAsia X and AirAsia reveal 'Hitman' David Foster as their new global ambassador.

27 AUGUST

AirAsia X Malaysia and AirAsia X Thailand collaborate with Lotte World to offer attraction tickets on flights to Seoul.

01 SEPTEMBER

AirAsia X names Benyamin Ismail as its CEO.

08 SEPTEMBER

AirAsia X and AirAsia continue to fly Malaysian heroes on peacekeeping missions.

28 SEPTEMBER

AirAsia X Thailand celebrates its inaugural flight from Bangkok to Shanghai, China.

01 OCTOBER

AirAsia X launches its inaugural flight from Kuala Lumpur to Sapporo, Japan.

17 OCTOBER

AirAsia X Indonesia celebrates its inaugural flight from Bali to Sydney, Australia.

19 NOVEMBER

AirAsia X bids *namaste* (hello) to New Dehli with the launch of a new route to the Indian capital.

20 NOVEMBER

AirAsia X and AirAsia introduce exclusive inflight dishes based on winning recipes from the AirAsia Challenge on the MasterChef Asia TV series.

CORPORATE MILESTONES

2016

12 JANUARY

AirAsia X announces the launch of daily flights to New Zealand from Kuala Lumpur via Australia's Gold Coast, with prices from as low as RM499.

30 JANUARY

AirAsia X, together with AirAsia, holds a community event in Bangsar, Kuala Lumpur as part of the #GREEN24 movement, attracting the participation of over 20 environmental organisations and inspiring the public to drop off recyclables.

04 FEBRUARY

AirAsia X's maiden flight from Kuala Lumpur to New Delhi lands in the Indian capital, carrying a passenger load of over 90%.

13 FEBRUARY

In conjunction with Chinese New Year, the management and employees of AirAsia X spend the morning at the Ampang Old Folks Home in Kuala Lumpur where they distribute ang pow and gift hampers to the senior citizens.

23 MARCH

AirAsia X commences daily flights connecting Kuala Lumpur to Auckland via Australia's Gold Coast, with the inaugural flight carrying a passenger load exceeding 95%.

20 APRIL

AirAsia X enters into a partnership with MY ecolodge to offer special travel packages to the Niseko region of Hokkaido from June to October.

14 MAY

AirAsia X Malaysia and AirAsia X Thailand announce thrice weekly flights to Tehran, Iran from Kuala Lumpur and Bangkok starting from 21 June and 22 June, respectively.

21 MAY

Passengers on board flight D7232 from Kuala Lumpur to Perth are treated to an X-Men: Apocalypse themed journey, with characters from the Hollywood blockbuster movie on board, and the aircraft itself boasting X-Men: Apocalypse livery.

25 MAY

AirAsia X announces a new route, connecting Kuala Lumpur with the Indian Ocean's island of Mauritius, to commence with thrice weekly flights in October.

02 JUNE

AirAsia X welcomes two brand-new Airbus A330-300 aircraft into its fleet in klia2.

21 JUNE

AirAsia X successfully launches thrice weekly Kuala Lumpur – Tehran flights.

22 JUNE

AirAsia X Thailand launches its inaugural flight from Bangkok to Tehran.

12 JULY

AirAsia X wins the World's Best Low-Cost Airline Premium Cabin and World's Best Low-Cost Airline Premium Seat awards for the fourth consecutive year at the 2016 Skytrax World Airline Awards held at the Farnborough International Airshow.

17 JULY

AirAsia X announces special Travel Great8 fares to celebrate its winning streak at the Skytrax Awards.

02 AUGUST

The management and about 20 Allstars spend an afternoon with 75 special needs children at the Persatuan Penjagaan Kanak-Kanak Cacat Klang Selangor, playing games, giving out gifts and duit raya as well as treating the children to a scrumptious meal.

02 SEPTEMBER

AirAsia opens its Premium Red Lounge to guests at klia2, offering an elevated travelling experience with 24-hour service and facilities such as a buffet spread, wireless internet, lounge, workstations and showers.

23 SEPTEMBER

Together with AirAsia, AirAsia X announces its sponsorship of Korean drama *On the Way to the Airport* by Korean Broadcasting System (KBS), in which the main characters are an AirAsia pilot and cabin crew.

27 SEPTEMBER

AirAsia X flies back the last batch of Malaysian Battalion (MALBATT) 850-3 who had been serving under the United Nations Interim Force in Lebanon for a year. About 210 officers, rank and file staff and personnel from the Royal Brunei Armed Forces land in the air base in Subang in the evening.

04 OCTOBER

AirAsia X's first flight to Mauritius lands at Sir Seewoosagur Ramgoolam International Airport in Port Louis with a 100% passenger load, marking the airline's first foray into the African continent.

06 OCTOBER

AirAsia Cargo is named Low Cost Carrier of the Year in both the Industry Choice and Customer Choice categories of the Payload Awards Asia 2016 held in Hong Kong.

19 OCTOBER

Australian singer and X Factor judge Guy Sebastian is named AirAsia X's latest ambassador.

31 OCTOBER

AirAsia X celebrates its ninth birthday with a string of anniversary specials including promotional seats with base fares starting from RM99 one way and daily flight giveaways.

03 NOVEMBER

AirAsia X unveils a special 9th birthday livery dedicated to guests and Allstars, in the Gold Coast, Australia – its first destination, launched in 2007.

07 NOVEMBER

AirAsia X and AirAsia Allstars officially move into the Group's new corporate base, called RedQ, located next to klia2.

14 DECEMBER

AirAsia X announces it is the main sponsor of the most anticipated annual convention among Malaysia's comic artists, illustrators, cosplayers and fans of animation, comics and games – the Comic Fiesta 2016 – to be held on 17 and 18 December at the Putra World Trade Centre.

23 DECEMBER

Hundreds of travellers departing from klia2 are pleasantly surprised to be serenaded by Allstars and to receive Christmas treats, snacks and special gifts at the boarding gates.

2017

16 JANUARY

AirAsia X announces special all-in fares from RM199 one way for its four times weekly direct flights from Kuala Lumpur to Wuhan, China.

19 JANUARY

Guests travelling on board AirAsia X (flight code D7) flights will now enjoy an enhanced inflight experience with the introduction of the latest Xcite Inflight Entertainment tab which offers hours of entertainment with a wide range of content, high resolution touch screen device and an advanced audio technology right in the comfort of their seats.

24 JANUARY

AirAsia X receives clearance from the Federal Aviation Authority (FAA) to fly to the US. The airline is the first Asian low-cost carrier to secure approval to operate scheduled passenger flights to the US.

10 FEBRUARY

AirAsia X continues to lead the way with the launch of its Hawaii route, the airline's maiden service to the US.

22 MARCH

AirAsia X announces a special celebration for its daily direct flights from Kuala Lumpur to Wuhan, with 8,888 promotional seats from as low as RM188 one way.

27 APRIL

AirAsia X announces that it will fly the national badminton team to the Gold Coast, Australia in May to participate in the highly anticipated 2017 Total BWF Sudirman Cup as part of the airline group's #DARETODREAM sports initiative.

19 JUNE

AirAsia X announces its Fly High & Get Rewarded! Contest to reward guests for spending on flights and add-ons.

21 JUNE

AirAsia X scoops up the World's Best Low-Cost Airline Premium Cabin and World's Best Low-Cost Airline Premium Seat awards for the fifth straight year.

28 JUNE

AirAsia X lands at Daniel K. Inouye International Airport with a remarkable load factor of over 90%, marking the airline's first foray into the US. The four times weekly route departs from Kuala Lumpur, Malaysia for Honolulu, Hawaii via Osaka, Japan.

15 JULY

The AirAsia X management team along with Allstars Fun team spend almost an entire day with 50 Rohingya refugee schoolchildren in the age group of three to 14 years at the Rohingya Community School in Cheras to celebrate Hari Raya.

20 JULY

AirAsia and AirAsia X bag the "Company of the Year Award: Airline Category" at the CSR Malaysia Awards 2017 where AirAsia X tops the category for championing community projects, while AirAsia was awarded for its cancer awareness initiatives under the #AirAsiaMAKNA campaign.

7 AUGUST

AirAsia X launches a contest called Ultimate Xventure for youth aged between 18 and 32 seeking unforgettable adventure travel experiences.

21 AUGUST

Creative director, Emalina Aimi Edris along with her three travel buddies emerge as winners at the AirAsia X Ultimate Xventure Challenge final held at Sunway Lagoon Extreme Park. They won a grand prize of a four-day and three-night trip to New Zealand after defeating three other teams in the challenge.

25 AUGUST

AirAsia X's 2016 annual report wins two gold awards at the International Annual Report Competition (ARC) for the first time ever. The airline wins the top prize for the Best Non-Traditional Annual Report (Airlines) and Printing and Production (Airlines). It also bags a silver in the Cover Photo/Design (Airlines) category.

18 SEPTEMBER

AirAsia X readily lends its support to 10 Malaysian tourists who were victims of fire which destroyed a three-storey wooden vacation house in Christchurch, New Zealand.

9 OCTOBER

AirAsia X announces Jeju, South Korea as its latest destination, setting its course to commence four times weekly exclusive direct flights from Kuala Lumpur to the idyllic island on 12 December 2017 with promotional all-in fares from RM199 one way.

19 OCTOBER

AirAsia X's 2016 annual report wins the Best of Malaysia category in the 31st Annual International Annual Report Competition (ARC) Awards.

26 OCTOBER

AirAsia X reaffirms its commitment to make long-haul flying affordable for everyone in celebration of its 10th anniversary, through an extensive network expansion to stimulate regional demand in preparation for new aircraft delivery. The airline celebrates the milestone today in the Gold Coast, Australia which was the maiden destination of AirAsia X a decade ago on 2 November 2007. An aircraft painted with a special commemoration livery was received at the Gold Coast International Airport by senior executives of AirAsia X, Gold Coast Airport Limited and Tourism Events Queensland.

6 NOVEMBER

AirAsia X achieves yet another milestone with the announcement of direct flights from Kuala Lumpur to Jaipur, India four times weekly effective 5 February 2018.

13 DECEMBER

AirAsia X makes its maiden entry to the South Korean island of Jeju with the successful landing of flight D7501 on Airbus A330-300 at Jeju International Airport, making it the only airline with direct connections between Kuala Lumpur and the largest island off the coast of the Korean Peninsula.

19 DECEMBER

AirAsia X announces the appointment of Wong Mee Yen as Chief Financial Officer with effect from 1 January 2018.

2018 Corporate

6 FEBRUARY

AirAsia X flies to Jaipur
AirAsia X announced its latest route from Kuala Lumpur to Jaipur, making it easier for Malaysians to travel to north-west India.

26 FEBRUARY

Sony Partnership for Latest Noise Cancelling Headphones
As of today, Premium Flatbed seats on AirAsia X flights between Kuala Lumpur and Tokyo Haneda will feature Sony's h.ear on 2 Wireless Noise Cancelling WH-900N headphones. The headphones come together with the airline's Xcite inflight entertainment tablets.

3 APRIL

Inspiring Today's Youth
AirAsia X flew 42 Universiti Teknologi Malaysia (UTM) students to Melbourne as part of our sponsorship of the Australia Cultural and Technology Exchange 2018 (ACUTE18). The global talent programme was hosted at Melbourne University from 3-7 April.

12 APRIL

IOSA registration renewed for third time
AirAsia X Malaysia received its third biennial IATA Operational Safety Audit (IOSA) registration, affirming our commitment to the highest standards of operational safety. IOSA is an internationally recognised and accepted evaluation system designed to assess an airline's operational management and control systems, and is regarded by the industry as the global benchmark for safety management.

Events

1 MAY

Announcing Flights to Amritsar
AirAsia X announced a new direct route from Kuala Lumpur to Amritsar in northern India as part of expansion plans in India. Amritsar is a popular religious, tourism, commerce and trade destination.

25 MAY

AirAsia launches UFC branded livery
As a sponsor of UFC and presenting sponsor of UFC® FIGHT NIGHT SINGAPORE: COWBOY VS EDWARDS presented by AirAsia, we launched the first UFC branded livery on an AirAsia Airbus A330-300.

1 MAY

Surfboards fly free with AirAsia
As Australia's Official Airline of Surfing, AirAsia announced that as of today, surfers from across Australia will be able to travel with their surfboards to and from surfing hot spots such as Indonesia, Thailand, the Maldives, Japan and the Philippines at no additional cost.

29 MAY

AirAsia X set to fly daily to Honolulu
AirAsia X is set to operate seven flights a week to Honolulu, Hawaii from Kuala Lumpur, Malaysia via Osaka, Japan beginning 16 August 2018 on the back of robust demand from Southeast Asia.

2018 CORPORATE EVENTS

10 JULY

AirAsia to transition Melbourne services to Avalon
AirAsia X confirmed it will transition its twice daily Melbourne (Australia) service from Tullamarine Airport to Avalon Airport from 5 December this year. The flight will deliver guests from Malaysia and Asean closer to one of Australia's top tourism drawcards, the Great Ocean Road, while continuing to provide convenient and affordable access to downtown Melbourne.

17 JULY

Celebrating six years of being the best
AirAsia X was presented the World's Best Low-Cost Airline Premium Cabin for the sixth consecutive year at the 2018 Skytrax World Airline Awards held at The Langham, London.

12 JULY

Sharing festive joy with the homeless and urban poor
AirAsia X Malaysia CEO Benyamin Ismail along with a group from the management team, distributed packed food to the homeless and urban poor in Kuala Lumpur in the spirit of sharing during the Hari Raya Aidilfitri festive season. The children also received duit raya.

19 JULY

AirAsia confirms 66 A330neo and orders a further 34
AirAsia X places an order for an additional 34 Airbus A330neo wide-body aircraft. The latest agreement reaffirms AirAsia X's position as the largest airline customer for the Airbus A330neo, with the total number of aircraft ordered increasing to 100. All the Airbus A330neo aircraft ordered by AirAsia X are the larger A330-900 model.

25 JULY

Datuk Kamarudin Meranun receives Lifetime Achievement Award
Former AirAsia X Group CEO Datuk Kamarudin Meranun was presented the prestigious Lifetime Achievement Award at the 8th Global Leadership Awards held in Kuala Lumpur. The award was conferred based on his remarkable career, deep dedication in spearheading corporate and community development and continued efforts in steering AirAsia to greater heights.

26 JULY

From Bangkok direct to Nagoya
Thai AirAsia X announced direct flights from Bangkok (Don Mueang) to Nagoya, a city of culture in the heart of Japan and the capital of Aichi prefecture in the Chubu region. The service is to be launched on 30 October 2018, strengthening our associate's position as the long-haul low-cost carrier with the largest coverage of destinations in Japan.

26 JULY

Search for joint ambassador with Sony Malaysia
AirAsia X announced a new partnership with Sony Malaysia by launching a global search for the first ever joint brand ambassador to represent the leading travel and visual technology brands. The ambassador stands to win a year's air travel courtesy of AirAsia and latest Sony camera equipment.

17 AUGUST

Launch of flights to Amritsar
AirAsia X's inaugural service to the holy city of Amritsar (India) took flight, adding an exciting new destination to the airline's fast-growing long-haul network. Flight D7188 departed from Kuala Lumpur with AirAsia's fun team dancing to Bhangra beats while guests and dignitaries onboard were treated to traditional Indian sweets and gifts amongst other entertainment as part of the celebrations.

2018 CORPORATE EVENTS

5 SEPTEMBER

AirAsia X teams up with Renowned Theme Park
AirAsia X Thailand has joined hands with Lotte World, a theme park and full-fledged entertainment centre in Seoul, South Korea, to introduce a Lotte World livery depicting the park's mascots and iconic castle as well as Lotte World Tower, South Korea's tallest skyscraper. The new livery is part of a promotion and media exchange agreement between our associate and Lotte World.

14 OCTOBER

More affordable and convenient travel for Victorians
AirAsia and SkyBus announced an enormous boost in bus services to Melbourne's West, as the region prepares for the first-ever international flights to touch down at Avalon Airport on 5 December. Around 4,500 new SkyBus services per year will be delivered under the deal, almost doubling the number of existing services connecting Melbourne's Southern Cross Station in the heart of the CBD with Werribee and the new international terminal at Avalon.

25 SEPTEMBER

AirAsia Delivers Summer Boost for Gold Coast
AirAsia X announced additional flights between Kuala Lumpur and the Gold Coast for the Christmas and New Year season. From 13 December 2018 to 12 January 2019, the daily service was ramped up to 11 flights per week, offering holidaymakers and Australians an affordable overseas getaway for their summer.

30 OCTOBER

Direct flights from Taipei to Osaka
AirAsia X announced the launch of four times weekly direct flights between Taipei and Osaka commencing 30 January 2019, making it the only low-cost carrier (LCC) operating this route.

11 OCTOBER

Expansion into China
AirAsia X announced an exclusive direct service between Kuala Lumpur and Tianjin, connecting the coastal city in China of more than 15 million people with Southeast Asia and beyond from 2 December 2018.

31 OCTOBER

AirAsia X celebrates 11th anniversary
AirAsia X announced an 11th anniversary sale to popular destinations such as Chengdu, Hangzhou, Wuhan, Chongqing, Xi'an, Taipei, Tokyo, Osaka, Sapporo, Busan, Perth, Melbourne, Gold Coast, Sydney and New Delhi at very affordable prices.

1 NOVEMBER

New Group Chief Executive Officer
AirAsia X announced the appointment of AirAsia X Thailand CEO Nadda Buranasiri as the new AirAsia X Group CEO, and the re-designations of Co-Group CEOs Datuk Kamarudin Meranun and Tan Sri Tony Fernandes as Non-Executive Directors. Datuk Kamarudin and Tan Sri Fernandes will continue to oversee the strategic direction of the business and its operations as Directors of AirAsia X Berhad.

2019
BEST
LOW-COST CARRIER
ASIA/PACIFIC
AirlineRatings.com
AIRASIA (KL) /
AIRASIA X

15 NOVEMBER

Champions at the 2019 AirlineRatings.com Airline Excellence Awards
AirAsia X Malaysia and AirAsia were awarded Best Low-Cost Carriers Asia Pacific for 2019 at the industry-led AirlineRatings.com Airline Excellence Awards. Judged by a panel of industry experts with a combined 200 years of experience, the awards bring together four major international industry and government safety audits alongside demonstrable leadership in the areas of innovation, value and passenger comfort.

29 NOVEMBER

Exclusive direct flights to Fukuoka
AirAsia X announced the launch of a direct Kuala Lumpur – Fukuoka service. The four times weekly flights, to commence on 28 February 2019, will be the airline group's fifth destination in Japan and fourth route from Kuala Lumpur, strengthening Malaysia - Japan bilateral ties while stimulating local trade and tourism growth.

5 DECEMBER

Touch down at Avalon
AirAsia X touched down at Melbourne's Avalon Airport, launching the first international service to and from Victoria's second airport in Melbourne's Southwest.

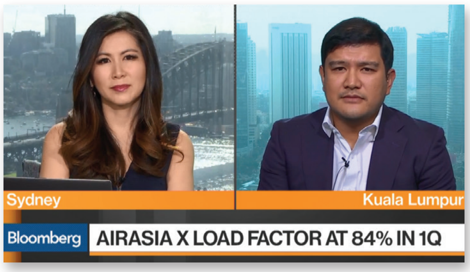
IOSA
IATA OPERATIONAL
SAFETY AUDIT

18 DECEMBER

AirAsia X Thailand completes IOSA
AirAsia X Thailand completed its Operational Safety Audit (IOSA) by the International Air Transportation Association (IATA), affirming its commitment to maintaining the highest safety standards at all times. The airline is the fifth in AirAsia Group to become IOSA registered.

MEDIA HIGHLIGHTS

TELEVISION

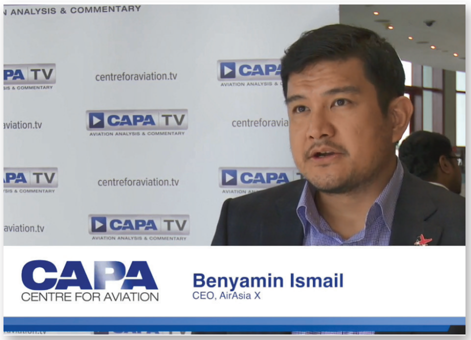


23 MAY 2018 – Bloomberg
AirAsia X net income at $10.5 million, launches services to Amritsar, India

10 JULY 2018 – Nine News Australia
After almost a decade of operations at Tullamarine, AirAsia announces its transition date to Melbourne Avalon

10 JULY 2018 – The EDGE TV
AirAsia X moves to Melbourne Avalon Airport from December 5

29 OCTOBER 2018 – GTV Gala Televisyen Corporation
AirAsia X launched Taipei-Osaka route



8 NOVEMBER 2018 – CAPA TV
AirAsia X Drops Auckland But Will Relook At Resuming Expansion To Australia/New Zealand

9 NOVEMBER 2018 – Astro Awani (LIVE)
AAX Contemplating Narrowbody Switch

29 NOVEMBER 2018 – Astro Awani
AirAsia X Lancar Penerbangan Terus KL-Fukuoka

5 DECEMBER 2018 – Today Show 9HD
AirAsia Landed in Avalon

29 DECEMBER 2018 – Astro Awani
Doing battle with MAHB

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sustaina Statement

Eleven years ago, AirAsia X made history by being the first long-haul low-cost airline to be launched in Asia. Today, we continue to make history with our ongoing success. We were pioneers in our sector not because none before had thought of the idea of a long-haul low-cost airline, but because nobody had the right ideas to make such a business work. We too, admittedly, did not start off with a foolproof plan. We have been finetuning our model since the beginning, incorporating lessons learnt along the way. But, 11 years on, we are finally in a position where we can claim that the way we operate is not just viable for the here and now; it is sustainable for the long term.

That our model rests on keeping our costs low goes without saying. What makes it sustainable is the way we achieve this.

Broadly, our sustainability is based on five key elements: 1) operating at the highest level of safety; 2) being fuel efficient; 3) having a highly motivated, creative and productive workforce, who are passionate about how they can contribute to our sustainable operations; 4) making our guests happy and therefore happy to fly with us again, and again, and again; and 5) building the AirAsia X brand as the most affordable and socially responsible way to fly to exciting destinations.

These five focus areas are very important to us because they are critical to our ongoing success. At the same time, we are driven by a sense of responsibility to create value for the lives we touch, firm in the belief that it is the right thing to do. In the following pages, we will describe more fully our sustainability actions, why they are important to us and our stakeholders, and how we intend to build on our already robust sustainability framework.

As part of One AirAsia, a number of our sustainability initiatives are driven by the Group. In reporting, we seek to be transparent in this regard, and acknowledge the contributions of AirAsia.

Under the One AirAsia concept, we share the same sustainability governance structure as AirAsia. A common Sustainability Working Committee monitors all sustainability matters for the entire AirAsia Group, with oversight from the AirAsia Group Board of Directors. The Sustainability Working Committee comprises Group Heads of Department and is chaired by AirAsia Group CEO, Tan Sri Tony Fernandes. All matters related to sustainability are carried out by the related departments, facilitated by Group Sustainability.

bility

SAFETY
ALWAYS OUR PRIORITY

INNOVATION
TO GET FROM GOOD TO GREAT

REWARDING & DEVELOPING OUR
TALENT

CREATING A HEALTHY
ENVIRONMENT

SERVING OUR
COMMUNITY

SAFETY

ALWAYS OUR PRIORITY

SAFETY, FIRST AND FOREMOST

Safety is our biggest priority. We are relentless in upholding the highest aviation safety standards because nothing matters more than the safety of our guests and Allstars. We were the first airline in the AirAsia Group to undergo and receive approval from the International Air Transport Association (IATA) Operational Safety Audit (IOSA) in April 2015, and have since renewed our registry twice, the second time in April 2018.

Our safety procedures are guided by a Safety Management System (SMS) encompassing hazard and risk management in line with the requirements of the International Civil Aviation Organization (ICAO).

The system is constantly reviewed and updated according to best practices and new technologies.

This year, having abolished paper reporting forms, we introduced a new safety reporting system, Coruson, which enables Allstars to raise safety reports using an application on their personal electronic devices, supplementing the use of the web-based forms. The convenience of the mobile application contributed to a record number of reports, signifying an intensifying safety culture within the organisation. All the reports were thoroughly investigated by our Safety Department, following which corrective measures were taken. More than 50% of the reports were hazard-related.

As we keep innovating and improving, AirAsia X plans to digitalise our safety measures with a focus on centralisation of data to enable real-time analysis and visualisation.

Flight Safety

We monitor our flight safety performance through a set of Safety Performance Indicators (SPI) obtained from Flight Data Monitoring and Air Safety Reports (ASRs). All AirAsia X aircraft are retrofitted with wireless ground link data transfer which automatically transmits flight data upon landing. Deviations from the limits provided in the Standard Operating Procedures (SOP) are thoroughly analysed and, where necessary, corrective and/or preventive measures are taken.

A Flight Data Analysis Monitoring Team (FMT) comprising independent line pilots meet monthly to review, discuss and identify such deviations, and propose corrective actions in line with international standards and recommended practices. The FMT also ensures the risk levels of flight operations deviations are maintained at or below acceptable levels based on a flight safety risk register.

Cabin Safety

The role of our cabin crew goes beyond seeing to our guests' comfort to ensuring all cabin products and services are delivered safely. In this, our cabin crew are guided by our Cabin Safety regulations which cover a range of disciplines, topics and processes in the areas of risk management, reporting, investigation and auditing, among others.

Ground Safety

In 2018, we strengthened our oversight of ground safety, with more in-depth monitoring of specific tasks carried out during turnaround operations.

Various assessments were also undertaken by the Ground Safety Team to ensure Allstars follow set procedures in the course of carrying out their functions. These covered Positive Noise Monitoring and the risks of exposure to hazardous chemicals used in the maintenance of aircraft. The assessments show that our Allstars adhere to our safety guidelines and that the Personal Protective Equipment used are adequate to protect them against various hazards. The assessments further indicate that we comply with the Noise Exposure Regulations 1989 and the Occupational Safety & Health Act 1994 (Use and Standards of Exposure of Chemicals Hazardous to Health Regulations 2000).

Emergency Response Plan

AirAsia X's Emergency Response Plan (ERP) meets strict international standards and has been endorsed by the Civil Aviation Authority of Malaysia (CAAM). Our procedures and plans are tested biannually through ERP Table Top Exercises to ensure safe, orderly and timely transition to normal business operations following any emergency.

In 2018, "Exercise Kiwi X" was carried out at the Emergency Operations Centre at our headquarters RedQ to test our emergency response procedures and ensure that key personnel are familiar with it. The four-hour exercise, simulating a missing aircraft, revealed good overall understanding of individual roles in times of emergency. Where there was room for improvement, relevant steps have been taken to fill the gaps.

Engineering Safety

Engineering maintenance ensures the airworthiness of aircraft, and is critical for safe airline operations. Towards this end, our Safety team works closely with the Engineering Department to conduct joint investigations on aircraft as well as develop more effective and efficient corrective actions. In addition, Safety Action Group (SAG) members meet on a quarterly basis to discuss implementation issues pertaining to engineering activity.

Safety Promotion

As a people-oriented company, AirAsia X invests significant resources to reinforce a safety culture throughout the organisation. Our aim is to create a safety mindset through regular engagement and communication of critical safety information to all Allstars.

In 2018, we collaborated with the AirAsia Group to organise a group-wide One AirAsia Safety Day, a roadshow-like event that promoted safety awareness through interactive activities. At the event, Allstars were able to consult subject matter experts on any safety inquiries they may have and provide feedback to facilitate in the development of future initiatives. One of the highlights was the Safety Heroes Award which was established to recognise Allstars whose actions have helped to prevent serious safety incidents.

Apart from internal safety activities, our Safety Department engages with aviation safety groups such as the Association of Asia Pacific Airlines Flight Operations Safety Working Group, the Flight Safety Foundation, ICAO Asia Pacific Regional Aviation Safety Team, and the Airservices Australia Safety Forum. Such engagement allows AirAsia X to adopt best practices while sharing our own processes with the industry.

INNOVATION

TO GET FROM GOOD TO GREAT

GUEST SERVICE & INNOVATION

We exist to serve our guests and are determined to exceed their expectations by constantly demonstrating that we are not only affordable, but a *great* way to fly. Along with the rest of the AirAsia Group, we have become "guest-obsessed" and are placing an increasing amount of time as well as resources to find more and better ways to please our customers. Going digital has brought many advantages in this regard, allowing us to offer countless services that make it easier and more convenient for guests to connect with us and manage their travel arrangements.

Taking our digital innovation a level higher, this year AirAsia engaged Palantir as our strategic data science partner to drive in-depth sentimental analysis enabling us to better understand our guests and improve the way we market our products as well as enhance their experience along the entire value chain – from searching for flights till they depart from the airport at their travel destination.

Other digital innovations are described below.

AVA

AVA (AirAsia Virtual Allstar) was launched on 4 December 2018 as the first point of contact in AirAsia to help guests manage their online transactions. As a start, the chatbot – available on Live Chat and AirAsia's customer support page – assists our guests with general Q&A and flight status queries. In 2019, it will be able to help guests make bookings, add ancillary products and make booking changes. Currently available in English, Bahasa Indonesia, Bahasa Malaysia, Chinese Simplified, Chinese Traditional and Thai, more languages will be added in 2019.

Net Promoter Score Dashboard

AirAsia's in-house Net Promoter Score (NPS) dashboard has made a significant change in driving Allstars to relate to and understand our guests' experience in real time. No less than 301 persons-in-charge use the dashboard, continuously monitoring the Detractor Analysis, namely analysis of pain points which are categorised according to the relevant department, AOC and route.

New Mobile Application

As of December 2018, we have been rolling out different phases of a new mobile application with enhanced features. Guests can now stay updated on any changes to their upcoming flight, use Siri to make voice commands, enjoy the convenience of shortcuts to return to recent searches, and link easily to BigPay (if installed) for payment. The application also displays the fares for a particular flight on different dates (on a low-fare calendar) and enables guests to view and book hotels as well as activities while purchasing items from OURSHOP (our rebranded and product-enhanced DutyFree). If a guest is looking for travel recommendations, he/she can avail of information provided on all popular destinations in the AirAsia network. They can also navigate themselves with ease once there, using the Map on our application.

Website

During the year, we upgraded our website to be more mobile-friendly in terms of speed and layout. The portal also remembers users' last searches and bookings so they can return to where they were quickly. Additionally, the flight status function has been enhanced to provide more accurate information on whether a flight has been delayed, is on time, has departed early, has landed or been cancelled.

REWARDING & DEVELOPING OUR

TALENT

CREATING A DYNAMIC WORKPLACE

All our successes to date have been the result of our Allstars, who share our passion to make the travel dreams of millions of people come true. In turn, we inspire our people themselves to have career dreams, and fuel their aspirations by providing ample opportunities for learning and development, as well as moral support.

There are no offices at RedQ; everyone sits in an open-plan layout in which there is free and easy interaction between people at all levels, from all functions. This provides for a highly engaged and engaging work environment in which every Allstar feels respected and able to contribute his/her opinions or ideas for the betterment of the company.

Workplace

Further enhancing an ecosystem of collaboration, we have embraced Workplace@Facebook which serves as a platform for Allstars to engage in live online sessions. Workplace also contains a repository of useful information that Allstars can easily access. This year, we added to the resource base by launching Buster, a jargon bot to de-mystify aviation terms so Allstars understand what their colleagues in different departments do. We also launched the Visitor Bot on Workchat for Allstars to register their visitors to RedQ. These initiatives contributed to AirAsia winning the 'Most Innovative Use of Workplace' title at the annual #WorkplaceTransform 2018.

Workplace Lives is used to communicate Group updates such as the launch of new routes, and to celebrate achievements such as our sixth consecutive Skytrax win for the World's Best Low-Cost Airline Premium Cabin. These bring Allstars closer together, engendering a sense of belonging to a community. As of end December, 91% (16,600) of Allstars were active Workplace mobile application monthly users while 9,900 were weekly mobile users. The mobile application is integral to our increasingly mobile work culture. Workchat usage now equals that of email, creating a better workflow, with up to 53,000 messages sent daily.

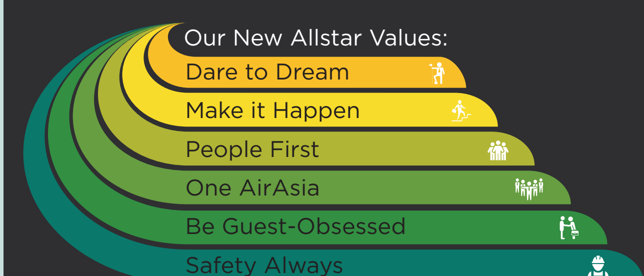
Onboarding Programme

To help new recruits understand and settle into our culture, we conduct a two-day Onboarding Programme during which we share everything about AirAsia – from the story of how we were set up, our values and what we expect of our people as well as what they can expect from us. They are taken on a tour of RedQ and are introduced to other Allstars. They also get to spend half a day at the heart of our business, namely the departure hall in klia2.

The programme also introduces new Allstars to the essentials of AirAsia X, from our safety processes and procedures to our ICT and digital systems including Workday, Workplace, G Suite and RedIcons.

New Allstar Values

There have been many changes at AirAsia in recent years – from the listing of AirAsia Group Berhad, to the creation of One AirAsia and a separate digital line of business. In the face of these changes, we felt a need to revisit our values to reflect where we are in our ongoing transformation, and remind our Allstars of what we stand for and how we are defined. Hence an Allstar Values campaign was launched during which our values were printed on posters and postcards (using FSC-approved paper), and plastered all over our offices throughout our six country operations and all stations. An Allstar Values video was also produced featuring Allstars from across the Group who typify our principles.



REWARDING & DEVELOPING OUR

TALENT

Caring for Allstars

Anyone who has visited RedQ will understand that part of the attraction of becoming an Allstar are the excellent facilities that we offer. Within the airy, comfortable space we call home, we provide a wide selection of international and local cuisine, including a vegetarian caterer, T&Co coffees and cakes, a convenience store, clinic, gymnasium and a hairdressing salon. This year, we added two new facilities: a daycare centre for young parents to leave their children and a Physio Lab.

The daycare centre, operated by early childhood education experts Krista Education, includes four classrooms with multimedia facilities and learning aids. Launched in January 2018 with 36 young ones, it ended the year with 40 children aged 11 months to six years under the care of seven qualified staff. The daycare centre is open from 7am to 7pm from Mondays to Fridays.

The Physio Lab provides physiotherapy services for Allstars with any injury or discomfort due to work-related or other causes. Officially opened on 2 January 2018, it saw 893 patients sign up for rehabilitative programmes during the year. Of this number, 732 patients have successfully completed their treatment.

OMNI Learning

Career development is integral to our work culture, and is something we invest in. We keep enhancing our learning environment, and in 2018 achieved a snapshot win by launching our first in-house learning programme. Called OMNI Learning, this digital platform provides updates on the different programmes that are being run at our training centre, and serves as an easy channel through which Allstars can sign up for these. The platform also keeps track of individuals' training histories and provides actionable analytics for our People Department to work on.

ONE AIRASIA GROW ME PROGRAMME: OMNI LEARNING

Runway to the future

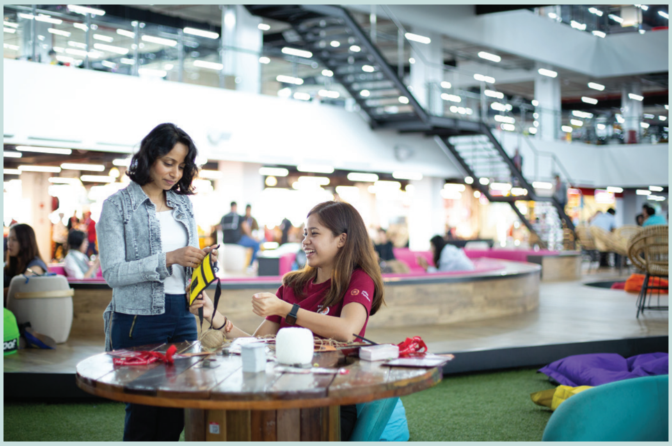
A "MUST" for every Allstar! The essentials programme defines the way we work and instills in us the work ethics that is uniquely AirAsia.

From creating the organisational strategy to building teams to getting results, leadership, arguably, is the key to an organisation's success. Through these leadership development journeys nurture the leader in you to take AirAsia to greater heights.

Digital is not just a fad. It is a way of using technology to achieve three objectives - Creating exceptional customer experience; Making internal processes agile; Unlocking new business value. These courses help you as leaders to redefine strategies and business models that help achieve these objectives.

This programme will bring you the nuances of practices like critical thinking and decision making, communication skills, project management, negotiation skills, planning and organisation. Consider it your personal stash of flying returns.

LEADERSHIP DEVELOPMENT	WORK OR MANAGERIAL SKILLS	ESSENTIALS PROGRAM	DIGITAL ACCUMEN



CREATING A HEALTHY
ENVIRONMENT

A GREENER AIRLINE

We recognise that airlines contribute to global carbon emissions. Although many would be surprised by how little the industry's contributions are – at just about 2% of total man-made emissions – we still believe we have a responsibility to operate as energy efficiently as possible while protecting the environment in other ways too. As a measure of our commitment to going green, in 2017 AirAsia set up a Green & Environmental Affairs Department, members of which are aptly called the Green Team. The Green Team has been largely responsible for creating greater awareness of the importance of being respectful of the environment – making Allstars think twice about using straws, for example – and achieving better environmental outcomes at RedQ as a result.

Fuel Efficiency

Being fuel efficient is extremely important to AirAsia X as fuel comprises a significant portion of our overall costs. We undertake various initiatives to reduce our consumption, which effectively also reduce our carbon emissions. These initiatives are described below:

- **One Engine Taxi-Arrival (OET-A)**

  When conditions permit, our pilots shut down one engine during the taxi-in, saving up to 10kg of fuel per minute. Fuel savings are maximised when an aircraft has to stay on the tarmac for an extended period of time due to a long taxi-in or wait for parking bay allocation. Prior to 2018, we had obtained permission from airports in Kuala Lumpur, Busan, Chengdu, Sydney and Perth to carry out OET-A. In 2018, we obtained the approval from all remaining airports in our network, contributing to further reductions in CO_2 emission.

- **Electronic Flight Bag (EFB)**

  We have replaced about 55kg worth of charts and manuals on board our planes with Electronic Flight Bag (EFB) applications, achieving up to 8.25kg of fuel savings per sector, while also reducing the use of paper. The EFB application also allows for precise performance calculations and fuel uplift calculations, further reducing fuel consumption across the fleet.

- **Opti-Climb**

  We have started to implement a climb manoeuvre in which, instead of using managed speed, we engage a digital Opti-Climb system that determines the optimum speed the aircraft should be flying for minimal fuel burn. The pilot then manually controls the aircraft's speed according to the data given. Opti-Climb trials have led to an average of 100kg of fuel savings per sector.

- **Idle factor**

  AirAsia X implemented an aircraft registration specific IDLE factor that optimises the Flight Management Guidance Envelope Computer's (FMGEC) computation of the vertical profile during the descent phase (idle path segment). The calculation of the profile takes into consideration the vertical flight plan, environmental conditions and aircraft weight. Fuel savings can be achieved by adjusting the point at which descent commences, using idle thrust during this phase.

- **Packs Off Take-off**

  This reduces fuel consumption while enabling greater thrust power during take-off.

- **Reduced Flap Landing**

  This reduces drag, hence also fuel burn and noise emission.

Fuel saved by the Group's operations in 2018, in tonnes

Initiative	AAX	TAX	IAX
Packs Off Take-off	95.71	28.45	-
Reduced Flap Landing	251.91	75.99	11.97
IDLE Reverse Landing	551.46	169.56	39.30
OET on arrival	291.32	274.05	41.39
Class 2 - EFB	152.30	41.75	10.83

The Group's emissions savings in 2018, in tonnes

Initiative	AAX	TAX	IAX
Packs Off Take-off	302.43	89.89	-
Reduced Flap Landing	796.04	240.13	37.83
IDLE Reverse Landing	1,742.61	535.81	124.19
OET on arrival	920.58	865.99	130.79
Class 2 - EFB	481.28	131.94	34.23

CREATING A HEALTHY

ENVIRONMENT

Energy Consumption

Most of the energy consumed by AirAsia X Group is in the form of fuel for our aircraft. For the year, our aircraft consumed a total of 937,225.53 tonnes of fuel, marking a 6.67% increase from 878,646.98 tonnes in 2017. This was due to an overall increase in our capacity.

At the same time, we consume electricity at our headquarters. Electricity consumption at RedQ increased 22.9% year-on-year from 4,375,033.2kWh to 5,375,724.6kWh, as a result of rooftop construction works and interior design enhancement, along with full operations of our new childcare centre, gym and the Physio Lab. Consumption at RedHouse, our HQ in Jakarta, Indonesia, dropped by 2.7% due to fewer total working days in 2018 compared to 2017. We only started monitoring electricity consumption at our headquarters in Bangkok as of 2018, hence are not able to provide a two-year comparison for our Thai operations in this statement.

Comparison of electricity consumption at RedQ and RedHouse in 2017 & 2018:

	RedQ		RedHouse	
Initiative	**2017**	**2018**	**2017**	**2018**
Electricity consumption (kWh)	4,375,033.20	5,375,724.60	1,328,838	1,293,201
Tonnes CO_2e	3,036.27	3,730.75	1,165.391	1,134.137

Carbon Emissions

During the year, total greenhouse gas (GHG) emissions from fuel consumption for AirAsia X Group increased 6.67% from 2,776,524 tonnes of CO_2 equivalent (tCO_2eq) to 2,961,633 tCO_2eq. For AirAsia X Malaysia specifically, GHG emissions increased 2.5% from 2,007,786 tCO_2eq to 2,058,070 tCO_2eq while emissions from our ground vehicles increased 18.1% from 448 tCO_2eq to 529 tCO_2eq (measurements for our associates in Thailand and Indonesia are not available). For the Malaysia operations, our GHG intensity ratio, as measured by tCO_2eq emitted per passenger kilometre (tCO_2e/pkm) improved from 72.73 tCO_2e/pkm to 68.09 tCO_2e/pkm while, per flight, our average CO_2eq emissions decreased 3.8% from 105,834kg to 101,784kg. Again, measurements for our associates in Thailand and Indonesia are not available.

AirAsia as a group implemented a carbon dashboard in June, which will allow us to report more comprehensively as a Group from 2019 onwards. The dashboard has been developed in-house as part of our commitment to the Carbon Offsetting & Reduction Scheme for International Aviation (CORSIA) by ICAO.

Effluents & Waste

We produce both scheduled waste (which is potentially toxic to people and the environment) and non-scheduled waste. All scheduled waste is disposed of according to the relevant environmental regulations. These include spent lead acid batteries, electric and electronic waste, substances containing mercury, fluorescent lamps, spent oils and contaminated soil/absorbent, containers, gloves, rags and filters. We have a team of competent persons who ensure such waste is stored in appropriate containers in designated areas in airports and disposed of by specialist collectors. All our scheduled waste collectors in Malaysia are approved by the relevant authorities. During the year, nine more Allstars in Malaysia were certified as competent persons.

Recyclable Waste

Conscientious efforts are made to reduce and recycle our non-scheduled wastes in our office premises as well as our cabins to minimise our waste to landfill.

In 2017, we installed bins at strategic locations within RedQ for Allstars to dispose of paper, metal and glass waste (separately).

Recyclables collected in RedQ, 2017 & 2018:

Initiative	2017	2018
Plastic (kg)	745	467
Paper (kg)	18,482	14,524
Metal (kg)	1,524	2,675
Total (kg)	**20,751**	**17,666**
$mtCO_2e$	40.73	44.60

In August 2018, our Green Team also introduced e-waste recycling in RedQ. Allstars have been educated about e-waste and encouraged to avail of two bins in our headquarters installed for its collection. The bins are emptied by Alam Flora, and the waste processed accordingly. Allstars have responded positively to the e-waste initiative, noting a general lack of environmentally-responsible methods of disposing of e-waste in the country.

Recyclable cabin waste is segregated on board and disposed of upon landing. Because some of the airports we serve do not provide facilities to recycle the waste, the bags are returned to Kuala Lumpur where they are disposed of along with other cabin recyclables. A total of 23,107kg of recyclables was collected by the Malaysian operations of AirAsia X and AirAsia in 2018, representing a 67.1% increase from 13,830kg in 2017.

Environmental Management System

To date, our environmental initiatives have been managed by our Safety, Facilities and Well-being departments, among others. In 2018, however, we have begun the process of implementing a structured Environmental Management System (EMS) for more efficient and coordinated efforts. Workshops have been conducted with the various operational departments, and work is ongoing to establish a framework to support the system in Malaysia. Once proven, the EMS will be replicated across the other AOCs.

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

Uniform Upcycling Contest

Cabin crew change their uniforms every year while other uniformed Allstars change theirs every two years, resulting in an average of five tonnes of discarded uniforms per annum. To prevent these from ending up in landfills, the Green Team organised a contest requiring participants to design innovative products using the old garments. The contest was launched regionally in April 2018, receiving 144 submissions from all countries across AirAsia, 42 of which were shortlisted. The winning designs will be made available for sale in-flight from Q2 2019 onwards.

Regional Earth Hour Hunt

This year, we went beyond switching off all lights during Earth Hour; 100 Allstars from across the Group (Japan, India, Malaysia, Indonesia, China and the Philippines) got together on a special Treasure Hunt revolving around the theme of battling plastic pollution. The highly educational docu-movie *STRAWS* was also aired to increase Allstars' general understanding of the issue, while also containing clues for the hunt.

SERVING OUR
COMMUNITY

GIVING BACK TO OUR COMMUNITIES

We have a strong ethos of caring for the community, which is an extension of our belief in democratising privileges such as flying. Everyone is important to us, and we demonstrate this by lending our aircraft whenever needed in times of crisis, as well as to support social, cultural and sporting causes. Additionally, we partner non-governmental organisations (NGOs) and community groups to help enhance their efforts to serve the underserved, and bring people of the world closer together.

Need to Feed the Need (NFN) Hari Raya

This year, we made a commitment to support local NGO Need to Feed the Need (NFN) for a year. NFN assists the homeless and urban poor in Kuala Lumpur. Among other initiatives, our management, led by CEO Benyamin Ismail, hosted some of the beneficiaries of NFN at Medan Kasih, Lorong Medan Tuanku 2 to celebrate Aidilfitri. At the event, we also gave the children snacks, candy and *duit raya* to take back with them.

AirAsia Juraki Surf Invitational 2018

AirAsia X became the official sponsor of the Juraki Surf Invitational, a modern-day corroboree that brings tribes from all over Australia together in the spirit of surf and indigenous culture. The event, organised in Fingal Head on the Northern New South Wales coast, is now called the AirAsia Juraki Surf Invitational.

NRL Touch Football Partnership

As part of our #DARETODREAM commitment, AirAsia X flew Australian youth touch football teams to Kuala Lumpur for the Youth Touch World Cup 2018.

UFC® Scholarship Programme

In February 2019, we announced a joint scholarship with UFC for an outstanding athlete from Asia-Pacific to undergo intensive four-week training at the UFC Performance Institute® in Las Vegas, Nevada. All expenses will be paid for.

JourneyD

JourneyD is a long-term responsible tourism project initiated by our colleagues in Thailand. The main objective is to help local communities to establish community-based tourism (CBT) by connecting them with experts and organisations that can enable them in this journey. The programme began as a pilot project four years ago in Nakhon Si Tammarat, and has expanded to Krabi, Chiang Rai and Buriram. In line with the One AirAsia approach, JourneyD will be extended to include communities from Malaysia and Indonesia in the near future.

RISK MANAGEMENT

MANAGING OUR RISKS

Risks are inherent to the aviation industry. To mitigate these risks, we have in place robust risk management systems which maintain all risks within acceptable levels, in line with AirAsia. The objective is to safeguard our assets and avert negative outcomes.

AirAsia's Enterprise Risk Management (ERM) Framework standardises the processes of identifying, evaluating and managing significant risks, adopting a bottom-up reporting approach with top-down oversight and management. Throughout the year, risk awareness sessions were conducted for all business units across the Group to promote awareness of the importance of risk management. This serves to strengthen the risk-aware culture at AirAsia X, in which everyone takes individual responsibility to practise good risk management.

For more information on our significant risks, please refer to the Statement on Risk Management & Internal Control on pages 128 to 133 of this Annual Report.

BUSINESS CONTINUITY MANAGEMENT

The ERM Framework encompasses Business Continuity Management (BCM), which serves to ensure we are able to operate even in the event of a crisis. We have a team dedicated to BCM, which works assiduously to build our organisational resilience and capability to respond effectively should an event disrupt our operations.


Air Asia


BRIDGESTONE

CORPORATE GOVERNANCE OVERVIEW STATEMENT

THE BOARD OF DIRECTORS ("THE BOARD") OF AIRASIA X BERHAD ("AAX" OR "THE COMPANY") IS COMMITTED TO ENSURE GOOD CORPORATE GOVERNANCE IS APPLIED THROUGHOUT THE GROUP. SAVE AS DISCLOSED OTHERWISE, THE BOARD CONSIDERS THAT IT HAS COMPLIED WITH THE PRINCIPLES AND RECOMMENDATIONS AS SET OUT IN THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2017 ("MCCG"), WHERE APPLICABLE MAIN MARKET LISTING REQUIREMENTS ("MMLR") OF BURSA MALAYSIA SECURITIES BERHAD ("BURSA MALAYSIA") DURING THE PERIOD UNDER REVIEW.

In building a sustainable business for a leading long-haul, low-cost airline, operating primarily in the Asia-Pacific region, the Board is mindful of its accountability towards its shareholders and various stakeholders. Following the release of the MCCG by the Securities Commission Malaysia in April 2017, the Company Secretaries and the Company's Legal team conducted briefings on the new MCCG to the Board and Senior Management. This helps the Board and Senior Management to cultivate the spirit of MCCG in the Company through the performance of their day-to-day duties. The Board's commitment towards ensuring excellence corporate governance standard is reflected in the explanation set out in the Company's Corporate Governance Report. This statement takes guidance from the key practices of the MCCG and should be read together with the Company's Corporate Governance Report published on its website at www.airasiax.com.

The Board presents this statement to provide an insight into the Corporate Governance practices of the Company under the leadership of the Board with reference to three (3) principles:

(a) board leadership and effectiveness;

(b) effective audit and risk management; and

(c) integrity in corporate reporting and meaningful relationship with stakeholders.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1. Board Responsibilities

The Board is actively overseeing the conduct and provides direction to the management on the business and affairs of the Company towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long-term shareholder value and safeguarding the interests of stakeholders.

The Board sets corporate values and clear lines of responsibility and accountability, including governance systems and processes that are communicated throughout the Group. It works closely with the senior management to ensure that the operations of the Company are conducted prudently, and within the framework of relevant laws and regulations.

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

2. Board composition

The size, balance and composition of the Board support its role that drives the long-term direction and strategy of the Company. It creates value for shareholders and tracks the progress of the milestones to meet its business objectives. It also ensures that good corporate governance is practiced and that the Company meets its other obligations to its shareholders and other stakeholders.

The Company has implemented procedures for the nomination and election of Directors via the Nomination and Remuneration Committee ("NRC"). The NRC will assess candidates when sought as part of its recruitment exercise with the necessary skills, knowledge and experience. The Company also recognises and embraces the benefits of having a diverse Board and has adopted a Board Diversity Policy and through the NRC, will take steps to ensure that women candidates are sought as part of its recruitment exercise. Selection of candidates to join the Board will be, in part, dependent on the pool of candidates with the necessary skills, knowledge and experience. The NRC will review the nominee(s) for directorship and Board Committees membership by going through the profile and interviewing the nominee(s) and thereupon submitting their recommendation to the Board for decision. The Company's diverse Board includes and makes good use of differences in skills, regional and industry experience, background, race, gender, ethnicity, age and other attributes of Directors.

The Board has in place a 9-year policy which limits the tenure of the Independent Non-Executive Director of the Company to nine (9) years, with the view to enable the Board's continuous refreshment, to maintain its effectiveness. An Independent Director may remain as Non-Independent Director after serving a cumulative term of nine (9) years. The Board may re-appoint him or her for the tenth (10th) until the twelfth (12th) year, provided that the Board recommends this upon concrete justification and seeks annual shareholders' approval in a general meeting. None of the independent directors exceeded nine (9) years. While the Board had only one (1) woman director represented on the Board for the financial year ended 31 December 2018, the Board maintains its target of at least 30% women directors on the Board by 2021. In addition, the Board also aims to achieve its target to have at least half of its composition comprising independent directors by 2021.

The NRC also reviews the composition of the Board and the Board's Committees annually. During the year under review, the Board conducted the assessments on the performance of the Board as a whole and its Board committees. The NRC reports their findings to the Board for assessment of the performance and effectiveness of the Board as a whole and its Board Committees and the performance of each Audit Committee Member. During the financial year, the NRC also reviewed and assessed the independence of the Independent Directors of the Company.

The Constitution of the Company provides that at least one-third of the Directors are subject to retirement by rotation at every Annual General Meeting ("AGM") such that each Director shall retire from office once in every three (3) years, and are eligible to offer themselves for re-election. The Constitution also provides that a Director who is appointed during the year shall be subject to re-election at the next AGM to be held following his appointment.

3. Remuneration

The Board has in place in a Remuneration Policy which is clear and transparent, designed to support and drive business strategy and long-term objectives of the Company. In this regard, the NRC is responsible to formulate and review the remuneration policies for the Non-Executive Directors and Senior Management of the Company to ensure the same remain competitive, appropriate, and in alignment with the prevalent market practices.

A review of the Executive Directors' and Non-Executive Directors' remuneration is undertaken annually.

Remuneration details of the Directors for the financial year ended 31 December 2018 for the Company are as follows:

Director	Fees	Other Fees	Salaries	Bonuses	EPF and other allowances	Total
Executive Directors						
# Datuk Kamarudin bin Meranun	–	–	1,265,000	–	149,000	1,414,000
# Tan Sri Anthony Francis Fernandes	–	–	1,200,000	–	149,000	1,349,000
Non-Executive Directors						
Mr. Lim Kian Onn	95,000	–	–	–	10,000*	105,000
Dato' Fam Lee Ee	125,000	–	–	–	18,000*	143,000
Tan Sri Rafidah Aziz	255,000	–	–	–	18,000*	273,000
Tan Sri Asmat bin Kamaludin	95,000	–	–	–	9,000*	104,000
Dato' Yusli bin Mohamed Yusoff	145,000	–	–	–	19,000*	164,000

The basic Board fee shall be RM65,000.00 each per annum.
The basic Board Chairman fee shall be RM165,000.00 per annum.
* *The meeting allowance shall be RM1,000.00 per meeting.*
# *Re-designated to Non-Executive Director on 1 November 2018.*

CORPORATE GOVERNANCE OVERVIEW STATEMENT

4. Board Committees

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

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

The composition of the Board Committees and the attendance of members at Board Committees meeting held in the year 2018 are as follows:

Director	Board	AC	NRC	RMC	SRB
Tan Sri Rafidah Aziz Senior Independent Non-Executive Chairman	5/5		5/5	4/4	4/4
Datuk Kamarudin bin Meranun Non-Independent Non-Executive Director *(Re-designated from the existing position as Non-Independent Executive Director and Group Chief Executive Officer to Non-Independent Non-Executive Director on 1 November 2018)*	5/5				0/4
Tan Sri Anthony Francis Fernandes Non-Independent Non-Executive Director *(Re-designated from the existing position as Non-Independent Executive Director and Co-Group Chief Executive Officer to Non-Independent Non-Executive Director on 1 November 2018)*	5/5				
Mr. Lim Kian Onn Non-Independent Non-Executive Director	5/5	5/5			
Dato' Fam Lee Ee Non-Independent Non-Executive Director	5/5		5/5	4/4	4/4
Tan Sri Asmat bin Kamaludin Independent Non-Executive Director	4/5	5/5			
Dato' Yusli bin Mohamed Yusoff Independent Non-Executive Director	5/5	5/5	5/5	4/4	

5. Limits of Authority

The Limits of Authority ("LOA") is in place and defines decision making limits for each level of management within the Group as disclosed in the Statement of Risk Management and Internal Control. Approving authorities cover various levels of management and includes the Board. The LOA is reviewed regularly and any amendments made to the LOA must be tabled to and approved by the Board. The latest version of LOA was approved by the Board in July 2018.

6. Review and adopting a strategic plan

Every quarter, the AC and the Board reviewed the operational and financial performance of the Company as well as each Joint Venture and Associate under the Group. A detailed report on the airlines within the Group is tabled for review and deliberation on their performance against budget and corresponding quarter of the preceding year. This would enable the Board to continually assess the performance of the Group, progress of initiatives and projects. Group strategy meeting is chaired by the Group Chief Executive Officer, and he updates the Board every quarter on the progress of the Group's strategy and new initiatives, if any.

7. Succession Planning

The Company places strong emphasis on the development of Allstars and growing the next generation of leaders. The organisation structure reflects the drive to continuously groom successors across the group, in the spirit of One AirAsia. Building capability is crucial; there is a Group Talent Policy in place to identify and build a robust group talent pipeline. The talent pipeline includes fresh graduates and middle management, to ensure continuous supply of top talent. The Group People & Culture ("PAC") Department works closely with the senior management team in annual Talent Reviews to map talent needs across the Company's locations and identify future leaders, and the PAC Team oversees structured talent entry and development initiatives, including leadership development programs, coaching, cross-functional and cross-country assignments. In testament to the philosophy of growing its next generation of leaders, Tan Sri Anthony Francis Fernandes and Datuk Kamarudin bin Meranun were re-designated from the Group Chief Executive Officers to Non-Executive Directors of the Company, and the Company had appointed Nadda Buranasiri as the Group Chief Executive Officer of the Company effective 1 November 2018.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

1. Audit Committee

The AC comprises of two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. It is chaired by Dato' Yusli bin Mohamed Yusoff, who is an Independent Non-Executive Director and not the Chairman of the Board. The Company has a policy which requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the AC.

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

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

Based on the performance evaluation for the AC for the financial year ended 31 December 2018, the Board is satisfied that the Chairman and members of the AC have discharged their responsibilities effectively.

2. Risk Management and Internal Control Framework

The Company established the RMC in August 2017. The RMC oversees the risk management matters of the Group. It supports the Board in fulfilling its responsibility for identifying significant risks. It also implements and maintains sound Enterprise Risk Management ("ERM") frameworks to manage the overall risk exposure of the Group. AAX's ERM frameworks aim to identify, assess, manage and monitor the Group's strategic, financial, operational and compliance risks. It covers the following key features:

(a) Roles and responsibilities of the RMC, Group Risk Department, Management and the business units;

(b) Guidance on the risk management process and the associated methodologies and tools; and

(c) Guidance on risk register and controls assessment.

With regards to the internal control framework, the Company's internal control is designed to manage the Company's risk within acceptable risk profile, and provides reasonable assurance against material errors, misstatement or irregularities. In view of the limitations inherent in any system of internal control, such a system is designed to mitigate rather than eliminate risks of failure to achieve corporate objectives. Accordingly, the system provides reasonable and not absolute assurance against material error, misstatement or loss. The system of internal control covers, inter alia, risks management, financial, operational and compliance controls. The Board confirms that the system of internal control and risk management of the Company was in place during the financial year.

Based on the performance evaluation for the RMC for the financial year ended 31 December 2018, the Board is satisfied that the Chairman and members of the RMC have discharged their responsibilities effectively.

The Statement on Risk Management and Internal Control is set out on pages 128 to 133 of the Annual Report 2018.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

1. Effective Communication with Shareholders and Investors

The Company is dedicated in maintaining good communications with shareholders and investors through communication channels such as the Annual Report, Financial Announcements and Key Operating Statistics and Announcements through Bursa Malaysia and AGMs. Senior management that is supported by the Investor Relations Team, participate actively in investor relations activities that consist of road shows, conferences, quarterly investor briefings locally and globally with financial analysts, institutional investors and fund managers.

The Company continues to fulfil its duty on disclosure obligation required upon the Company according to the guidelines and regulation of Bursa Malaysia's Corporate Governance Guidelines. All disclosure of material corporate information will be disseminated in an accurate, a clear and timely manner via Bursa Malaysia announcement.

The Company is embarking on its integrated reporting journey to develop a strategic corporate reporting approach. The Company aims to produce a fully integrated annual report based on the International Integrated Reporting Council's International Integrated Reporting Framework in the future.

2. AGM

The AGM is another avenue for shareholders to interact with the senior management of the Company. Shareholders will be notified of the meeting date and time together with an e-copy of the Company's Annual Report at least 28 days before the meeting is held. At the Twelfth ("12th") AGM of the Company held on 4 June 2018, all members of the Board were present to respond to questions raised by the shareholders or proxies. The Chief Executive Officer delivered a brief presentation on the Company's financial performance and the outlook. The voting at the 12th AGM was conducted through electronic poll voting system and was scrutinised by an independent scrutineer. The Company continues to explore the leveraging of technology, to enhance the quality of engagement with its shareholders and facilitate further participation by shareholders at AGMs of the Company.

3. Professional Development of Directors

During the year, the Directors were accorded with opportunities to continue professionally to develop and maintain their skills and knowledge. The Directors attended a range of training programmes to keep themselves abreast of legislative changes and industry practices. The Board was satisfied with the type of training programmes the Directors attended throughout the year.

The list of training programmes that were attended by the Board members are outlined below:

Name	Programmes
Tan Sri Rafidah Aziz	• Tan Sri Rafidah Aziz is a speaker at various conferences and symposiums
Datuk Kamarudin bin Meranun	• Competitive Malaysia Series organised by Ansara Malaysia in collaboration with Malaysia Productivity Corporation • Boeing Asia Pacific Airlines Symposium 2018
Tan Sri Anthony Francis Fernandes	• World Economic Forum Annual Meeting 2018, Davos • Visa Asia Pacific Senior Client Council Meeting, Seoul • Sarawak Dialogue, Kuching • Money20/20 Asia, Singapore • ASEAN Australia Business Summit, Sydney • Credit Suisse Asian Investment Conference, Hong Kong • Deconomy 2018, Seoul • Pitch@Palace 9.0, London • Global Forum on Remittances, Investment and Development 2018, Asia-Pacific organised by Bank Nagara Malaysia in collaboration with the International Fund for Agricultural Development and the World Bank Group • ASEAN Business Club & CARI Roundtable, Kuala Lumpur • Pampanga Chamber of Commerce and Industry, Inc., Manila • Milken Institute Global Conference 2018, Singapore • Google Cloud Next London 2018, London • Bloomberg New Economy Forum, Singapore • Credit Suisse Young Investors Organisation, Phuket • Vietnam Economic Forum 2018, Hanoi
Dato' Fam Lee Ee	• Speaker at Malaysia-Guangdong Chamber of Investment Promotion 10th Anniversary Forum • International Digital Economy Summit at Shijiazhuang, Hebei Province, PRC • Company Law 2018 in-house training • Blockchain, Artificial Intelligence & 5G Seminar by Mr. Manro, Head of Google Asia-Pacific • The Digital Entrepreneurship: Ignite Your Entrepreneurship Within organised by Malaysia-China Business Council
Tan Sri Asmat bin Kamaludin	• Directors' programmes organised by Panasonic
Dato' Yusli bin Mohamed Yusoff	• "What's new in Procurement Governance?" organised by the Malaysian Institute of Corporate Governance • "Malaysian Code of Corporate Governance" organised by Symphony Digest • "Resolving Conflict in the Boardroom" organised by ICLIF Leadership & Governance Centre
Mr. Lim Kian Onn	• Anti-Money Laundering, Terrorism Financing & Proliferation Financing organised by Libra Invest Berhad • Cyber Risk Awareness organised by Libra Invest Berhad

This Corporate Governance Overview Statement was approved by the Board of AAX on 28 March 2019.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

AIRASIA X BERHAD ("AAX") IS COMMITTED TO MAINTAINING A COMPREHENSIVE AND ROBUST RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM AS PART OF OUR CORPORATE GOVERNANCE AND IN LINE WITH BEST PRACTICES. THE BOARD IS GUIDED BY THE REQUIREMENTS SET OUT WITHIN PARAGRAPH 15.26 (B) OF THE MAIN MARKET LISTING REQUIREMENTS ("MMLR") ISSUED BY BURSA MALAYSIA SECURITIES BERHAD ("BURSA MALAYSIA") AS WELL AS THE MALAYSIAN CODE ON CORPORATE GOVERNANCE ("MCCG") 2017 RELEASED BY THE SECURITIES COMMISSION MALAYSIA. THE FOLLOWING STATEMENT OUTLINES THE NATURE AND SCOPE OF THE GROUP'S INTERNAL CONTROLS AND RISK MANAGEMENT FRAMEWORK IN 2018.

RESPONSIBILITIES

The Board

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

Audit Committee

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

The AC was established by the Board in 2013. The AC comprises of three (3) members of the Board, majority of whom are Independent Directors. The AC Report is disclosed in pages 134 to 135 of this Annual Report.

The duties and responsibilities of the AC are set out in its Terms of Reference which is published on AAX corporate website (http://airasiax.listedcompany.com/home.html).

Risk Management Committee

The Board has delegated the governance of Group risk to the Risk Management Committee ("RMC") and the RMC consists of three (3) members, all of whom are Non-Executive Directors and of which a majority of whom are Independent Directors.

The RMC was established in August 2017, to enable the Board to undertake and evaluate key areas of risk exposures. The primary responsibilities of the RMC are:

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

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

Prior to the formation of the RMC, risks and mitigations were tabled at the AC. In line with good corporate governance, the RMC was formed to specifically look at risk management.

This is in line with the Group's commitment to effective management of risks.

Management

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

Group Risk Department

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

The GRD's principal roles and responsibilities

01 Review and update risk management methodologies, specifically those related to identification, measuring, controlling, monitoring and reporting of risks

02 Provide risk management training and workshops

03 Review risk profiles and mitigation plans of business units

04 Identify and inform the RMC and Management of critical risks faced by the Group

05 Monitor action plans for managing critical risks

Internal Audit Department (IAD)

IAD regularly reviews AAX's systems of internal controls and evaluates the adequacy and effectiveness of the controls, risk management and governance processes implemented by Management. It integrates a risk-based approach in determining the auditable areas and frequency of audits. The annual audit plan for AAX is reviewed and approved by the AC.

IAD is guided by its Internal Audit Charter approved by AC that provides independence & reflects the function and responsibilities of the department. For any significant gaps identified in the governance processes, risk management processes and controls during the engagements, IAD provides recommendations to Management to improve their design and effectiveness of controls where applicable. The IA function is disclosed in the AC Report in pages 134 to 135 of this Annual Report.

RISK MANAGEMENT FRAMEWORK

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

The ERM Framework covers the following key features:

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

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

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

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

RISK MANAGEMENT INITIATIVES IN 2018

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

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

SIGNIFICANT RISKS

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

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

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

INTERNAL CONTROL FRAMEWORK

The following key internal control structures (including audit committee & internal audit department disclosed above) are in place to assist the Board to maintain a proper internal control system:

Board Governance

The Board has governance over the Group's operations. The Board is kept updated on the Group's activities and operations on a timely and regular basis through Board meetings with a formal agenda on matters for discussion. Other Board Committees, namely the AC, RMC, Nomination and Remuneration Committee and Safety Review Board are established to assist the Board execute its governance responsibilities as delegated by the Board. Further information on the various Board Committees is included in the Corporate Governance Overview Statement from pages 122 to 127.

Senior Management Responsibilities

Regular management and operation meetings are conducted by Senior Management which comprises of the Group Chief Executive Officer ("Group CEO"), Chief Executive Officer ("CEO") and Heads of Department.

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

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

Segregation of Duties

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

Internal Policies and Procedures

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

Financial Budgets

A detailed budgeting process has been established requiring all Heads of Department to prepare budgets and business plans annually for deliberation and approval by the Board. A reporting system on actual performance against the approved budget is also in place, which requires explanations for significant variances and action plans by Management to address these.

People Management

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

Limits of Authority

AAX documented its Limits of Authority ("LOA") clearly defining the level of authority and responsibility in making operational and commercial business decisions. Approving authorities cover various levels of management and the Board. The LOA is reviewed regularly and any amendments must be tabled to and approved by the Board. The latest version of LOA was approved by the Board in July 2018.

Insurance

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

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

Information Security

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

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

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

Code of Conduct

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

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

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

Whistle Blower Policy

A Whistle Blower Policy was approved by the Board in the year 2013 and introduced to all staff within the same year. The Policy provides a platform for employees or third parties to report instances on unethical behaviour, actual or suspected fraud or dishonesty, or a violation of the Company's Code of Conduct. The Whistle Blower Policy includes protection for the whistle-blowers from any reprisals as a direct consequence on making such disclosures. It also covers the procedures for disclosure, investigation and the respective outcomes of such investigations. AAX expects its employees to act in the Company's best interests and to maintain high principles and ethical values. AAX will not tolerate any irresponsible or unethical behaviour that would jeopardise its good standing and reputation.

Conclusion

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

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

Review of the Statement by External Auditors

As required by Paragraph 15.23 of the MMLR of Bursa Malaysia, the External Auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants. AAPG3 does not require the External Auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

This statement is in accordance with the resolution of the Board of Directors of AAX on 28 March 2019.

AUDIT COMMITTEE ("AC") REPORT

A. COMPOSITION OF AC & ATTENDANCE OF MEETINGS

The AC is established by the Board of Directors ("Board") and comprises three (3) non-executive members, a majority of whom are independent non-executive directors, including the Chairman and none of them are an alternate director. The Chairman of AC is appointed by the Board and is not the Chairman of the Board.

The AC meets the requirement of paragraph 15.09(1)(c)(i) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"), which stipulates that at least one (1) member of the AC must be a qualified accountant.

The duties and responsibilities of the AC are set out in its Terms of Reference, which is published on AirAsia X corporate website (http://airasiax.listedcompany.com/home.html).

B. ACTIVITIES OF THE AC FOR 2018

A total of five (5) meetings were held during the financial year ended 31 December 2018 ("financial year") and the details of the attendance of the AC members are as follows:

Name	Directorship	Number of meetings attended
Dato' Yusli bin Mohamed Yusoff – Chairman	Independent Non-Executive Director	5/5
Tan Sri Asmat bin Kamaludin	Independent Non-Executive Director	5/5
Lim Kian Onn	Non-Independent Non-Executive Director	5/5

The Head of Internal Audit of AAX attended the AC meetings to present the audit and investigation reports. Representing the senior management team, the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) were invited to attend all the AC meetings to facilitate deliberations as well as to provide clarification on the audit issues. Where required, the Management of the audit subjects was also invited to provide an explanation to the AC on specific control lapses and issues arising from the relevant audit reports.

In discharging its duties and responsibilities, the AC is guided by the AC Terms of Reference, which was approved by the Board and aligned with the provisions of the MMLR, Malaysia Code of Corporate Governance 2017 and other best practices. A summary of the work of the AC during the financial year is as set out below:

Financial Reporting

- Reviewed and deliberated on the quarterly financial announcements and annual audited financial statements prior to submission to the Board for consideration and approval.

External Audit

- The AC reviewed external auditor's overall work plan and recommended to the Board their remuneration, terms of engagement and considered in detail the results of the audit, external auditor's performance and independence and the effectiveness of the overall audit process.
- Reviewed updates on the Malaysian Financial Reporting Standards and how they will impact the Company and has monitored progress in meeting the new reporting requirements.
- The AC was also updated by the external auditors on changes to the relevant guidelines on the regulatory and statutory requirements.
- Deliberated and reported the results of the annual audit for recommendation to the Board.
- Met with the external auditors without the presence of Management to discuss any matters that they may wish to present.

Internal Audit

- Deliberated and approved the Internal Audit Plan for the financial year to ensure adequate scope and comprehensive coverage of audit as well as to ensure the audit resources are sufficient to enable Audit to discharge its functions effectively.
- Deliberated on the investigation reports and after having understood the case in details, directed the Management to implement controls to strengthen the control environment and prevent recurrence.
- Deliberated and approved the Audit Charter for Internal Audit Department.
- Reviewed the quarterly status reports on audit finding and deliberated on the rectification actions and timeline taken by the Management to ensure the control lapses are addressed and resolved promptly.
- Reviewed the results of operational audit reports.
- Provided assistance to the appointed external auditor in all oversight of the operational audits on each quarterly review.

Related Party Transactions

- Reviewed the related party transactions entered into by the Company and its affiliates in conformity to the established procedures in adherence to the MMLR.

C. INTERNAL AUDIT ("IA") FUNCTION & SUMMARY OF WORK

AAX has an in-house IA Department ("IAD") to assist the AC in carrying out its functions. The mission of IAD is to enhance and protect the organisational value of AAX by providing risk-based and objective assurance, advice and insight. IAD helps AAX accomplish its business objectives by bringing systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control framework and governance processes.

IAD is guided by its Internal Audit Charter approved by AC that provides independence & reflects the function and responsibilities of the department. IAD reports functionally to AC and administratively to the CEO. IAD executives declare yearly that they are free from any conflict of interest, which could impair their objectivity and independence.

IAD is a corporate member of the Institute of Internal Auditors ("IIA") and carries out its audits in accordance with the International Professional Practices Framework issued by the IIA.

The principal responsibility of IAD is to undertake regular and systematic reviews of the systems of internal controls to provide reasonable assurance that the systems continue to operate efficiently and effectively. IAD adopts a risk-based methodology to develop its audit plans by determining the priorities of the internal audit activities.

The audits cover the review of the adequacy of risk management, the strength and effectiveness of internal controls, compliance to internal statutory requirements, governance and management efficiency, among others.

During the financial year, audit reviews were conducted on a risk-based Internal Audit Plan approved by the AC. The areas reviewed include revenue management, marketing, finance, inventory management, ground operations and station audits.

The audit reports which provide the results of the audit conducted, as well as key control issues and recommendations are highlighted and submitted to the AC for review and execution. The Management is to ensure that corrective actions are implemented within the required time frame.

The AC reviews and approves the IA's human resource requirements to ensure that the function is adequately resourced with a competent and proficient internal auditor. The IA department is staffed by five (5) executives. The Head of Internal Audit, Mr. Seng Kian Aik was appointed in April 2017. He is a member of Institute of Internal Auditors Malaysia and Malaysian Institute of Certified Public Accountants. He is also a Chartered Accountant of Malaysian Institute of Accountants and Chartered Accountants of Australia and New Zealand. Total operational costs of the IA department for the financial year were RM577,375.

ADDITIONAL COMPLIANCE INFORMATION

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

1. UTILISATION OF PROCEEDS FROM CORPORATE PROPOSAL

There were no corporate proposals during the financial year ended 31 December 2018.

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

There were no material contracts entered into by the Company and its subsidiaries involving directors' and major shareholders' interests still subsisting at the end of the financial year ended 31 December 2018.

3. AUDIT AND NON-AUDIT FEES

The audit and non-audit fees of the Company and its Group as below are also disclosed in the Audited Financial Statements set out under Note 7 to the Financial Statements on page 184 of this Annual Report:-

Audit Fees	Company RM'000	Group RM'000
Audit fees paid to the External Auditors for the financial year ended 31 December 2018	398	551

Non-Audit Fees	Company RM'000	Group RM'000
Non-audit fees paid to the External Auditors for the financial year ended 31 December 2018 in connection with advisory related work	34	34

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

At the Annual General Meeting ("AGM") held on 4 June 2018, the Company had obtained shareholders' mandate to allow the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature ("RRPT Mandate").

The RRPT Mandate is valid until the conclusion of the forthcoming Thirteenth AGM of the Company to be held on 26 June 2019. The Company proposes to seek a renewal of the existing RRPT Mandate and a new RRPT Mandate at its forthcoming Thirteenth AGM. The renewal of the existing RRPT Mandate and the new RRPT Mandate, if approved by the shareholders, will be valid until the conclusion of the Company's next AGM. Details of the RRPT Mandate being sought is provided in the Circular to Shareholders dated 30 April 2019 sent together with the Annual Report. Pursuant to paragraph 10.09(2)(b) and paragraph 3.1.5 of Practice Note 12 of the MMLR of Bursa Malaysia, details of the recurrent related party transactions of a revenue or trading nature entered into during the financial year ended 31 December 2018 are as follows:

No.	Transacting Parties	Nature of Recurrent Related Party Transaction	Class and relationship of the Related Parties	Actual value
1	**EXPENSE** AirAsia Berhad ("AirAsia") *(Company No.: 284669-W)*	Rights granted by AirAsia to our Company to operate air services under the "AIRASIA" trade name and livery in respect of our low-cost, long-haul air services.	**Interested Directors** Tan Sri Anthony Francis Fernandes ("Tan Sri Tony") Datuk Kamarudin bin Meranun ("Datuk Kamarudin") Dato' Fam Lee Ee ("Dato' Fam") **Interested Major Shareholders** AirAsia Tune Group Sdn. Bhd. *(Tune Group) (Company No. 798868-P)* Tan Sri Tony Datuk Kamarudin	RM8,530,027

No.	Transacting Parties	Nature of Recurrent Related Party Transaction	Class and relationship of the Related Parties	Actual value
2	**AirAsia**	Provision of the following range of services by AirAsia to our Company: (a) Commercial – Sales and distribution – Sales support – Direct channel – Branding and Creative • Protection of brand to ensure proper public perception is built • Manage communication imagery, sponsorships (e.g. sports and youth marketing) and commercial branding • Creative includes graphic designs supporting branding activities – Web team: Manage, plan, build and develop airasia.com website – Marketing – Ancillary (b) Treasury – Fuel procurement – Fuel hedging (c) Quality Assurance - Credit card fraud unit (d) Cargo (e) Manpower cost (affiliate of companies in China) (f) IT Internal Audits (g) Ground Operations (h) Group Inflight Ancillary (i) Engineering (j) Legal (k) Operations Control Centre (l) Corporate Quality (m) Flight Attendant Department (n) Innovation, Commercial and Technology – Involves all services related to information technology	**Interested Directors** Tan Sri Tony Datuk Kamarudin Dato' Fam **Interested Major Shareholders** AirAsia Tune Group Tan Sri Tony Datuk Kamarudin	RM17,080,257
3.	Rokki Sdn. Bhd. *("Rokki") (Company No.: 935105-W)*	Supply of in-flight entertainment system, hardware, software, content and updates by Rokki.	**Interested Directors** Tan Sri Tony Datuk Kamarudin Dato' Fam **Interested Major Shareholders** AirAsia Tune Group Tan Sri Tony Datuk Kamarudin	RM3,724,683
4.	BIGLIFE Sdn. Bhd. *(formerly known as BIG Loyalty Sdn. Bhd. and Think BIG Digital Sdn. Bhd.) ("BIGLIFE") (Company No.: 924656-U)*	Purchase of loyalty points from BIGLIFE, which operates and manages a loyalty program branded as the BIG Loyalty Program.	**Interested Directors** Tan Sri Tony Datuk Kamarudin Dato' Fam Lim Kian Onn ("Mr. Lim") **Interested Major Shareholders** AirAsia Tune Group Tan Sri Tony Datuk Kamarudin	RM6,139,982

ADDITIONAL COMPLIANCE INFORMATION

No.	Transacting Parties	Nature of Recurrent Related Party Transaction	Class and relationship of the Related Parties	Actual value
5.	Tune Insurance Malaysia Berhad ("Tune Insurance") *(Company No.: 30686-K)*	Payment to Tune Insurance of insurance premiums collected on its behalf pursuant to our Company's role as a corporate agent of Tune Insurance for the provision of AirAsia Insure, a travel protection plan which provides coverage for losses arising from, amongst others, personal accident, medical and evacuation, emergency medical evacuation and mortal remains repatriation, travel inconvenience such as flight cancellation or loss or damage to baggage and personal effects, flight delay and on-time guarantee.	**Interested Directors** Tan Sri Tony Datuk Kamarudin **Interested Major Shareholders** AirAsia Tune Group Tan Sri Tony Datuk Kamarudin	RM12,934,102
6.	AirAsia SEA Sdn. Bhd. *(formerly known as AirAsia Global Shared Services Sdn. Bhd.) ("AASEA") (Company No.: 1045172-A)*	Provision of the following shared services by AASEA to our Company: (a) Finance and accounting support operation services; (b) People department support operation services; (c) Information and technology operation support services; and (d) Sourcing and procurement operation support services.	**Interested Directors** Tan Sri Tony Datuk Kamarudin Dato' Fam **Interested Major Shareholders** AirAsia Tune Group Tan Sri Tony Datuk Kamarudin	RM3,239,321
7.	Yummy Kitchen Sdn. Bhd. *(Company No.: 1174912-W)*	Provision of food catering services at the AAX airport lounge located at Kuala Lumpur International Airport 2 (klia2)	**Interested Directors** Tan Sri Tony Datuk Kamarudin Mr. Lim **Interested Major Shareholders** Tan Sri Tony Datuk Kamarudin Mr. Lim	RM1,485,861
8.	PT Indonesia AirAsia ("IAA") *(Company No.: 30.06.1.51.07399)*	Provision of ground handling services for AAX flights in and out of Indonesia	**Interested Directors** Tan Sri Tony Datuk Kamarudin Dato' Fam **Interested Major Shareholders** AirAsia Tan Sri Tony Datuk Kamarudin	NIL
9.	Ground Team Red Sdn. Bhd. ("GTR") *(Company No.: 800730-V)*	Provision of ground handling services by GTR to AAX at Kuala Lumpur International Airport 2 (klia2) and diversion airports at Penang and Langkawi, if required	**Interested Directors** Tan Sri Tony Datuk Kamarudin Dato' Fam **Interested Major Shareholders** AirAsia Tune Group Tan Sri Tony Datuk Kamarudin	RM21,894,402

REVENUE / INCOME

1.	AirAsia	Provision of charter services to Beirut, Lebanon by our Company for the Malbatt contingent. The carried passenger services for a long-haul destination is provided to AirAsia on an ad-hoc basis, whereby the passengers are procured by AirAsia but are carried by our Company.	**Interested Directors** Tan Sri Tony Datuk Kamarudin Dato' Fam **Interested Major Shareholders** AirAsia Tune Group Tan Sri Tony Datuk Kamarudin	NIL
2.	Tune Insurance	Receipt of commission income of 25% on all insurance premiums received by Tune Insurance pursuant to our Company's role as a corporate agent of Tune Insurance for the provision of AirAsia Insure, a travel protection plan which provides coverage for losses arising from, amongst others, personal accident, medical and evacuation, emergency medical evacuation and mortal remains repatriation, travel inconvenience such as flight cancellation or loss or damage to baggage and personal effects, flight delay and on-time guarantee.	**Interested Directors** Tan Sri Tony Datuk Kamarudin **Interested Major Shareholders** AirAsia Tune Group Tan Sri Tony Datuk Kamarudin	RM3,233,526
3.	AirAsia	Services provided by AAX to AirAsia for AAX airport lounge usage by AirAsia's passengers.	**Interested Directors** Tan Sri Tony Datuk Kamarudin Dato' Fam **Interested Major Shareholders** AirAsia Tune Group Tan Sri Tony Datuk Kamarudin	RM1,788,107
4.	AirAsia Japan Co. Ltd ("AAJ") *(Company No.: 1800-01-113372)*	Provision of the following commercial services by AAX to AAJ, including but not limited to: 1. Line Operations Department; and 2. People Department	**Interested Directors** Tan Sri Tony Datuk Kamarudin Dato' Fam **Interested Major Shareholders** AirAsia Tune Group Tan Sri Tony Datuk Kamarudin	RM463,698
5.	Philippines AirAsia Inc. ("PAA") *(Registration No.: A199707490)*	Provision of the following commercial services by AAX to PAA, including but not limited to: 1. Airport management and group handling; and 2. Government and regulatory liaison	**Interested Directors** Tan Sri Tony Datuk Kamarudin Dato' Fam **Interested Major Shareholders** AirAsia Tune Group Tan Sri Tony Datuk Kamarudin	USD381,814 (RM1,530,016)

ADDITIONAL COMPLIANCE INFORMATION

6.	Thai AirAsia Company Limited ("TAA") *(Company No.: 0105546113684)*	Provision of the following commercial services by AAX to TAA, including but not limited to: 1. Airport management and group handling; and 2. Government and regulatory liaison	**Interested Directors** Tan Sri Tony Datuk Kamarudin Dato' Fam **Interested Major Shareholders** AirAsia Tune Group Tan Sri Tony Datuk Kamarudin	RM314,697
7.	IAA	Provision of the following commercial services by AAX and AAX Service Pty. Ltd. (Company No. 141 326 463) to IAA, including but not limited to: 1. Airport management and group handling; and 2. Government and regulatory liaison	**Interested Directors** Tan Sri Tony Datuk Kamarudin Dato' Fam **Interested Major Shareholders** AirAsia Tune Group Tan Sri Tony Datuk Kamarudin	RM29,120
8.	BIGLIFE	Revenue from ticket sales and/or other ancillary sales arising from redemption of loyalty points from BIGLIFE which operates and manages a loyalty program branded as the BIG Loyalty Program.	**Interested Directors** Tan Sri Tony Datuk Kamarudin Dato' Fam Mr. Lim **Interested Major Shareholders** AirAsia Tune Group Tan Sri Tony Datuk Kamarudin	RM12,675,043
9.	RedCargo Logistics Sdn. Bhd. ("RedCargo") *(Company No.: 1271940-D)*	Purchase of AAX's cargo transportation capacity by RedCargo on routes operated by AAX	**Interested Directors** Tan Sri Tony Datuk Kamarudin Dato' Fam **Interested Major Shareholders** AirAsia Tune Group Tan Sri Tony Datuk Kamarudin	RM88,407,366

The shareholdings of the interested Directors and interested Major Shareholders in our Company as at 20 March 2019 are as follows:

	Direct		Indirect	
	No. of Shares	**%**	**No. of Shares**	**%**
Interested Directors				
Tan Sri Tony	111,587,228	2.69	1,310,331,376(1)	31.59
Datuk Kamarudin	370,709,939	8.94	1,310,331,376(1)	31.59
Dato' Fam	–	–	–	–
Mr. Lim	–	–	175,833,356(2)	4.24
Interested Major Shareholders				
AirAsia	570,728,502	13.76	–	–
Tune Group	739,602,874	17.83	–	–
Tan Sri Tony	111,587,228	2.69	1,310,331,376(1)	31.59
Datuk Kamarudin	370,709,939	8.94	1,310,331,376(1)	31.59

Note:

(1) Deemed interested via their interests in AirAsia and Tune Group, being the Major Shareholders of our Company pursuant to Section 8 of the Companies Act, 2016.

(2) Deemed interest via shareholdings of his spouse and children.

Please refer to Sections 2.3 and 7 of the Circulars to Shareholders dated 30 April 2018 and 30 April 2019 respectively on the directorships and shareholdings of the interested directors and interested major shareholders in the transacting parties as stated above.

CODE OF BUSINESS CONDUCT

OBJECTIVES

The objective of AAX is to engage efficiently, responsibly and profitably in the commercial aviation business. AAX seeks a high standard of performance and aim to maintain a long-term position in its respective competitive environments.

RESPONSIBILITIES

AAX recognises five areas of responsibility:

To shareholders

To protect shareholders' investment, and provide an acceptable return.

To guests

To win and maintain guests by developing and providing services which offer value in terms of price, quality and safety, which are supported by the operations and commercial expertise.

To employees

To respect the human rights of the employees, to provide the employees with good and safe conditions of work, and good and competitive terms and conditions of service, to promote the development and best use of human talent and equal opportunity employment, and to encourage the involvement of employees in the planning and direction of their work, and in the application of these principles within AAX. It is recognised that commercial success depends on the full commitment of all employees.

To those with whom it does business

To seek mutually beneficial relationships with vendors, suppliers and in joint ventures and to promote the application of these principles in so doing. The ability to promote these principles effectively will be an important factor in the decision to enter into or remain in such relationships.

To society

To conduct business as responsible corporate members of society, to observe the laws of the countries in which AAX operates, to express support for fundamental human rights in line with the legitimate role of business.

These five areas of responsibility are seen as inseparable. Therefore it is the duty of management continuously to assess the priorities and discharge its responsibilities as best it can on the basis of that assessment.

ECONOMIC PRINCIPLES

Profitability is essential to discharging these responsibilities and staying in business. It is a measure both of efficiency and of the value that guests place on AAX services. It is essential for AAX to maintain low operational unit cost without compromising Flight Safety Standards to be able to consistently provide low cost fares to guests. Without profits and a strong financial foundation it would not be possible to fulfil the responsibilities outlined above.

BUSINESS INTEGRITY

AAX insists on honesty, integrity and fairness in all aspects of its business and expect the same in its relationships with all those with whom it does business. The direct or indirect offer, payment, soliciting and acceptance of bribes in any form are unacceptable practices. Employees must avoid conflicts of interest between their private financial activities and their part in the conduct of company business. All business transactions on behalf of AAX must be reflected accurately and fairly in the accounts of the company in accordance with established procedures and be subject to audit.

POLITICAL ACTIVITIES

AAX acts in a socially responsible manner within the laws of the countries in which it operates in pursuit of its legitimate commercial objectives. AAX does not make payments to political parties, organisations or its representatives or take any part in party politics. However, when dealing with governments, AAX has the right and the responsibility to make its position known on any matter which affects themselves, its employees, its guests, or its shareholders. AAX also has the right to make its position known on matters affecting the community, where it has a contribution to make.

HEALTH, SAFETY AND THE ENVIRONMENT

Consistent with AAX's commitment to maintain low operational cost, AAX will ensure that in doing so, it will not compromise Flight Safety Standards.

To this end AAX manages these matters as any other critical business activity, set targets for improvement, and measure, appraise and report performance.

THE COMMUNITY

The most important contribution that companies can make to the social and material progress of the countries in which they operate is in performing their basic activities as effectively as possible. In addition, AAX takes a constructive interest in societal matters which may not be directly related to the business. Opportunities for involvement - for example through community, educational or donations programmes – will vary depending upon the size of the company concerned, the nature of the local society, and the scope for useful private initiatives.

COMPETITION

AAX supports free enterprise. It seeks to compete fairly and ethically and within the framework of applicable competition laws; AAX will not prevent others from competing freely with it.

COMMUNICATION

AAX recognises that in view of the importance of the activities in which they are engaged and the impact on national economies and individuals, open communication is essential. To this end, AAX has comprehensive corporate information programmes and provides full relevant information about its activities to legitimately interested parties, subject to any overriding considerations of business confidentiality and cost.

PERSONAL DATA PROTECTION

AAX recognises the importance of personal data protection. AAX undertakes that the personal information provided by its guests through AirAsia's website will only be used to purposes for which the personal information was originally requested and for directly related purposes unless AAX is required or authorised under law to disclose such personal information or written consent allowing disclosure of such personal information is given by our guests.

AAX also undertakes to not sell the name and/or personal data of our guests to third parties.

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Insurance Brokers

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FINANCIAL STATEMENTS

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OTHER INFORMATION

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 2018.

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 14, 15 and 16 to the financial statements.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Loss for the financial year	(301,482)	(302,777)

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

During the financial year, 375 warrants were exercised and converted to 375 ordinary shares at an exercise price of RM0.46 per share. Total issued and paid up share capital at the end of the financial year was RM1,534,043,217 (2017: RM1,534,043,045). These new shares rank pari passu with the existing ordinary shares.

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
Lim Kian Onn
Tan Sri Asmat Bin Kamaludin
Dato' Fam Lee Ee

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

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.

DIRECTORS' BENEFITS (CONT'D.)

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 6 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 31 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 6 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			
The Company	**1.1.2018**	**Acquired**	**Disposed**	**31.12.2018**
Datuk Kamarudin Bin Meranun				
Direct interest	**337,702,739**	33,007,200	–	**370,709,939**
Indirect interest*	**1,135,887,338**	174,444,038	–	**1,310,331,376**
Tan Sri Anthony Francis Fernandes				
Direct interest	**87,303,728**	24,283,500	–	**111,587,228**
Indirect interest*	**1,135,887,338**	174,444,038	–	**1,310,331,376**
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 Lim Kian Onn in the shares of the Company shall also be treated as the interest of 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.*

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.

DIRECTORS' REPORT

EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

On 11 October 2017, the ESOS had expired and the Board of Directors had resolved that there shall be no further extension and/or renewal on the ESOS.

At an Extraordinary General Meeting held on 12 October 2012, shareholders approved the Senior Executive Option Plan and the General Employee Share Option Plan for the granting of non-transferable options that are settled by physical delivery of the ordinary shares of the Company, to eligible senior executives and employees respectively.

The committee administering the Employee Share Option Plans comprise Datuk Kamarudin Bin Meranun, Benyamin Bin Ismail and Varun Nhatia.

The tenure of the ESOS shall be five (5) years with an option to extend for a further five (5) years, subject to a maximum duration of ten (10) years.

The salient features of the ESOS are disclosed in Note 28 of the financial statements.

As at the end of the previous financial year, the number of options outstanding under ESOS was NIL following the expiration as approved by the Board of Directors.

None of the Directors were granted any options as they are not eligible to participate in the ESOS under the By-Law of the Scheme.

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 not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or 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.

SUBSEQUENT EVENTS

Details of subsequent events are disclosed in Note 37 to the financial statements.

AUDITORS AND AUDITORS' REMUNERATION

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

Auditors' remuneration are disclosed in Note 7 to the financial statements.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been paid to indemnify Ernst & Young 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 28 March 2019.

Tan Sri Rafidah Aziz
Director

Datuk Kamarudin Bin Meranun
Director

Kuala Lumpur, Malaysia

STATEMENTS OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Revenue	4	**4,571,376**	4,578,674	**4,568,277**	4,576,558
Operating expenses					
– Staff costs	5	**(422,845)**	(421,259)	**(412,383)**	(408,982)
– Depreciation of property, plant and equipment	13	**(127,268)**	(109,338)	**(127,268)**	(109,338)
– Aircraft fuel expenses		**(1,876,060)**	(1,466,681)	**(1,876,060)**	(1,466,681)
– Maintenance and overhaul		**(485,389)**	(652,922)	**(485,389)**	(652,922)
– User charges		**(508,121)**	(508,507)	**(508,121)**	(508,507)
– Aircraft operating lease expenses		**(898,654)**	(944,599)	**(898,654)**	(944,599)
– Other operating expenses	7	**(464,398)**	(413,811)	**(473,727)**	(422,668)
Other income	8	**7,414**	51,015	**7,414**	50,976
Operating (loss)/profit		**(203,945)**	112,572	**(205,911)**	113,837
Finance income	9	**55,773**	33,204	**55,773**	33,204
Finance costs	9	**(70,611)**	(61,224)	**(70,611)**	(61,224)
Net operating (loss)/profit		**(218,783)**	84,552	**(220,749)**	85,817
Net foreign exchange gain	9	**16,011**	106,517	**16,112**	106,504
Share of results of an associate	15	**-**	-	**-**	-
Share of results of a joint venture	16	**-**	-	**-**	-
Other losses	10	**(23,889)**	(4,265)	**(23,889)**	(4,265)
(Loss)/profit before taxation		**(226,661)**	186,804	**(228,526)**	188,056
Taxation					
– Current taxation	11	**(918)**	(6,405)	**172**	(6,125)
– Deferred taxation	11	**(73,903)**	(81,513)	**(74,423)**	(81,680)
		(74,821)	(87,918)	**(74,251)**	(87,805)
(Loss)/profit for the financial year		**(301,482)**	98,886	**(302,777)**	100,251
(Loss)/earnings per share (sen)					
– Basic	12	**(7.3)**	2.4		
– Diluted	12	**(7.3)**	2.4		

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(Loss)/profit for the financial year	**(301,482)**	98,886	**(302,777)**	100,251
Other comprehensive loss				
Items that may be subsequently reclassified to profit or loss				
Cash flow hedges	**(98,374)**	(107,377)	**(98,374)**	(107,377)
Foreign currency translation differences	**(149)**	(17)	**–**	–
Other comprehensive loss for the financial year, net of tax	**(98,523)**	(107,394)	**(98,374)**	(107,377)
Total comprehensive loss for the financial year	**(400,005)**	(8,508)	**(401,151)**	(7,126)

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

Group	Note	2018 RM'000	2017 RM'000
Assets			
Non-current assets			
Property, plant and equipment	13	**624,964**	1,595,903
Investment in an associate	15	**-**	-
Investment in a joint venture	16	**-**	-
Deferred tax assets	17	**385,753**	423,664
Trade and other receivables	20	**1,714,195**	1,513,349
Amount due from an associate	21	**67,287**	81,305
Amount due from a joint venture	21	**-**	44,010
		2,792,199	3,658,231
Current assets			
Inventories	19	**13,257**	8,518
Trade and other receivables	20	**189,837**	537,388
Amount due from an associate	21	**-**	28,969
Amount due from related parties	21	**48,851**	75,305
Derivative financial assets	18	**-**	23,094
Tax recoverable		**806**	-
Deposits, cash and bank balances	22	**297,609**	432,675
		550,360	1,105,949
Non-current assets held for sale	23	**999,012**	-
		1,549,372	1,105,949
Total assets		**4,341,571**	4,764,180
Equity and liabilities			
Current liabilities			
Sales in advance		**676,245**	714,586
Derivative financial liabilities	18	**96,811**	-
Trade and other payables	24	**1,102,512**	1,164,130
Provision for taxation		**-**	782
Amount due to an associate	21	**7,777**	-
Amount due to a joint venture	21	**-**	122,827
Amount due to related parties	21	**97,381**	28,963
Borrowings	25	**192,324**	188,528
		2,173,050	2,219,816
Net current liabilities		**(623,678)**	(1,113,867)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018 (CONT'D.)

Group	Note	2018 RM'000	2017 RM'000
Non-current liabilities			
Derivative financial liabilities	18	**33,675**	-
Trade and other payables	24	**52,767**	93,273
Borrowings	25	**494,728**	673,442
Provision for aircraft maintenance	26	**1,013,689**	789,043
		1,594,859	1,555,758
Total liabilities		**3,767,909**	3,775,574
Net assets		**573,662**	988,606
Equity attributable to equity holders of the Company			
Share capital	27	**1,534,043**	1,534,043
Warrant reserve	29	**62,222**	62,222
Other reserves	29	**(99,169)**	(795)
Currency translation reserve		**29**	178
Accumulated losses		**(923,463)**	(607,042)
Total equity		**573,662**	988,606

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018 (CONT'D.)

Company	Note	2018 RM'000	2017 RM'000
Assets			
Non-current assets			
Property, plant and equipment	13	**624,964**	1,595,903
Investments in subsidiaries	14	*****	*
Investment in an associate	15	**20,018**	20,018
Investment in a joint venture	16	**-**	-
Deferred tax assets	17	**385,108**	423,497
Trade and other receivables	20	**1,714,195**	1,513,020
Amount due from an associate	21	**67,287**	81,305
Amount due from a joint venture	21	**-**	44,010
		2,811,572	3,677,753
Current assets			
Inventories	19	**13,257**	8,518
Trade and other receivables	20	**189,760**	537,288
Amount due from a subsidiary	21	**33,464**	151,744
Amount due from an associate	21	**15,662**	-
Amount due from related parties	21	**48,851**	75,305
Derivative financial assets	18	**-**	23,094
Tax recoverable		**1,641**	-
Deposits, cash and bank balances	22	**296,150**	431,556
		598,785	1,227,505
Non-current assets held for sale	23	**999,012**	-
		1,597,797	1,227,505
Total assets		**4,409,369**	4,905,258
Equity and liabilities			
Current liabilities			
Sales in advance		**676,245**	714,586
Derivative financial liabilities	18	**96,811**	-
Trade and other payables	24	**1,099,787**	1,160,773
Provision for taxation		**-**	557
Amount due to a subsidiary	21	**1,688**	1,747
Amount due to an associate	21	**56,902**	122,775
Amount due to a joint venture	21	**-**	122,827
Amount due to related parties	21	**99,723**	30,587
Borrowings	25	**192,324**	188,528
		2,223,480	2,342,380
Net current liabilities		**(625,683)**	(1,114,875)

Company	Note	2018 RM'000	2017 RM'000
Non-current liabilities			
Derivative financial liabilities	18	**33,675**	–
Trade and other payables	24	**52,767**	93,273
Borrowings	25	**494,728**	673,442
Provision for aircraft maintenance	26	**1,013,689**	789,043
		1,594,859	1,555,758
Total liabilities		**3,818,339**	3,898,138
Net assets		**591,030**	1,007,120
Equity attributable to equity holders of the Company			
Share capital	27	**1,534,043**	1,534,043
Warrant reserve	29	**62,222**	62,222
Other reserves	29	**(99,169)**	(795)
Accumulated losses		**(906,066)**	(588,350)
Total equity		**591,030**	1,007,120

* Less than RM1,000

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Group	Note	Attributable to equity holders of the Company						
		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
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	2.27	**-**	**-**	**-**	**-**	**-**	**(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**

Group	Note	Attributable to equity holders of the Company								
		Number of shares '000	Share capital RM'000	Share premium RM'000	Warrant reserve RM'000	Cash flow hedge reserve RM'000	Share option reserve RM'000	Currency translation reserve RM'000	Accumulated losses RM'000	Total equity RM'000
At 1 January 2017		4,148,148	622,222	911,821	62,222	106,582	2,558	195	(708,727)	996,873
Transfer to no-par value regime		-	911,821	(911,821)	-	-	-	-	-	-
Profit for the financial year		-	-	-	-	-	-	-	98,886	98,886
Other comprehensive loss for the financial year		-	-	-	-	(107,377)	-	(17)	-	(107,394)
Total comprehensive (loss)/ income for the financial year		-	-	-	-	(107,377)	-	(17)	98,886	(8,508)
Employee Share Option Scheme ("ESOS")	28	-	-	-	-	-	241	-	-	241
Transferred to accumulated losses upon expiry of ESOS		-	-	-	-	-	(2,799)	-	2,799	-
At 31 December 2017		4,148,148	1,534,043	-	62,222	(795)	-	178	(607,042)	988,606

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Company	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
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	2.27	**-**	**-**	**-**	**-**	**(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**

Company	Note	Number of shares '000	Share capital RM'000	Share premium RM'000	Warrant reserve RM'000	Cash flow hedge reserve RM'000	Share option reserve RM'000	Accumulated losses RM'000	Total equity RM'000
At 1 January 2017		4,148,148	622,222	911,821	62,222	106,582	2,558	(691,400)	1,014,005
Transfer to no-par value regime		-	911,821	(911,821)	-	-	-	-	-
Profit for the financial year		-	-	-	-	-	-	100,251	100,251
Other comprehensive loss for the financial year		-	-	-	-	(107,377)	-	-	(107,377)
Total comprehensive (loss)/income for the financial year		-	-	-	-	(107,377)	-	100,251	(7,126)
Employee Share Option Scheme ("ESOS")	28	-	-	-	-	-	241	-	241
Transferred to accumulated losses upon expiry of ESOS		-	-	-	-	-	(2,799)	2,799	-
At 31 December 2017		4,148,148	1,534,043	-	62,222	(795)	-	(588,350)	1,007,120

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from operating activities					
(Loss)/profit before taxation		**(226,661)**	186,804	**(228,526)**	188,056
Adjustments for:					
Property, plant and equipment					
– Depreciation	13	**127,268**	109,338	**127,268**	109,338
– Write off	13	**7,844**	431	**7,844**	431
– Loss on disposal	7	**–**	93	**–**	93
Allowance for impairment of trade and other receivables	7	**149,897**	60,049	**149,897**	60,049
Bad debts written off	7	**–**	19	**–**	19
Finance income	9	**(17,961)**	(20,344)	**(17,961)**	(20,344)
Finance costs	9	**31,007**	38,581	**31,007**	38,581
Discounting and accretion of interest on deposits (net)	9	**1,792**	9,783	**1,792**	9,783
Fair value losses on derivative financial instruments	10	**23,889**	4,265	**23,889**	4,265
Share option expense	5	**–**	241	**–**	241
Net unrealised foreign exchange gain	9	**(2,100)**	(73,005)	**(2,201)**	(72,992)
Operating profit before working capital changes		**94,975**	316,255	**93,009**	317,520
Changes in working capital:					
Inventories		**(4,739)**	5,633	**(4,739)**	5,633
Trade and other receivables		**(187,961)**	(492,524)	**(188,313)**	(492,170)
Related parties balances		**77,324**	47,205	**77,982**	48,452
Trade and other payables		**168,598**	427,664	**169,769**	425,485
Sales in advance		**(49,733)**	(11,180)	**(49,733)**	(11,180)
Cash flows generated from operations		**98,464**	293,053	**97,975**	293,740
Finance costs paid		**(3,834)**	(2,106)	**(3,834)**	(2,106)
Interest received		**5,263**	4,527	**5,263**	4,527
Tax paid		**(2,027)**	(4,079)	**(2,027)**	(4,286)
Net cash generated from operating activities		**97,866**	291,395	**97,377**	291,875

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from investing activities					
Additions of property, plant and equipment		**(9,165)**	(26,629)	**(9,165)**	(26,629)
Proceeds from disposal of property, plant and equipment		**-**	4,635	**-**	4,635
Net cash used in investing activities		**(9,165)**	(21,994)	**(9,165)**	(21,994)
Cash flows from financing activities					
Proceeds from borrowings	25	**-**	62	**-**	62
Repayment of borrowings	25	**(187,339)**	(199,876)	**(187,339)**	(199,876)
Interest paid	25	**(28,291)**	(36,476)	**(28,291)**	(36,476)
Deposits pledged as securities		**(3,777)**	(1,613)	**(3,777)**	(1,613)
Net cash used in financing activities		**(219,407)**	(237,903)	**(219,407)**	(237,903)
Net (decrease)/increase in cash and cash equivalents		**(130,706)**	31,498	**(131,195)**	31,978
Currency translation differences		**(8,137)**	(22,457)	**(7,988)**	(22,440)
Cash and cash equivalents at beginning of the financial year		**391,447**	382,406	**390,328**	380,790
Cash and cash equivalents at end of the financial year	22	**252,604**	391,447	**251,145**	390,328

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

NOTES TO THE FINANCIAL STATEMENTS

– 31 DECEMBER 2018

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 14.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 28 March 2019.

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 2018, 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.

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.

As at 31 December 2018, the Group’s and the Company’s current liabilities exceeded their current assets by RM623,678,000 (2017: RM1,113,867,000) and RM625,683,000 (2017: RM1,114,875,000) respectively.

The Directors are of the view that the Group and the Company will have sufficient cash flows for the next twelve months from the reporting date to meet their cash flow requirements. The Directors believe that the Group and the Company are able to realise their assets and discharge their liabilities in the normal course of business and that the financial position will be improved through operating profits and cash flows from disposal of certain assets. Thus, the Directors believe that it is appropriate to prepare the financial statements of the Group and the Company on a going concern basis.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 associates' 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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.

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

An element of the cost of an acquired aircraft is attributed on acquisition to its service potential, reflecting the maintenance condition of its engines and 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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.

2.6 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

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

(i) Finance leases

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

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

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

Property, plant and equipment acquired under finance lease contracts are depreciated over the estimated useful life of the asset, in accordance with the annual rates stated in Note 2.3 above. Where there is no reasonable certainty that the ownership will be transferred to the Group and the Company, the asset is depreciated over the shorter of the lease term and its useful life.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.7 Leases (cont'd.)

(ii) Operating leases

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

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

(iii) Sale and leaseback transactions

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

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

- If the sale price is below fair value then the gain or loss is recognised immediately other than to the extent that a loss is compensated for by future rentals at below-market price, then the loss is deferred and amortised over the period that the asset is expected to be used.
- If the sale price is above fair value, then any gain is deferred and amortised over the useful life of the asset.
- If the fair value of the asset is less than the carrying amount of the asset at the date of the transaction, then that difference is recognised immediately as a loss on the sale.

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).

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 18. 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.

2.11 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.

Bank overdrafts which are repayable on demand and form an integral part of the Group's and the Company's cash management are included as a component of cash and cash equivalents in the statement of cash flows. In the financial positions, banks overdrafts are shown within borrowings in current liabilities.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.12 Provision

Provisions are recognised when the Group and the Company has 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 expects a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense in profit or loss.

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

2.13 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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.14 Borrowings (cont'd.)

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

2.15 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 at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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, 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.

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, 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 profit will allow the deferred tax assets to be utilised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.15 Income taxes (cont'd.)

(ii) Deferred tax (cont'd.)

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.

2.16 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.17 Revenue recognition (cont'd.)

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

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.

Fuel surcharge, insurance surcharge, administrative fees, seat fees, change fees, convenience fees, excess baggage and baggage handling fees are recognised upon the completion of services rendered net of discounts. Freight and other related revenue are 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.

2.18 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 2018, trade receivables are carried at amortised cost.

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 commits 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.20 Financial assets (cont'd.)

(ii) Subsequent measurement (cont'd.)

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 asset is 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 asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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 would required to repay.

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).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.21 Impairment of financial assets (cont'd.)

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.

2.23 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.24 Financial liabilities (cont'd.)

(ii) Subsequent measurement (cont'd.)

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.

2.25 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 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 2018, 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 2018

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 15	Revenue from Contracts with Customers: Clarifications
Amendments to MFRS 128	Investments in Associates and Joint Ventures (Annual Improvements to MFRSs 2014-2016 Cycle)
Amendments to MFRS 140	Investment Property: Transfers to Investment Property
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 9 Financial Instruments

MFRS 9 replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group and the Company applied MFRS 9 retrospectively, with an initial application date of 1 January 2018. Under the transitional provisions of MFRS 9, the Group and the Company have elected not to restate the comparative information, which continues to be reported under MFRS 139. Differences arising from the adoption of MFRS 9 have been recognised in opening accumulated losses.

(a) Classification and measurement

Under MFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Group's and the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's and the Company's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely consist of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of MFRS 9 did not have a significant impact to the Group and the Company. The following are the changes in the classification of the Group's and the Company's financial assets:

Trade receivables and other financial assets

Trade receivables and other financial assets previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as debt instruments at amortised cost.

(b) Impairment

MFRS 9 also replaces the incurred loss model in MFRS 139 with a forward-looking ECL model. Under MFRS 9, loss allowances will be measured on either 12-month ECLs or lifetime ECLs.

Upon adoption of MFRS 9, the Group and the Company had recognised additional impairment on the Group's and the Company's trade receivables which resulted in an increase in accumulated losses of RM1,072,000 as at 1 January 2018. The impact to the Group's and the Company's impairment allowances is as below:

	Under MFRS 139 balances as at 31.12.2017 RM'000	Adjustments RM'000	Under MFRS 9 balances as at 1.1.2018 RM'000
Trade and other receivables	2,050,737	(1,410)	**2,049,327**
Deferred tax assets	423,664	338	**424,002**
Accumulated losses	(607,042)	(1,072)	**(608,114)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(ii) MFRS 15 Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111 Construction Contracts, MFRS 118 Revenue, IC Interpretation 13 Customer Loyalty Programmes, IC Interpretation 15 Agreements for Construction of Real Estate, IC Interpretation 18 Transfers of Assets from Customers and IC Interpretation 131 Revenue – Barter Transactions Involving Advertising Services. MFRS 15 provides a single model of accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligations.

The Group and the Company adopted MFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date.

Upon adoption of MFRS 15, the Group and the Company had deferred revenue from processing fees and change fees upon flown dates which were previously accounted for at transaction dates.

Effects arising from the initial application of MFRS 15 are as follows:

	Under MFRS 118 balances as at 31.12.2017 RM'000	Adjustments RM'000	Under MFRS 15 balances as at 1.1.2018 RM'000
Sales in advance	714,586	18,246	**732,832**
Deferred tax assets (after MFRS 9 impact)	424,002	4,379	**428,381**
Accumulated losses (after MFRS 9 impact)	(608,114)	(13,867)	**(621,981)**

The summary of effects of above adoption of MFRS 15 and 9 in increasing the opening accumulated losses is as follows:

	RM'000
MFRS 15	(13,867)
MFRS 9	(1,072)
Total	(14,939)

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(iii) Amendments to MFRS 128 Investments in Associates and Joint Ventures (Annual Improvements to MFRSs 2014-2016 Cycle) (cont'd.)

These amendments do not have any impact on the Group's consolidated financial statements.

(iv) IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

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

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 2019

MFRS 16	Leases
Amendments to MFRS 3	Business Combinations (Annual Improvements 2015-2017 Cycle)
Amendments to MFRS 112	Income taxes (Annual Improvements 2015-2017 Cycle)
Amendments to MFRS 123	Borrowing costs (Annual Improvements 2015-2017 Cycle)
Amendments to MFRS 128	Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
Amendments to MFRS 119	Employee Benefits: Plan Amendment, Curtailment or Settlement
IC Interpretation 23	Uncertainty Over Income Tax Treatment

Effective for annual periods beginning on or after 1 January 2020

Amendment to MFRS 3	Business Combinations (Definition of Business)
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)

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 except as mentioned below:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.28 Pronouncements yet in effect (cont'd.)

MFRS 16 Leases

MFRS 16 replaces existing leases guidance in 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.

MFRS 16 introduces a single, on financial position lease accounting for lessees. A lessee recognise a right of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases, leases of low-value items and variable lease payments. Lessor accounting remains similar to the current standard which continues to be classified as finance lease or operating lease.

MFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on the statement of financial position. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The statement of profit or loss will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like earning before interest, tax, depreciation and amortization ("EBITDA") will change. Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under MFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

During the financial year ended 31 December 2018, the Group and the Company performed a detailed impact assessment of the aspects of MFRS 16. The assessment is based on present day available information and may subject to changes arising from further reasonable and supportable information being made available to the Group and the Company in the financial year ending 31 December 2019 when the Group and the Company adopt MFRS 16.

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 2018 by RM3,626,000 (2017: RM3,346,000) and decrease the carrying amount of property, plant and equipment as at 31 December 2018 by RM26,916,000 (2017: RM23,174,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

(ii) Deferred tax assets

Deferred tax assets are mainly originating from unutilised tax incentives, 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. 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 believes that the temporary differences will be utilised and has recognised the deferred tax assets as at reporting date.

(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.

The Group is obligated to carry out heavy duty maintenance check on the airframe, engines, life-limited parts, landing gears and auxiliary power units, being part of the return conditions of its leased aircraft under contract. Provision for heavy maintenance cost is made progressively in the financial statements based on number of flight hours or cycles. In arriving at the cost to be incurred, and the timing of when the check is to be carried out. These assumptions are formed based on past experience, and are regularly reviewed to ensure they approximate to actual. Any revision in assumptions and estimations that causes a material effect to the provision would be adjusted prospectively in the financial statements.

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.

4. REVENUE

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue from contracts with customers	**4,118,460**	4,125,947	**4,115,361**	4,123,831
Aircraft operating lease income	**452,916**	452,727	**452,916**	452,727
	4,571,376	4,578,674	**4,568,277**	4,576,558
Revenue from contracts with customers				
Type of goods or services				
Scheduled flights	**2,941,796**	2,940,354	**2,941,796**	2,940,354
Charter flights	**136,369**	165,306	**136,369**	165,306
Freight services	**182,997**	171,008	**182,997**	171,008
Ancillary revenue	**854,199**	847,163	**854,199**	847,163
Management fees	**3,099**	2,116	**-**	-
	4,118,460	4,125,947	**4,115,361**	4,123,831
Timing of revenue recognition				
At a point of time	**4,118,460**	4,125,947	**4,115,361**	4,123,831

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

5. STAFF COSTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Wages, salaries, bonuses and allowances	**388,684**	382,623	**378,955**	371,106
Defined contribution retirement plan	**34,161**	38,395	**33,428**	37,635
Share option expense (Note 28)	**-**	241	**-**	241
	422,845	421,259	**412,383**	408,982

Included in staff costs of the Group and of the Company were Executive Directors' remuneration amounting to RM2,763,000 (2017: RM2,688,000) as further disclosed in Note 6.

6. DIRECTORS' REMUNERATION

The details of remuneration paid to Directors of the Group and Company during the financial years ended 31 December 2018 and 2017, respectively, are as follows:

	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:				
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**
2017				
Executive Director:				
Datuk Kamarudin Bin Meranun	2,400	-	288	2,688
	2,400	-	288	2,688
Non-executive Directors:				
Tan Sri Anthony Francis Fernandes	-	65	3	68
Lim Kian Onn	-	65	40	105
Dato' Fam Lee Ee	-	65	57	122
Tan Sri Rafidah Aziz	-	165	82	247
Tan Sri Asmat Bin Kamaludin	-	65	40	105
Dato' Yusli Bin Mohamed Yusoff	-	65	79	144
	-	490	301	791
Total Executive and Non-executive Directors	2,400	490	589	3,479

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

6. DIRECTORS' REMUNERATION (CONT'D.)

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

	Number of Directors	
	2018	**2017**
Executive Directors:		
– Less than RM100,000	**–**	–
– RM100,001 to RM150,000	**–**	–
– RM150,001 to RM200,000	**–**	–
– More than RM200,000	**2**	1
Non-executive Directors:		
– Less than RM100,000	**–**	1
– RM100,001 to RM150,000	**3**	4
– RM150,001 to RM200,000	**1**	–
– More than RM200,000	**1**	1

7. OTHER OPERATING EXPENSES

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

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Management fee	**–**	–	**10,254**	8,799
Rental of land and buildings	**8,132**	8,120	**7,911**	7,835
Auditors' remuneration				
– Statutory audit	**551**	452	**398**	341
– Non-audit fees	**34**	39	**34**	14
Rental of equipment	**78**	320	**78**	320
Advertising expenses	**77,409**	74,400	**77,180**	74,324
Credit card charges	**42,556**	44,465	**42,556**	44,465
In-flight meal expenses	**24,362**	23,631	**24,362**	23,631
Insurance expenses	**15,464**	28,988	**15,462**	28,986
Allowance for impairment of trade and other receivables (Note 20)	**149,897**	60,049	**149,897**	60,049
Property, plant and equipment written off (Note 13)	**7,844**	431	**7,844**	431
Loss on disposal of property, plant and equipment	**–**	93	**–**	93
Bad debts written off	**–**	19	**–**	19

8. OTHER INCOME

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Commission income from insurance	**2,856**	3,801	**2,856**	3,801
Others	**4,558**	47,214	**4,558**	47,175
	7,414	51,015	**7,414**	50,976

Other income include gain on disposal of assets previously held for sale of RMNil (2017: RM43.8 million).

9. FINANCE INCOME/(COSTS) AND NET FOREIGN EXCHANGE GAIN

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(a) Finance income:				
Interest income from deposits with licensed bank	**5,807**	5,523	**5,807**	5,523
Other interest income	**12,154**	14,821	**12,154**	14,821
	17,961	20,344	**17,961**	20,344
Discounting and accretion of interest on deposits	**37,812**	12,860	**37,812**	12,860
	55,773	33,204	**55,773**	33,204
Finance costs:				
Interest expense on bank borrowings	**(28,291)**	(36,476)	**(28,291)**	(36,476)
Bank facilities and other charges	**(2,716)**	(2,105)	**(2,716)**	(2,105)
	(31,007)	(38,581)	**(31,007)**	(38,581)
Discounting and accretion of interest on deposits	**(39,604)**	(22,643)	**(39,604)**	(22,643)
	(70,611)	(61,224)	**(70,611)**	(61,224)
(b) Net foreign exchange gain:				
- Realised	**13,911**	33,512	**13,911**	33,512
- Unrealised	**2,100**	73,005	**2,201**	72,992
	16,011	106,517	**16,112**	106,504

10. OTHER LOSSES

	Group and Company	
	2018 RM'000	2017 RM'000
Other losses from fuel contracts held for trading	**(23,889)**	(4,265)

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11. TAXATION

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current taxation:				
Malaysian income tax	**3,151**	4,889	**3,151**	5,042
Foreign tax	**1,090**	280	**–**	–
	4,241	5,169	**3,151**	5,042
(Over)/under provision in respect of prior years	**(3,323)**	1,236	**(3,323)**	1,083
	918	6,405	**(172)**	6,125
Deferred taxation (Note 17):				
Relating to origination and reversal of temporary differences	**85,575**	48,246	**86,095**	48,413
(Over)/under provision in respect of previous year	**(11,672)**	33,267	**(11,672)**	33,267
	73,903	81,513	**74,423**	81,680
Total income tax expense	**74,821**	87,918	**74,251**	87,805

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% (2017: 24%) of the estimated assessable profit for the year.

A reconciliation of income tax expense applicable to (loss)/profit 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(Loss)/profit before taxation	**(226,661)**	186,804	**(228,526)**	188,056
Tax at Malaysian statutory tax rate of 24% (2017: 24%)	**(54,399)**	44,833	**(54,846)**	45,133
Expenses not deductible for tax purposes	**10,594**	17,290	**10,471**	17,030
Income not subject to tax	**(5,327)**	(8,708)	**(5,327)**	(8,708)
Deferred tax assets not recognised	**138,948**	–	**138,948**	–
(Over)/underprovision of deferred tax in respect of prior years	**(11,672)**	33,267	**(11,672)**	33,267
(Over)/under provision of income tax in respect of prior years	**(3,323)**	1,236	**(3,323)**	1,083
Total income tax expenses	**74,821**	87,918	**74,251**	87,805

12. (LOSS)/EARNINGS PER SHARE (SEN)

(a) Basic (loss)/earnings per share

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

	Group	
	2018	2017
(Loss)/profit for the financial year (RM'000)	**(301,482)**	98,886
Weighted average number of ordinary shares in issue ('000)	**4,148,148**	4,148,148
(Loss)/earnings per share (sen)	**(7.3)**	2.4

(b) Diluted (loss)/earnings per share

The diluted (loss)/earnings per share of the Group is similar to the basic (loss)/earnings 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.

13. PROPERTY, PLANT AND EQUIPMENT

Group and Company	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
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	**(112,190)**	**(12,466)**	**(170)**	**(2,442)**	**-**	**-**	**-**	**(127,268)**
Write off (Note 7)	**(4)**	**(105)**	**-**	**-**	**-**	**(273)**	**(7,462)**	**(7,844)**
Reclassification (Note 23)	**(998,629)**	**(383)**	**-**	**-**	**-**	**-**	**-**	**(999,012)**
At 31 December 2018	**459,007**	**53,258**	**410**	**4,472**	**1**	**-**	**107,816**	**624,964**
2017								
Net book value								
At 1 January 2017	1,504,031	56,463	944	7,013	42	-	115,278	1,683,771
Additions	3,437	21,028	364	1,586	4	210	-	26,629
Disposals	-	(4,315)	(347)	(32)	(34)	-	-	(4,728)
Depreciation	(93,883)	(12,959)	(381)	(2,108)	(7)	-	-	(109,338)
Write off (Note 7)	(209)	(222)	-	-	-	-	-	(431)
At 31 December 2017	1,413,376	59,995	580	6,459	5	210	115,278	1,595,903

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

13. 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:

Group and Company	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
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**
2017								
Cost	2,208,170	153,067	3,589	16,500	5	210	115,278	2,496,819
Accumulated depreciation	(765,747)	(82,444)	(3,009)	(9,631)	-	-	-	(860,831)
Accumulated impairment losses	(29,047)	(10,628)	-	(410)	-	-	-	(40,085)
	1,413,376	59,995	580	6,459	5	210	115,278	1,595,903

The reclassification amounting to RM999 million is related to asset held for sale (Note 23).

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

	Group and Company	
	2018 RM'000	2017 RM'000
Assets under hire purchase:		
Addition	**-**	62
Net book value at the end of financial year	**46**	78

Included in property, plant and equipment of the Group and Company are aircraft pledged as security for borrowings (Note 25) with a net book value of RM449 million (2017: RM1,404 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.

Pre-delivery payments as at 31 December 2018 are in respect of aircraft purchases which will be delivered from financial year 2019 to 2027.

14. INVESTMENTS IN SUBSIDIARIES

	Company 2018 RM'000	Company 2017 RM'000
Unquoted investments, at cost	*	*

* *Denotes RM10 (2017: RM21).*

The details of the subsidiaries are as follows:

Name	Country of incorporation/ Principal place of business	Group's effective equity interest 2018 %	Group's effective equity interest 2017 %	Principal activities
AirAsia X Services Pty Ltd*	Australia	**100**	100	Provision of management logistical and marketing services
AAX Capital Ltd*+	Malaysia	**-**	100	Dormant
AAX Leasing I Limited*#	Malaysia	**-**	100	Provision of engine leasing facilities
AAX Mauritius One Limited*	Mauritius	**100**	100	Provision of aircraft leasing facilities
Fly X Limited*	Malaysia	**100**	100	Dormant
AAX Aviation Capital Ltd *(Incorporated on 14 March 2018)*	Malaysia	**100**	-	Holding company
AAX Leasing One Ltd *(Incorporated on 14 March 2018)*	Malaysia	**100**	-	Provision of aircraft leasing facilities
AAX Leasing Two Ltd *(Incorporated on 24 May 2018)*	Malaysia	**100**	-	Provision of aircraft leasing facilities
AAX Leasing Three Ltd *(Incorporated on 24 May 2018)*	Malaysia	**100**	-	Provision of aircraft leasing facilities
AAX Leasing Four Ltd *(Incorporated on 25 October 2018)*	Malaysia	**100**	-	Provision of aircraft leasing facilities
AAX Leasing Five Ltd *(Incorporated on 25 October 2018)*	Malaysia	**100**	-	Provision of aircraft leasing facilities
AAX Leasing Six Ltd *(Incorporated on 25 October 2018)*	Malaysia	**100**	-	Provision of aircraft leasing facilities
AAX Leasing Seven Ltd *(Incorporated on 26 October 2018)*	Malaysia	**100**	-	Provision of aircraft leasing facilities
AAX Leasing Eight Ltd *(Incorporated on 26 October 2018)*	Malaysia	**100**	-	Provision of aircraft leasing facilities
AAX Leasing Nine Ltd *(Incorporated on 26 October 2018)*	Malaysia	**100**	-	Provision of aircraft leasing facilities
AAX Leasing Ten Ltd *(Incorporated on 12 December 2018)*	Malaysia	**100**	-	Provision of aircraft leasing facilities

* *Not audited by Ernst & Young.*
\+ *Struck off on 21 February 2018*
\# *Struck off on 16 April 2018.*

Subsequent to year end, the Company incorporated AAX Leasing Eleven Ltd on 18 January 2019 for a total consideration of USD1,000 equivalent to RM4,138.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Unquoted investments, at cost	**20,018**	20,018	**20,018**	20,018
Group's share of post-acquisition losses	**(20,018)**	(20,018)	**-**	-
	-	-	**20,018**	20,018

The details of the associate are as follows:

Name	Country of incorporation	Group's effective equity interest		Principal activities
		2018 %	2017 %	
Thai AirAsia X Co., Ltd ("TAAX")*	Thailand	**49**	49	Commercial air transport services

* *Audited by an affiliate of Ernst & Young Malaysia in Thailand.*

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 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.

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	
	2018 RM'000	2017 RM'000
Current:		
Cash and cash equivalents	**153,837**	193,108
Other current assets	**294,039**	225,775
Total current assets	**447,876**	418,883
Non-current:		
Assets	**165,393**	106,293
Current:		
Financial liabilities	**(83,033)**	(69,605)
Other liabilities	**(507,547)**	(499,960)
Total current liabilities	**(590,580)**	(569,565)
Non-current:		
Other liabilities	**(11,574)**	(9,076)
Net assets/(liabilities)	**11,115**	(53,465)

15. INVESTMENT IN AN ASSOCIATE (CONT'D.)

Summarised statement of comprehensive income

	TAAX	
	2018 RM'000	2017 RM'000
Revenue	**1,523,905**	1,154,285
Cost of sales	**(1,390,683)**	(1,043,393)
Other operating expenses	**(106,712)**	(92,472)
Interest expense	**(1,149)**	(2,538)
Other income	**39,926**	22,987
Profit before tax	**65,287**	38,869
Taxation	**469**	435
Profit after tax	**65,756**	39,304
Other comprehensive income/(loss)	**196**	(41)
Total comprehensive income	**65,952**	39,263
Dividend received from associate	**-**	-

Reconciliation of summarised financial information

	TAAX	
	2018 RM'000	2017 RM'000
Opening net liabilities at 1 January	**(75,167)**	(92,757)
Total comprehensive income for the financial year	**65,952**	39,263
Effect of foreign exchange translation	**(3,111)**	30
Elimination of unrealised profit from downstream sales	**(20,465)**	(21,703)
Closing net liabilities at 31 December	**(32,791)**	(75,167)
Cumulative unrecognised share in losses as at 1 January	**(61,399)**	(70,018)
Reduction of share of loss for the financial year	**20,764**	8,619
Cumulative unrecognised share in losses as at 31 December	**(40,635)**	(61,399)

16. INVESTMENT IN A JOINT VENTURE

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 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)
	-	-	**-**	-

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

16. INVESTMENT IN A JOINT VENTURE (CONT'D.)

The details of the joint venture are as follows:

Name	Country of incorporation	Group's effective equity interest 2018 %	2017 %	Principal activities
PT Indonesia AirAsia Extra ("IAAX")*	Indonesia	**49**	49	Commercial air transport services

* *Audited by an affiliate of Ernst & Young Malaysia in Indonesia.*

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.

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	
	2018 RM'000	2017 RM'000
Current:		
Cash and cash equivalents	**1,336**	6,666
Other current assets	**316,869**	315,090
Total current assets	**318,205**	321,756
Non-current:		
Assets	**12,044**	41,779
Current:		
Financial liabilities	**(516,794)**	(373,653)
Other liabilities	**(19,519)**	(93,628)
Total current liabilities	**(536,313)**	(467,281)
Non-current:		
Liabilities	**(5,679)**	(4,128)
Net liabilities	**(211,743)**	(107,874)

16. INVESTMENT IN A JOINT VENTURE (CONT'D.)

Summarised statement of comprehensive income

	IAAX	
	2018 RM'000	**2017 RM'000**
Revenue	**265,573**	234,371
Cost of sales	**(322,326)**	(290,296)
Other operating expenses	**(21,402)**	(18,321)
Interest income	**83**	147
Interest expense	**-**	(46)
Other income	**5,708**	19,936
Loss before tax	**(72,364)**	(54,209)
Taxation	**(27,581)**	14,718
Loss after tax	**(99,945)**	(39,491)
Other comprehensive income/(loss)	**939**	(581)
Total comprehensive loss	**(99,006)**	(40,072)
Dividend received from joint venture	**-**	-

Reconciliation of summarised financial information

	IAAX	
	2018 RM'000	**2017 RM'000**
Opening net liabilities at 1 January	**(114,846)**	(77,343)
Total comprehensive loss for the financial year	**(99,006)**	(40,072)
Effect of foreign exchange translation	**(3,621)**	9,541
Other adjustments	**(297)**	-
Elimination of unrealised profit from downstream sales	**(6,574)**	(6,972)
Closing net liabilities at 31 December	**(224,344)**	(114,846)
Cumulative unrecognised share in losses as at 1 January	**(77,641)**	(59,265)
Reduction of share of loss for the financial year	**(53,654)**	(18,376)
Cumulative unrecognised share in losses as at 31 December	**(131,295)**	(77,641)

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

17. DEFERRED TAX ASSETS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 January	**423,664**	505,177	**423,497**	505,177
Recognised in profit or loss (Note 11)	**(73,903)**	(81,513)	**(74,423)**	(81,680)
Deferred tax effect on items taken to equity	**36,034**	–	**36,034**	–
Exchange rate differences	**(42)**	–	**–**	–
At 31 December	**385,753**	423,664	**385,108**	423,497
Presented after appropriate offsetting as follows:				
Deferred tax assets	**721,511**	772,486	**720,866**	772,319
Deferred tax liabilities	**(335,758)**	(348,822)	**(335,758)**	(348,822)
	385,753	423,664	**385,108**	423,497

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 allowances and capital allowances RM'000	Sales in advance RM'000	Derivatives and others RM'000	Total RM'000
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**
At 1 January 2017	681,207	179,626	18,031	878,864
Recognised in profit or loss	(97,162)	(8,125)	(1,091)	(106,378)
At 31 December 2017	584,045	171,501	16,940	772,486

Deferred tax liabilities of the Group:

	Property, plant and equipment RM'000	Derivatives RM'000	Total RM'000
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**
At 1 January 2017	365,110	8,577	373,687
Recognised in profit or loss	(21,831)	(3,034)	(24,865)
At 31 December 2017	343,279	5,543	348,822

17. 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 allowances and capital allowances RM'000	Sales in advance RM'000	Derivatives and others RM'000	Total RM'000
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**
At 1 January 2017	681,207	179,626	18,031	878,864
Recognised in profit or loss	(97,162)	(8,125)	(1,258)	(106,545)
At 31 December 2017	584,045	171,501	16,773	772,319

Deferred tax liabilities of the Company:

	Property, plant and equipment RM'000	Derivatives RM'000	Total RM'000
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**
At 1 January 2017	365,110	8,577	373,687
Recognised in profit or loss	(21,831)	(3,034)	(24,865)
At 31 December 2017	343,279	5,543	348,822

Deferred tax assets are mainly originating from unutilised tax incentives, 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 believes that the temporary differences will be utilised and has recognised the deferred tax assets as at reporting date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

17. DEFERRED TAX ASSETS (CONT'D.)

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

	Group and Company	
	2018 RM'000	2017 RM'000
Unutilised investment tax allowances and other temporary differences	**578,952**	–

18. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	Group and Company			
	2018		2017	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
Current				
Commodity derivatives				
– held for trading	**–**	**–**	23,094	–
– cash flow hedge	**–**	**96,811**	–	–
Non-current				
Commodity derivatives				
– held for trading	**–**	**–**	–	–
– cash flow hedge	**–**	**33,675**	–	–

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 2018 is 4,857,328 barrels (2017: 364,862 barrels).

As at 31 December 2018, the Group and the Company had entered into Brent fixed swap contracts which represent an additional 31% (2017: 13%) of the Group's total expected fuel volume for the financial years 2019 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 2018 are recognised in the profit or loss in the period or periods during which the hedged forecast transactions affect the profit or loss.

19. INVENTORIES

	Group and Company	
	2018 RM'000	2017 RM'000
Consumables and in-flight merchandise	**13,257**	8,518

20. TRADE AND OTHER RECEIVABLES

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Non-current					
Deposits	(c)	**800,767**	555,674	**800,767**	555,674
Prepayments	(d)	**876,537**	925,644	**876,537**	925,315
Deferred lease expenses	(e)	**36,891**	32,031	**36,891**	32,031
		1,714,195	1,513,349	**1,714,195**	1,513,020
Current					
Trade receivables		**66,228**	159,130	**66,228**	159,130
Less: Allowance for impairment of receivables		**(59,324)**	(57,089)	**(59,324)**	(57,089)
Trade receivables, net	(a)	**6,904**	102,041	**6,904**	102,041
Other receivables		**225,797**	331,338	**225,797**	331,338
Less: Allowance for impairment of receivables		**(165,157)**	(17,495)	**(165,157)**	(17,495)
	(b)	**60,640**	313,843	**60,640**	313,843
Deposits	(c)	**26,047**	26,804	**25,992**	26,724
Prepayments	(d)	**90,705**	89,613	**90,683**	89,593
Deferred lease expenses	(e)	**5,541**	5,087	**5,541**	5,087
Other receivables, net		**182,933**	435,347	**182,856**	435,247
		189,837	537,388	**189,760**	537,288
Total trade and other receivables		**1,904,032**	2,050,737	**1,903,955**	2,050,308
Add: Deposits, cash and bank balances (Note 22)		**297,609**	432,675	**296,150**	431,556
Add: Amount due from a subsidiary (Note 21)		**-**	-	**33,464**	151,744
Add: Amount due from an associate (Note 21)		**67,287**	110,274	**82,949**	81,305
Add: Amount due from a joint venture (Note 21)		**-**	44,010	**-**	44,010
Add: Amount due from related parties (Note 21)		**48,851**	75,305	**48,851**	75,305
Less: Prepayments		**(967,242)**	(1,015,257)	**(967,220)**	(1,014,908)
Less: Deferred lease expense		**(42,432)**	(37,118)	**(42,432)**	(37,118)
Total financed assets carried at amortised cost (Note 33 (a))		**1,308,105**	1,660,626	**1,355,717**	1,782,202

The normal credit terms of the Group and of the Company range from 15 to 30 days (2017: 15 to 30 days).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

20. TRADE AND OTHER RECEIVABLES (CONT'D.)

(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 RM4,095,000 (2017: Group and Company of RM54,079,000) are substantially from companies with good collection track records.

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

As of 31 December 2018, trade receivables for the Group and Company of RM2,809,000 (2017: RM47,962,000) 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	
	2018 RM'000	2017 RM'000
Less than 30 days	**2,809**	20,561
Between 31 and 60 days	**-**	25,381
Between 61 and 90 days	**-**	223
Between 91 and 120 days	**-**	7
Between 121 and 180 days	**-**	1,121
More than 180 days	**-**	669
	2,809	47,962

(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	
	2018 RM'000	2017 RM'000
More than 180 days	**59,324**	57,089
Less: Allowance for impairment of receivables	**(59,324)**	(57,089)
	-	-

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.

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

	Group and Company	
	2018 RM'000	2017 RM'000
At 1 January	**57,089**	746
Charged to profit or loss (Note 7)	**2,235**	56,343
At 31 December	**59,324**	57,089

20. TRADE AND OTHER RECEIVABLES (CONT'D.)

(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 RM51,035,000 (2017: RM61,772,000) respectively are substantially with companies with good collection track records.

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

As at 31 December 2018, other receivables for the Group and Company of RM9,605,000 (2017: RM252,071,000) 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	
	2018 RM'000	2017 RM'000
Less than 30 days	**4**	8,970
Between 31 and 60 days	**565**	9,232
Between 61 and 90 days	**751**	8,942
Between 91 and 120 days	**-**	23,380
Between 121 and 180 days	**8,285**	24,298
More than 180 days	**-**	177,249
	9,605	252,071

(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	
	2018 RM'000	2017 RM'000
More than 180 days	**165,157**	17,495
Less: Allowance for impairment of receivables	**(165,157)**	(17,495)
	-	-

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	
	2018 RM'000	2017 RM'000
At 1 January	**17,495**	13,789
Charged to profit or loss (Note 7)	**147,662**	3,706
At 31 December	**165,157**	17,495

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20. TRADE AND OTHER RECEIVABLES (CONT'D.)

(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.

(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 6 to 12 years (2017: 9 to 12 years).

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

	Group and Company	
	2018 RM'000	2017 RM'000
At 1 January	**37,118**	37,135
Unwinding of discount – net	**5,314**	(17)
At 31 December	**42,432**	37,118
Representing:		
Current	**5,541**	5,087
Non-current	**36,891**	32,031
	42,432	37,118

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Ringgit Malaysia	**63,194**	36,731	**63,194**	36,731
US Dollar	**815,548**	874,272	**815,548**	874,272
Australian Dollar	**1,214**	18,562	**1,159**	18,482
Euro	**352**	473	**352**	473
Indian Rupee	**4,582**	2,893	**4,582**	2,893
Chinese Renminbi	**1,406**	5,394	**1,406**	5,394
Japanese Yen	**4,371**	8,282	**4,371**	8,282
Others	**3,691**	51,755	**3,691**	51,755
	894,358	998,362	**894,303**	998,282

21. AMOUNT DUE FROM/(TO) A SUBSIDIARY, AN ASSOCIATE, A JOINT VENTURE AND RELATED PARTIES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Amount due from				
Non-current				
Amount due from an associate	**67,287**	81,305	**67,287**	81,305
Amount due from a joint venture	**–**	44,010	**–**	44,010
	67,287	125,315	**67,287**	125,315
Current				
Amount due from a subsidiary	**–**	–	**33,464**	151,744
Amount due from an associate	**–**	28,969	**15,662**	–
Amount due from related parties	**48,851**	75,305	**48,851**	75,305
	48,851	104,274	**97,977**	227,049
	116,138	229,589	**165,264**	352,364

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Amount due to				
Current				
Amount due to a subsidiary	**–**	–	**(1,688)**	(1,747)
Amount due to an associate	**(7,777)**	–	**(56,902)**	(122,775)
Amount due to a joint venture	**–**	(122,827)	**–**	(122,827)
Amount due to related parties	**(97,381)**	(28,963)	**(99,723)**	(30,587)
	(105,158)	(151,790)	**(158,313)**	(277,936)

The amount due from a subsidiary, an associate and related parties are unsecured, interest free and repayable on demand.

Included in amount due from an associate and a joint venture at Group of RM67,287,000 (2017: RM110,274,000) and RMNil (2017: RM44,010,000) and at Company of RM82,949,000 (2017: RM81,305,000) and RMNil (2017: RM44,010,000) respectively are unsecured, bearing effective weighted average interest rate at 9.6% and 10.6% per annum respectively and repayable over 6 to 7 years.

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

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 (2017: 30 to 60 days).

21. AMOUNT DUE FROM/(TO) A SUBSIDIARY, AN ASSOCIATE, A JOINT VENTURE AND RELATED PARTIES (CONT'D.)

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Ringgit Malaysia	**385**	42,533	**33,849**	42,533
US Dollar	**96,945**	165,227	**112,607**	288,002
Others	**18,808**	21,829	**18,808**	21,829
	116,138	229,589	**165,264**	352,364

Amount due from a subsidiary, an associate, a joint venture and related parties that are neither past due nor impaired for the Group and the Company amounted to RM111,256,000 and RM155,191,000 (2017: RM215,032,000 and RM193,139,000) respectively.

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Less than 6 months	**4,881**	2,019	**10,072**	68,674
More than 6 months	**1**	12,538	**1**	90,551
	4,882	14,557	**10,073**	159,225

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

The Group and the Company have not made any impairment on these balances as management is of the view that these amounts are recoverable as there is no history of default.

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Ringgit Malaysia	**12,037**	14,158	**17,539**	14,159
US Dollar	**72,780**	135,916	**118,091**	260,438
Australian Dollar	**1,395**	1,716	**3,737**	3,339
Others	**18,946**	–	**18,946**	–
	105,158	151,790	**158,313**	277,936

22. DEPOSITS, CASH AND BANK BALANCES

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash and bank balances	**241,017**	287,875	**239,558**	286,756
Deposits with licensed banks	**56,592**	144,800	**56,592**	144,800
Total deposits, cash and bank balances	**297,609**	432,675	**296,150**	431,556
Less:				
Bank balances pledged as securities	**(29,412)**	(26,887)	**(29,412)**	(26,887)
Deposits pledged as securities	**(15,593)**	(14,341)	**(15,593)**	(14,341)
Cash and cash equivalents	**252,604**	391,447	**251,145**	390,328

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Ringgit Malaysia	**110,271**	213,270	**110,271**	213,270
US Dollar	**41,089**	38,058	**41,089**	38,058
Australian Dollar	**83,602**	46,706	**82,143**	45,587
Euro	**673**	803	**673**	803
Indian Rupee	**6,920**	8,026	**6,920**	8,026
Chinese Renminbi	**7,994**	27,188	**7,994**	27,188
Japanese Yen	**12,797**	43,219	**12,797**	43,219
Others	**34,263**	55,405	**34,263**	55,405
	297,609	432,675	**296,150**	431,556

The Group's and the Company's weighted average effective interest rate of deposits at the reporting date is 3.15% (2017: 3.36%) per annum.

The bank balances and deposits with licensed banks of the Group and of the Company amounting to RM29,412,000 and RM15,593,000 (2017: RM26,887,000 and RM14,341,000) respectively are pledged as securities for banking facilities granted to the Group and of the Company.

23. NON-CURRENT ASSETS HELD FOR SALE

	Group and Company	
	2018 RM'000	2017 RM'000
At net book value:		
Property, plant and equipment	**999,012**	-

The non-current assets held for sale are pledged as security for borrowings (Note 25).

The non-current assets held for sale are for certain aircraft and related equipments for which potential buyers have been identified.

24. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current					
Trade payables	(a)	**300,728**	222,506	**300,728**	222,506
Other payables and accruals	(b)	**799,794**	937,815	**797,069**	934,458
Deferred lease income	(c)	**1,990**	3,809	**1,990**	3,809
		1,102,512	1,164,130	**1,099,787**	1,160,773
Non-current					
Other deposits		**43,069**	76,864	**43,069**	76,864
Deferred lease income	(c)	**9,698**	16,409	**9,698**	16,409
		52,767	93,273	**52,767**	93,273
Total trade and other payables		**1,155,279**	1,257,403	**1,152,554**	1,254,046
Add: Borrowings (Note 25)		**687,052**	861,970	**687,052**	861,970
Add: Amount due to a subsidiary (Note 21)		**-**	-	**1,688**	1,747
Add: Amount due to an associate (Note 21)		**7,777**	-	**56,902**	122,775
Add: Amount due to a joint venture (Note 21)		**-**	122,827	**-**	122,827
Add: Amount due to related parties (Note 21)		**97,381**	28,963	**99,723**	30,587
Less: Deferred lease income		**(11,688)**	(20,218)	**(11,688)**	(20,218)
Total financial liabilities carried at amortised cost (Note 33 (a))		**1,935,801**	2,250,945	**1,986,231**	2,373,734

24. TRADE AND OTHER PAYABLES (CONT'D.)

(a) Trade payables

The credit term of trade payables granted to the Group and the Company is 7 to 90 days (2017: 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.

(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 10 to 12 years (2017: 10 to 12 years).

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

	Group and Company	
	2018 RM'000	2017 RM'000
At 1 January	**20,218**	20,235
Unwinding of discount	**(8,530)**	(17)
At 31 December	**11,688**	20,218
Representing:		
Current	**1,990**	3,809
Non-current	**9,698**	16,409
	11,688	20,218

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Ringgit Malaysia	**684,003**	228,631	**683,843**	228,631
US Dollar	**369,297**	413,476	**369,297**	413,476
Australian Dollar	**29,037**	176,661	**26,472**	173,304
Euro	**3,739**	8,260	**3,739**	8,260
Indian Rupee	**6,688**	682	**6,688**	682
Chinese Renminbi	**16,085**	49,387	**16,085**	49,387
Japanese Yen	**4,629**	176,018	**4,629**	176,018
Others	**30,113**	184,070	**30,113**	184,070
	1,143,591	1,237,185	**1,140,866**	1,233,828

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25. BORROWINGS

	Weighted average rate of finance		Group and Company	
	2018 %	2017 %	2018 RM'000	2017 RM'000
Current				
Secured:				
– Term loans	**4.13**	3.39	**192,313**	188,501
– Hire purchase	**3.96**	3.80	**11**	27
			192,324	188,528
Non-current				
Secured:				
– Term loans	**4.13**	3.39	**494,694**	673,392
– Hire purchase	**3.96**	3.80	**34**	50
			494,728	673,442
Total borrowings			**687,052**	861,970

Total borrowings consist of the following banking facilities:

	Group and Company	
	2018 RM'000	2017 RM'000
Fixed rate borrowings	**323,610**	449,853
Floating rate borrowings	**363,442**	412,117
	687,052	861,970

25. BORROWINGS (CONT'D.)

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

	Group and Company	
	2018 RM'000	**2017 RM'000**
Not later than 1 year	**192,324**	188,528
Later than 1 year and not later than 5 years	**416,323**	526,744
Later than 5 years	**78,405**	146,698
	687,052	861,970

The currency profile of borrowings are as follows:

	Group and Company	
	2018 RM'000	**2017 RM'000**
Ringgit Malaysia	**45**	77
US Dollar	**687,007**	861,893
	687,052	861,970

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

	Group and Company			
	2018		**2017**	
	Carrying amount RM'000	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
Term loans	**323,565**	**324,810**	449,776	451,327
Hire purchase	**45**	**44**	77	74
	323,610	**324,854**	449,853	451,401

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 3.57% (2017: 2.34%) per annum. The fair values of fixed rate borrowings are within level 2 of the fair value hierarchy (refer Note 32(e)).

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25. BORROWINGS (CONT'D.)

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 10 to 12 years, with equal principal instalments, at a combination of floating rate of LIBOR + 0.8% and fixed interest rates of between 2.34% to 3.23% (2017: 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 and Company		
	Term loan 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	**(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 gains	**12,421**	**–**	**12,421**
Balance as at 31 December 2018	**687,007**	**45**	**687,052**

	Group and Company		
	Term loan RM'000	Hire purchase RM'000	Total RM'000
Balance as at 1 January 2017	1,160,294	32	1,160,326
Changes from financing cash flows			
Proceeds from borrowings	–	62	62
Repayment of borrowings	(199,859)	(17)	(199,876)
Interest paid	(36,476)	–	(36,476)
Total changes from financing cash flows	923,959	77	924,036
Other changes			
Liability-related			
Finance costs	36,476	–	36,476
Unrealised foreign exchange gains	(98,542)	–	(98,542)
Balance as at 31 December 2017	861,893	77	861,970

26. PROVISION FOR AIRCRAFT MAINTENANCE

	Group and Company	
	2018 RM'000	2017 RM'000
Aircraft maintenance provision	**1,013,689**	789,043

The movements in the provision account are as follows:

	Group and Company	
	2018 RM'000	2017 RM'000
At 1 January	**789,043**	591,574
Additions during the year	**235,158**	201,633
Reversal during the year	**(10,512)**	(4,164)
At 31 December	**1,013,689**	789,043

27. SHARE CAPITAL

	Group and Company	
	2018 RM'000	2017 RM'000
Issued and fully paid up:		
Ordinary shares:		
At beginning of financial year	**1,534,043**	622,222
Transfer to no par value regime	**-**	911,821
At end of financial year	**1,534,043**	1,534,043

The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts outstanding in the share premium account become part of the Group and the Company share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Group and the Company may within 24 months from the commencement of the Act, use the amount outstanding in the share premium account of RM911,821,000 for purposes as set out in Sections 618(3) of the Act. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

28. EMPLOYEE SHARE OPTION SCHEME ("ESOS")

On 11 October 2017, the ESOS had expired and the Board of Directors had resolved that there shall be no further extension and/or renewal on the ESOS. Consequently, the share option reserve has been transferred to accumulated losses as the ESOS has lapsed as at year end.

In previous financial years, the Group and the Company had implemented an ESOS which entails the issuance of up to ten percent (10%) of the issued and paid-up share capital of the Group and of the Company at any one time pursuant to the exercise of options to be granted under the ESOS, to full-time eligible employees of the Group and of the Company ("ESOS Options"). The tenure of the ESOS shall be five (5) years with an option to extend for a further five (5) years, subject to a maximum duration of ten (10) years. The ESOS is governed by the By-Laws which were approved by the shareholders on 12 October 2012.

28. EMPLOYEE SHARE OPTION SCHEME ("ESOS") (CONT'D.)

The main features of the ESOS are as follows:

(a) The maximum number of ordinary shares, which may be allotted pursuant to the exercise of options under the scheme, shall not exceed ten percent (10%) of the issued and paid-up share capital of the Group and of the Company at any point in time during the duration of the scheme.

(b) The ESOS Committee duly authorised by the Board (and governed by the By-Laws) may, at its absolute discretion, offer such number of ESOS Options to the eligible employees during the subsistence of the ESOS, provided that such number of new shares issued under the ESOS Options granted shall not exceed the maximum number permitted under the listing requirements of Bursa Malaysia, the By-Laws and any laws, regulations and guidelines issued by other relevant authorities.

(c) An eligible employee who accepts an offer of ESOS Option must return, on or before the expiry date, the duly completed prescribed acceptance form accompanied by the payment of the sum of RM1.00 as a consideration for acceptance of that offer. If that offer is not accepted in such manner, the offer shall, upon the expiry date, automatically lapse and be null and void.

(d) The options granted are exercisable in tranches of 25% at each anniversary of date of grant.

The shares to be allotted and issued upon any valid exercise of options will, upon such allotment and issuance, rank pari passu in all respects with the existing and issued shares except that such shares so issued will not be entitled to any dividends, rights, allotments and/or any other distributions which may be declared, made or paid to shareholders prior to the date of allotment of such shares. The options shall not carry any right to vote at a general meeting of the Company.

29. WARRANT AND OTHER RESERVES

	Group and Company		
	Cash flow hedge reserve RM'000	Share option reserve RM'000	Total RM'000
2018			
At 1 January 2018	**(795)**	**–**	**(795)**
Net change in fair value, net of deferred tax	**(98,374)**	**–**	**(98,374)**
At 31 December 2018	**(99,169)**	**–**	**(99,169)**
2017			
At 1 January 2017	106,582	2,558	109,140
Net change in fair value	(795)	241	(554)
Transferred to profit or loss	(106,582)	–	(106,582)
Transferred to accumulated losses upon expiry of ESOS	–	(2,799)	(2,799)
At 31 December 2017	(795)	–	(795)

29. WARRANT AND OTHER RESERVES (CONT'D.)

The share option reserve had been transferred to accumulated losses during the previous financial year following the lapsing of the ESOS as disclosed in Note 28.

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.

30. COMMITMENTS

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

	Group and Company	
	2018 RM'000	2017 RM'000
Property, plant and equipment – approved and contracted for:		
– Later than 1 year and not later than 5 years	**72,688,701**	41,382,655
– Later than 5 years	**43,036,513**	66,491,199
	115,725,214	107,873,854

Included in capital commitments as at 31 December 2018 is the purchase of aircraft over the next 9 years.

(b) Non-cancellable operating leases

The future minimum lease payments and sublease receipts under non-cancellable operating leases are as follows:

	Group and Company			
	2018		2017	
	Future minimum lease payments RM'000	Future minimum sublease receipts RM'000	Future minimum lease payments RM'000	Future minimum sublease receipts RM'000
Not later than 1 year	**987,091**	**291,298**	949,216	285,525
Later than 1 year and not later than 5 years	**4,968,902**	**1,290,295**	3,889,129	1,142,098
Later than 5 years	**708,527**	**174,113**	2,753,187	578,813
	6,664,520	**1,755,706**	7,591,532	2,006,436

The Group and the Company leases various aircraft and engines under non-cancellable operating lease agreements. The lease terms are between 6 to 12 years (2017: 9 to 12 years).

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31. 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 Company and their relationships at 31 December 2018 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
Subsidiaries of AirAsia Berhad	
– AirAsia SEA Sdn Bhd (formerly known as AirAsia Global Shared Services Sdn Bhd)	Common Directors and shareholders
– Rokki Sdn Bhd	Common Directors and shareholders
– BIGLIFE Sdn Bhd (formerly known as Big Loyalty Sdn Bhd and Think Big Digital 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 (Guangzhou) Aviation Service Limited	Common Directors and shareholders
– Asian Aviation Centre of Excellence Sdn Bhd	Common Directors and shareholders
Associates of AirAsia Berhad	
– 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
– AAE Travel Pte Ltd	Common Directors and shareholders
Other related entities	
– CaterhamJet Global Ltd	Common Directors and shareholders
– 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.

31. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D.)

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 31(g) below.

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(a) Income:				
Aircraft operating lease income for leased aircraft				
- AAX Mauritius One Limited	**-**	-	**365,464**	338,853
- PT Indonesia AirAsia Extra	**87,452**	113,874	**87,452**	113,874
- Thai AirAsia X Co., Ltd	**365,464**	338,853	**-**	-
Sale of ramp equipment to Ground Team Red Sdn Bhd	**-**	4,630	**-**	4,630
Commission on travel insurance for passengers charged to Tune Insurance Malaysia Berhad	**3,234**	2,266	**3,234**	2,266
Provision of lounge services to AirAsia Berhad	**1,788**	2,001	**1,788**	2,001
Provision of carried passenger services to AirAsia Berhad	**-**	9,021	**-**	9,021
Management fees charged to PT Indonesia AirAsia	**3,098**	2,117	**-**	-
Sale of ticket and other ancillary revenue to BIGLIFE Sdn Bhd	**12,675**	973	**12,675**	973
Sale of cargo transportation to Red Cargo Logistics Sdn Bhd	**88,407**	-	**88,407**	-
(b) Recharges:				
Recharges of expenses to				
- Philippines AirAsia Inc	**1,530**	1,249	**1,530**	1,249
- Thai AirAsia Co., Ltd	**315**	519	**315**	519
- AirAsia Japan Co., Ltd	**464**	176	**464**	176
- PT Indonesia AirAsia	**29**	19	**29**	19
- Thai AirAsia X Co., Ltd	**27,567**	28,270	**27,567**	28,270
- PT Indonesia AirAsia Extra	**2,991**	8,620	**2,991**	8,620
Recharges of expenses by				
- AirAsia Berhad	**(40,133)**	(41,627)	**(40,133)**	(41,627)
- AirAsia Japan Co., Ltd	**(3,089)**	(121)	**(3,089)**	(121)
- AirAsia (India) Pvt Ltd	**(926)**	(1,276)	**(926)**	(1,276)
- AirAsia SEA Sdn Bhd	**(1,948)**	-	**(1,948)**	-
- Ground Team Red Sdn Bhd	**(530)**	-	**(530)**	-
- AirAsia (Guangzhou) Aviation Service Limited	**199**	-	**199**	-

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31. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D.)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(c) Other charges:				
Management fees charged by AirAsia X Services Pty Ltd	**-**	-	**(10,254)**	(9,680)
Brand license fee charged by AirAsia Berhad	**(8,530)**	(8,530)	**(8,530)**	(8,530)
Office rental charged by AirAsia Berhad	**(3,360)**	(2,520)	**(3,360)**	(2,520)
Training services charged by Asian Aviation Centre of Excellence Sdn Bhd	**-**	(12,851)	**-**	(12,851)
In-flight entertainment system and software expense charged by Rokki Sdn Bhd	**(3,725)**	(3,906)	**(3,725)**	(3,906)
Charter air travel services charged by CaterhamJet Global Ltd	**-**	(2,780)	**-**	(2,780)
Shared service management fee charged by AirAsia SEA Sdn Bhd	**(3,239)**	(3,345)	**(3,239)**	(3,345)
Provision of food catering services charged by Yummy Kitchen Sdn Bhd	**(1,486)**	(1,047)	**(1,486)**	(1,047)
Ground handling services charged by Ground Team Red Sdn Bhd	**(21,894)**	(5,917)	**(21,894)**	(5,917)
Purchase of loyalty point from BIGLIFE Sdn Bhd	**(6,140)**	(4,193)	**(6,140)**	(4,193)
(d) Premium collected on travel insurance for passengers paid to Tune Insurance Malaysia Berhad	**(12,934)**	(9,064)	**(12,934)**	(9,064)
(e) Receivables (Note 21):				
- AAX Mauritius One Limited	**-**	-	**33,464**	151,744
- Philippines AirAsia (including Philippines AirAsia Inc)	**-**	10,943	**-**	10,943
- Thai AirAsia X Co., Ltd	**67,287**	110,274	**82,949**	81,305
- PT Indonesia AirAsia Extra	**-**	44,010	**-**	44,010
- AirAsia Berhad	**24,302**	57,183	**24,302**	57,183
- Others	**24,549**	7,179	**24,549**	7,179
	116,138	229,589	**165,264**	352,364

31. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D.)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(f) Payables (Note 21):				
– Thai AirAsia X Co., Ltd	**7,777**	–	**56,902**	122,775
– PT Indonesia AirAsia Extra	**–**	122,827	**–**	122,827
– Philippines AirAsia (including Philippines AirAsia Inc)	**19,806**	–	**19,806**	–
– Rokki Sdn Bhd	**1,670**	1,373	**1,670**	1,373
– Tune Insurance Malaysia Berhad	**2,233**	5,130	**2,233**	5,130
– PT Indonesia AirAsia	**18,862**	6,960	**21,203**	8,584
– Thai AirAsia Co., Ltd	**26,422**	2,338	**26,422**	2,338
– AirAsia X Services Pty Ltd	**–**	–	**1,688**	1,747
– CaterhamJet Global Ltd	**–**	708	**–**	708
– Others	**28,388**	12,454	**28,389**	12,454
	105,158	151,790	**158,313**	277,936
(g) Key management personnel compensation:				
– Basic salaries, bonus and allowances	**8,857**	9,806	**8,857**	9,806
– Defined contribution plan	**852**	1,176	**852**	1,176
	9,709	10,982	**9,709**	10,982

Included in the key management compensation is Executive Director's as disclosed in Note 6 and some key management personnel remuneration.

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32. 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.

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 2018, the Group and the Company entered into Brent fixed swap contracts. There were 4,857,328 barrels (2017: 364,862 barrels) (Note 18) of Brent and fuel contracts outstanding as at 31 December 2018.

As at 31 December 2018, 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:

	2018		2017	
	+USD5 RM'000	-USD5 RM'000	+USD5 RM'000	-USD5 RM'000
Impact on post tax profit/(loss)	**-**	**-**	7,163	(7,163)
Impact on other comprehensive income/(loss)	**102,501**	**(102,501)**	-	-

32. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(a) Market risk (cont'd.)

(ii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is 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 2018, 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:

	2018		2017	
	+60bps RM'000	-60bps RM'000	+60bps RM'000	-60bps RM'000
Impact on post tax (loss)/profits	**(2,124)**	**2,124**	(2,618)	2,618

(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 25), 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 2018, 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:

	2018		2017	
	+5% RM'000	-5% RM'000	+5% RM'000	-5% RM'000
Impact on post tax (loss)/profits	**(15,299)**	**15,299**	(15,532)	15,532

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

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32. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(a) Market risk (cont'd.)

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

The Group's currency exposure is as follows:

At 31 December 2018	Note	USD RM'000	AUD RM'000	EURO RM'000	INR RM'000	RMB RM'000	JPY RM'000	Others RM'000
Financial assets								
Trade and other receivables	20	**815,548**	**1,214**	**352**	**4,582**	**1,406**	**4,371**	**3,691**
Amount due from an associate and related parties	21	**96,945**	**-**	**-**	**-**	**-**	**-**	**18,808**
Deposits, cash and bank balances	22	**41,089**	**83,602**	**673**	**6,920**	**7,994**	**12,797**	**34,263**
		953,582	**84,816**	**1,025**	**11,502**	**9,400**	**17,168**	**56,762**
Financial liabilities								
Trade and other payables	24	**369,297**	**29,037**	**3,739**	**6,688**	**16,085**	**4,629**	**30,113**
Amount due to an associate, a joint venture and related parties	21	**72,780**	**1,395**	**-**	**-**	**-**	**-**	**18,946**
Borrowings	25	**687,007**	**-**	**-**	**-**	**-**	**-**	**-**
Derivative financial libialities	18	**130,486**	**-**	**-**	**-**	**-**	**-**	**-**
		1,259,570	**30,432**	**3,739**	**6,688**	**16,085**	**4,629**	**49,059**
Net exposure		**(305,988)**	**54,384**	**(2,714)**	**4,814**	**(6,685)**	**12,539**	**7,703**

The Group's currency exposure is as follows:

At 31 December 2017	Note	USD RM'000	AUD RM'000	EURO RM'000	INR RM'000	RMB RM'000	JPY RM'000	Others RM'000
Financial assets								
Trade and other receivables	20	874,272	18,562	473	2,893	5,394	8,282	51,755
Amount due from an associate, a joint venture and related parties	21	165,227	-	-	-	-	-	21,829
Deposits, cash and bank balances	22	38,058	46,706	803	8,026	27,188	43,219	55,405
Derivative financial assets	18	23,094	-	-	-	-	-	-
		1,100,651	65,268	1,276	10,919	32,582	51,501	128,989
Financial liabilities								
Trade and other payables	24	413,476	176,661	8,260	682	49,387	176,018	184,070
Amount due to a joint venture and related parties	21	135,916	1,716	-	-	-	-	-
Borrowings	25	861,893	-	-	-	-	-	-
		1,411,285	178,377	8,260	682	49,387	176,018	184,070
Net exposure		(310,634)	(113,109)	(6,984)	10,237	(16,805)	(124,517)	(55,081)

32. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(a) Market risk (cont'd.)

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

The Company's currency exposure is as follows:

At 31 December 2018	Note	USD RM'000	AUD RM'000	EURO RM'000	INR RM'000	RMB RM'000	JPY RM'000	Others RM'000
Financial assets								
Trade and other receivables	20	815,548	1,159	352	4,582	1,406	4,371	3,691
Amount due from a subsidiary, an associate, and related parties	21	112,607	-	-	-	-	-	18,808
Deposits, cash and bank balances	22	41,089	82,143	673	6,920	7,994	12,797	34,263
		969,244	83,302	1,025	11,502	9,400	17,168	56,762
Financial liabilities								
Trade and other payables	24	369,297	26,472	3,739	6,688	16,085	4,629	30,113
Amount due to a subsidiary, an associate and related parties	21	118,091	3,737	-	-	-	-	18,946
Borrowings	25	687,007	-	-	-	-	-	-
Derivative financial liabilities	18	130,486	-	-	-	-	-	-
		1,304,881	30,209	3,739	6,688	16,085	4,629	49,059
Net exposure		(335,637)	53,093	(2,714)	4,814	(6,685)	12,539	7,703

The Company's currency exposure is as follows:

At 31 December 2017	Note	USD RM'000	AUD RM'000	EURO RM'000	INR RM'000	RMB RM'000	JPY RM'000	Others RM'000
Financial assets								
Trade and other receivables	20	874,272	18,482	473	2,893	5,394	8,282	51,755
Amount due from a subsidiary, an associate, a joint venture and related parties	21	288,002	-	-	-	-	-	21,829
Deposits, cash and bank balances	22	38,058	45,587	803	8,026	27,188	43,219	55,405
Derivative financial assets	18	23,094	-	-	-	-	-	-
		1,223,426	64,069	1,276	10,919	32,582	51,501	128,989
Financial liabilities								
Trade and other payables	24	413,476	173,304	8,260	682	49,387	176,018	184,070
Amount due to a subsidiary, an associate, a joint venture and related parties	21	260,438	3,339	-	-	-	-	-
Borrowings	25	861,893	-	-	-	-	-	-
		1,535,807	176,643	8,260	682	49,387	176,018	184,070
Net exposure		(312,381)	(112,574)	(6,984)	10,237	(16,805)	(124,517)	(55,081)

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32. FINANCIAL RISK MANAGEMENT POLICIES (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.

The Group and the Company generally have no concentration of credit risk arising from trade receivables.

(c) Liquidity and cash flow risk

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

Whilst the Group's and the Company's current liabilities exceeded their current assets by RM623,678,000 and RM625,683,000 (2017: RM1,113,867,000 and RM1,114,875,000) respectively, the Directors are of the view that the Group and the Company will have sufficient cash flows for the next twelve months from the reporting date to meet their cash flow requirements. The Directors believe that the Group and the Company are able to realise their assets and discharge their liabilities in the normal course of business and that the financial position will be improved through future operating profits and cash flows.

The Directors are committed to ensure that the Group and the Company will have sufficient funds to enable the Group and the Company to meet their liabilities as they fall due and to carry on their business without significant curtailment of operations. This includes raising funds from the market.

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.

Group	Note	Under 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	Over 5 years RM'000
At 31 December 2018					
Term loans	**25**	**216,908**	**193,890**	**258,981**	**80,596**
Hire purchase	**25**	**13**	**13**	**22**	**–**
Trade and other payables	**24**	**1,102,512**	**–**	**–**	**52,767**
Amount due to an associate	**21**	**7,777**	**–**	**–**	**–**
Amount due to related parties	**21**	**97,381**	**–**	**–**	**–**
		1,424,591	**193,903**	**259,003**	**133,363**
At 31 December 2017					
Term loans	25	215,667	208,747	376,645	136,809
Hire purchase	25	32	13	36	–
Trade and other payables	24	1,164,130	–	–	93,273
Amount due to a joint venture	21	122,827	–	–	–
Amount due to related parties	21	28,963	–	–	–
		1,531,619	208,760	376,681	230,082

32. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

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

Company	Note	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
At 31 December 2018					
Term loans	25	**216,908**	**193,890**	**258,981**	**80,596**
Hire purchase	25	**13**	**13**	**22**	**-**
Trade and other payables	24	**1,099,787**	**-**	**-**	**52,767**
Amount due to a subsidiary	21	**1,688**	**-**	**-**	**-**
Amount due to an associate	21	**56,902**	**-**	**-**	**-**
Amount due to related parties	21	**99,723**	**-**	**-**	**-**
		1,475,021	**193,903**	**259,003**	**133,363**
At 31 December 2017					
Term loans	25	215,667	208,747	376,645	136,809
Hire purchase	25	32	13	36	-
Trade and other payables	24	1,160,773	-	-	93,273
Amount due to a subsidiary	21	1,747	-	-	-
Amount due to an associate	21	122,775	-	-	-
Amount due to a joint venture	21	122,827	-	-	-
Amount due to related parties	21	30,587	-	-	-
		1,654,408	208,760	376,681	230,082

(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 monitors 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 2018 and 2017 were as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Total borrowings (Note 25)	**687,052**	861,970	**687,052**	861,970
Less: Cash and cash equivalents (Note 22)	**(252,604)**	(391,447)	**(251,145)**	(390,328)
Net debt	**434,448**	470,523	**435,907**	471,642
Total equity attributable to equity holders of the Group and Company	**573,662**	988,606	**591,030**	1,007,120
Total capital	**1,008,110**	1,459,129	**1,026,937**	1,478,762
Gearing ratio	**0.43**	0.32	**0.42**	0.32

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2018 and 2017.

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32. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Fair value measurement

The carrying amounts of cash and cash equivalents, trade and other current assets, and trade and other 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 and Company	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2018				
Liabilities				
Derivatives used for hedging	**-**	**(130,486)**	**-**	**(130,486)**
Loans and borrowings	**-**	**(324,854)**	**-**	**(324,854)**
	-	**(455,340)**	**-**	**(455,340)**
31 December 2017				
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	23,094	-	23,094
Liabilities				
Loans and borrowings	-	(451,401)	-	(451,401)

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 determines fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The 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.

33. FINANCIAL INSTRUMENTS

(a) Financial instruments by category

Group	Assets at fair value through profit or loss RM'000	Amortised cost RM'000	Total RM'000
31 December 2018			
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	Derivatives used for hedging RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
31 December 2018			
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	-	1,143,591	1,143,591
Amount due to an associate	-	7,777	7,777
Amount due to related parties	-	97,381	97,381
Total	130,486	1,935,801	2,066,287

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33. FINANCIAL INSTRUMENTS (CONT'D.)

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

Group	Assets at fair value through profit or loss RM'000	Amortised cost RM'000	Total RM'000
31 December 2017			
Assets as per statement of financial position			
Trade and other receivables excluding prepayments and deferred lease expense	–	998,362	998,362
Amount due from an associate	–	110,274	110,274
Amount due from a joint venture	–	44,010	44,010
Amount due from related parties	–	75,305	75,305
Derivative financial assets	23,094	–	23,094
Deposits, cash and bank balances	–	432,675	432,675
Total	23,094	1,660,626	1,683,720

Group	Derivatives used for hedging RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
31 December 2017			
Liabilities as per statement of financial position			
Borrowings	–	861,970	861,970
Trade and other payables excluding deferred lease income	–	1,237,185	1,237,185
Amount due to a joint venture	–	122,827	122,827
Amount due to related parties	–	28,963	28,963
Total	–	2,250,945	2,250,945

33. FINANCIAL INSTRUMENTS (CONT'D.)

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

Company	Assets at fair value through profit or loss RM'000	Amortised cost RM'000	Total RM'000
31 December 2018			
Assets as per statement of financial position			
Trade and other receivables excluding prepayments and deferred lease expense	–	894,303	894,303
Amount due from a subsidiary	–	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	Derivatives used for hedging RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
31 December 2018			
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	–	1,140,866	1,140,866
Amount due to a subsidiary	–	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	1,986,231	2,116,717

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

33. FINANCIAL INSTRUMENTS (CONT'D.)

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

Company	Assets at fair value through profit or loss RM'000	Amortised cost RM'000	Total RM'000
31 December 2017			
Assets as per statement of financial position			
Trade and other receivables excluding prepayments and deferred lease expense	–	998,282	998,282
Amount due from a subsidiary	–	151,744	151,744
Amount due from an associate	–	81,305	81,305
Amount due from a joint venture	–	44,010	44,010
Amount due from related parties	–	75,305	75,305
Derivative financial assets	23,094	–	23,094
Deposits, cash and bank balances	–	431,556	431,556
Total	23,094	1,782,202	1,805,296

Company	Derivatives used for hedging RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
31 December 2017			
Liabilities as per statement of financial position			
Borrowings	–	861,970	861,970
Trade and other payables excluding deferred lease income	–	1,233,828	1,233,828
Amount due to a subsidiary	–	1,747	1,747
Amount due to an associate	–	122,775	122,775
Amount due to a joint venture	–	122,827	122,827
Amount due to related parties	–	30,587	30,587
Total	–	2,373,734	2,373,734

33. 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		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Counterparties without external credit rating				
Group 1	**-**	283	**-**	283
Group 2	**4,095**	53,796	**4,095**	53,796
Total trade receivables that are neither past due nor impaired (Note 20 (a)(i))	**4,095**	54,079	**4,095**	54,079

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deposits, cash and bank balances					
AAA to A-		**295,064**	418,289	**293,605**	417,170
BBB to BBB-		**2,250**	14,015	**2,250**	14,015
		297,314	432,304	**295,855**	431,185
Cash on hand		**295**	371	**295**	371
Total	22	**297,609**	432,675	**296,150**	431,556

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Amount due from a subsidiary, an associate, a joint venture and related parties					
Group 1		**15,083**	4,920	**15,083**	4,920
Group 2		**96,173**	210,112	**140,108**	188,219
Total	21	**111,256**	215,032	**155,191**	193,139
Derivative financial assets					
AA+ to A+		**-**	3,249	**-**	3,249
A to BBB-		**-**	9,209	**-**	9,209
No rating		**-**	10,636	**-**	10,636
Total	18	**-**	23,094	**-**	23,094

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. SEGMENTAL INFORMATION

Management has determined the operating segments based on reports that are reviewed and used to make strategic decisions by the Group's Chief Executive Officer ("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 asseses the performance of the operating segments based on revenue and net operating profit.

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

	Malaysia RM'000	Thailand RM'000	Indonesia RM'000	Elimination adjustments RM'000	Total RM'000
2018					
Segment results					
Revenue	**4,571,376**	**1,523,905**	**265,573**	**(452,916)**	**5,907,938**
Operating expenses					
– Staff costs	**(422,845)**	**(116,691)**	**(30,310)**	**–**	**(569,846)**
– Depreciation of property, plant and equipment	**(127,268)**	**(5,523)**	**(2,071)**	**–**	**(134,862)**
– Aircraft fuel expenses	**(1,876,060)**	**(552,898)**	**(141,051)**	**–**	**(2,570,009)**
– Maintenance and overhaul	**(485,389)**	**(194,140)**	**(56,410)**	**181,283**	**(554,656)**
– User charges	**(508,121)**	**(189,015)**	**(46,812)**	**–**	**(743,948)**
– Aircraft operating lease expenses	**(898,654)**	**(269,900)**	**(63,170)**	**271,633**	**(960,091)**
– Other operating expenses	**(464,398)**	**(169,228)**	**(11,317)**	**–**	**(644,943)**
Other income	**7,414**	**22,150**	**5,708**	**–**	**35,272**
Operating (loss)/profit	**(203,945)**	**48,660**	**(79,860)**	**–**	**(235,145)**
Finance income	**55,773**	**–**	**83**	**–**	**55,856**
Finance costs	**(70,611)**	**(1,149)**	**–**	**–**	**(71,760)**
Net operating (loss)/profit	**(218,783)**	**47,511**	**(79,777)**	**–**	**(251,049)**
Net foreign exchange gain	**16,011**	**17,776**	**7,413**	**–**	**41,200**
Other losses	**(23,889)**	**–**	**–**	**–**	**(23,889)**
(Loss)/profit before taxation	**(226,661)**	**65,287**	**(72,364)**	**–**	**(233,738)**
2017					
Segment results					
Revenue	4,578,674	1,154,285	234,371	(452,727)	5,514,603
Operating expenses					
– Staff costs	(421,259)	(123,155)	(34,452)	–	(578,866)
– Depreciation of property, plant and equipment	(109,338)	(4,741)	(2,166)	–	(116,245)
– Aircraft fuel expenses	(1,466,681)	(318,813)	(81,574)	–	(1,867,068)
– Maintenance and overhaul	(652,922)	(168,299)	(66,232)	148,219	(739,234)
– User charges	(508,507)	(156,374)	(25,092)	–	(689,973)
– Aircraft operating lease expenses	(944,599)	(257,864)	(80,780)	304,508	(978,735)
– Other operating expenses	(413,811)	(106,619)	(18,321)	–	(538,751)
Other income	51,015	22,987	15,016	–	89,018
Operating profit/(loss)	112,572	41,407	(59,230)	–	94,749
Finance income	33,204	–	147	–	33,351
Finance costs	(61,224)	(2,538)	(46)	–	(63,808)
Net operating profit/(loss)	84,552	38,869	(59,129)	–	64,292
Net foreign exchange gain	106,517	–	4,920	–	111,437
Other losses	(4,265)	–	–	–	(4,265)
Profit/(loss) before taxation	186,804	38,869	(54,209)	–	171,464

34. SEGMENTAL INFORMATION (CONT'D.)

	Malaysia RM'000	Thailand RM'000	Indonesia RM'000	Elimination adjustments RM'000	Total RM'000
2018					
Segment Assets					
Non-current assets^	**2,792,199**	**165,393**	**12,044**	**(67,287)**	**2,902,349**
Investment in an associate and a joint venture	**–**	**–**	**–**	**–**	**–**
Current assets	**1,549,372**	**447,876**	**318,205**	**(7,777)**	**2,307,676**
	4,341,571	**613,269**	**330,249**	**(75,064)**	**5,210,025**
Segment Liabilities					
Non-current liabilities	**(1,594,859)**	**(11,574)**	**(5,679)**	**67,287**	**(1,544,825)**
Current liabilities	**(2,173,050)**	**(590,580)**	**(536,313)**	**7,777**	**(3,292,166)**
	(3,767,909)	**(602,154)**	**(541,992)**	**75,064**	**(4,836,991)**
2017					
Segment Assets					
Non-current assets^	3,658,231	106,293	41,779	(125,315)	3,680,988
Investment in an associate and a joint venture	–	–	–	–	–
Current assets	1,105,949	418,883	321,756	(151,796)	1,694,792
	4,764,180	525,176	363,535	(277,111)	5,375,780
Segment Liabilities					
Non-current liabilities	(1,555,758)	(9,076)	(4,128)	125,315	(1,443,647)
Current liabilities	(2,219,816)	(569,565)	(467,281)	151,796	(3,104,866)
	(3,775,574)	(578,641)	(471,409)	277,111	(4,548,513)

^ *Excluding investment in an associate and a joint venture.*

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

34. SEGMENTAL INFORMATION (CONT'D.)

	2018 RM'000	2017 RM'000
(a) Reconciliation of segment revenue to reported revenue:		
Segment revenue	**5,907,938**	5,514,603
Less: Revenue from an associate and a joint venture which were not consolidated	**(1,336,562)**	(935,929)
	4,571,376	4,578,674
(b) Reconciliation of segment (loss)/profit before taxation to reported (loss)/profit before taxation:		
Segment (loss)/profit before taxation	**(233,738)**	171,464
Add: Expenses from an associate and a joint venture which were not consolidated	**7,077**	15,340
	(226,661)	186,804
(c) Reconciliation of segment assets to reported total assets:		
Segment assets	**5,210,025**	5,375,780
Less: Assets of an associate and a joint venture which were not consolidated	**(868,454)**	(611,600)
	4,341,571	4,764,180
(d) Reconciliation of segment liabilities to reported total liabilities:		
Segment liabilities	**(4,836,991)**	(4,548,513)
Add: Liabilities of an associate and a joint venture which were not consolidated	**1,069,082**	772,939
	(3,767,909)	(3,775,574)

35. UNCONSOLIDATED STRUCTURED ENTITIES

The Group and the Company has 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 enters 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 has no equity interest.

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 SPCs do not incur any losses or earn any income during the financial year ended 31 December 2018. The aircraft and the corresponding term loans and finance costs associated with the SPC have been recognised by the Group 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.

36. OTHER MATTERS

On 2 May 2018, the Company received a sealed Writ of Summons and Statement of Claim ("Claim") filed at the High Court of Malaya at Shah Alam ("Court") from Messrs Skrine ("Skrine"), the solicitors acting for Malaysia Airports (Sepang) Sdn Bhd ("MASSB"). Pursuant to the Claim, MASSB claimed for RM34.9 million against the Company for outstanding airport charges, rent payment and late payment charges allegedly payable up to 31 March 2018. The Company maintains that it has fully paid any outstanding airport charges and rent rightfully due during the financial year. The legal proceedings in respect of the Claim are still ongoing, and the remaining amount in dispute of RM4.0 million is in relation to late payment charges.

On 12 December 2018, the Company received another Claim from Skrine on behalf of 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. The Company states that it is not obliged to and will not collect from its passenger this RM23 now claimed pending the conclusion of legal proceedings.

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

37. SUBSEQUENT EVENTS

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.

38. COMPARATIVE FIGURES

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

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 152 to 231 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 2018 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 28 March 2019.

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, Wong Mee Yen, 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 152 to 231 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 Wong Mee Yen
at Kuala Lumpur in the Federal Territory
on 28 March 2019.

Wong Mee Yen
MIA NO. 6997

Before me,

Commissioner for Oaths
Kuala Lumpur

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 2018 of the Group and of the Company, and statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 152 to 231.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Key audit matters

Key audit matters are those matters that, in our professional 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.

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 2018, revenue from scheduled flights and ancillary services represents 83% (2017: 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.

INDEPENDENT AUDITORS' REPORT

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

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 susceptable 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 occurence 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.
Provision for aircraft maintenance Refer to Note 3(iii) and Note 26 to the financial statements for provision for aircraft maintenance. As at 31 December 2018, the provision for aircraft maintenance of the Group and of the Company amounted to RM1,014 million (2017: RM789 million). As of 31 December 2018, the Group and the Company operate twenty five (25) 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 17 to the financial statements for deferred tax. As at 31 December 2018, the Group and the Company recognised deferred tax assets amounting to RM386 million and RM385 million (2017: RM424 million and RM423 million), respectively, in relation to unutilised investment 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. 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. In view of the significance of the amount and the significant judgements involved, we consider this to be a key audit matter.	Our audit procedures included, amongst others: (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 17 to the financial statements.
Fair value derivative financial assets/liabilties Refer to Note 18 to the financial statements for derivative financial assets/liabilities. As at 31 December 2018, the Group's and the Company's derivative financial liabilities amounted to RM130 million (2017: RM23 million derivative financial assets). Net losses on effective cash flow hedges during the financial year amounting to RM98 million (2017: RM107 million) were recognised in other comprehensive income. The gain or loss arising from ineffective hedges is recognised immediately in the income statement. 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. 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. Due to the complexity involved and the magnitude of the balance, we consider the fair value measurement of derivative financial instruments to be an area of audit focus.	In addressing this area of audit focus, our audit procedures included, amongst others: (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; (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 (c) obtained third party confirmations to corroborate the existence and valuation of the derivative financial instruments.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AIRASIA X BERHAD (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 annual report 2018, which is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

When we read the annual report 2018, 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 MFRS, IFRS and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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.)

- 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.
- 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, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 14 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
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
28 March 2019

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

ANALYSIS OF SHAREHOLDINGS

AS AT 20 MARCH 2019

DISTRIBUTION OF SHAREHOLDINGS

Class of shares	Ordinary shares ("Shares")
Voting rights	One vote per ordinary share

Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	323	0.74	14,527	0.00
100 – 1,000	5,393	12.74	4,571,335	0.11
1,001 – 10,000	16,344	38.62	102,703,133	2.48
10,001 – 100,000	17,235	40.73	600,864,414	14.49
100,001 to less than 5% of issued shares	3,018	7.13	2,444,288,523	58.93
5% and above of issued shares	2	0.00	995,706,620	24.00
	42,315	**99.98**	**4,148,148,552**	**100.00**

SUBSTANTIAL SHAREHOLDERS

The direct and indirect shareholdings of the shareholders holding more than 5% in AirAsia X Berhad ("AirAsia X") based on the Register of Substantial Shareholders are as follows:-

	DIRECT		INDIRECT	
Name	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
Tune Group Sdn. Bhd. ("TGSB")	739,602,874[1]	17.83	–	–
AirAsia Berhad ("AAB")	570,728,502	13.76	–	–
Tan Sri Anthony Francis Fernandes	111,587,228[2]	2.69	1,310,331,376[4]	31.59
Datuk Kamarudin bin Meranun	370,709,939[3]	8.94	1,310,331,376[4]	31.59

NOTES:

(1) Shares held through TGSB, CIMSEC Nominees (Tempatan) Sdn. Bhd., Kenanga Nominees (Tempatan) Sdn. Bhd. and RHB Capital Nominees (Tempatan) Sdn. Bhd.

(2) Shares held through CIMB Group Nominees (Tempatan) Sdn. Bhd, and through own name.

(3) Shares held through CIMB Group Nominees (Tempatan) Sdn. Bhd., AllianceGroup Nominees (Tempatan) Sdn. Bhd. and through own name.

(4) Deemed interested by virtue of Section 8 of the Companies Act, 2016 through a shareholding of more than 20% in TGSB and AAB.

LIST OF DIRECTORS' SHAREHOLDINGS

AS AT 20 MARCH 2019

The interests of the Directors of AirAsia X in the Shares and options over shares in the Company and its related corporations based on the Company's Register of Directors' Shareholdings are as follows:-

	DIRECT		INDIRECT	
Name	**No. of Shares Held**	**% of Issued Shares**	**No. of Shares Held**	**% of Issued Shares**
Tan Sri Rafidah Aziz	175,000[(1)]	0.00*	100,000[(2)]	0.00*
Datuk Kamarudin bin Meranun	370,709,939[(3)]	8.94	1,310,331,376[(5)]	31.59
Tan Sri Anthony Francis Fernandes	111,587,228[(4)]	2.69	1,310,331,376[(5)]	31.59
Lim Kian Onn	–	–	175,833,356[(6)]	4.24
Dato' Fam Lee Ee	–	–	–	–
Tan Sri Asmat bin Kamaludin	297,400[(1)]	0.01	40,000[(6)]	0.00*
Dato' Yusli bin Mohamed Yusoff	–	–	–	–

NOTES:

* *Negligible.*

(1) Shares held through CIMSEC Nominees (Tempatan) Sdn. Bhd.

(2) Deemed interest held under the name of her spouse (deceased).

(3) Shares held through CIMB Group Nominees (Tempatan) Sdn. Bhd., AllianceGroup Nominees (Tempatan) Sdn. Bhd. and through own name.

(4) Shares held through CIMB Group Nominees (Tempatan) Sdn. Bhd. and through own name.

(5) Deemed interested by virtue of Section 8 of the Companies Act, 2016 through a shareholding of more than 20% in TGSB and AAB.

(6) Deemed interest held through his spouse and children.

There were no options offered to and exercised by, or shares granted to and vested in Directors during the financial year.

LIST OF TOP 30 LARGEST SHAREHOLDERS

AS AT 20 MARCH 2019

	Name of Shareholders	No. of Shares Held	% of Issued Share Capital
1.	AirAsia Berhad	570,728,502	13.76
2.	RHB Capital Nominees (Tempatan) Sdn Bhd *RHB Islamic Bank Berhad - Pledged Securities Account for Tune Group Sdn Bhd*	424,978,118	10.25
3.	HSBC Nominees (Asing) Sdn Bhd *Exempt An for Bank Julius Baer & Co. Ltd. (Singapore Bch)*	194,503,356	4.69
4.	CIMSEC Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tune Group Sdn Bhd (EDG&GCM)*	166,250,000	4.01
5.	Kamarudin bin Meranun	164,178,957	3.96
6.	CIMB Group Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Kamarudin bin Meranun (GCM CBM-SKY X)*	154,430,982	3.72
7.	Citigroup Nominees (Tempatan) Sdn Bhd *Exempt An for AIA Bhd*	138,352,200	3.34
8.	Kenanga Nominees (Tempatan) Sdn Bhd *ECM Libra Partners Sdn Bhd - Pledged Securities Account for Tune Group Sdn Bhd*	116,525,000	2.81
9.	CIMB Group Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Anthony Francis Fernandes (GCM CBM-SKY X)*	87,303,728	2.10
10.	AllianceGroup Nominees (Tempatan) Sdn Bhd *Export-Import Bank of Malaysia Berhad for Kamarudin bin Meranun*	52,100,000	1.26
11.	Tune Group Sdn Bhd	31,849,756	0.77
12.	Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board (RHBISLAMIC)*	30,745,700	0.74
13.	HSBC Nominees (Asing) Sdn Bhd *JPMCB NA for Vanguard Emerging Markets Stock Index Fund*	27,661,300	0.67
14.	HSBC Nominees (Asing) Sdn Bhd *JPMCB NA for Vanguard Total International Stock Index Fund*	24,412,550	0.59
15.	Anthony Francis Fernandes	24,283,500	0.59
16.	AllianceGroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Fo Jie Song*	21,020,000	0.51
17.	Citigroup Nominees (Asing) Sdn Bhd *CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc*	19,006,858	0.46
18.	Citigroup Nominees (Asing) Sdn Bhd *Exempt An for UBS AG Singapore (Foreign)*	13,500,000	0.33
19.	Citigroup Nominees (Asing) Sdn Bhd *CBNY for DFA Emerging Markets Small Cap Series*	12,091,826	0.29
20.	Teo Tuan Kwee	10,030,000	0.24
21.	RHB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Yong Loy Huat*	10,000,000	0.24
22.	Citigroup Nominees (Asing) Sdn Bhd *Exempt An for Citibank New York (Norges Bank 1)*	9,647,388	0.23
23.	RHB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Tan Siew Li*	9,335,000	0.23
24.	Toh Ean Hai	9,000,000	0.22
25.	AllianceGroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tan Siew Li*	7,645,000	0.18
26.	Gan Hai Toh	7,459,000	0.18
27.	Citigroup Nominees (Asing) Sdn Bhd *GSCO LLC for Acadian Non-US Small-Cap Long-Short Equity Fund, LLC*	6,560,500	0.16
28.	Loh You Fook	6,500,000	0.16
29.	CIMSEC Nominees (Tempatan) Sdn Bhd *CIMB Bank for Shelina binti Razaly Wahi (MH6755)*	6,358,300	0.15
30.	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Su Ming Keat*	6,272,400	0.15

ANALYSIS OF WARRANT HOLDINGS

AS AT 20 MARCH 2019

DISTRIBUTION OF WARRANT HOLDINGS

No. of Warrant Issued	888,888,895
No. of Warrant Exercised	375
No. of Warrant Unexercised	888,888,520
Maturity date	8 June 2020
Voting rights	The warrant holders are not entitled to attend meetings of the members of the Company and vote at such meetings or participate in any distribution and/or offer of further securities in the Company until and unless such warrant holders exercise their warrants into ordinary shares of the Company.

Size of Warrant holdings	No. of Warrant holders	% of Warrant holders	No. of Warrants	% of Issued Warrant Capital
Less than 100	1,288	10.25	61,919	0.01
100 – 1,000	2,002	15.93	1,100,649	0.12
1,001 – 10,000	5,752	45.77	24,433,510	2.75
10,001 – 100,000	2,869	22.83	101,452,142	11.41
100,001 to less than 5% of issued warrants	653	5.20	457,301,464	51.45
5% and above of issued warrants	3	0.02	304,538,836	34.26
	12,567	**100.00**	**888,888,520**	**100.00**

LIST OF DIRECTORS' WARRANT HOLDINGS

AS AT 20 MARCH 2019

The interests of the Directors of AirAsia X in the warrant in the Company and its related corporations based on the Company's Register of Directors' warrant holdings are as follows:-

	DIRECT		INDIRECT	
Name	**No. of Warrants Held**	**% of Issued Warrants**	**No. of Warrants Held**	**% of Issued Warrants**
Tan Sri Rafidah Aziz	37,500[(1)]	0.00*	–	–
Datuk Kamarudin bin Meranun	98,798,772[(2)]	11.11	280,785,294[(4)]	31.59
Tan Sri Anthony Francis Fernandes	18,707,941[(3)]	2.10	280,785,294[(4)]	31.59
Lim Kian Onn	–	–	42,392,862[(5)]	4.77
Dato' Fam Lee Ee	–	–	–	–
Tan Sri Asmat bin Kamaludin	–	–	–	–
Dato' Yusli bin Mohamed Yusoff	–	–	–	–

NOTES:

* *Negligible.*

(1) *Warrants held through CIMSEC Nominees (Tempatan) Sdn. Bhd.*

(2) *Warrants held through CIMB Group Nominees (Tempatan) Sdn. Bhd. and through own name.*

(3) *Warrants held through CIMB Group Nominees (Tempatan) Sdn. Bhd.*

(4) *Deemed interested by virtue of Section 8 of the Companies Act, 2016 through a shareholding of more than 20% in Tune Group Sdn. Bhd. and AirAsia Berhad.*

(5) *Deemed interest held through his spouse and children.*

There were no options offered to and exercised by, or shares granted to and vested in Directors during the financial year.

LIST OF TOP 30 LARGEST WARRANT HOLDERS

AS AT 20 MARCH 2019

	Name of Warrant Holders	No. of Warrants Held	% of Issued Warrant Capital
1.	AirAsia Berhad	122,298,964	13.76
2.	Tune Group Sdn. Bhd.	109,875,000	12.36
3.	CIMB Group Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Kamarudin bin Meranun (GCM CBM-SKY X)*	72,364,872	8.14
4.	HSBC Nominees (Asing) Sdn. Bhd. *Exempt An for Bank Julius Baer & Co. Ltd. (Singapore Bch)*	42,167,862	4.74
5.	CIMSEC Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Tune Group Sdn. Bhd. (EDG&GCM)*	28,125,000	3.16
6.	Kamarudin bin Meranun	26,433,900	2.97
7.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Exempt An for AIA Bhd.*	18,770,688	2.11
8.	CIMB Group Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Anthony Francis Fernandes (GCM CBM-SKY X)*	18,707,941	2.10
9.	CIMB Group Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Tune Group Sdn. Bhd. (GCM CBM-SKY X)*	18,048,830	2.03
10.	Satkunarajah a/l Rajendra	14,400,000	1.62
11.	AMSEC Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Tan Peng Nguang*	8,300,000	0.93
12.	Choong Yean Yaw	6,726,000	0.76
13.	Tan Boon Han	5,551,500	0.62
14.	Tong Yun Mong	5,420,000	0.61
15.	AllianceGroup Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Chong Vit Sian (800509)*	5,000,000	0.56
16.	Ng Kok Hin	4,725,300	0.53
17.	Kenanga Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Heng Yong Kang @ Wang Yong Kang (08HE101Q1-008)*	4,281,900	0.48
18.	Public Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Poh Seng Kian (TJJ/KEN)*	4,000,000	0.45
19.	Ong Ah Choon @ Ong Kai Choon	3,935,700	0.44
20.	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Chee Kwok Fai*	3,450,000	0.39
21.	Yeo Poh Ann	3,350,000	0.38
22.	Kenanga Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Koh Boon Poh (008)*	3,218,300	0.36
23.	How Wong Yuh	3,100,000	0.35
24.	Lim Chow Sen @ Lim Chow Soon	3,000,000	0.34
25.	Yong Kar Keong	2,830,000	0.32
26.	CIMSEC Nominees (Tempatan) Sdn. Bhd. *CIMB for Mohamad Zekri bin Haji Ibrahim (PB)*	2,500,000	0.28
27.	Ng Loo Soon	2,500,000	0.28
28.	Kenanga Nominees (Tempatan) Sdn. Bhd. *ECM Libra Partners Sdn. Bhd. - Pledged Securities Account for Tune Group Sdn. Bhd.*	2,437,500	0.27
29.	Tham Kok Wing	2,270,000	0.26
30.	Chan Pheng Hock	2,018,600	0.23

CORPORATE DIRECTORY

AS AT 21 MARCH 2019

OFFICE AND STATIONS

MALAYSIA

Kuala Lumpur

AIRASIA X PASSENGER OPS OFFICE,
LS2-3-110, Level 3, Terminal KLIA2,
KL International Airport,
Jalan KLIA2, 64000 KLIA,
Sepang, Selangor, Malaysia

NEW ZEALAND

Auckland

AirAsia X Berhad, GM32
(Ground Mezzanine), Auckland
International Airport, Auckland
2150, New Zealand

AUSTRALIA

Australia Customer Hotline:
+61 2 8188 2133

Gold Coast

AirAsia X Berhad (Lot 1 Site 49)
Level 1, Airport Central, 1 Eastern
Avenue, QLD 4225, Australia

Melbourne

AirAsia X Berhad
Level 2, T2
Melbourne Airport
Tullamarine. VIC

Sydney

AirAsia X Berhad
Sydney International Airport
Level 3-1062
Airport Dr, Sydney NSW 2020

Perth

Unit 1L29 Terminal 1, Perth Airport
WA 6105, Australia

CHINA

Hangzhou

Room 2025A, International
Terminal, Hangzhou Xiaoshan
International Airport, Xiaoshan
District, Hangzhou, Zhejiang
Province, China

Beijing

Room 32092
Terminal 2
Beijing Capital International
Airport,
Beijing, China

Chengdu

AirAsia X Berhad L318,
International Departure, Chengdu
Shuangliu International Airport,
Chengdu, Sichuan Province, China

Shanghai

Station Duty Phone: +86 180 190 93493

Room 2PS-10-02, Terminal 2,
Shanghai Pudong International
Airport 201202 China

Xi'An

International Zone 1-177, Terminal
3 Of Xi'an Xianyang international
Airport, China

Wuhan

GB17-18, 2nd Floor, International
Terminal, TianHe International
Airport, Wuhan

Chongqing

Rm31400, Level 1, Terminal 3,
Chongqing Jiangbei International
Airport

Zhengzhou

AirAsia X Berhad
Zhengzhou Henan International
Airport

TianJin

Room B312, Terminal 1, Tianjin
Binhai International Airport, Dongli
District, Tianjin

ChangSha

Minus One Floor, T2, Chang Sha
Huang Hua International Airport,
Chang Sha City, Hu Nan Province,
China

LanZhou

Lanzhou Mei Travel Hotel, No. 199,
Zhongchuan Airport, Yongdeng
County, Lanzhou City, Gansu
Province

TAIWAN

Taipei

C-O-260-2 Terminal 1, Taoyuan
International Airport, 15 Hang Zhan
S Rd. Dayuan Dist., Taoyuan City,
Taiwan, ROC

SOUTH KOREA

Seoul

Room 2063, Incheon International
Airport Passenger Terminal, 272
Gonghang ro, Jung gu, Incheon
City, 22382
Rep. of Korea

Jeju

1st Floor, Jeju International
Airport, 2 Gonghang-ro, Jeju-si,
Jeju-do, Rep. of Korea

Busan

3rd Floor, International Terminal
of Gimhae International Airport,
108 Gonghangjinipno, Gangseo-
Gu, Busan, S. Korea

JAPAN

Japan Call Center: 050 6864 8181

Sapporo

International Terminal Bldg 2F,
New Chitose Airport Bibi, Chitose,
Hokkaido, Japan 066-0012

Tokyo

Office Phone: 81 3 5755 9918

Room S7K0 International
Passenger Building, 2-6-5
Haneda Kuko, Otaku, Tokyo, Japan
144-0041

Osaka

2F Airline North Building
Kansai International Airport
Senshukuko Kita 1
Izumisano-shi Osaka
549-0001

Fukuoka

4F International Terminal Building
Fukuoka Airport
812-0851
T +81 92 292 4018

INDIA

Jaipur

AirAsia X Berhad
Terminal 2, Jaipur International
Airport, Sidharth Nagar Near
Jawahar Circle, Jaipur Rajasthan
-302027

Delhi

AirAsia X Berhad, Room
No 103,
Level 4,
Indira Gandhi International
Airport, Terminal 3,
New Delhi - 110037

Amritsar

AirAsia X Berhad Room no:-4,
1st floor,
Departure side, Shri Guru Ram
Dass Ji International Airport
Amritsar, Punjab -143101

SAUDI ARABIA

Jeddah

AirAsia X Berhad Office No. L02-
B10-003 Alnakhil Trading Center,
No. 12, Madinah Road, King
Abdulaziz International Airport,
Hajj Terminal, KSA

UNITED STATES OF AMERICA

Honolulu, Hawaii

AirAsia X Berhad
Daniel K. Inouye International
Airport
300 Rodgers Boulevard #55
Honolulu, Hawaii 96819 USA

INDONESIA

Denpasar

AirAsia X Berhad
Ngurah Rai International Airport

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirteenth Annual General Meeting of AirAsia X Berhad (734161-K) ("AAX" or "the Company") will be held at c/o CAE Kuala Lumpur Sdn. Bhd., Lot PT25B, Jalan KLIA S5, Southern Support Zone, Kuala Lumpur International Airport, 64000 Sepang, Selangor Darul Ehsan, Malaysia on Wednesday, 26 June 2019 at 10.00 a.m. for the following purposes:-

AS ORDINARY BUSINESS		
1.	To receive the Audited Financial Statements together with the Reports of the Directors and Auditors thereon for the financial year ended 31 December 2018. *Please refer to Note A.*	
2.	To approve the Non-Executive Directors' Remuneration as described in Note B for the period from 27 June 2019 until the next Annual General Meeting of the Company to be held in the year 2020. *Please refer to Note B.*	**(Ordinary Resolution 1)**
3.	To re-elect the following Directors of the Company who retire by rotation pursuant to Rule 119 of the Company's Constitution and who being eligible had offered themselves for re-election:- i) Tan Sri Rafidah Aziz; and ii) Tan Sri Anthony Francis Fernandes.	**(Ordinary Resolution 2)** **(Ordinary Resolution 3)**
4.	To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to determine their remuneration.	**(Ordinary Resolution 4)**
AS SPECIAL BUSINESS		
To consider and if thought fit, to pass, with or without modifications, the following Resolutions:		
5.	**AUTHORITY TO ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016** "**THAT** pursuant to Sections 75 and 76 of the Companies Act, 2016 and subject to the approval of relevant authorities, the Directors of the Company be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes and to such persons whomsoever as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares issued pursuant to this resolution during the preceding 12 months does not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being and that the Directors be and also empowered to obtain approval for the listing of and quotation for the additional shares so issued on the Main Market of Bursa Malaysia Securities Berhad **AND THAT** such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company after the approval was given or at the expiry of the period within which the next Annual General Meeting is required to be held after the approval was given, whichever is earlier unless revoked or varied by an ordinary resolution of the Company at a general meeting." *Please refer to Note C.*	**(Ordinary Resolution 5)**
6.	**PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE AND NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED MANDATE")** "**THAT** approval be and is hereby given for the renewal of the existing shareholders' mandate and new shareholders' mandate for the Company to enter into recurrent related party transactions of a revenue or trading nature with the related parties ("**Recurrent Related Party Transactions**") as set out in Section 2.3 of the Circular to Shareholders dated 30 April 2019 ("**Circular**"), subject further to the following: i) the Recurrent Related Party Transactions are entered into in the ordinary course of business which are: (a) necessary for the day-to-day operations; (b) on normal commercial terms and transaction price which are not more favourable to the related parties than those generally available to the public; (c) undertaken on arm's length basis; and (d) not to the detriment of the minority shareholders of the Company;	

	ii) the shareholders' mandate is subject to annual renewal and this shareholders' mandate shall only continue to be in full force until: (a) the conclusion of the next Annual General Meeting ("**AGM**") of the Company following the AGM at which this shareholders' mandate is approved, at which time it will lapse, unless by an ordinary resolution passed at that AGM, such authority is renewed; (b) the expiration of the period within which the next AGM after the date is required to be held pursuant to Section 340(2) of the Companies Act, 2016 ("**Act**") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or (c) revoked or varied by an ordinary resolution passed by the shareholders of the Company in a general meeting of the Company, whichever is the earliest. **THAT** the Directors of the Company and/or any one of them be and are hereby authorised to complete and do all such acts and things and take all such steps and to execute all such transactions, deeds, agreements, arrangements and/or undertakings as the Directors in their discretion deem fit, necessary, expedient and/or appropriate in the best interest of the Company in order to implement, finalise and give full effect to the Recurrent Related Party Transactions with full powers to assent to any modifications, variations and/or amendments thereto. **AND THAT** as the estimates given for the Recurrent Related Party Transactions specified in Section 2.3 of the Circular being provisional in nature, the Directors of the Company and/or any one of them be and are hereby authorised to agree to the actual amount or amounts thereof provided always that such amount or amounts comply with the procedures set out in Section 2.6 of the Circular." *Please refer to Note D.*	**(Ordinary Resolution 6)**
OTHER ORDINARY BUSINESS		
7.	To transact any other business of which due notice shall have been given.	

By Order of the Board

JASMINDAR KAUR A/P SARBAN SINGH
(MAICSA 7002687)
LAU YEN HOON
(MAICSA 7061368)

Company Secretaries
Kuala Lumpur
30th day of April 2019

NOTICE OF ANNUAL GENERAL MEETING

NOTES ON APPOINTMENT OF PROXY

a) Pursuant to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 and Rule 41(a) of the Company's Constitution, only those Foreigners (as defined in the Constitution) who hold shares up to the current prescribed foreign ownership limit of 45.0% of the total number of issued shares of the Company, on a first-in-time basis based on the Record of Depositors to be used for the forthcoming Annual General Meeting ("AGM"), shall be entitled to vote. A proxy appointed by a Foreigner not entitled to vote, will similarly not be entitled to vote. Consequently, all such disenfranchised voting rights shall be automatically vested in the Chairman of the AGM.

b) A member must be registered in the Record of Depositors at 5.00 p.m. on 19 June 2019 ("General Meeting Record of Depositors") in order to attend and vote at the AGM. A depositor shall not be regarded as a Member entitled to attend the AGM and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors. Any changes in the entries on the Record of Depositors after the abovementioned date and time shall be disregarded in determining the rights of any person to attend and vote at the AGM.

c) A member entitled to attend and vote is entitled to appoint not more than two (2) proxies (or in the case of a corporation, to appoint representative(s) in accordance with Section 333 of the Companies Act, 2016), to attend and vote in his stead. There shall be no restriction as to the qualification of the proxy(ies).

d) The Proxy Form in the case of an individual shall be signed by the appointor or his attorney, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.

e) Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.

f) Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

g) The Proxy Form or other instruments of appointment shall not be treated as valid unless deposited at the Registered Office of the Company at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia not less than forty-eight (48) hours before the time set for holding the meeting. **Faxed copies of the duly executed form of proxy are not acceptable.**

h) Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.

EXPLANATORY NOTES:

A. Audited Financial Statements together with the Reports of the Directors and Auditors thereon for the financial year ended 31 December 2018

This Agenda item is meant for discussion only as under the provisions of Section 248(2) and 340(1) of the Companies Act, 2016. The audited financial statements do not require the formal approval of shareholders and hence, the matter will not be put forward for voting.

B. To approve the Non-Executive Directors' Remuneration for the period from 27 June 2019 until the next Annual General Meeting ("AGM") of the Company to be held in the year 2020 (Ordinary Resolution 1)

The Nomination and Remuneration Committee ("NRC") recommended and the Board of Directors affirmed that the Non-Executive Directors' Remuneration for the period from 27 June 2019 until the next AGM of the Company to be held in the year 2020 shall remain unchanged as per the financial year ended 31 December 2018 as shown below:-

Non-Executive Directors' Fees (per annum)	**Non-Executive Chairman (RM)**	**Per Non-Executive Director/Per other Committee Member (RM)**
Board of Directors	165,000	65,000
Audit Committee	40,000	30,000
NRC	30,000	20,000
Safety Review Board	30,000	20,000
Risk Management Committee	30,000	20,000

Non-Executive Directors' Benefits (per attendance by each director or committee member)	**Board Directors**	**Board Committees**
Meeting allowance	1,000	1,000
Other Non-Executive Directors' Benefits		
Insurance premiums on medical coverage, and other claimable expenses incurred in the course of carrying out their duties.	Up to a total amount of RM100,000 for all Non-Executive Directors	

The Shareholder's approval is being sought under **Ordinary Resolution 1** for the payment of the remuneration to Non-Executive Directors for the period from 27 June 2019 up to the next AGM of the Company in accordance with the remuneration structure as set out above.

C. Authority to allot shares pursuant to Sections 75 and 76 of the Companies Act, 2016 ("the Act") (Ordinary Resolution 5)

Ordinary Resolution 5 has been proposed for the purpose of renewing the general mandate for issuance of shares by the Company under Sections 75 and 76 of the Act ("General Mandate"). Ordinary Resolution 5, if passed, will give the Directors of the Company authority to issue ordinary shares in the Company at their discretion without having to first convene another general meeting. The General Mandate will, unless revoked or varied by the Company in a general meeting, expire at the conclusion of the next Annual General Meeting ("AGM") or the expiration of the period within which the next AGM is required by law to be held, whichever is earlier.

The General Mandate, if granted, will provide the flexibility to the Company for any future fund-raising activities, including but not limited to further placing of shares for the purposes of funding future investment project(s), repayment of bank borrowing, working capital and/or acquisition(s) and thereby reducing administrative time and costs associated with the convening of additional shareholders meeting(s).

As at the date of this Notice, the Company has not issued any new shares under the General Mandate obtained in its previous AGM.

D. Proposed renewal of existing shareholders' mandate and new shareholders' mandate for Recurrent Related Party Transactions of a revenue or trading nature ("Proposed Mandate") (Ordinary Resolution 6)

Ordinary Resolution 6, if passed, will allow the Group to enter into Recurrent Related Party Transactions of a revenue or trading nature pursuant to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. Please refer to the Circular to Shareholders dated 30 April 2019 for further information.

Personal data privacy notice:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

GLOSSARY

AirAsia X	"The Company" or "AirAsia X".
Aircraft at end of period	Number of aircraft owned or on lease arrangements of over one month's duration at the end of the period.
Aircraft utilisation	Average number of block hours per day per aircraft operated.
Available Seat Kilometres (ASK)	Total seats flown multiplied by distance flown.
Revenue Passenger Kilometres (RPK)	Total passengers flown multiplied by distance flown.
Load Factor	The number of Revenue Passenger Kilometres (RPKs) expressed as a percentage of ASKs.
Average Base Fare	Passenger seat sales, surcharges and fees divided by number of passengers.
Block hours	Hours of service for aircraft, measured from the time that the aircraft leaves the terminal at the departure airport to the time that it arrives at the terminal at the destination airport.
Capacity	The number of seats flown.
Cost per ASK (CASK)	Revenue less operating profit divided by available seat kilometres.
Cost per ASK, excluding fuel (CASK ex fuel)	Revenue less operating profit and aircraft fuel expenses, divided by available seat kilometres.
Passengers carried	Number of earned seats flown. Earned seats comprises seats sold to passengers (including no-shows), seats provided for promotional purposes and seats provided to staff for business travel.
Revenue per ASK (RASK)	Revenue divided by available seat kilometres.
Stage	A one-way revenue flight.

CARGO SPACE AGENT

AIRASIA X BERHAD
(Company No.: 734161-K)
Incorporated in Malaysia

FORM OF PROXY

I/We ______________________________ NRIC No./Passport No./Co. No.: ______________
(FULL NAME AS PER NRIC/CERTIFICATE OF INCORPORATION IN BLOCK LETTERS) *(COMPULSORY)*

of ____
(FULL ADDRESS)

telephone no. ______________, email address ______________________ being a member of the

Company hereby appoint ______________________________
(FULL NAME IN BLOCK LETTERS)

NRIC No./Passport No.: ______________________ of ______________________
(COMPULSORY) *(FULL ADDRESS)*

______________________ telephone no. ______________, email address ______________

or failing him/her ______________________ NRIC No./Passport No.: ______________________
(FULL NAME IN BLOCK LETTERS) *(COMPULSORY)*

of ____
(FULL ADDRESS)

telephone no. ______________________, email address ______________________

*or failing him/her, the Chairman of the Meeting as my/our proxy(ies) to vote in my/our name and on my/our behalf at the Thirteenth Annual General Meeting of the Company to be held at c/o CAE Kuala Lumpur Sdn. Bhd., Lot PT25B, Jalan KLIA S5, Southern Support Zone, Kuala Lumpur International Airport, 64000 Sepang, Selangor Darul Ehsan, Malaysia on Wednesday, 26 June 2019 at 10.00 a.m. and at any adjournment of such meeting and to vote as indicated below:

AGENDA

No. 1	To receive the Audited Financial Statements together with the Reports of the Directors and Auditors thereon for the financial year ended 31 December 2018		
Resolutions	**Description**	**For**	**Against**
	Ordinary Business		
Ordinary Resolution 1	To approve the Non-Executive Directors' Remuneration for the period from 27 June 2019 until the next Annual General Meeting of the Company to be held in the year 2020		
Ordinary Resolution 2	Re-election of Tan Sri Rafidah Aziz as a Director of the Company, who retires by rotation pursuant to Rule 119 of the Company's Constitution		
Ordinary Resolution 3	Re-election of Tan Sri Anthony Francis Fernandes as a Director of the Company, who retires by rotation pursuant to Rule 119 of the Company's Constitution		
Ordinary Resolution 4	Re-appointment of Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to determine their remuneration		
	Special Business		
Ordinary Resolution 5	Authority to allot shares pursuant to Sections 75 and 76 of the Companies Act, 2016		
Ordinary Resolution 6	Proposed renewal of existing shareholders' mandate and new shareholders' mandate for Recurrent Related Party Transactions of a revenue or trading nature		

(Please indicate with an "X" in the spaces provided how you wish your votes to be cast. If you do not do so, the proxy will vote or abstain from voting as he thinks fit)

** Delete the words "or failing him/her, the Chairman of the Meeting" if not applicable.*

No. of shares held:			
CDS Account No.:			
The proportion of my/our holding to be represented by my/our proxies are as follows:		**No. of Shares**	**Percentage**
	First Proxy		
	Second Proxy		
Date:			

____
Signature(s)/Common Seal of Member(s)

Notes to Form of Proxy

a. *Pursuant to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 and Rule 41(a) of the Company's Constitution, only those Foreigners (as defined in the Constitution) who hold shares up to the current prescribed foreign ownership limit of 45.0% of the total number of issued shares of the Company, on a first-in-time basis based on the Record of Depositors to be used for the forthcoming Annual General Meeting ("AGM"), shall be entitled to vote. A proxy appointed by a Foreigner not entitled to vote, will similarly not be entitled to vote. Consequently, all such disenfranchised voting rights shall be automatically vested in the Chairman of the AGM.*

b. *A member must be registered in the Record of Depositors at 5.00 p.m. on 19 June 2019 ("General Meeting Record of Depositors") in order to attend and vote at the AGM. A depositor shall not be regarded as a Member entitled to attend the AGM and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors. Any changes in the entries on the Record of Depositors after the abovementioned date and time shall be disregarded in determining the rights of any person to attend and vote at the AGM.*

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e. *Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.*

f. *Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*

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h. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.*

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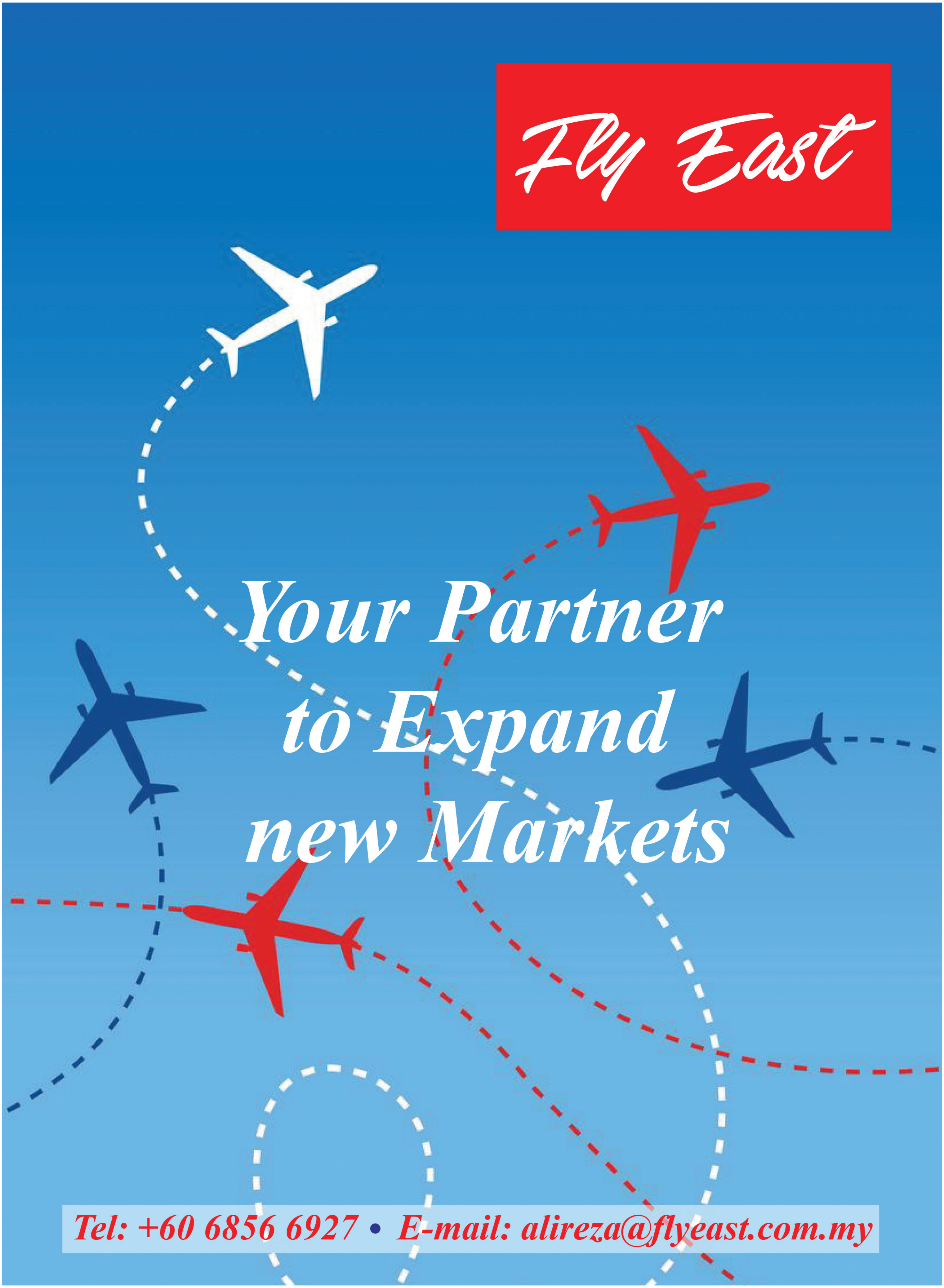
STAMP

COMPANY SECRETARIES
AirAsia X Berhad (Company No. 734161-K)
Unit 30-01, Level 30
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan
Malaysia

Fold here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to Expand
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www.airasiax.com

AirAsia X Berhad (734161-K)