JOURNEY THROUGH 2013

13
AUGUST

A month-long paint-the-plane contest is launched.

26
AUGUST

AirAsia X announces increasing capacity to Sydney, Melbourne and Perth with double daily flights.

29
AUGUST

The rescue mission is completed, with a total of 1,110 Malaysians flown from Cairo to Kuala Lumpur.

08
OCTOBER

Flight D7 184 from Kuala Lumpur receives a surprise water salute welcome upon landing at the Ibrahim Nasir International Airport in Male, in an official ceremony to commemorate the airline's presence in the Maldives.

14
OCTOBER

AirAsia X announces that its associate company, Thai AirAsia X, has received an Air Operator Licence from the Ministry of Transport Thailand.

31
OCTOBER

The first flight to Adelaide touches down, marking the start of a four times weekly route from Kuala Lumpur.

13
NOVEMBER

AirAsia X celebrates its sixth anniversary.

22
NOVEMBER

Increased flight frequency from four flights weekly to daily flights to Osaka.

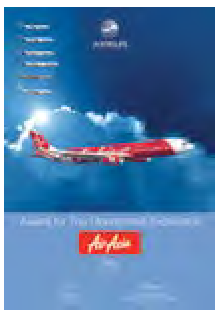
18
DECEMBER

AirAsia X places the single largest aircraft type firm order for 25 more A330-300 aircraft with Airbus, valued at US$6 billion.

24
DECEMBER

AirAsia X celebrates Christmas eve by presenting a surprise Christmas gift to the 331 passengers on board flight D7 372 from Kuala Lumpur to Taipei.

ACHIEVEMENTS



2008

- Budgie World Low Cost Airline Award for Best Newcomer
- CAPA New Airline of the Year Award

2009

- World's Best Low-Cost Airline by Skytrax, together with AirAsia Berhad
- CAPA Airline of the Year Award, joint winner with AirAsia Berhad

2010

World's Best Low-Cost Airline by Skytrax for the second consecutive year, with AirAsia Berhad

2011

- First long-haul low-cost carrier to receive second place in the Transportation and Advertising category of the Asahi Advertising Award by The Asahi Shimbun
- Best Network Performance at the inaugural World Routes Awards
- Ranked second Best Low-Cost Airline in Asia by Skytrax, after AirAsia Berhad
- Best Budget Airline 2011 from Smart Traveller
- Air Cargo Industry Customer Care Award 2011, together with AirAsia Berhad

2012

- Airbus Top Operational Excellence Award 2010-2011 for being the world's best A330-300 operator (small fleet category)
- Ranked second Best Low-Cost Airline in Asia by Skytrax, after AirAsia Berhad
- Best Low Cost Airline in the Travel Top 50 issue Wish (The Australian)
- Rising Star Carrier of the Year at Payload Asia Awards 2012, together with AirAsia Berhad
- Best New Route Launch (for Haneda) at the World Low Cost Airlines Congress Budgies Awards
- Air Cargo Industry Customer Care Award from Air Cargo Week with AirAsia Berhad
- Ranked 4th best in-flight meals by the inaugural Skyscanner Asia Pacific Food Awards (long-haul category)

World's Best Low-Cost Airline
Premium Class & Premium Class Seat

2013

- World's Best Low-Cost Airline - Premium Class and World's Best Low-Cost Airline - Premium Seat by Skytrax World Airline Awards
- Uber Social WITovation Award at the Web In Travel (WIT) Conference
- Best Investor Relations for IPO Award by IR Magazine & Conference South East Asia


Dare to
Dream.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Rafidah Aziz
Senior Independent Non-Executive Chairman

Tan Sri Dr. Anthony Francis Fernandes
Non-Independent Non-Executive Director

Datuk Kamarudin Bin Meranun
Non-Independent Non-Executive Director

Dato' Seri Kalimullah Bin Masheerul Hassan
Non-Independent Non-Executive Director

Dato' Fam Lee Ee
Non-Independent Non-Executive Director

Lim Kian Onn
Non-Independent Non-Executive Director

Asher Noor
Non-Independent Non-Executive Director

Kiyoshi Fushitani
Non-Independent Non-Executive Director

Tan Sri Asmat Bin Kamaludin
Independent Non-Executive Director

Dato' Yusli Bin Mohamed Yusoff
Independent Non-Executive Director

Kiyotaka Tanaka
Alternate Director to Kiyoshi Fushitani

AUDIT COMMITTEE

Dato' Yusli Bin Mohamed Yusoff
Tan Sri Asmat Bin Kamaludin
Lim Kian Onn

NOMINATION COMMITTEE

Tan Sri Rafidah Aziz
Datuk Kamarudin Bin Meranun
Dato' Yusli Bin Mohamed Yusoff

REMUNERATION COMMITTEE

Tan Sri Rafidah Aziz
Datuk Kamarudin Bin Meranun
Tan Sri Asmat Bin Kamaludin

EMPLOYEES' SHARE OPTION SCHEME COMMITTEE

Datuk Kamarudin Bin Meranun
Azran Osman Rani

SAFETY REVIEW BOARD

Tan Sri Rafidah Aziz
Azran Osman Rani
Captain Azhanudin
Captain Leslie Wu
Captain Suresh Kumar Bangah
Soo Hoo Haw Loon

COMPANY SECRETARIES

Jasmindar Kaur A/P Sarban Singh
(MAICSA 7002687)
Ching Koon Kah @ Chin Kon Kah
(MIA 8008)

AUDITORS

PricewaterhouseCoopers (AF 1146)
Chartered Accountants
Level 10, 1 Sentral
Jalan Travers, Kuala Lumpur Sentral
50706 Kuala Lumpur, Wilayah Persekutuan
Tel : +603 2173 1188
Fax : +603 2173 1288

REGISTERED ADDRESS

AirAsia X Berhad (Company No. 734161-K)
B-13-15, Level 13
Menara Prima Tower B
Jalan PJU 1/39, Dataran Prima
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : +603 7491 4318
Fax : +603 7887 2318

HEAD OFFICE ADDRESS

Lot PT16, Jalan KLIA S7
Southern Support Zone
KLIA, 64000 Sepang
Selangor Darul Ehsan
Tel : +603 8660 4600
Fax : +603 8660 4777
Email : airasiax@airasia.com
Website : www.airasia.com

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : +603 7841 8000
Fax : +603 7841 8008

SOLICITOR

Christopher & Lee Ong
Level 22, Quill 7
No.9, Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad
(Listed since 10 July 2013)
(Stock code: 5238)

CORPORATE STRUCTURE

AirAsia X Berhad

Thai AirAsia X Co., Ltd
49%

PT. Indonesia AirAsia Extra
49%

AAX Leasing I Limited
100%

AirAsia X Services Pty Ltd
100%

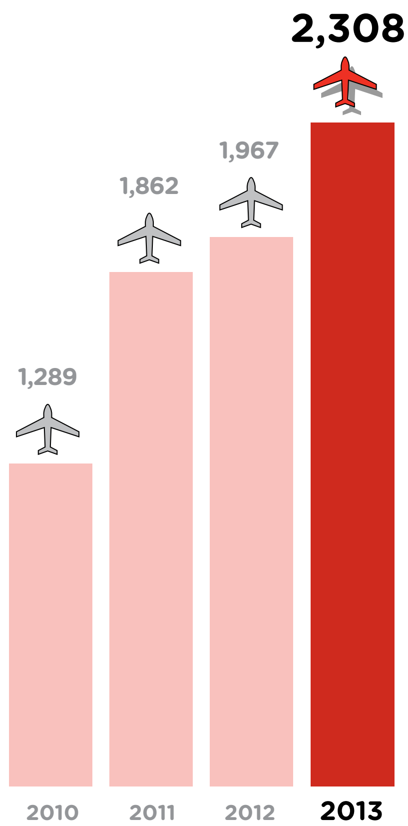
AAX Mauritius One Ltd
100%

AAX Capital Ltd
100%

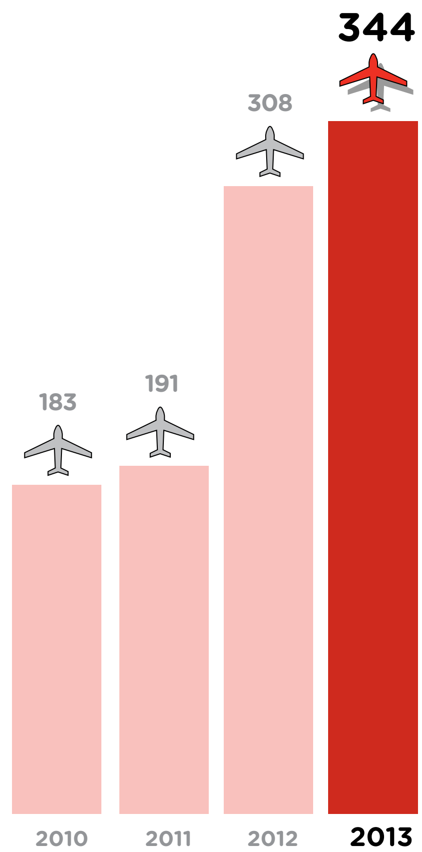
FINANCIAL & OPERATIONAL HIGHLIGHTS

	FOR THE YEAR ENDED 31 DECEMBER			
	2010	2011	2012	2013
INCOME STATEMENTS		(RM million, unless otherwise stated)		
Revenue	1,289	1,862	1,967	2,308
Total operating expenses	1,321	1,937	1,925	2,271
EBITDAR	183	191	308	344
EBIT/(LBIT)	7	(60)	49	37
Profit/(Loss) before tax	98	(131)	38	(212)
Net profit/(loss)	146	(97)	34	(88)
BALANCE SHEET				
Deposits, cash and bank balances	356	114	174	263
Total assets	2,485	2,401	2,428	4,002
Net debt (total debt - total cash)	867	1,165	1,218	1,733
Shareholders' equity	644	547	581	1,236
CASH FLOW STATEMENTS				
Net cash flow from/(used in) operating activities	228	(137)	(37)	189
Net cash flow from/(used in) investing activities	101	(129)	(60)	(1,309)
Net cash flow (used in)/from financing activities	(49)	33	154	1,156
Net cash flow	280	(233)	57	37
CONSOLIDATED FINANCIAL PERFORMANCE (%)				
Return on total assets	5.9	(4.0)	1.4	(2.2)
Return on shareholders' equity	22.7	(17.7)	5.8	(7.1)
R.O.C.E (EBIT/(net debt + equity))	0.5	(3.5)	2.7	1.2
EBITDAR margin	14.2	10.2	15.7	14.9
EBIT/(LBIT) margin	0.5	(3.2)	2.5	1.6
Net profit/(loss) margin	11.4	(5.2)	1.7	(3.8)
CONSOLIDATED OPERATING STATISTICS				
Passengers carried	1,920,916	2,526,181	2,580,946	3,161,456
Capacity	2,504,005	3,159,866	3,072,981	3,860,480
Load factor (%)	76.5	80.1	83.8	82.1
RPK (million)	10,382	14,143	13,601	15,857
ASK (million)	13,573	17,648	16,231	19,309
Aircraft utilisation (hours per day)	15.7	15.8	16.2	16.3
Average fare (RM)	517.5	575.9	554.8	525.2
Ancillary revenue per pax (RM)	125.3	122.7	142.4	145.0
Revenue per ASK (sen)	9.58	10.59	12.00	12.06
Revenue per ASK (USc)	2.98	3.46	3.88	3.83
Cost per ASK (sen)	9.00	10.94	11.56	11.98
Cost per ASK – excluding fuel (sen)	4.60	5.17	5.86	6.28
Cost per ASK (USc)	2.80	3.58	3.74	3.80
Cost per ASK – excluding fuel (USc)	1.43	1.69	1.90	1.99
Size of fleet at year end	11	11	11	19
Average stage length (km)	5,518	5,664	5,306	5,002
Sectors flown	6,768	8,508	8,187	10,240
Fuel consumed ('000 barrels)	2,007	2,606	2,311	2,660
Average fuel price (USD/barrel)	92.5	127.8	129.6	131.4
Number of employees at year end	1,094	1,245	1,300	2,011

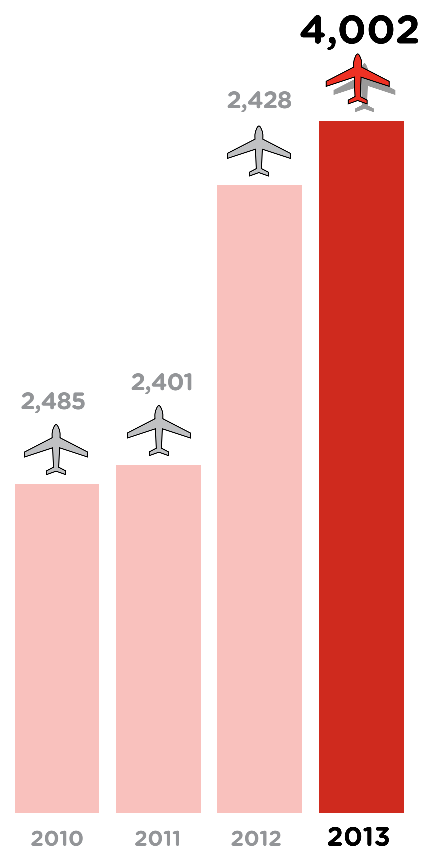
FINANCIALS AT A GLANCE



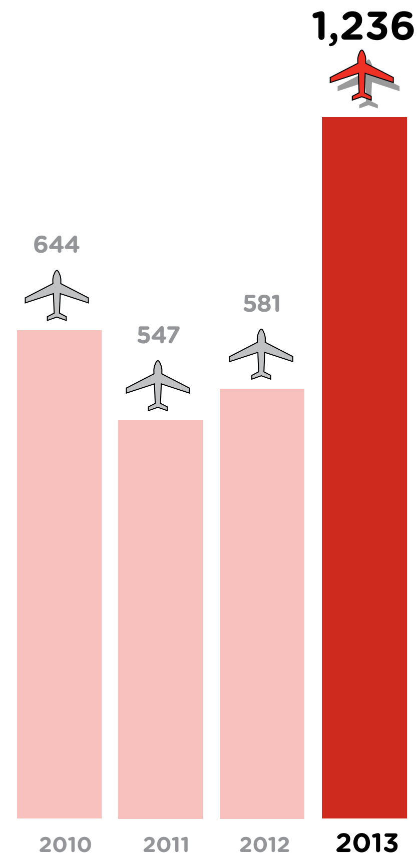
REVENUE (RM MILLION)



EBITDAR (RM MILLION)

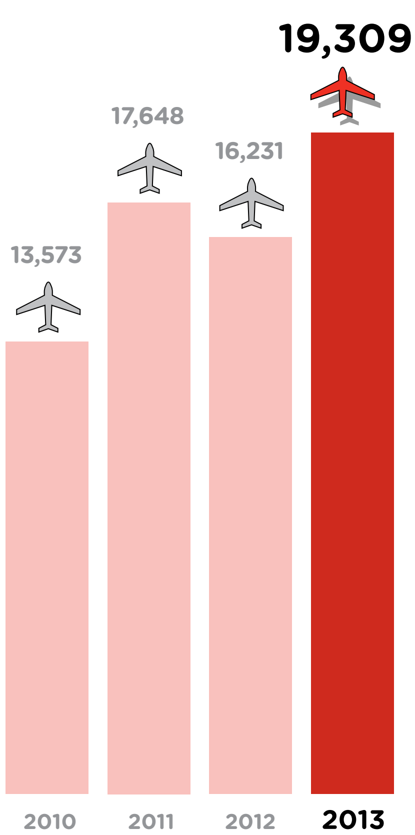


TOTAL ASSETS (RM MILLION)

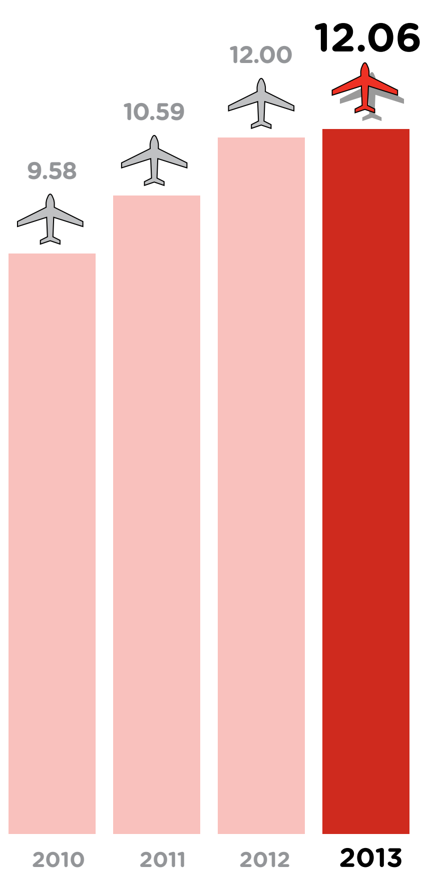


SHAREHOLDERS' EQUITY (RM MILLION)

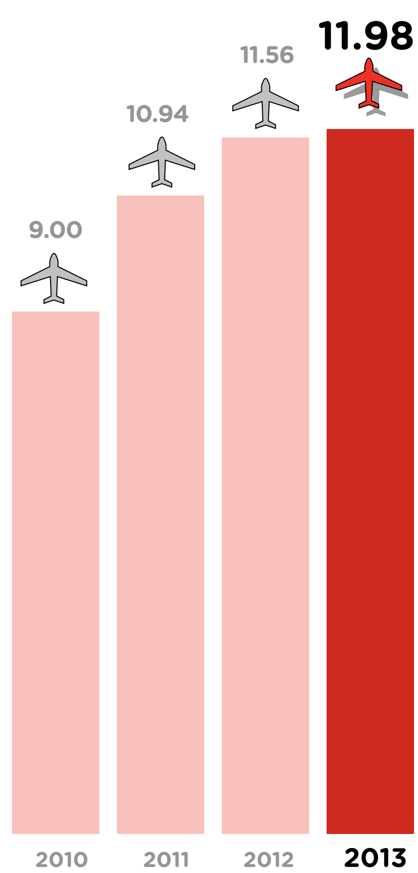
OPERATIONS AT A GLANCE



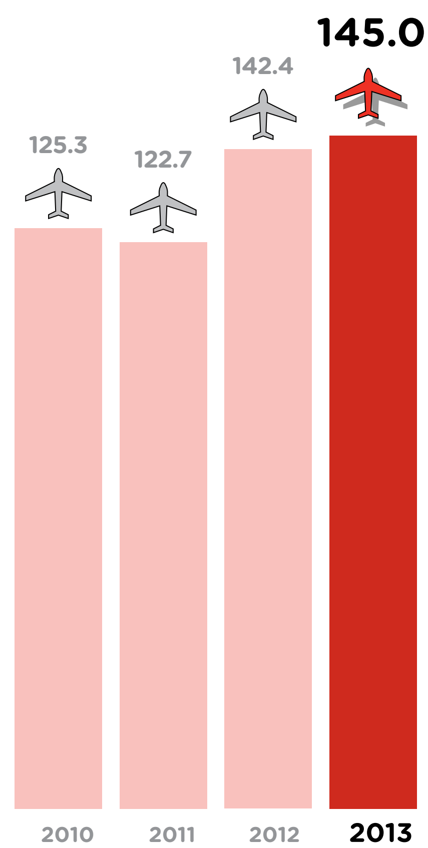
ASK (MILLION)



REVENUE PER ASK (SEN)



COST PER ASK (SEN)



ANCILLARY REVENUE PER PAX (RM)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BOARD OF DIRECTORS

FROM LEFT:

1. **DATUK KAMARUDIN BIN MERANUN**
   Non-Independent Non-Executive Director
2. **DATO' FAM LEE EE**
   Non-Independent Non-Executive Director
3. **TAN SRI RAFIDAH AZIZ**
   Senior Independent Non-Executive Chairman
4. **DATO' SERI KALIMULLAH BIN MASHEERUL HASSAN**
   Non-Independent Non-Executive Director
5. **TAN SRI DR. ANTHONY FRANCIS FERNANDES**
   Non-Independent Non-Executive Director
6. **KIYOSHI FUSHITANI**
   Non-Independent Non-Executive Director

BOARD OF DIRECTORS

7. DATO' YUSLI BIN MOHAMED YUSOFF
Independent Non-Executive Director

8. ASHER NOOR
Non-Independent Non-Executive Director

9. KIYOTAKA TANAKA
Alternate Director to Kiyoshi Fushitani

10. TAN SRI ASMAT BIN KAMALUDIN
Independent Non-Executive Director

11. LIM KIAN ONN
Non-Independent Non-Executive Director

DIRECTORS' PROFILES

DATUK KAMARUDIN BIN MERANUN

Non-Independent Non-Executive Director

Datuk Kamarudin Meranun, Malaysian, aged 52, was appointed Non-Independent Non-Executive Director of the Company on 6 June 2006 and is one of the Company's co-founders. He was appointed as the Chairman of the Board on 3 February 2010 till 3 March 2011. He is also a member of the Nomination Committee, Remuneration Committee and Employees' Share Option Scheme Committee of the Board.

Prior to joining the Company, he worked in 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 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.

Datuk Kamarudin received a Diploma in Actuarial Science from University Technology MARA (UiTM) and was named the Best Actuarial Student by the Life Insurance Institute of Malaysia in 1983. He received a BSc with Distinction (Magna Cum Laude) majoring in Finance in 1986, and an MBA in 1987 from Central Michigan University.

He is a Non-Independent Executive Chairman of AirAsia Berhad and Non-Independent Non-Executive Director of Tune Ins Holdings Berhad. He is also a Director of Yayasan Pendidikan Titiwangsa.

DATO' FAM LEE EE

Non-Independent Non-Executive Director

Dato' Fam, Malaysian, aged 53, was appointed Non-Independent Non-Executive Director of the Company on 24 March 2008.

He received his BA (Hons) from the University of Malaya in 1986 and an LLB (Hons) from the University of Liverpool, England in 1989. He obtained his Certificate of Legal Practice in 1990 and has been practising law since 1991 and currently is a senior partner at Messrs YF Chun, Fam & Yeo.

He also serves as an Independent Non-Executive Director of AirAsia Berhad.

TAN SRI RAFIDAH AZIZ

Senior Independent Non-Executive Chairman

Tan Sri Rafidah, Malaysian, aged 70, 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 Chairman of the Nomination Committee and Remuneration Committee of the Board. Tan Sri Rafidah is also a member of 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.

She worked as Tutor and as Lecturer in the Faculty of Economics, University of Malaya between 1966 and 1976.

She is 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 has experience lecturing 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.

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

She serves as Chairman of Megasteel Sdn Bhd and Pinewood Iskandar Malaysia Studio, and also serves as the patron of several NGOs and an Advisor to the Sarawak Renewable Energy Corridor (RECODA).

DATO' SERI KALIMULLAH BIN MASHEERUL HASSAN

Non-Independent Non-Executive Director

Dato' Seri Kalimullah, Malaysian, aged 56, was appointed Non-Independent Non-Executive Director of the Company and Chairman of the Board on 11 June 2007. He is one of the Company's co-founders. He ceased as Chairman of the Board on 3 February 2010 but remained as a Director of the Company.

He began his career in journalism in 1979 and moved on to the corporate sector in 1995. He has gained vast corporate experience, having held key positions in various Malaysian listed corporations. In September 2002, Dato' Seri Kalimullah was appointed as chairman of the national news agency, Bernama, for a two-year term by DYMM Yang di-Pertuan Agong but resigned to take on his position as Group Editor-in-Chief of The News Straits Times Press (M) Bhd (NSTP) on 1 January 2004. He left as Group Editor-in- Chief on 31 December 2005 upon expiry of his contract and returned to his financial services business. He was appointed Deputy Chairman of NSTP on 1 January 2006 and resigned on 31 December 2008. Dato' Seri Kalimullah was appointed by the Federal Government as a member of the National Unity Advisory Panel on 1 January 2005 for a two-year term. He was re-appointed for another two-year term on 1 January 2007.

He is also Chairman of ECM Libra Financial Group Berhad and a trustee of ECM Libra Foundation.

TAN SRI DR. ANTHONY FRANCIS FERNANDES

Non-Independent Non-Executive Director

Tan Sri Dr. Tony Fernandes, Malaysian, aged 50, was appointed as a Non-Independent Non-Executive Director of the Company on 18 July 2006 and is one of the Company's co-founders.

He was the Financial Controller at Virgin Communications London (1987-1989) before moving on to be a Senior Financial Analyst at Warner Music International London (1989-1992), Managing Director at Warner Music Malaysia (1992-1996), Regional Managing Director, Asean (1996-1999) and Vice President, Asean at Warner Music South East Asia (1999-2001).

He was admitted as an Associate Member of the Association of Chartered Certified Accountants in 1991, and became a Fellow Member in 1996.

In 2001, Tan Sri Dr. Tony Fernandes, along with Datuk Kamarudin Meranun, set up AirAsia Berhad and established its long-haul arm, AirAsia X, in 2007.

Since launching AirAsia Berhad, he has received numerous state awards as well as accolades from international press and industry observers. These include the Commander of the Order of the British Empire (CBE) by Her Majesty Queen Elizabeth II in 2011; and the title Tan Sri, one of Malaysia's highest honours, from the former Yang di-Pertuan Agong, also in 2011. He also received an Honorary Doctorate of Business Innovation from Universiti Teknologi Malaysia (UTM) in March 2010.

He was bestowed the Individual Achievement of the Year award at the 1st Malaysia Achievement Awards 2012, organised by the Malaysia Achievement Organisation (MACA). He was also honoured with the Best CEO for IR - Mid Cap award by the Malaysian Investor Relations Association Berhad (MIRA); named as one of Malaysia's outstanding CEOs by The Edge Billion Ringgit Club (BRC); and announced as GQ India's International Businessman of the Year at the GQ Men of the Year Awards 2012 in Mumbai.

In January 2013, Prime Minister Datuk Seri Najib Razak named Tan Sri Tony a Malaysia Brand Ambassador at the World Economic Forum in Davos, Switzerland. Tan Sri Tony went on to win Corporate Governance Asia's Best CEO for Malaysia award - for the third year in a row – in March.

He is a Non-Independent Executive Director and Group Chief Executive Officer of AirAsia Berhad and Non-Independent Non-Executive Director of Tune Ins Holdings Berhad.

KIYOSHI FUSHITANI

Non-Independent Non-Executive Director

Mr Fushitani, Japanese, aged 63, was appointed Non-Independent Non-Executive Director of the Company since 19 November 2012.

He holds a Bachelor of Arts in Economics from the Kobe University obtained in 1973. He was an Executive Vice President of Global Business and Alternative Investment Headquarters of ORIX Corporation (ORIX), an integrated diversified financial services group based in Tokyo, Japan and listed on the Tokyo Stock Exchange, the Osaka Securities Exchange and the New York Stock Exchange.

Mr Fushitani joined the Treasury Department of ORIX in 1975 following his two years in Sumitomo Bank (now Sumitomo-Mitsui Banking Corporation). After serving in Treasury Department, he moved into the international business of ORIX and took various assignments in Singapore, London and New York. From 2000 to 2006, he was appointed Director and Corporate Executive Officer of ORIX Life Insurance Corporation based in Tokyo. In 2007, he was re-assigned back to ORIX as Senior Managing Director and Deputy Head for Global Business Headquarters and served as ORIX's Senior Managing Director of Corporate Planning and Financial Control Headquarters until 2009.

In 2009, Mr Fushitani was transferred to ORIX Investment Corporation and served as President and Chairman until 2012.

DIRECTORS' PROFILES

DATO' YUSLI BIN MOHAMED YUSOFF

Independent Non-Executive Director

Dato' Yusli, Malaysian, aged 55, was appointed as an Independent Non-Executive Director of the Company on 13 May 2013. He is Chairman of the Audit Committee and a member of the Nomination Committee of the Board.

He graduated from the University of Essex, United Kingdom with a Bachelor of Economics in 1981. He is a Member of the Institute of Chartered Accountants England and Wales, the Malaysian Institute of Accountants as well as an Honorary Member of the Institute of Internal Auditors Malaysia.

He commenced his professional career in 1981 as an Accountant with Peat Marwick Mitchell & Co in London, United Kingdom before joining Hugin Sweda PLC in 1986, where he was Chief Accountant until 1990.

He returned to Malaysia and held various key positions at industrial and financial groups in the country's capital including HBN Management Sdn Bhd (the Group Management Office of the Renong Group) in 1990, Faber Group Berhad as Financial Controller in 1992, TIME Engineering Berhad as Chief Operating Officer in 1993 and Renong Berhad as Executive Director/Chief Operating Officer from 1994 to 1995. Subsequently, he worked at Shapadu Corporation Sdn Bhd as Group Managing Director from 1995 to 1996, Sime Merchant Bankers Berhad as Chief General Manager from 1996 to 1998, Intria Berhad as Executive Vice Chairman and Metacorp Berhad as Managing Director from 1998 to 2000, providing him with experience in a number of different industries including property and infrastructure development, telecommunications, engineering and merchant banking.

He entered the stockbroking industry when he was appointed he Chief Executive Director of CIMB Securities Sdn Bhd from 2000 to 2004. He also served as 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.

Currently, he sits as an Independent Non-Executive Director on the Board of Directors of a few public listed companies in Malaysia namely YTL Power International Berhad, Mulpha International Berhad, Mudajaya Group Berhad and Westports Holdings Berhad. He is also the Deputy Chairman of Pelaburan MARA Berhad. Outside his professional engagements, he also serves as the Patron of the Victoria Institution Old Boys Association.

ASHER NOOR

Non-Independent Non-Executive Director

Mr Asher, Pakistani, aged 37, was appointed as an Alternate Director to Mr Shan-E-Abbas Ashary (Mr Shan) on 6 October 2010. Upon resignation of Mr Shan, he was appointed as a Non-Independent Non-Executive Director on 30 December 2013.

He is currently the Chief Financial Officer (CFO) for the AlTouq Group, a leading Saudi family office/ sophisticated financial investor group with a global investment outreach. Prior to joining the AlTouq Group, Mr Asher served as the CFO for Morgan Stanley Saudi Arabia where he, amongst others, established their brokerage sales and trading platform and liaised with the Saudi Capital Market Authority in executing the first equity swap on the Saudi Stock Exchange (Tadawul).

He qualified as a Chartered Accountant with PwC Pakistan, and has also worked for more than six years as a Senior Finance Manager at Banque Saudi Fransi in Saudi Arabia; a bank affiliated to the French Credit Agricole Corporate and Investment Bank, where he developed accounting structures for retail, corporate and treasury products and implemented the market risk reporting framework.

He is also a board member of several other companies around the world, representing AlTouq Group's investments including his role as Chairman of the Board of Directors of Ajeej Capital (DIFC) Limited, regulated by the Dubai Financial Services Authority.

He is also a sought after speaker in regional and international conferences and economic summits on finance, private equity and hedge funds. He is a qualified Chartered Accountant from the Institute of Chartered Accountants of Pakistan and has also received his Master's degree in English Literature from the Karachi University.

KIYOTAKA TANAKA

Alternate Director to Kiyoshi Fushitani

Mr Tanaka, Japanese, aged 49, was appointed as an Alternate Director to Mr Kiyoshi Fushitani on 19 November 2012. Prior to this, he was an Alternate Director to Mr Hideo Ichida, the former Non-Independent Non-Executive Director of the Company since 1 November 2011 who was appointed on 14 December 2007 and resigned on 19 November 2012.

He holds a Bachelor of Liberal Arts in Humanities from the International Christian University, Mitaka-city in Tokyo obtained in 1988 and completed the International MBA (Master of Business Administration) Course Program as a visiting scholar at the University of Washington in 1994. In 2012, he completed the Asian International Executive Programme and the Leading for Results Programme at INSEAD Singapore.

He is currently the Managing Director and Head of the Aviation and Investment Group under the Global Business and Alternative Investment Headquarters of ORIX and also serves as a Director of ORIX Aviation Systems Limited in Ireland.

Prior to his current position, he held various positions in ORIX, namely Senior Vice President of its Aviation and Investment Group from 2008 to 2011 and was the Chief Financial Officer of ORIX Aviation Systems Limited in Ireland from 2005 to 2008. In 1999, he joined ORIX's Aircraft Group as Assistant Manager and left the group as Vice President in 2005. From 1994 to 1999, he was attached to ORIX USA Corporation as its Assistant Vice President. He first joined ORIX as an associate from 1988 to 1993 in its International Department and subsequently in its International Finance Department.

TAN SRI ASMAT BIN KAMALUDIN

Independent Non-Executive Director

Tan Sri Asmat, Malaysian, aged 70, was appointed as an Independent Non-Executive Director of the Company since 13 May 2013. He is a member of Audit Committee and Remuneration Committee of the Board.

He 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.

He has vast experience of 35 years in various capacities in the public service and his last post in the public service was as the Secretary General of the Ministry of International Trade & Industry Malaysia, a position he held since May 1992. In the last 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.

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

LIM KIAN ONN

Non-Independent Non-Executive Director

Mr Lim, Malaysian, aged 57, was appointed as an Alternate Director to Dato' Seri Kalimullah Bin Masheerul Hassan on 11 June 2007 and is one of the Company's co-founders. 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. He 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 for four years 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 was appointed to the Board of ECM Libra Financial Group Berhad (ECMLFG) on 16 June 2006 and re-designated Managing Director with effect from 1 May 2007, a position he held till 5 August 2010. On 6 August 2010, he was re-designated Non-Independent Non-Executive Director of the ECMLFG.

He is also the Non-Executive Chairman of Plato Capital Limited, a company listed on the Stock Exchange of Singapore, a Director of Kennedy, Burkill & Company Berhad and a trustee of ECM Libra Foundation.

Notes:

Family Relationship
None of the Directors has any family relationship with any other Director and/or major shareholder of AirAsia X.

Conflict of Interest
None of the Directors has any conflict of interest with AirAsia X Group.

Conviction for Offences
None of the Directors has been convicted for offences within the past 10 years other than traffic offences, if any.

Attendance of Board Meetings
The attendance of the Directors at Board of Directors' meetings is disclosed in the Statement on Corporate Governance.

LEADERSHIP TEAM

FROM LEFT:

1. **HANIE IZAWATIE**
   Head, Legal
2. **CAPTAIN AZHANUDIN SHAH BIN AZMAN**
   Operations Director
3. **MOSES DEVANAYAGAM**
   Senior Director
4. **DATO' BERNARD FRANCIS**
   Commercial Director
5. **AZRAN OSMAN RANI**
   Chief Executive Officer
6. **NORAESYAH YVONNE ABDULLAH**
   Chief Financial Officer

LEADERSHIP TEAM

7. SIM GIM HOOI
Head, Quality Assurance and Audit

8. CAPTAIN LESLIE WU
Safety Director

9. SOO HOO HAW LOON
Engineering Director

10. CAPTAIN SURESH KUMAR BANGAH
Flight Operations Director

11. SIVA RAMANATHAN
Business Development Director

LEADERSHIP TEAM PROFILES

HANIE IZAWATIE

Head, Legal

Hanie joined AirAsia X on 23 June 2008, and was subsequently promoted to Head of Legal in 2014 overseeing compliance issues, aircraft purchase and financing, contracts for airline operations, and managing litigation matters.

Prior to joining AirAsia X, she was in legal practice for about six years at legal firms Lee Hishammuddin Allen & Gledhill and Cheong Wai Meng & Van Buerle. She graduated with an LLB (Hons) from Universiti Teknologi MARA and was called to the Bar in 2001.

CAPTAIN AZHANUDIN SHAH BIN AZMAN

Operations Director

Captain Azhanudin joined AirAsia X in August 2007 as our Flight Operations Director, where he was responsible for directing the execution of policies and procedures, and ensuring all activities of the flight departments, including flight operations, personnel, and equipment, comply with prescribed standards.

In November 2013, he was promoted to Operations Director, expanding his oversight of Flight Operations to include Engineering, Ground Operations (Guest Services, Ramp, and Line Station Management), In-Flight Operations, Cargo, and Security. He has overall responsibility for ensuring the safe and efficient day-to-day operations of the airline.

He started out as a trained pilot with MAS in 1989 before moving on to hold senior roles such as Instructor Pilot and Examiner in 1999 and a B737 Fleet Manager in 2000. He was accredited as a Captain on the A330-300 in 2003. In 2005 he joined Qatar Airways as a line pilot, where he stayed until joining AirAsia X. Azhanudin has a total of over 10,000 flying hours, is a qualified airline transport pilot and specialises as a management pilot for A330-300s and A340-300s.

He obtained his General Certificate of Education (GCE) O-levels from Davies College, London in 1985 and A-levels from Eastbourne College, United Kingdom in 1986.

MOSES DEVANAYAGAM

Senior Director

Moses joined AirAsia X in July 2007 as Head of Operations and is currently our Senior Director. He was instrumental in setting up the Operations function, which included Flight Operations, Engineering, Ground Operations, In-Flight Operations, and the Safety and Security functions.

He is currently spearheading the move to KLIA2 and leads the coordination of operational functions with the AirAsia Group.

He has 40 years of experience in the aviation industry having worked at Malaysia-Singapore Airlines from 1971 to 1972 as an apprentice and subsequently Malaysia Airline System Berhad from 1972 to 2007, where he held various key positions, including General Manager - Operations, Head of Contracts Management and Warranty and Contracts Controller.

He has been an Associate Member of the Royal Aeronautical Institute United Kingdom (by award) since 1975, completed a cadet/apprentice technical services in-house training programme with Malaysia-Singapore Airlines in 1974, and completed type-rating courses at Qantas and Air New Zealand in 1972.

DATO' BERNARD FRANCIS

Commercial Director

Dato' Bernard joined AirAsia X as its Commercial Director effective from 1 April 2014. Prior to this he was with Indonesia AirAsia for two years in the same capacity, with a directorship on the Board.

Before joining Indonesia AirAsia, Dato' Bernard was in the senior management team of Malaysia Airlines beginning as Executive Vice President (EVP), Network & Revenue Management in 2005, then taking on the role of EVP Global Sales and Marketing in November 2008. As EVP, Network & Revenue Management, he instituted pricing management and precise inventory management practices that led to MAS' highest yield and operating profit ever in its 40-year history in 2007. In the role of EVP, Global Sales and Marketing, he was tasked to lead the Sales team in the most difficult aviation times in history. Despite the challenges plaguing the industry, in 2009 and 2010, the company achieved its highest seat factor for 10 years and made operational profits.

Dato' Bernard's aviation career began when he joined the pioneering AirAsia team, where he played a pivotal role in developing a low-cost carrier model and was responsible for the company's commercial turnaround to achieve profitability in its first year of operation. In tandem with AirAsia's regional expansion into Thailand and Indonesia, he was promoted to Regional Director responsible for managing the entire commercial operations of route network planning, revenue budgeting, pricing control, promotion and market domination strategies, distribution and sales channels of AirAsia Berhad, Thai AirAsia and Indonesia AirAsia under a centralised regional team.

Prior to joining AirAsia in 2001, Dato' Bernard was with the YTL Group for eight years beginning in 1993. At YTL, he was actively involved in all international and local mergers & acquisitions undertaken by the Group.

Dato' Bernard completed his Master of Business Administration, specialising in International Business Studies, at the University of Malaya in 2002.

AZRAN OSMAN RANI

Chief Executive Officer

Azran Osman Rani, Malaysian, aged 42, was appointed as Chief Executive Officer of the Company in July 2007.

He led the start-up team that developed the business plan, raised capital, secured relevant licenses and approvals, acquired aircraft and launched AirAsia X's inaugural flight to the Gold Coast, Australia in November 2007. He has continued to lead the team through its growth, leading up to its current size, fleet, number of personnel, and its current status as a public-listed company.

Prior to his appointment, Azran was the Senior Director of Business Development at Astro All Asia Networks plc, a leading Asian digital satellite television and radio broadcaster, where he led the start-up and operational launch of Astro's international investments and joint ventures across Southeast Asia, India and Greater China. He was formerly with Bursa Malaysia Berhad as Senior Vice President, Special Projects where he was responsible for the implementation of the Kuala Lumpur Stock Exchange demutualisation program and business/organisation transformation. He was formerly an Associate Partner of international management consultancy McKinsey & Company. He started his career in management consultancy in 1995 with Booz Allen & Hamilton, where he left as a Lead Consultant in 2000.

He holds a Master's in Management Science & Engineering and a Bachelor of Science in Electrical Engineering, both from Stanford University; and is a Fellow of CPA Australia.

He is Non-Executive Commissioner of PT XL Axiata Tbk in Indonesia.

Save as disclosed above, he does not hold any directorship in Malaysian public companies, has no family relationship with any director and/or substantial shareholder of the Company and has no conflict of interest with the Company. He has not been convicted for offences within the past 10 years other than traffic offences, if any. Please refer to page 131 of this Annual Report for his shareholding in the Company.

NORAESYAH YVONNE ABDULLAH

Chief Financial Officer

Yvonne joined AirAsia X in August 2010 as our Chief Financial Officer. She has had nearly 15 years' experience in the telecommunications and leisure industry sectors.

Prior to joining AirAsia X, she was the Chief Operating Officer of Redtone International Berhad, a company listed on the ACE Market of Bursa Securities. She joined Redtone in 2003 as the Assistant General Manager of Finance, Admin and Human Resource. Subsequently, she was promoted to General Manager of Finance, Admin and Human Resource; Chief Financial Officer; and then Chief Operating Officer, a position she held from 2008 to 2010.

LEADERSHIP TEAM PROFILES

SIM GIM HOOI
Head, Quality Assurance and Audit

Sim joined AirAsia X in January 2011 as the new Head of Quality Assurance. In line with the Company's strategic priority of improving the customer experience and the integrity of business processes, Sim spearheaded a number of initiatives to systematically track key quality-related performance areas, ensuring that all relevant processes and operating procedures are properly documented and adhered to, and implementing priority quality improvement programmes such as Lean Six Sigma. Reporting directly to the CEO, he partners closely with all other functional teams, particularly those related to ground operations.

A graduate of the University of Manitoba, Canada, Sim started his career in 1983 in operations in the supermarket retail industry. Subsequently, he went into sales, distribution and merchandising for a fast moving consumer goods (FMCG) organisation. When the organisation branched into telecommunications, he took a lead role in developing the business from scratch in 2002 to a RM360 million business in 2005 – distributing telephone handsets and pre-paid cards. Sim has trained sales force teams, set up distribution networks and delved into new product development during his tenure in the FMCG industry. He is a certified ISO 9002 internal auditor and possesses a green belt in Lean Six Sigma.

CAPTAIN LESLIE WU
Safety Director

Captain Wu obtained his commercial pilot licence from the USA and Malaysia, and started serving commercial airlines in 1992, becoming a commercial jet Captain five years later, in 1997. At the end of 2004, he became a Deputy Chief, Pilot Training. Later, Captain Wu spent several years based in the Middle East, flying for Qatar Airways.

He came back to Malaysia in the middle of 2009 and joined AirAsia X as Chief, Pilot Flight Safety and subsequently was made Safety Director in 2012. As the Safety Director, he is responsible for implementing and maintaining the Safety Management System for the entire Company. Nevertheless, he still puts on his 'wings' to fly once or twice a month. Captain Wu holds a Diploma in Safety Management for Airlines and Diploma in Airline Quality System.

SOO HOO HAW LOON
Engineering Director

Soo was appointed as AirAsia X's Engineering Director in 1 September 2013, overseeing all major engineering functions, including maintenance aspects in accordance with approved procedures and requirements; and ensuring the training and development of skilled personnel and leaders are carried out as planned.

He joined AirAsia X as one of its pioneering duty engineers, when there were only eight engineering crew. Since 2008, he has been the Maintenance Manager, overseeing 28 engineers and 60 technicians, running 24/7 shifts, and looking after six A330-300 aircraft and two A340-300 aircraft. He has trained half of AirAsia X's engineering capacity, from apprentices or helicopter-rated technicians to become full-rated engineers.

Soo joined Malaysia Airlines as a trainee engineer in 1981, after his A levels, and underwent a two-year training programme with Air New Zealand in Christchurch, New Zealand as part of his apprenticeship which was completed back in Malaysia with Malaysia Airlines. With an aircraft engineering licence under his belt, he was posted to the domestic line station in Penang in 1986, and spent the next 25 years in line maintenance, certifying smaller jets and then moving on progressively to bigger, wide-body planes at international stations.

Since 1994, he has provided certification at most major Asia Pacific airports including Karachi, Mumbai, Hyderabad, Bangalore, Maldives, Yangon, Bangkok, Jakarta, Narita, Fukuoka, Nagoya, Seoul, Pusan, Hanoi, Ho Chi Minh City, Macau, Perth, Darwin and Adelaide, as well as Cape Town, Johannesburg and Jeddah.

From 1991-1994, he was appointed as Station Maintenance manager in Manila; and from 2004-2006, he assumed the same role in Pudong, Shanghai.

CAPTAIN SURESH KUMAR BANGAH
Flight Operations Director

Captain Suresh joined AirAsia X in October 2010 as Chief Pilot, Operations. In October 2013, he was promoted to Flight Operations Director responsible for coordinating, supervising and monitoring the functions and performance of management personnel, all pilots and the department of Flight Operations. He also acts as the liaison person with the Department of Civil Aviation Malaysia (DCAM) on all operational matters.

He began his career with the AirAsia Group in May 2005 as an internal auditor with AirAsia Berhad, developing and implementing internal audits for Flight Operations. In December 2009, he was made Cadet Pilot Coordinator, to manage the Cadet Pilot Training Programme. Soon after, he was made Flight Deck Recruitment Manager responsible for hiring pilots of different entry levels, and promoting pilots internally. This was followed by his move to AirAsia X.

SIVA RAMANATHAN
Business Development Director

Siva was appointed Business Development Director in January 2013 with prime responsibility to set up and grow AirAsia X's international hubs, ensuring these are imbued with AirAsia Group's best practices and culture. He has successfully established Thai AirAsia X and is in the final stages of obtaining approvals to establish Indonesia AirAsia X.

Siva also has responsibility for evaluating merger and acquisition (M&A) opportunities, special projects and corporate developments for the AirAsia X Group. Towards this end, he has over 20 years of corporate, business development and entrepreneurial experience spanning the UK, US and Asia.

He joined AirAsia X from the Usaha Tegas Group, where he was in the Astro start-up team and managed major M&A activities across multiple industries. Prior to that, he was a co-founder and COO Asia for a US-based video internet technology start-up; and headed the business development in Southeast Asia of a major US civil engineering consultant.

Siva is a UK and Malaysia registered Chartered Civil Engineer with an MBA from the University of Chicago Booth School of Business.

CHAIRMAN'S MESSAGE

When AirAsia X Berhad went for its public listing in July 2013, the good response from investors reflected their faith and confidence in the business model that the Company was operating on, namely as a long-haul low-cost carrier. It was a challenge, but it has been proven successful.

The market created by a nine-hour flight radius in this region is immense, covering no less than half the world's population. AirAsia X is strategising to exploit this potential.

As a Company within the AirAsia Group, AirAsia X benefits from the strong Group branding and, of equal importance, from the synergistic route connectivity which both AirAsia and AirAsia X can provide to each other. There are also cost-saving collaborative efforts such as joint procurement and shared facilities including the IT infrastructure to serve better and more efficiently, the passengers who travel with AirAsia X.

Continued success would require ensuring adaptability of the business model to be relevant to, and to meet, the new demands of the dynamic market and aviation industry environment. There is a need to ensure not only that the Company can successfully face the competition, but that it also prioritises internal measures to continuously enhance productivity and efficiency.

While there is no global benchmark for operating a long-haul low-cost carrier, there are global benchmarks for company performance, productivity and efficiency; and AirAsia X will continue to strive to meet those standards and benchmarks.

External factors have contributed significantly to the drop in the price of AirAsia X shares. But it does not in any way reflect the inherent value of the AirAsia X stock. Shareholders can rest assured that the Board and Management of AirAsia X will continue to build on the Company's strengths, to realise long-term sustainable value from their investment.

Building Relationships

While prioritising customers, and the all important human resources, who move the Company's operations, AirAsia X understands the need to incorporate a Corporate Social Responsibility (CSR) agenda, both in Malaysia and the other countries that it operates in. In particular, AirAsia X undertakes CSR initiatives within the ambit of the recently established AirAsia Foundation.

Outlook for the Future

AirAsia X will continue to build upon the growth momentum which has provided the Company with its successes so far.

Operating in the new KLIA2 will enable the Company to provide the infrastructure and facilities which customers expect, as we believe the new physical operating environment will be conducive for greater efficiency and enhanced customer service.

Acknowledgements

I would like to record my deep appreciation to the Board of Directors of AirAsia X for their guidance in moving the Company towards higher levels of success. My appreciation also goes to the management team and the entire AirAsia X family for all the efforts that have been put in, to ensure the success of the Company. And to the investors, a heartfelt Thank You for placing your trust and faith in the Company. We will dedicate ourselves to ensuring that AirAsia X will continue to justify that trust and faith.

TAN SRI RAFIDAH AZIZ
Chairman

CEO'S REPORT

We celebrated our sixth anniversary in November 2013 with perhaps a little more vigour than usual, and for a good reason too. We had completed our Initial Public Offering (IPO) on Bursa Malaysia on 10 July, and the proceeds raised gave us the capital we sought to fuel our expansion plan to fulfill our objective of being the clear global market leader in the global long-haul low-cost carrier space that we pioneered. Market leadership and scale advantage is a proven success factor across the airline industry.

When we started out, the world around us was skeptical, as no other airline had managed to succeed in low-cost air travel for sectors over four hours that required wide-body aircraft. The differentiation that set us apart from other airlines was not just the willingness, but eagerness, to adopt a fresh approach; the gumption to take calculated risks; and the perseverance to weather some initial turbulence. These winning factors have allowed us to prove that it is indeed possible to fly long distances and achieve a unit cost advantage by doing things differently.

Our founders – Tan Sri Dr. Tony Fernandes and Datuk Kamarudin Meranun – realised we would need to be different. When they set up this airline, they decided to keep it separate from AirAsia's short-haul low-cost business because they believed our modus operandi would be sufficiently distinct as to warrant a dedicated and focused management team. Our experience has proven them right. While we have adopted some of the no-frills, lean operational processes of our affiliate such as maintaining high aircraft utilisation with tight turnaround times, and a single fleet type of high density Airbus A330-300s, we also have had to turn the model on its head and ask ourselves how certain parameters unique to long-haul operations could best be met. This has led, for example, to LCC innovations such as introducing assigned seats, having Premium Flatbed seats, and offering Fly-Thru connecting transfers, that enabled us to generate one of the highest ancillary income per passenger rates in the world, while maintaining the world's lowest unit operating cost base of any airline, and operating with industry-leading technical reliability and on-time performance.

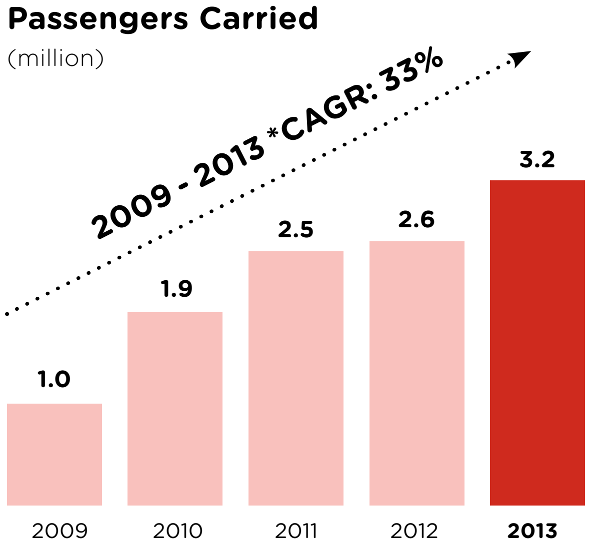
There have been many turbulent patches in our six-year journey, but I believe these were inevitable. As pioneers in the LHLCC niche, we have had no precedent to follow, but have had to test out certain assumptions and learn from experience. We could not have known definitively, but we believed intuitively, that there was a lot of latent unserved demand in the long-haul air travel segment. We have since established that we can stimulate significant new demand by doubling in size the average passenger volume on the routes we operate, compared to volumes before we introduced our services. We saw that more people are flying with us who had not before, because, now they can afford to.

Neither did we know that size would matter; that we would need to establish a strong presence in the markets that we serve in order to have much needed scale advantage in branding, distribution and operations. Now we do, and are aligning our expansion strategies accordingly, to ensure we build a market leadership position on the individual routes we fly to, and together with the AirAsia Group, to have the largest LCC market share connecting Southeast Asia to our core markets in North Asia and Australia.

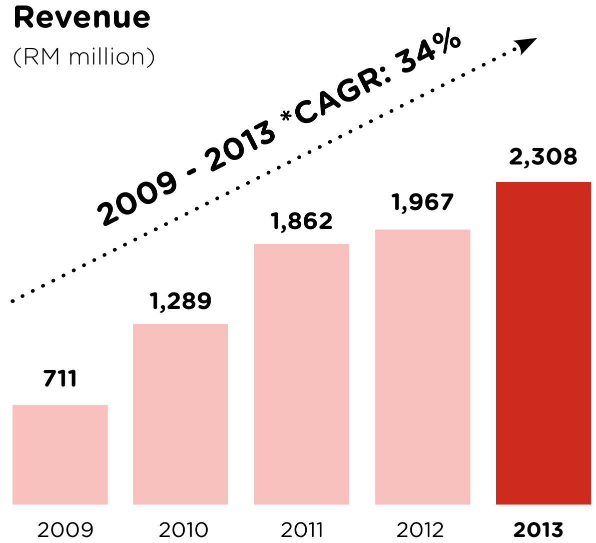
There were many external challenges, from the Global Financial Crisis in 2008-2009, to natural disasters that disrupted travel in Europe, Japan and New Zealand. We were also confronted with a surge in global jet fuel prices and currency volatility. We learned to adapt by focusing not on avoiding these macro factors, but by out-executing our competition – for example, by having a fuel consumption rate at 2.7 litres per passenger per 100km, among the lowest in the world.

AirAsia X's revenue grew by 17.3% to reach RM2.31 billion in 2013, backed by a 19.0% Available Seat Kilometre (ASK) capacity growth, virtually doubling our size in 3 years.

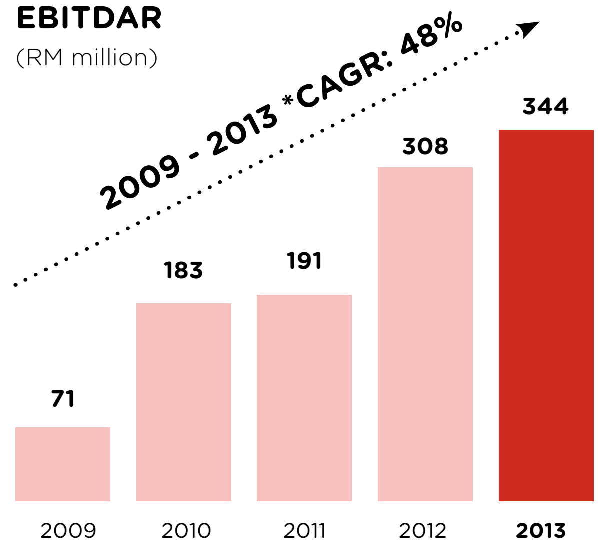
Passengers Carried
(million)



Revenue
(RM million)



EBITDAR
(RM million)



*CAGR - Compounded Annual Growth Rate

These lessons have been learnt gradually, and I'm sure we have more to come. But despite having gone through a steep learning curve in the last six years, we have still made very impressive progress. From plying a single route between Kuala Lumpur and Australia's Gold Coast with a leased A330-300 aircraft, we have 16 A330-300 wide-body planes as at 31 December 2013 plus three other aircraft for non-scheduled services, and one of the youngest fleets at less than five years average age, serving 18 destinations in eight countries.

Specifically, we have achieved a compounded annual growth rate (CAGR) in the number of passengers flown since 2009 of 33%, with load factors now consistently above 80% since 2011. Our revenue CAGR is powering ahead at 34%, with Earnings before Interest, Taxes, Depreciation, Amortisation and Rental (EBITDAR) at 48%, which is promising for a pioneering company in a segment that was non-existent before. Our success has inspired other airlines to enter this space, creating a new challenge - competition. We are not, however, fazed by this development as we have early mover advantages and several other positive attributes unique to AirAsia X, which I will discuss below. What's more, we see competition as a natural progression of our onward journey.

Fundamentally, our business can be viewed as a portfolio of routes or airline capacity, and each new capacity added requires new passenger volumes to be stimulated. On average, it takes about 12 months for new capacity to achieve yields that cross the break-even point, as initially, more promotional fares are required to stimulate demand. As an overall portfolio, our capacity mix has progressively matured to about two-thirds mature and profitable, and another one-third still developing in investment mode. This is reflected in our steady improvement in yields from Revenue per Available Seat Kilometre (RASK) of RM9.58 sen in 2010 to RM12.06 sen in 2013. EBITDAR margins also improve as our portfolio matures. We expect this trend to continue over the next three to five years as we reach a level of maturity comparable to our short-haul affiliate.

FINANCIAL PERFORMANCE

AirAsia X's revenue grew by 17.3% to reach RM2.31 billion in 2013, backed by a 19.0% Available Seat Kilometre (ASK) capacity growth, virtually doubling our size in three years. We remain focused on expanding our network in core markets, hence the capacity growth was mainly deployed towards additional flight frequencies to existing mature routes and the opening of six new routes in existing core markets, except for Jeddah, Colombo and Maldives, which are new markets. The introduction of new ancillary products and higher take-up rates for Fly-Thru connecting transfer services also boosted ancillary income, contributing RM452.5 million for the year ended 31 December 2013. This led to a slight improvement in RASK from RM12.00 sen to RM12.06 sen in 2013, despite the huge capacity growth.

While we continue to aggressively manage costs to maintain our world's lowest unit cost position, we were not spared the depreciating Asian currencies against the US dollar, with approximately 65% of our costs denominated in US dollars. This, combined with one-off recognition of non-recurring IPO related expenses and non-cash shareholders' benefits scheme accrual of RM26.3 million, led to an increase in Cost per Available Seat Kilometre (CASK) by 3.6% to RM11.98 sen.

GROWTH POTENTIAL

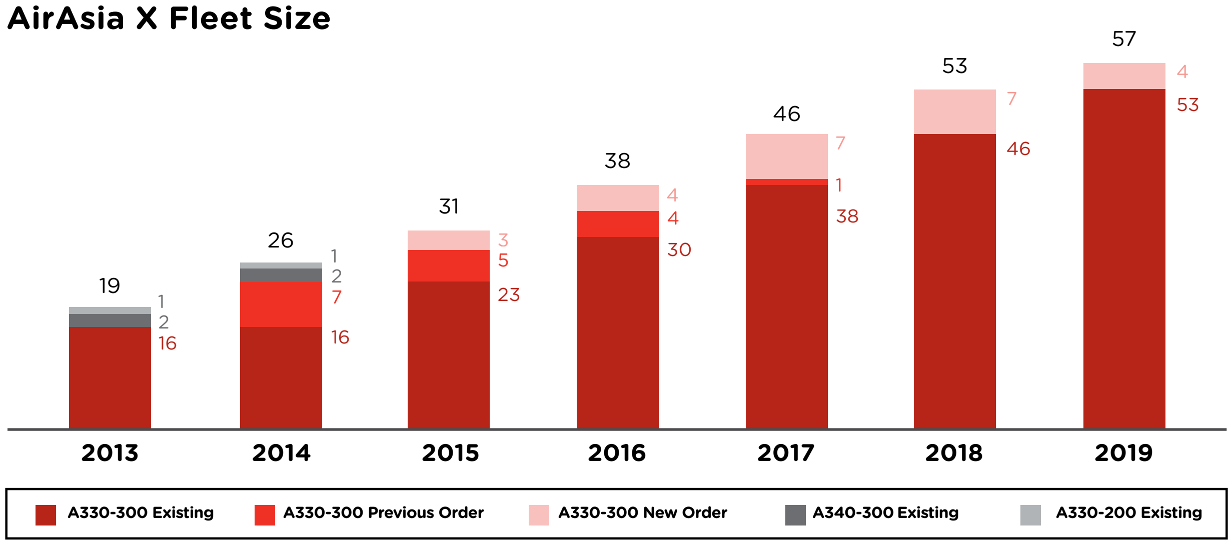
One of our key investment highlights is the fact that we operate in a high-growth sector. The Asia Pacific region is one of the fastest growing aviation markets. According to industry consultant, Strategic Airport Planning Ltd (S-A-P), this region is forecast to surpass North America as the world's largest aviation market. What's more, within this market, Malaysia is underserved from a long-haul standpoint relative to other major Asian airports.

Over and above the general growth potential in the region, the potential for growth of the LHLCC segment in particular is even higher. Experience has shown that steady-state equilibrium is achieved when LCCs and FSCs reach an approximately 50:50 ratio within a particular market. This applies equally to LHLCCs. We estimate that the Intra Asia Pacific medium-long haul (four to nine hour flight time) penetration rate for LCCs stands at only 20%, presenting a huge market opportunity. This translates to a market size of approximately 90 LCC wide-body aircraft over the next five years.

Our strategy of concentrating in, and dominating, our core markets in North Asia and Australia moves to a higher level with our regional expansion in Thailand and Indonesia. Growing through our investments in neighbouring hubs where established short-haul feeder networks are in place, allows us to triple our size without even adding a new market. We can fly to the same cities in North Asia and Australia from hubs in Thailand and Indonesia, taking advantage of even lower LHLCC penetration rates. I am pleased to share that we are making good headway with our plans for Thailand and Indonesia. Our new

In December, we made history by placing the single largest aircraft type firm order for 25 more A330-300 aircraft with Airbus, valued at US$6.0 billion.

AirAsia X Fleet Size



affiliate, Thai AirAsia X has successfully received its Air Operator's Certificate and has commenced operations from Don Mueang International Airport. Our Indonesia affiliate has also received its Air Service License on 31 January 2014, and we expect to begin operations in the fourth quarter of 2014 upon receiving the Air Operator's Certificate.

Needless to say, to support our regional expansion, we will have to increase our aircraft capacity. Based on projections of increasing our market share in Malaysia from 30% to 50%, and growing our Thailand and Indonesia markets from zero to 30%, we have estimated that there is demand for about 90 wide-body aircraft in the next five years. If anything, this is a conservative figure, considering that FSCs in the region currently have over 100 wide-body aircraft serving routes longer than four hours.

To meet our projected needs, we have increased our orders for aircraft. Just in December, we made history by placing the single largest aircraft type firm order for 25 more A330-300 aircraft from Airbus, valued at US$6.0 billion. As daring as this move may seem, it increases our total order book to only 57 aircraft by 2019, which is still short of the total potential market demand.

COMPETITIVE ADVANTAGE

What makes us confident of our future growth?

Our association with AirAsia confers a number of notable advantages. Firstly, we benefit from sharing the AirAsia brand and its existing customer base, which is undoubtedly the strongest among LCCs in Pan Asia, and among the strongest in the world. Secondly, we are able to save on IT and related costs by riding on the well-developed and very active AirAsia.com website and e-commerce platform. Thirdly, sharing the same hub as AirAsia places us in a strong short-haul feeder network, providing easy and convenient access for passengers from the region to and from any one of our routes. Our share of connecting passengers has been growing steadily over the years and will continue to grow as we increase our network and flight frequencies. This truly sets AirAsia X apart from other LHLCCs, and is something we will definitely leverage on further in our onward journey.

Perhaps our most compelling advantage, however, is our unit operating cost, which we believe is the lowest of any airline in the world. Our Cost per Available Seat Kilometre (CASK) stands at RM11.98 sen which has been achieved on the back of an average aircraft utilisation rate of 16.3 hours a day, the highest in the Asia Pacific region and higher than the average of the top 10 FSCs operating here. We also have one of the highest seat density for A330-300 aircraft at 377 seats, while having a comfortable 31" seat pitch. Moreover, our aircraft are relatively new, making our fleet one of the youngest and therefore most fuel-efficient.

BURNING QUESTION OF FUEL

There is a perception that LHLCCs are more vulnerable than FSCs to the cost of fuel which, given other stringent cost-saving measures, tends to make up a large part of our unit cost. Although this is true, it does not convey the full picture. In 2013, for example, fuel comprised almost 50% of our unit cost. At the same time, the fuel portion of our Cost per Available Seat Kilometre (CASK) is only RM5.70 sen, less than half that of FSCs. If the price of fuel increased, therefore, the cost per passenger carried would be much higher for these airlines than for us.

"WORLD'S LARGEST LONG-HAUL LOW-COST AIRLINE" - CAPA

We burn less fuel per passenger thanks to multiple contributing factors that include having higher seat density per aircraft; reduced weight configuration of our aircraft from not having built-in inflight entertainment systems and leg-rests; and maintaining a disciplined approach to flying and engine maintenance to decrease our fuel consumption. Irrespective of the price of fuel, therefore, we will always burn less per passenger than other airlines, and provide a cost advantage at any fuel price.

Supporting our fuel initiatives is a comprehensive fuel management framework encompassing effective fuel procurement and fuel hedging practices.

CULTURE OF INNOVATION

AirAsia X has come a long way. We have created a path where none existed before. We have achieved what conventional wisdom deemed impossible. In order to do this, we have had to wipe clean the standard aviation industry slate, debunk accepted norms, and come up with new ways of doing things in order not just to survive but also to thrive. We've been able to do this, quite simply, by being creative and innovative.

From the very beginning, we made a mark for being innovative and becoming true pioneers in terms of service and product offerings. In 2007 when we launched, we were one of the earliest in the industry to introduce assigned seating for a LCC. We realised passengers would appreciate being able to choose where they sit, and being able to board the plane in comfort – without having to jostle with others. In 2009, we also launched another pioneering service for the LHLCC sector – Premium Flatbed seats which can be fully reclined, offering comfort especially on night flights.

We also solved the conundrum of having too much food onboard leading to wastage, or too little and having hungry passengers, by introducing pre-booked meals. Again, this service is much appreciated and has inspired us to increase the selection of dishes on our menu, which today is one of the most extensive and popular among all airlines.

Other innovations have included a multi-tiered pricing for baggage; portable inflight entertainment; and Fly-Thru, which provide added convenience to passengers who have connecting flights across the AirAsia Group, such as free replacement connecting flights if they miss their original connecting flights and having their baggage checked-in to the final destination.

What is especially gratifying about these innovations is they add to our income, as passengers pay nominal fees to enjoy the extra perks. We have grown passenger ancillary spend per passenger from RM119 in 2009 to RM145 in 2013, which now accounts for 21% of our total revenue (including travel insurance; excluding cargo). Our cargo business on its own brings in a sizeable income, amounting to RM90.0 million in 2013, and additional 4% of 2013 revenue.

During the year, we introduced two new services that add to our ancillary income: Red Carpet and the Quiet Zone.

Red Carpet offers our passengers a premium experience from the time they check-in to the time they collect their baggage at their final destination. It includes a dedicated check-in counter, priority baggage tagging and loading, access to the Plaza Premium Lounge at LCCT, fast-track immigration, security clearance and priority boarding with buggy service to the bay (subject to aircraft parking bay distance) as well as priority baggage delivery upon arrival.

The Quiet Zone allows our passengers to choose seats in an area reserved for those aged 12 and above, hence can be more peaceful than the rest of the plane. This dedicated cabin section with special mood lighting comprises eight rows, from 7 to 14, directly behind our award-winning Premium Flatbeds.

Our innovations have allowed us to stay ahead of the competition, and maintain our position as the preferred LHLCC with the highest customer satisfaction ratings, according to Skytrax. We have been able to create a culture of innovation at AirAsia X by encouraging the exchange of ideas in an open and non-hierarchical environment. We keep challenging ourselves in order to improve our services and maintain our high level of customer satisfaction. Even as an LHLCC, we do not compromise on reliability and service quality, as these are paramount to attracting and maintaining customers. Our 2,011 Allstars use their own travel experiences as well as observations of our passengers to identify kinks in the system, which we subsequently try to resolve. We have created a culture in which we do not shy away from challenges and complaints, but embrace them. As a result, we keep innovating and evolving, often with positive results, sometimes not. But we view mistakes as part of the entire process of improvement, and use them as key learnings to enhance the airline and our growth prospects.

CEO'S REPORT

TOTAL MARKET POTENTIAL ACROSS ASIA PACIFIC

3.5 billion

1 OUT OF 2 PEOPLE ON EARTH

OUTLOOK

The year 2014 will continue to be a year of expansion as we invest substantial capacity to strengthen our position in our core markets. Indeed, this is a case of speed in terms of fleet size, route network and slots availability as competition heats up. We believe the short-term earnings pressure arising from capacity we are introducing will be well worth the long-term strategic value as yields rise with the eventual maturing of the added new capacity.

Thai AirAsia X has now launched, and we hope Indonesia AirAsia Extra will follow towards the end of this year. These new hubs will position us well to grow our network organically and increase cross-connection possibilities.

While our affiliates are launching new routes, we at AirAsia X will also continue to expand, but in a more deliberate manner. We plan to launch three new routes in our core markets for 2014, only half the number in 2013, but these strategic routes will go a long way towards consolidating our position in the North Asia and Australia markets.

Our growth necessitates more capacity in terms of counters, boarding gates and parking bays, areas in which we have been constrained at the Low Cost Carrier Terminal (LCCT) in Sepang, which has surpassed its saturation point. We are therefore excited with our move to KLIA2, which affords us the space and infrastructure to accommodate expansion, including more Fly-Thru connectivity for passengers.

At the same time, the wheels of innovation at AirAsia X will continue to spin, and we hope to introduce a wider range of services to delight our customers. These include a more exciting retail experience onboard, with better shopping, as well as the introduction of wifi connectivity. There exists a big untapped opportunity to introduce services that will enhance the customer experience on our flights, which we will explore more intensely. This forms an important part of our value proposition as we do not just want everyone to be able to fly X-tra long, but we want them to enjoy an X-tra pleasant experience too.

ACKNOWLEDGEMENTS

It has been an amazing six years at AirAsia X, which would not have been possible if not for the contributions of various parties and particularly our major shareholder, AirAsia, which has supported us in countless ways, many more than I have mentioned in this report. I would like to express my gratitude to the founders of AirAsia, Tan Sri Tony and Datuk Kamarudin, for their strategic guidance, energy, and overriding belief in our ability to soar.

I would also like to thank the Government, regulators, business partners and suppliers for their invaluable support; and express my sincere appreciation to the over 10 million passengers who have flown with us and voted us one of the best low-cost airlines in the world. But most of all, my heartfelt gratitude goes to the great team we have here at AirAsia X – from our Board of Directors to the management and every single Allstar who has worked tirelessly and with such passion to make us what we are today – the world's number one long-haul, low-cost airline.

AZRAN OSMAN RANI
Chief Executive Officer

SUSTAINABILITY REPORT

Corporate sustainability is about ensuring that an organisation conducts its business in a manner that promotes its viability in the long-term. Most commonly, corporate sustainability is expressed in terms of a triple bottom line in which a company's financial performance is balanced by its social and environmental scorecards. AirAsia X fully subscribes to the belief that, by creating social value and ensuring that a corporation's activities and processes limit its environmental footprint and waste, the long-term sustainability of that organisation is assured.

We also believe that our very business – that of making long-haul flying affordable to a wider group of people – in itself has immense social value. In essence, AirAsia X is democratising a service which was previously available only to a selected demographic. By living up to our promise of 'Now everyone can fly X-tra long', we are making it possible for millions of people to fly and discover the world, seek employment or educational opportunities, connect with loved ones separated by geographic distances, and benefit from tourism economic activities. We bridge continents and cultures and bring the world together.

Furthermore, we also extend our help to marginalised communities in the countries that we fly to – for example, by using our carriers to transport people and humanitarian aid to and from crisis areas to safety. We also support community development by sponsoring travel for education and sports activities, to enhance students' international exposure. We believe sports unites people of the world while building perseverance, determination and passion – all of which go a long way towards personal and professional development.

AirAsia X undertakes its corporate social responsibility activities primarily via our participation with the AirAsia Foundation. As a responsible corporate citizen, we uphold the highest level of integrity in our dealings with key stakeholders and particularly our guests and investors. Towards this end, we are building a strong customer-centric culture premised on a continuous-improvement philosophy, and an investor relations team that strive to maintain close relations with our stakeholders.

Perhaps the most significant way in which we are safeguarding our sustainability, however, is via our fuel-efficiency initiatives that serve the dual purpose of reducing our carbon footprint and increasing our cost efficiency by burning less fuel and emitting less carbon per passenger-kilometre flown compared to any other known airline. We are pleased to see our fuel efficiency efforts contribute towards the betterment of the environment, which in the end, will contribute not only to our business but also to the nation, and the world.

As a newly listed company, we realise that our sustainability reporting is less comprehensive than it should be. But, in keeping with global best practice, we are making a start in this endeavour, and would like to assure our stakeholders that we intend to keep enhancing our efforts – both in terms of our sustainability initiatives as well as our reporting – so as to achieve world-class sustainability and sustainability reporting standards. Also in keeping with global best practice, we will report on our sustainability efforts and achievements within the four main domains of the Community, Workplace, Marketplace and Environment.

AIRASIA X IN THE COMMUNITY

The Asia Pacific region, which we serve, is home to pockets of marginalised communities where poverty is still endemic. Over and above the activities of the AirAsia Foundation, AirAsia X also undertakes targeted initiatives in the communities within our route network. We have made a start with a school in a mountainous area near Kathmandu, Nepal.

In December 2012, we donated 30 laptops to the Chandi Devi Primary School in Dukuchhap, Lalitpur in collaboration with non-profit organisation OLE Nepal that seeks to increase educational standards via Information and Communications Technology (ICT). In addition to the laptops, we provided the network equipment; a power backup system adequate to power the school server, network switch and routers for a whole day; and funds to train the teachers to implement laptop-based teaching in the school. OLE provided the online learning materials and trained eight teachers from grades two to five to use the laptops and online teaching programmes for English, Nepali, Mathematics and Science. Following the initial training in November 2012, OLE Nepal conducted a session with the teachers in February 2013 to resolve any teething issues they faced; and then ran a refresher training at end September/early October. The teachers have noted that the use of graphics and animation in their online materials is increasing the students' interest in the subjects taught. The school, meanwhile, has seen improved attendance because the students are excited about learning from a computer.

Making the most of every opportunity to contribute to worthy causes, when Sir Richard Branson finally made good a lost wager with AirAsia Group CEO Tan Sri Tony, AirAsia X charged a premium for the flight that he would serve on and channelled the profits to charity. Tickets for flight D7 237 from Perth to Kuala Lumpur, departing at 6.50am on 12 May 2013, were priced at RM1,308 (AUD399) one way, of which AUD100 from each seat was donated to the Starlight Children's Foundation in Australia. We also donated 10% of all in-flight sales including duty free merchandise sold on board to the foundation. In addition, guests were given the opportunity to make extra donations. The Starlight Children's Foundation is dedicated to brightening the lives of seriously ill and hospitalised children, and their families.

In August, AirAsia X also chartered special flights from Cairo to Kuala Lumpur to bring home Malaysians studying in Egypt's capital, which was embroiled in political unrest. In total, the airline flew 1,110 students back to safety in three separate flights.

Since 2012, we have regularly sponsored the travel needs of students at the Bukit Jalil Sports School. In August, we sponsored travel to Melbourne for a group of teachers and students from the school who participated in a week-long English Language exchange programme with the Maribyrnong Sports Academy, where the students not only improved their English but also got to train with their new Australian friends. Three months later, in November, we sponsored the hockey team's trip to Melbourne, where they trained under former Australian hockey players and had a friendly against Western Australia's U-21 team. Finally, in March 2014, AirAsia X supported a trip to Perth for young athletes from Bukit Jalil School who took part in a two-day West Australian Little Athletics meet.

In support of empowering women, AirAsia X was the official airline for Malaysian film, Ikal Mayang: Telling Women Stories, a 70-minute anthology comprising six short films related to women's issues. The airline flew the film directors Datin Sofia Jane, Ida Nerina and Junaidah M. Nor and its executive producer Low Ngai Yuen to the international premier screening of the film at the 18th Busan International Film Festival in South Korea, which was held from 3-12 October.

A DYNAMIC WORKPLACE

AirAsia X aims to be the best company to work for by nurturing a stimulating workplace that recognises good performance and encourages Allstars to give of their best.

Due to the highly regulated nature of the aviation industry, our pilots, flight attendants and engineers are required to undergo extensive mandatory training that focus on technical competencies. All pilots and cabin crew, for example, must complete the Crew Resource Management (CRM) programme, which focuses on people management skills. Training requirements are also imposed on our security and guest services teams.

Over and above meeting regulatory requirements, we offer various training programmes that increase the capabilities of all our Allstars, regardless of their function or level they are in, to increase efficiencies across the board, enhance motivational levels and to improve our operations generally.

New recruits to AirAsia X undergo an orientation programme as part of their on-boarding. This introduces them to the organisation, our culture and the way we do things. Customer-facing teams or frontliners who are directly responsible for enhancing our customer experience complete relevant functional training at the Asian Aviation Centre of Excellence (AACE) in Sepang, where they get to meet fellow Allstars from the different AirAsia units across the region, hence become immersed in the AirAsia Group culture.

We also place much emphasis on developing leaders from our pool of talent, and have different programmes targeted at the different categories of Allstars from the middle managerial level onwards to help them discover their leadership potential. Our Fly@X and Soar@X, for example, target frontline team members and airline crew, respectively.

The eight-day Fly@X helps guest service officers, duty executives and acting team leaders, security officers and licenced aircraft engineers develop their own teams. The seven-day Soar@X reinforces the need for our flight attendant team leaders, namely our Pursers, to have a strong sense of self-motivation while equipping them with the soft skills to manage different teams each time they operate a flight. The seven-day Lead@X, meanwhile, is about leading others with impact and influence, with a strong emphasis on growing a coaching culture at AirAsia X.

These programmes supplement a longer-term Executive Coaching programme in which middle and senior management who have been identified as having leadership potential are provided with two-hour one-on-one coaching sessions over a period of six months. During this time, they typically experience numerous ‘aha’ moments that inspire them to make change happen in the Company.

Over and above this coaching programme, Allstars have easy access to the leadership team thanks to the open office layout and flat hierarchical work environment. This creates a greater sense of belonging to the Company while inspiring more cohesive teamwork. To ensure everyone is kept abreast of corporate updates,

monthly dialogues are held with our frontline workforce, namely our flight crew (captains and flight attendants) as well as our engineers, guest service officers, ramp and in-flight operations teams.

SERVING THE MARKETPLACE

As a public listed company, AirAsia X recognises that we have a responsibility to engage actively with the investing community and to make available corporate information to the public. Prior to our listing, our top management, namely CEO Azran Osman Rani and Chief Financial Officer (CFO) Yvonne Abdullah, played very proactive roles to explain our unique long-haul low-cost carrier (LHLCC) business model and strategies to potential investors. Both the CEO and CFO accompanied by the Investor Relations (IR) team on roadshows in Malaysia, Singapore, Hong Kong, the United States and London targeting institutional investors. These generated sufficient interest to elicit 13 initiation coverage reports from both local and international research houses within three months of our IPO.

In addition, AirAsia Group CEO Tan Sri Tony personally conducted retail marketing roadshows for AirAsia X nationwide. The effort was recognised when we received the Best Investor Relations for IPO Award in South East Asia at the IR Magazine Conference in Singapore on 10 December 2013.

Post-IPO, we are making our presence felt at some of the larger investor conferences regionally and further afield, participating in the CLSA Investors Conference, Hong Kong; Macquarie Investors Conference, Singapore; Invest Malaysia-Hong Kong jointly organised by Bursa Malaysia and RHB Investment Bank, among others.

At the same time, we have put in place a robust IR infrastructure to feed business updates and make available key operating statistics and financial results on a dedicated site on our corporate website. We also have enquiries' channels for institutional and retail investors. Moving forward, jointly with Group IR, we will be launching an IR app that can be downloaded on investors' and analysts' smartphones and tablets.

We engage actively with our guests via social media platforms such as Twitter and Facebook as well as on the AskAirAsia Portal and Live Chat. In keeping with our culture of innovation, we make a conscious effort to use the social media in ways that will attract the participation of the public. This has led to our being awarded the UBER Social WITovation Award at the 2013 Web In Travel (WIT) Conference in Singapore on 23 October 2013.

In addition, to enable our guests to call us about any enquiries they may have, we have established a dedicated AirAsia X Premium Line in Malaysia and Singapore, which operates from 9am - 6pm every day. We also provide call centre services in countries that we fly to such as Australia, China, Japan, Korea, Saudi Arabia and Taiwan.

At all our guests interfaces, we strive to provide the best in terms of service, our Allstars often going out of their way to resolve issues such as invalid visas, lost items or even customers turning up late to board their flights. In each instance, the response of our team has only served to strengthen our image as an LHLCC with top-class service and quality operations. As a result, we are often rewarded by positive feedback from very happy guests, and learn from opportunities to further improve our service delivery.

PROTECTING THE ENVIRONMENT

The most significant way in which an airline is able to contribute to a healthier environment is by ensuring optimal fuel efficiency. At AirAsia X, fuel efficiency is taken so seriously that we have a dedicated team whose function is to minimise our fuel burn. This team works closely with GE Aviation's Fuel & Carbon Solutions Team and the Rolls Royce Flight Operations Support Team to analyse and make informed decisions on fuel saving initiatives.

In general, our fuel efficiency initiatives are based on three broad factors:

1) maintaining a young fleet with the most modern and fuel-efficient engines;
2) adhering to fixed guidelines on engine maintenance to keep them at optimal functional levels; and
3) employing flying practices that reduce unnecessary fuel burn.

These initiatives are described below.

Young Fleet
As of March 2014, our fleet comprises 19 A330-300 aircraft (including 1 aircraft sub-leased to Thai AirAsia X), with an average age below 5 years, making us one of the youngest and most fuel-efficient fleets in the Asia Pacific region. We also have two A340-300 aircraft and one A330-200 used for non-scheduled charters and leases.

Engine Maintenance
We abide by guidelines on the frequency for engine and aircraft wash, as cleaner engines and airframes increases fuel efficiency and reduces drag on the aircraft.

Fuel-Efficient Flying Practices
Volume of Water On Board – We try to minimise the volume of water carried on flights to reduce the weight of the aircraft, hence fuel burn. In general, the volume carried depends on the length of the flight. Our analysis is based on historical statistics such that for a four-hour flight we may only uplift 50% of the water tank whereas for an eight-hour flight we will uplift 75% of the tank.

AirAsia X Green Operating Procedures – We have adapted the following fuel-efficient practices from the Airbus Green Operating Procedures:

- We generally adopt a lower flap setting at take-off and landing to reduce drag and, ultimately, burn less fuel. However, considerations are given to operational conditions to ensure safety is not jeopardised.
- We make use of idle reverse on landing instead of full reverse.
- We optimise the distance at which landing gear is deployed before touching down to minimise fuel burn on approach.
- At take-off and climb, we use a lower thrust setting to reduce engine maintenance costs and increase long-term fuel efficiency by maintaining the specific fuel consumption of the engine for a longer time. Based on analysis conducted by Rolls Royce, AirAsia X maintains one of the best take-off thrust reduction performances within the A330-300 fleet.

As a result of these initiatives, our average fuel consumption stands at 2.7 litres per 100 Passenger-kilometre flown, which is one of the lowest consumption rates among all airlines in the world.

STATEMENT ON CORPORATE GOVERNANCE

AirAsia X Berhad ("AirAsia X" or "the Company") adheres to the best practice of corporate governance within the organisation. Save as disclosed otherwise, the Board of Directors ("Board") considers that it has complied with the principles and recommendations as set out in the Malaysian Code on Corporate Governance 2012 ("MCCG" or "the Code"), Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia") during the period under review. The following sections describe the Company policies and practices.

A. Board Matters

Roles, responsibilities and powers of the Board Members

The Board has authority over the Company's matters and the following obligations to ensure the effectiveness of the Board and to discharge its fiduciary and leadership functions:

- Reviewing the strategies, business plans and significant policies for the Company;
- Ensuring that there shall be unrestricted access to independent advice or expert advice at the Company's expense in furtherance of the Board's duties (whether as a Board or a director in his or her individual capacity);
- Establishing, approving, reviewing, and monitoring AirAsia X's risk appetite and comprehensive risk management policies, processes and infrastructure;
- Considering emerging issues which, may be material to the business and affairs of the Company and ensuring there is a proper succession plan for its senior management;
- Reviewing the Company's annual capital and revenue budgets (and any material changes thereto);
- Ensuring that the Board has adequate procedures in place to receive reports periodically and/or on a timely basis from the Company's management; and
- Reviewing the adequacy and integrity of the Company's internal control system and management information systems.

The Board keeps a formal schedule of matters specifically reserved for the Board's decision as disclosed in the Board Charter to ensure that the direction and control of the Company is firm in its hands.

The Board Charter can be downloaded from the Company's website.

Board Members Balance and Meetings

There are eleven (11) Members who form the Board, the details are given on pages 26 to 27 of this Annual Report.

One (1) of the Board Members is a Senior Independent Non-Executive Chairman, seven (7) Non-Independent Non-Executive Directors, two (2) Independent Non-Executive Directors and one (1) Alternate Director.

To ensure that AirAsia X promotes corporate governance effectiveness, the Independent Non-Executive Directors are in place to provide the check and balance in the function of the Board.

The Board appointed Tan Sri Rafidah Aziz as the Senior Independent Non-Executive Chairman of the Company to whom concerns of shareholders and other stakeholders may be conveyed.

Mr Asher Noor was appointed as a Non-Independent Non-Executive Director of the Company on 30 December 2013 in place of Mr Shan-E-Abbas Ashary, who had resigned on even date.

Mr Azran Bin Osman Rani was appointed as the Chief Executive Officer of the Company since 4 July 2007, however, he is not a Board member of the Company. His profile is provided on page 30 of this Annual Report.

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 practised and that the Company meets its other obligations to its shareholders, other stakeholders and guests.

The roles of the Chairman and the Chief Executive Officer ("CEO") of the Company are separate with a clear division of responsibilities to ensure an appropriate balance of role, responsibilities and accountabilities at the Board level, such that no one individual has unfettered powers of decision.

The Non-Executive Directors ("NED") are persons of high aptitude and integrity, and jointly gather the various backgrounds in finance, legal and regulatory and in public and private sectors to the Board and Committee for deliberations. They dedicate reasonable time and attention required to fulfil their roles. Other professional commitments of the NED are provided in their biographies on pages 26 to 27 of this Annual Report. The Board requires that all Independent Directors to be impartial in judgment; non-participation in the day-to-day management of the Company; non-involvement in business transactions or relationships with the Company, in order to have a conscientious decision to achieve its objectives.

The Alternate Director ("AD") is a person of a similar calibre of NED. He is nominated to step-up in the absence of NED to fulfil the roles and responsibilities. The other professional commitments of the AD are provided in his biographies on page 27.

The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in maintaining its competitive advantage. Our diverse Board includes and makes good use of differences in skills, regional and industry experience, background, gender and other attributes of Directors. This effort could be evidenced by the appointment of Tan Sri Rafidah Aziz as an Independent Non-Executive Chairman of the Board since March 2011. Tan Sri Rafidah Aziz was re-designated as a Senior Independent Non-Executive Chairman of the Company since its listing on the Main Market of Bursa Malaysia. The Company also maintains a good mix of diversity in the senior management of the Company.

The Board, through Nomination Committee will discuss the measurable objectives for achieving diversity. For instance, selection of women candidates to join the Board will be, in part, dependent on the pool of women candidates with the necessary skills, knowledge and experience, ultimately it will be based on merit and contributions the candidate can bring to the Board.

The Nomination Committee also reviews the composition of the Board and the Board members annually. During the year under review, the Nomination Committee discussed the assessments on the performance of the Board and Board members, the individual performance of the Board and Board members and the succession planning on the key management as well. The Board will undertake an assessment of its Independent Directors annually.

STATEMENT ON CORPORATE GOVERNANCE

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

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

During the financial year ended 31 December 2013, the Board held a total of five (5) meetings and the details of Directors' attendances are as set out below:

Name	Numbers of Meeting
Tan Sri Rafidah Aziz	5
Tan Sri Dr. Anthony Francis Fernandes	3
Datuk Kamarudin Bin Meranun	4
Dato' Seri Kalimullah Bin Masheerul Hassan	4
Lim Kian Onn	4
Dato' Fam Lee Ee	5
Tan Sri Asmat Bin Kamaludin	3[1]
Dato' Yusli Bin Mohamed Yusoff	3[1]
Shan-E-Abbas Ashary	1[2]
Kiyoshi Fushitani	5
Asher Noor	4[3]

[1] Both Tan Sri Asmat Bin Kamaludin and Dato' Yusli Bin Mohamed Yusoff were appointed as the Independent Non-Executive Directors of the Company on 13 May 2013.

[2] Mr Shan-E-Abbas Ashary resigned as a Non-Independent Non-Executive Director of the Company on 30 December 2013.

[3] Mr Asher Noor appointed as a Non-Independent Non-Executive Director of the Company on 30 December 2013 and ceased as an Alternate Director to Mr Shan-E-Abbas Ashary on even date.

Dissemination of Information

Prior to the Board Meetings, Members of the Board will receive the agenda and a set of Board papers digitally containing items for discussion at the Board Meetings. This is to allow sufficient time for the Directors to review and seek clarifications that they may require from the Management or the Company Secretary. Urgent papers may be presented and tabled at the Board meetings under supplemental agenda. The Board meeting papers are presented in a concise and comprehensive format.

Board papers tabled to Directors include progress reports on the Company's business operations; detailed information on business propositions; quarterly and annual financial statements, corporate proposals including where relevant, supporting documents such as risk evaluations and professional advice from solicitors or advisers and report on the Directors' dealings in securities of the Company, if any. The Company Secretary ensures that all Board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are recorded and maintained in the statutory register at the registered office of the Company.

Directors are required to make full disclosure to the Board at once of any direct or indirect interests they may have in any transaction to be entered into directly or indirectly by the Company. Upon such disclosure, the interested Director(s) are required to abstain from Board deliberation and voting on the said transaction. If shareholders' approval is required for the said transaction, the interested Director, if he is a shareholder as well, shall abstain from voting on the resolution pertaining to the transaction and ensure the person connected with them similarly abstains from voting on the same resolution.

Directors have access to all information and records of the Company and also the advice and services of the Company Secretary, who also serve in that capacity in the various Board committees. The Company Secretary also serves notice to Directors on the closed periods for trading in AirAsia X 's shares, in accordance with Chapter 14 of the MMLR in respect of Dealings in Securities.

Directors' Appointment

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

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

STATEMENT ON CORPORATE GOVERNANCE

Directors' Training

All the Directors have attended the Mandatory Accreditation Programme prescribed by Bursa Malaysia for Directors of Public Listed Companies ("MAP").

Directors are regularly updated on the Company's businesses and regulatory environment in which they operate. Company site visits by the Directors, especially for the newly appointed members to understand the business operations is recommended as the process will facilitate the Board's effective decision-making.

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

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

Name	Programmes
Tan Sri Rafidah Aziz	• MAP
Tan Sri Dr. Anthony Francis Fernandes	• Reachout Youth Convention, Sunway • Credit Suisse 16th Asian Investment Conference, Hong Kong • World Economic Forum on East Asia, Myanmar • Global Malaysia Series with YB Senator Dato' Sri Idris Jala, Kuala Lumpur • Asean World Forum, Singapore • CEO/IR Macquarie Asean Forum, Singapore • CEO/IR CLSA Investor Forum, Hong Kong • APEC CEO Summit, Bali • AIA Leadership Conference, Hong Kong
Dato' Fam Lee Ee	• International Corporate Governance Seminar organised by the Securities Commission Malaysia • Malaysia-China Economic Summit jointly organised by MITI and MCCC
Tan Sri Asmat Bin Kamaludin	• Malaysian Code on Corporate Governance • Nominating Committee Program – a joint program conducted by the Iclif Leadership and Governance Centre with Bursa Malaysia • 4th Kuala Lumpur International Automative Conference
Dato' Yusli Bin Mohamed Yusoff	• Nominating Committee Program – a joint program conducted by the Iclif Leadership and Governance Centre with Bursa Malaysia • Risk Management Committees at Bursa Malaysia
Kiyoshi Fushitani	• MAP
Kiyotaka Tanaka	• MAP
Asher Noor	• MAP • European Family Office Symposium – in London • Singapore Investor Roundtable – in Singapore • ICAP KSA chapter workshop – in Riyadh • IFRS World Accounting Summit – in Dubai • AlGharbia Development Forum – in Abu Dhabi • 11th Annual Global Arc Boston Summit – in Boston • Private Equity Saudi Arabia – in Riyadh

During the year under review, Datuk Kamarudin Bin Meranun, Dato' Seri Kalimullah Bin Masheerul Hassan and Mr. Lim Kian Onn did not attend any training programme as they have not identified any training courses that were of particular benefit to their role as a Director of AirAsia X.

The Board, through the Nomination Committee, will undertake the assessment of the training needs of each director.

The Board was updated by the Company Secretary on changes to the MMLR and relevant guidelines on the regulatory and statutory requirements. The Audit Committee will also be updated by the external auditors on the changes to the financial reporting standards and tax related matters.

Directors' Re-election

The Articles of Association 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 Articles of Association 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. Directors over seventy years of age are required to submit themselves for reappointment annually in accordance with Section 129(6) of the Companies Act, 1965.

STATEMENT ON CORPORATE GOVERNANCE

Board Committees

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

i. Audit Committee ("AC")

AC comprises of two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director, the Members are set out on page 18 of this Annual Report.

The primary roles, responsibilities and powers of the AC in accordance with its terms of reference are to assist the Board with the following:

- Informing the Board of any salient matters raised at the AC meetings which require the Board's notice or direction.
- Reviewing and informing the Board of the effectiveness of risk management in place, which includes the risk management framework, processes and its reports.

Further information on the composition, summary terms of reference and other information relating to the AC are set out on pages 53 to 55 of this Annual Report.

ii. Nomination Committee ("NC")

NC comprises of one (1) Chairman who is the Senior Independent Non-Executive Chairman; one (1) Independent Non-Executive Director and one (1) Non-Independent Non-Executive Director, the Members are set out on page 18 of this Annual Report.

The primary roles, responsibilities and powers of the NC in accordance with its terms of reference are to assist the Board with the following:

- Recommending to the Board for approval, the minimum requirements for the Board, i.e. required mix of skills, knowledge, experience, qualification and other core competencies required of a director;
- Assessing and recommending to the Board for their approval, nominees for directorships and Board committee members;
- Considering, in making its recommendations, candidates for directorships proposed by the Chief Executive Officer and, within the bounds of practicability, by any other senior executive or any director or shareholder;
- Establishing a mechanism for the formal annual assessment on the effectiveness of the Board as a whole and the contribution of each director to the effectiveness of the Board and the contribution of the Board's various committees;
- Recommending and ensuring that all directors receive appropriate continuous training in order to maintain an adequate level of competency in order to effectively discharge their roles as directors;
- Overseeing the appointment, management succession planning and performance evaluation of the Board, the Board committees and individual directors; and
- Reporting periodically to the Board on succession planning for the Board Chairman and Chief Executive Officer, and working with the Board to evaluate potential successors.

For the financial year ended 31 December 2013, the NC was satisfied with the size and composition of the Board is adequate with the appropriate mix of knowledge, skills, attributes, core competencies and diversity to meet the needs of the Company. A Board Diversity Policy was also established during the financial year, setting out the approach to diversify the Board of the Company.

Other than that, the NC discussed on the assessments of the Board, Board committees and individual directors on the mix of knowledge, skills, independency, effectiveness and contribution to the Company. The NC also discussed on the succession planning for the key management of the Company as well.

On the nomination process of a director, the NC discussed and considered the skills, knowledge, expertise, professionalism and integrity of the nominee.

iii. Remuneration Committee ("RC")

RC comprises of one (1) Chairman who is the Senior Independent Non-Executive Chairman; one (1) Independent Non-Executive Director and one (1) Non-Independent Non-Executive Director, the Members are set out on page 18 of this Annual Report.

The primary roles, responsibilities and powers of the RC in accordance with its terms of reference are to assist the Board with the following:

- Reviewing annually and recommending to the Board the overall remuneration policy for Directors and the CEO (including but not limited to directors' fees, salaries, allowances, bonuses, share options and benefits-in-kind) that supports AirAsia X's long-term success and shareholder value, and ensure that compensation is consistent with AirAsia X's business strategy and long-term objectives;
- Recommending to the Board on the individual remuneration package for the CEO (including but not limited to salaries, allowances, bonuses, share options and benefits-in-kind);
- Reviewing annually the performance of the Directors and the CEO and recommend to the Board specific adjustments in remuneration and/or reward payments, if any;
- Obtaining advice from external sources or experts, if necessary, regarding remuneration practices of other companies of a similar size in a comparable industry sector for the purposes of comparison; and
- Reviewing its own performance and terms of reference at least once a year to ensure that the RC is operating at maximum effectiveness and recommend any change it considers necessary to the Board of Directors for approval.

The Company maintains a procedure in determining the remuneration policy for Directors. The determination of remuneration packages of non-executive Directors is a matter for the Board as a whole. All the individual Directors concerned are abstained from discussing their own remuneration.

STATEMENT ON CORPORATE GOVERNANCE

iv. Safety Review Board ("SRB")

The SRB comprises of the Company's CEO, Senior Independent Non-Executive Chairman and is supported by a team of operation's safety and security specialist from the Company. The members are set out on page 18 of this Annual Report, which was formalised on 25 February 2014.

The SRB is eminently strategic, deals with high-level issues in relation to policies, resource allocation and organisational performance monitoring, and meets infrequently, unless exceptional circumstances dictate otherwise.

The SRB also provides the platform to achieve the objectives of resource allocation and neutral assessment of the effectiveness and efficiency of the mitigation strategies.

The primary roles, responsibilities and powers of the SRB in accordance with its terms of reference are to assist the Board with the following:

- Providing to the Board the oversight and input to the management of safety issues within the AirAsia X's operations.
- Reviewing the progress and safety trends in relation to Flight, Cabin, Ground, Engineering and Security, and ensuring all identified hazards are appropriately resolved.
- Reviewing organisational control and continual improvement by assessing opportunities for improvement and the need for changes to the system, including but not limited to organisational structure, reporting lines, authorities, responsibilities, policies, processes and procedures, as well as allocation of resources and identification of training needs;
- Monitoring the effectiveness of the Safety Management System ("SMS") implementation plan;
- Monitoring and reviewing policy, objectives and procedures as part of development of SMS;
- Making recommendations or decisions concerning safety policy and objectives;
- Monitoring that any necessary corrective action is taken in a timely manner;
- Reviewing activities that require formal application of risk management techniques;
- Reviewing actions recommended by incident/accident investigations are monitored, tracked and implemented by relevant departmental managers;
- Monitoring safety performance against the organisation's safety policy and objectives;
- Reviewing safety performance and outcomes;
- Defining safety performance indicators and set safety performance goals for the organisation;
- Monitoring the effectiveness of the organisation's safety management processes which support the declared corporate priority of safety management as another core business process;
- Monitoring the effectiveness of the safety supervision of subcontracted operations;
- Ensuring that appropriate resources are allocated to achieve safety performance beyond that required by regulatory compliance;
- Providing strategic directions to departmental Safety Action Group ("SAG") where applicable;
- Functioning as steering committee and oversight for Flight Data Monitoring Team; and
- Periodically review regulations, standards and exemptions for ensuring the most current information is available.

Input to the management review process (SRB) would typically include:

- Results of audits;
- Findings from operational inspections and investigations;
- Operational feedback;
- Incidents and near-miss reports;
- Changes in regulatory policy and civil aviation legislation;
- Process performance and organisational conformity;
- Status of corrective and preventive actions;
- Results from implementation or rehearsal of an Emergency Response Plan ("ERP");
- Follow-up actions from previous management reviews;
- Feedback and recommendations for management system improvement;
- Regulatory violations; and
- Security matters.

Output from SRB would typically include decisions and actions related to:

- Improvement of the processes throughout the management system;
- Safety and security requirements; and
- Resources needs.

v. Employees' Share Option Scheme ("ESOS") Committee

ESOS Committee comprises of one (1) Non-Independent Non-Executive Director and the Company's CEO, the Members are set out on page 18 of this Annual Report.

The primary roles, responsibilities of the ESOS in accordance with its By-Laws are to assist the Board with the following:

- Administering the ESOS of the Company in accordance with the objectives and regulations; and
- Determining the participation eligibility, option offers and share allocations and to attend to such other matters as may be required.

B. Directors and/or CEO Remuneration

The remuneration package comprises the following elements:

1. Fee

The fees payable to Senior Independent Non-Executive Chairman for her services to the Board are based on a basic board fee and her respective additional responsibilities on the Board committees during the year recommended by the Board and approved by the shareholders of the Company prior to the listing of AirAsia X.

The fees payable to each of the Independent Non-Executive Directors for their services to the Board are based on a basic board fee and their respective additional responsibilities on the Board committees during the year recommended by the Board and approved by the shareholders of the Company prior to the listing of AirAsia X.

STATEMENT ON CORPORATE GOVERNANCE

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

The total remuneration of Directors during the financial year ended 31 December 2013 are as follows:-

Directors' Remuneration	Executive (RM'000)	Non-Executive (RM'000)	Total (RM'000)
Fees	-	553	553
Salaries and other emoluments	-	-	-
Benefits-in-kind	-	-	-
Total	**-**	**553**	**553**

Whilst the Code has prescribed for individual disclosure packages, the Board is of the view that the transparency and accountability aspects of Corporate Governance in respect of the Directors' remuneration are appropriately and adequately addressed by the band disclosure as disclosed below:-

Directors' Fees	No. of Executive Directors	No. of Non-Executive Directors
Up to RM50,000	-	8
RM50,001 to RM100,000	-	2
RM100,001 to RM150,000	-	-
RM150,001 to RM200,000	-	1
Above RM200,000	-	-

2. **Benefits-in-kind**

   Other customary benefits (such as private medical care, travel coupons, etc.) are made available as appropriate.

3. **Service contract**

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

C. Shareholders and Investors

Investor Relations ("IR")

The Company is dedicated in maintaining good communications with shareholders and investors.

Several communication channels are in place to disseminate information to shareholders and investors on the performance of the Company. These include the Annual Report, Financial Announcements and Key Operating Statistics and Announcements through Bursa Malaysia and Annual General Meetings.

Senior management that is supported by the IR 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.

Financial Results, Key Operating Statistics and Presentations on a quarterly basis are available for download at the Company's website at www.airasiax.com. Shareholders may also obtain the Company's announcement on the website or via the Bursa Malaysia's website at www.bursamalaysia.com.

In conjunction with AirAsia X's Initial Public Offering ("IPO"), the Shareholders' Benefit Programme was implemented. This programme will be running for three (3) years from the first anniversary of the IPO. The terms and conditions of this benefit are made available on the Company's website at www.airasiax.com. For any enquiries relating to the benefits availability; eligibility criteria or general enquiry on this programme, shareholders can reach the team through aax_shareholder@airasia.com or AirAsia X Premium Line 600 85 8888 during operating hours from 9.00 am to 6.00 pm (Malaysia time) Mondays to Sundays.

For any investor relations enquiries or information on the Company may be directed to the IR Team.

Annual General Meeting ("AGM")

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 21 days before the meeting is held.

The Company's CEO will do a brief presentation on the Company's financial performance and the outlook. The Chairman and each Board committees' Chairman will be present, if possible at the AGM to respond to any query by the shareholders and views during the meeting. Given the size and geographical diversity of our shareholders' base, the AGM is another important forum for shareholders' interaction. All shareholders are notified of the meeting together with a copy of the Company's Annual Report at least 21 days before the meeting is held.

Corporate Disclosure Policy and Procedures

AirAsia X 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.

D. Accountability and Audit

Financial Reporting

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

The Board aims to ensure the timely release of announcements on quarterly financial reports that provide the transparency and latest disclosures on the performance of the Company.

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

STATEMENT ON CORPORATE GOVERNANCE

Audit Committee and Internal Control

The Board's governance policies include a process for the Board, through the Audit Committee to review regularly the effectiveness of the internal control system and overseeing the financial reporting process. A report on the Audit Committee and its summary terms of reference is presented on pages 53 to 55 of this Annual Report.

The Board is responsible for the Company's internal control system, which comprises a process for identifying, evaluating and managing the risks faced by the Company and for regularly reviewing its effectiveness accordingly.

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

The Statement on Risk Management and Internal Control is set out in pages 56 to 57 of this Annual Report.

Relationship with the External Auditors

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

An External Auditor Independence Policy was established during the financial year aimed at establishing a process to monitor the suitability and independence of external auditors.

E. Sustainability Report

The Company is committed in ensuring that it aligns its strategies on matters relating to the environment, society, government with sustainability objectives. The sustainability report is set out in pages 41 to 44 of this Annual Report.

F. Standard Operating Procedure ("SOP")

The Company formalised the following SOPs that will facilitate the safety and operational effectiveness in the business operation of the Company and ensure its compliance. The following SOPs are published on the Company's website.

i. Sustainability Policy

The Company has established a Sustainability Policy for the provision of guidance on the Company's strategy on sustainability with focus on four main domains - Community, Workplace, Market Place and Environment.

ii. Whistleblowing Program

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

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

- To compile all reports received and submit to the Chairman of the Board, Audit Committee; and
- To report to Management the results of the investigation for further action.

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

iii. Anti-Fraud Policy

In order to prevent loss or damages due to fraud, the Company has established an Anti-Fraud Policy during the year, as the Company has zero tolerance in area. To safeguard the interest of the Company and stakeholders, legal action may be taken if required.

All matters should be addressed to Head of Quality Assurance, who will then investigate for further action and recommend for tighter internal control, and subsequently:

- To compile all investigations and evidence before recommend appropriate action to be taken; and
- To report to Management and Audit Committee of the results and corrective action.

iv. Code of Business Conduct

In order to engage efficiently, responsibly and profitable in the commercial aviation business, the Company seeks the high standard of performance and also aims to maintain a long term position in the competitive environment towards shareholders, passengers, employees, business partners and society.

This statement is made in accordance with a resolution of the Board of Directors of AirAsia X dated 22 April 2014.

AUDIT COMMITTEE REPORT

SUMMARY OF TERMS OF REFERENCE OF THE AUDIT COMMITTEE ("AC")

A. Composition

The AC shall comprise at least three (3) non-executive directors appointed by the Board of Directors. All the AC members must be non-executive directors, with a majority of them being independent directors. All AC members must have strong financial background and at least one member shall:

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

(iii) adhere to other requirements as prescribed or approved by Bursa Malaysia.

B. Roles and responsibility

The primary roles and responsibilities of the AC with regards to the AirAsia X Internal Audit (IA) function, risk management, external auditor, financial reporting, related party transactions, annual reporting and investigation are as follows:

Internal Audit ("IA")

- IA function is to report directly to the AC;
- Review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary independence and authority to carry out its work, which should be performed professionally and with impartiality and proficiency;
- Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit functions;
- Review any appraisal or assessment of the performance of members of the internal audit function;
- Approve any appointment or termination of senior staff members of the internal audit function; and
- Take cognisance of resignations of internal audit staff and provide the staff an opportunity to submit reasons for resigning.

Risk Management

- Review the risk management framework of the Company to ensure the existence of effective risk management policies and controls to monitor and manage all financial and non-financial risks.

External Auditor

- Consider the appointment or re-appointment of the external auditor, the audit fees, any questions of resignation or dismissal of the external auditor and to recommend the nomination of the external auditor;
- Assess the suitability and independence of the external auditor;
- Discussing with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- Provide a line of communication between the Board and the external auditor;
- Discuss problems and reservations arising from the interim and final audits, and any matter the external auditor may wish to discuss (in the absence of management where necessary) including the Audit Report and the level of assistance given by the Company's employees to the external auditor; and
- Review the external auditor's management letter and management's response in evaluating the Company's system of internal control.

Financial Reporting

Review the quarterly and year-end financial statements of the Company, focusing particularly on:

- any change and appropriateness of accounting policies and practices;
- significant adjustments arising from the audit;
- litigation that could affect the results materially;
- significant and unusual events;
- the going concern assumption;
- compliance with approved accounting standards and other legal requirements; and
- ensuring the timely release of such financial statements.

Related Party Transactions

- Consider and evaluate any related party transactions or conflict of interest situations that may arise within the Company or affiliates including any transaction, procedure or course of conduct that raises questions of management integrity.

Investigation

- Consider the major findings of internal investigations; and management's response; and
- Review the Company's procedures for detecting fraud and whistle blowing and ensure that arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or any other matters (in compliance with provisions made in the Companies Act, 1965).

Other Matters

- Consider any other matters as directed by the Board.

AUDIT COMMITTEE REPORT

C. Authority and powers of the AC

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

- have authority to investigate any matter within its terms of reference;
- have the resources in order to perform its duties as set out in terms of reference;
- have the support from the Company management to perform its duties;
- have full, free and unrestricted access to the Company's records, properties, personnel and other resources;
- have full and unrestricted access to any information regarding the Group and Company;
- have direct communication channels with the external auditor; and person(s) carrying out the internal audit/quality assurance function;
- have ability to obtain external legal or other independent professional or other advice or other necessary resources to perform its duties; and
- have meetings convene with the external auditor, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

Should the AC is of the view that a matter reported by it to the Board has not been satisfactorily resolved, resulting in a breach of the MMLR, the AC must promptly report such matter to Bursa Malaysia.

D. Meetings

- The AC shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide.
- The AC meeting quorum shall be at least two (2) members where the majority of members present must be independent directors.
- The External Auditor has the right to appear and be heard at any meeting of the AC and shall appear before the AC when required to do so.
- The Chief Financial Officer and the Head of Quality Assurance & Internal Audit of the Company shall normally be invited to attend the meetings to assist in the deliberations and resolution of matters raised. At least twice a year, the AC shall meet with the external auditor without the presence of management. The Chairman of the Board, the Chief Executive Officer, Chief Financial Officer, the Company's management or any other external professionals may also be invited to attend the AC meetings, when their expertise is required.
- The Company Secretary shall act as Secretary of the AC and shall be responsible, with the concurrence of the Chairman, for drawing up and circulating the agenda and the notice of meetings together with the supporting explanatory documentation to members prior to each meeting.
- The Secretary of the AC shall be entrusted to record all proceedings and minutes of all meetings of the AC. The Secretary of the AC shall circulate the draft minutes to the Chairman within fourteen (14) calendar days of the AC Meeting, for the Chairman's approval ahead of distribution to the AC members with at least seven (7) calendar days notice prior to the AC Meeting. Reasonable time should be given for AC members and to other attendees as appropriate, to consider all relevant papers and materials prior to the AC meeting.
- In addition to the availability of detailed minutes of the AC Meetings to all Board members, the AC at each Board Meeting will report a summary of significant matters resolutions.

ACTIVITIES OF THE AC DURING THE YEAR

A summary of the activities performed by the AC during the financial year ended 31 December 2013 ("financial year") is set out below.

Composition of the AC and Attendance of meetings

A total of three (3) meetings were held after the Company was listed in the financial year and the details of the attendance of the AC members were as follows:

Name	Directorship	Number of meetings attended
Dato' Yusli Bin Mohamed Yusoff	Independent Non-Executive Director	3
Tan Sri Asmat Bin Kamaludin	Independent Non-Executive Director	3
Lim Kian Onn	Non-Independent Non-Executive Director	3

The AC meets on a scheduled basis. The Chief Executive Officer, the Chief Financial Officer, Head of Legal and the Head of Quality Assurance & Internal Audit are invited to attend the meetings to assist in the deliberations as and when necessary. The representatives of the external auditor, Messrs PricewaterhouseCoopers ("PwC") are also invited to discuss their management letters, audit plan and other matters deemed relevant.

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.

AUDIT COMMITTEE REPORT

Internal Audit

- Reviewed the results of operational audit reports and monitor the implementation of management action plans in addressing and resolving issues.
- Provided assistance to the appointed external auditor in all oversight of the operational audits on each quarterly review.

Risk Management

- Reviewed the key risk profile for the Company.
- Reviewed the Statement on Risk Management and Internal Control and AC Report for inclusion in the 2013 Annual Report.

External Audit

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

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.

Employees' Share Option Scheme

- Annually, will verify the allocation options pursuant to the criteria disclosed to the employees of the Company and established pursuant to the Employees' Share Option Scheme for each financial year.

IA

AirAsia X has an in-house IA to assist the Board to oversee that Management has in place a sound risk management, internal control and governance system. The IA maintains its impartiality, proficiency and due professional care by having its plans and reports directly under the purview of the AC.

The IA reports functionally to AC and administratively to the Chief Executive Officer.

The responsibilities of IA include:

- Review the systems of internal controls.
- Undertake regular and systematic reviews of the systems of internal controls, so as to provide reasonable assurance that the systems continue to operate efficiently and effectively.
- Implement risk based audit to establish the strategic and annual audit plan, the main factor to determine areas or units to be audited.
- Review the adequacy of risk management, the strength and effectiveness of the internal controls, compliance to both internal and statutory requirement, governance and management efficiency, amongst others.
- Table to the management on any areas that require improvement and audit recommendations for attention and further actions.

Management is to ensure that corrective actions are implemented within the required time frame. 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.

AC reviews and approves the IA's human resource requirements to ensure that the function is adequately resourced with competent and proficient internal auditor. Total operational costs of the IA department for 2013 were RM497,480.75.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

The Board remains committed to complying with the Malaysian Code on Corporate Governance 2012 ("the Code") which "... requires listed companies to maintain a sound risk management framework and internal control system to safeguard shareholders' investment and the Company's assets" and guided by the Bursa Malaysia's MMLR Paragraph 15.26 (b) and Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuer. The Board is pleased to issue the following statement on risk management & internal control for the financial year ended 31 December 2013.

RESPONSIBILITY

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

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

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

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

INTEGRATING RISK MANAGEMENT WITH INTERNAL CONTROL SYSTEM

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

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

KEY RISK MANAGEMENT & INTERNAL CONTROL PROCESSES

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

Risk Management

- The Board has delegated the responsibility of reviewing the effectiveness of risk management to the AC supported by the risk management function;
- A written Enterprise Risk Management Framework & Policy (RMF&P) is in place. The RMF&P outlines the Company's underlying approach to risk and risk management, process, structure, tools etc. Subsequent changes to the RMF&P would be reviewed and recommended by the AC to the Board;
- Effectiveness of the risk management system is monitored and evaluated on an on-going basis through continuous monitoring and evaluation on the Company's risk management system; and
- Additionally, the AC reviews and assesses the adequacy of these risk management policies and ensures the infrastructure, resources and systems are in place for effective risk management.

Internal Audit ("IA")

- The Board has extended the responsibilities of the AC to include the assessment of internal controls, through the Internal Audit ("IA") function. The AC, chaired by an independent non-executive director reviews the internal controls system and findings of the internal auditors and external auditors;
- The IA is an independent function that reports directly to the Audit Committee. The IA assists the Committee and the Board by performing a regular and systematic review of the internal controls, financial and accounting matters, operational policies and procedures, and ensuring that internal controls are adequate to meet the Company's requirements. Audits are carried out on units and all stations, the frequency of which is determined by the level of risks assessed. The selection of auditable areas to be audited is based on risk based audit methodology taking into consideration input of the senior management and the Board;
- Management is responsible for ensuring that corrective actions to address control weaknesses are implemented within a defined timeframe. The status of implementation is monitored through follow-up audits, which are also reported to the AC;
- The conduct of internal audit work is under the oversight of the AC. The AC also reviews the adequacy of scope, functions, competency and resources of the IA functions and that it has the necessary authority to carry out its work; and
- The AC also reviews and considers matters relating to internal controls as highlighted by the external auditors in the course of their statutory audit of the Company's financial statements.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

The Board and Operational Committees

- The Board has established an organisational structure with clearly defined lines of responsibilities, authority limits and accountability aligned to business and operations requirements, which support the maintenance of a strong internal control environment;
- The Board has established the Board Committees with clearly defined delegation of responsibilities within the definition of terms of reference and organisation structures. These committees include Audit Committee, Nomination Committee, Remuneration Committee, Safety Review Board and Employees' Share Option Scheme Committee, which have been set-up to assist the Board to perform its oversight functions. The Committees have the authority to examine all matters within their scope and report to the Board with their recommendations; and
- Operational committees have also been established with appropriate empowerment to ensure effective management and supervision of the Company's core business operations. These committees include the Operations Management Committee and On-Time Performance Committee where meetings are held frequently to address emerging issues, concerns and mitigation action plans.

Other Key Processes

- Policies and procedures of core business processes are documented in a series of Standard Operating Procedures and implemented throughout the Company. These policies and procedures are subject to regular reviews, updates and continuous improvements to reflect the changing risks and operational needs;
- Heads of Department present their annual budget, including financial and operating targets and capital expenditure plans for the approval of the Chief Executive Officer.
- Company annual budget is prepared and tabled for Board approval. These budgets and business plans are cascaded throughout the organisation to ensure effective execution and follow through. Actual performance is compared against budget and reviewed by the Board; and
- The Company has implemented a formal performance appraisal system for all levels of employees.

ADDITIONAL COMPLIANCE INFORMATION

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

1. UTILISATION OF PROCEEDS FROM CORPORATE PROPOSAL

The IPO proceeds were received on 10 July 2013. The amount of RM740.7 million was derived from the issuance of 592.59 million of new shares at RM1.25 each to institutional investors, Malaysian public, eligible Directors and employees of the Company and person who have contributed to the success of the Company. As at 22 April 2014, the following are the details of the utilisation of the IPO proceeds:-

	Proposed Utilisation of IPO proceeds RM'mil	Utilisation to date RM'mil	Balance RM'mil
Repayment of bank borrowings	285.8	(285.8)	-
Capital expenditure	280.0	(157.6)	122.4
Estimated listing expenses	38.0	(33.0)	5.0
Working capital	136.9	(136.9)	-
Total	**740.7**	**(613.3)**	**127.4**

2. SHARE BUY-BACK

The Company does not have a scheme to buy-back its own shares.

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES EXERCISED

The Company did not issue any warrants or convertible securities. For the financial year ended 31 December 2013, the option held over ordinary shares under the Company's Employees' Share Option Scheme was not exercisable.

4. DEPOSITORY RECEIPT PROGRAMME

The Company did not sponsor any depository receipt programme during the financial year ended 31 December 2013.

5. EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The ESOS is the only share scheme of the Company in existence during the financial year ended 31 December 2013 approved by the shareholders on 12 October 2012. The information of the ESOS are as follows:

	During the financial year ended 31 December 2013	Since commencement of the ESOS on 12 October 2012
Total number of options or shares granted	9,550,000	9,550,000
Total number of options exercised or shares vested	-	-
Total options or shares outstanding	9,550,000	9,550,000

ADDITIONAL COMPLIANCE INFORMATION

Granted to senior management	During the financial year ended 31 December 2013	Since commencement of the ESOS on 12 October 2012
Aggregate maximum allocation in percentage	100%	100%
Actual percentage granted	96.95%	96.95%

There were no options granted to the Non-Executive Directors pursuant to the ESOS since its commencement on 12 October 2012.

6. SANCTIONS AND/OR PENALTIES

There were no public sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies during the financial year ended 31 December 2013.

7. NON-AUDIT FEES

The amount of non-audit fees incurred for services rendered to the Company by the external auditors for the financial year ended 31 December 2013 were RM4.5 million in connection with the role as reporting accountant in relation to the Listing of the Company.

8. VARIATION IN RESULTS

There were no profit estimations, forecasts or projections made or released by the Company during the financial year ended 31 December 2013.

9. PROFIT GUARANTEE

During the financial year ended 31 December 2013, the Company did not give any profit guarantee.

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

There were no material contracts entered into by the Company and its subsidiaries involving directors' and major shareholders' interest still subsisting at the end of the financial year ended 31 December 2013.

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FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors hereby submit their report together with the audited financial statements of the Group and Company for the financial year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of providing long haul air transportation services. The principal activities of the subsidiaries are described in Note 15 to the financial statements. There were no significant changes in the nature of the activities of the Company and the subsidiaries during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net loss for the financial year	(88,267)	(88,079)

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2013.

RESERVES AND PROVISIONS

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

ISSUANCE OF SHARES

On 10 May 2013, all the outstanding 42,666,667 Redeemable Convertible Preference Shares ("RCPS") of RM1 each in the Company was converted on a one-to-one basis, into 42,666,667 new ordinary shares of RM1 each in the Company, without consideration. On 13 May 2013, the Company cancelled its authorised share capital for RCPS of RM1 each, amounting to RM50,000,000.

During the financial year, the Company implemented the following transactions as part of an initial public offering ("IPO") exercise:

(i) On 13 May 2013, the Company subdivided all of its existing 266,666,668 ordinary shares of RM1 each into 1,777,777,787 ordinary shares of RM0.15 each, by way of every three (3) ordinary shares of RM1 each into twenty (20) ordinary shares of RM0.15 each in the Company. On that same date, the Company increased its authorised share capital from RM270,000,000 to RM500,000,000, comprising 3,333,333,333 shares of RM0.15 each by the creation of 1,533,333,333 ordinary shares of RM0.15 each;

(ii) On 10 June 2013, the Company issued a Prospectus in conjunction with an IPO of up to 790,123,500 ordinary shares of RM0.15 each in the Company, comprising an offer for sale of up to 197,530,900 existing ordinary shares of RM0.15 each and a public issue of 592,592,600 new ordinary shares of RM0.15 each to retail and institutional investors at a retail price of RM1.25 per share;

(iii) In conjunction with the IPO, the Company implemented an Employees' Share Option Scheme ("ESOS") to recognise the contribution of the Eligible Directors and Eligible Employees of up to 9,550,000 ESOS new ordinary shares of RM0.15 each, to be issued and awarded upon the terms and conditions of the By-Laws of the ESOS.

The entire enlarged issued and paid up ordinary share capital of RM355,555,558 comprising 2,370,370,387 ordinary shares of RM0.15 each were listed and quoted on the Official List of the Main Market of Bursa Malaysia Securities Berhad on 10 July 2013.

The issued and paid-up share capital of the Company currently stands at RM355,555,558 comprising 2,370,370,387 ordinary shares of RM0.15 each. The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

DIRECTORS' REPORT

EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

In conjunction with the IPO, the Company had implemented an Employees' Share Option Scheme ("ESOS") which entails the issuance of up to ten percent (10%) of the issued and paid-up share capital of the Company at any one time pursuant to the exercise of options to be granted under the ESOS, to full-time eligible employees and eligible Directors of the Group ("ESOS Options"). The tenure of the ESOS shall be five (5) years with an option to extend for a further (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.

On 1 July 2013, the Company granted 9,550,000 ESOS Options to its eligible employees at the exercise price of RM1.25 per option ("Initial Grant"). The vesting of the ESOS Options under the Initial Grant shall be subject to the terms and conditions of the By-Laws.

Details of the ESOS are set out in Note 24 to the financial statements.

DIRECTORS

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

Tan Sri Dr. Anthony Francis Fernandes	
Tan Sri Rafidah Aziz	
Dato' Seri Kalimullah bin Masheerul Hassan	
Datuk Kamarudin bin Meranun	
Dato' Fam Lee Ee	
Lim Kian Onn	
Kiyoshi Fushitani	
Tan Sri Asmat Bin Kamaludin	(Appointed on 13 May 2013)
Dato' Yusli Bin Mohamed Yusoff	(Appointed on 13 May 2013)
Asher Noor	(Appointed as director and ceased as alternate director on 30 December 2013)
Kiyotaka Tanaka	(Alternate Director to Kiyoshi Fushitani)
Shan-E-Abbas Ashary	(Resigned on 30 December 2013)

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than Directors' remuneration as disclosed in Note 5 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 27 to the financial statements.

DIRECTORS' INTERESTS IN SHARES

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

	Number of ordinary shares of RM1.00 each	Number of ordinary shares of RM0.15 each			
	1.1.2013	Subdivided on 13.5.2013	Acquired	Disposed	31.12.2013
The Company					
Direct interests					
Datuk Kamarudin bin Meranun	9,953,454	66,356,360	100,000		66,456,360
Tan Sri Dr Anthony Francis Fernandes	5,283,586	35,223,907	-		35,223,907
Dato' Seri Kalimullah bin Masheerul Hassan	2,410,567	16,070,447	100,000		16,170,447
Lim Kian Onn	2,410,567	16,070,447	100,000		16,170,447
Tan Sri Rafidah Aziz	-	-	100,000	-	100,000
Dato' Fam Lee Ee	-	-	100,000	(100,000)	-
Tan Sri Asmat Bin Kamaludin	-	-	100,000	-	100,000
Dato' Yusli Bin Mohamed Yusoff	-	-	100,000	-	100,000

DIRECTORS' REPORT

According to the register of Directors' shareholdings, particulars of interests of Directors who held office at the end of the financial year in shares in the Company and its related corporations are as follows: (continued)

	Number of ordinary shares of RM1 each			Number of ordinary shares of RM0.15 each		
	At 1.1.2013	Converted from RCPS	At 10.5.2013	Sub-divided on 13.5.2013	Acquired/ (Disposed)	At 31.12.2013
The Company						
Indirect interests						
Datuk Kamarudin bin Meranun**	145,545,719	42,666,667	188,212,386	1,254,749,239	(111,733,223)	1,143,016,016
Tan Sri Dr Anthony Francis Fernandes**	145,545,719	42,666,667	188,212,386	1,254,749,239	(111,733,223)	1,143,016,016
Lim Kian Onn***	-	-	-	-	600,000	600,000
Tan Sri Rafidah Aziz#	-	-	-	-	100,000	100,000

	Number of redeemable convertible preference shares ("RCPS") of RM1 each		
	At 1.1.2013	Converted	At 31.12.2013
The Company			
Indirect interests			
Datuk Kamarudin bin Meranun*	42,666,667	(42,666,667)	-
Tan Sri Dr Anthony Francis Fernandes*	42,666,667	(42,666,667)	-

* Deemed interested by virtue of their shareholding interests in AirAsia Berhad pursuant to Section 6A of the Companies Act, 1965.
** Deemed interested by virtue of their shareholding interests in Aero Ventures Sdn Bhd and AirAsia Berhad pursuant to Section 6A of the Companies Act, 1965.
*** Pursuant to Section 134(12)(c) of the Companies Act, 1965, 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 134(12)(c) of the Companies Act,1965, the interest of spouse of Tan Sri Rafidah Aziz in the shares of the Company shall also be treated as the interest of Tan Sri Rafidah Aziz.

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

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements were made out, the Directors took reasonable steps:

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

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

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

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

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

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

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

DIRECTORS' REPORT

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

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

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

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

In the opinion of the Directors:

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

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and Company for the financial year in which this report is made, other than as disclosed in Note 33 to the financial statements.

AUDITORS

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

Signed on behalf of the Board of Directors in accordance with a resolution dated 28 April 2014.

TAN SRI RAFIDAH AZIZ
DIRECTOR

DATO' YUSLI BIN MOHAMED YUSOFF
DIRECTOR

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

		Group		Company	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Revenue	4	2,308,350	1,967,427	2,308,003	1,967,063
Operating expenses					
- Staff costs	5	(233,601)	(180,498)	(230,700)	(177,070)
- Depreciation of property, plant and equipment		(120,558)	(107,097)	(120,558)	(107,097)
- Aircraft fuel expenses		(1,101,216)	(925,294)	(1,101,216)	(925,294)
- Maintenance, overhaul, user charges and other related expenses		(451,369)	(381,545)	(451,369)	(379,842)
- Aircraft operating lease expenses		(186,663)	(152,408)	(186,663)	(152,408)
- Other operating expenses	6	(203,461)	(178,598)	(206,596)	(182,872)
Other income	7	20,401	6,981	20,401	6,121
Other gain	8	5,541	-	5,541	-
Share of results of an associate	16	(502)	-	-	-
Operating profit		36,922	48,968	36,843	48,601
Finance income	9	3,611	1,876	3,608	1,871
Finance costs	9	(76,422)	(56,438)	(76,422)	(56,438)
Foreign exchange (losses)/gains on borrowings	9	(176,171)	43,599	(176,171)	43,599
(Loss)/profit before taxation		(212,060)	38,005	(212,142)	37,633
Taxation					
- Current taxation	10	(997)	900	(727)	863
- Deferred taxation	10	124,790	(5,055)	124,790	(4,959)
		123,793	(4,155)	124,063	(4,096)
Net (loss)/profit for the financial year		(88,267)	33,850	(88,079)	33,537
Basic (loss)/earnings per share attributable to ordinary equity holders of the Company (sen)	31	(6.7)	12.7		
Diluted (loss)/earnings per share attributable to ordinary equity holders of the Company (sen)	31	(6.7)	12.7		

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Net (loss)/profit for the financial year	(88,267)	33,850	(88,079)	33,537
Other comprehensive income/(loss), net of tax				
- Cash flow hedges	20,527	-	20,527	-
- Foreign currency translation differences	(12)	(1)	-	-
Total comprehensive (loss)/income for the financial year	(67,752)	33,849	(67,552)	33,537
Total comprehensive (loss)/income attributable to:				
- Equity holders of the Company	(67,752)	33,849		
- Non-controlling interests	-	-		
	(67,752)	33,849		

BALANCE SHEETS
AS AT 31 DECEMBER 2013

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	11	2,275,213	1,325,822	2,275,213	1,325,822
Deferred tax assets	12	359,630	234,840	359,630	234,840
Deposits on aircraft purchases	13	638,283	418,395	638,283	418,395
Other deposits	14	196,201	126,058	196,201	126,058
Investment an associate	16	19,516	-	20,018	-
Derivative financial instruments	17	60,388	-	60,388	-
		3,549,231	2,105,115	3,549,733	2,105,115
CURRENT ASSETS					
Derivative financial instruments	17	5,541	-	5,541	-
Inventories	18	993	806	993	806
Receivables and prepayments	19	165,356	130,786	165,319	130,414
Amounts due from related parties	20	16,387	15,738	16,325	15,705
Amount due from an associate	20	1,353	-	1,353	-
Deposits, cash and bank balances	21	262,976	173,951	262,777	172,975
Tax recoverable		523	1,711	274	1,612
		453,129	322,992	452,582	321,512
LESS: CURRENT LIABILITIES					
Trade and other payables	22	346,778	254,004	346,080	252,307
Amounts due to related parties	20	1,916	5,929	1,916	5,929
Amounts due to subsidiaries	20	-	-	1,887	1,651
Sales in advance		421,258	195,188	421,258	195,188
Borrowings	23	445,880	521,045	445,880	521,045
		1,215,832	976,166	1,217,021	976,120
NET CURRENT LIABILITIES		(762,703)	(653,174)	(764,439)	(654,608)
NON-CURRENT LIABILITY					
Borrowings	23	1,550,373	871,211	1,550,373	871,211
		1,236,155	580,730	1,234,921	579,296
CAPITAL AND RESERVES					
Share capital	24	355,556	266,667	355,556	266,667
Share premium		849,598	215,832	849,598	215,832
Hedge reserve		20,527	-	20,527	-
Capital reserve		522	-	522	-
Retained earnings	25	10,030	98,297	8,718	96,797
Currency translation reserve		(78)	(66)	-	-
SHAREHOLDERS' EQUITY		1,236,155	580,730	1,234,921	579,296

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

		Issued and fully paid ordinary shares of RM1.00 each		Issued and fully paid ordinary shares of RM0.15 each		Issued and fully paid RCPS* of RM1.00 each			Cash Flow		Currency		
	Note	Number value '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000	Share premium RM'000	hegde reserve RM'000	Capital Reserve RM'000	translation reserve RM'000	Retained earnings RM'000	Total RM'000
Group													
At 1 January 2013		224,000	224,000	-	-	42,667	42,667	215,832	-	-	(66)	98,297	580,730
Net loss for the financial year		-	-	-	-	-	-	-	-	-	-	(88,267)	(88,267)
Other comprehensive income/(loss)		-	-	-	-	-	-	-	20,527	-	(12)	-	20,515
Total comprehensive income/ (loss)		-	-	-	-	-	-	-	20,527	-	(12)	(88,267)	(67,752)
Conversion of RCPS	24	42,667	42,667	-	-	(42,667)	(42,667)	-	-	-	-	-	-
Subdivision of shares	24	(266,667)	(266,667)	1,777,778	266,667	-	-	-	-	-	-	-	-
Issuance or ordinary shares	24	-	-	592,592	88,889	-	-	651,851	-	-	-	-	740,740
Share issuance expenses		-	-	-	-	-	-	(18,085)	-	-	-	-	(18,085)
Employee share option scheme ('ESOS')	24	-	-	-	-	-	-	-	-	522	-	-	522
At 31 December 2013		-	-	2,370,370	355,556	-	-	849,598	20,527	522	(78)	10,030	1,236,155

	Issued and fully paid ordinary shares of RM1.00 each		Issued and fully paid RCPS* of RM1.00 each			Currency		
	Number of shares '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000	Share premium RM'000	translation reserve RM'000	Retained earnings RM'000	Total RM'000
Group								
At 1 January 2012	224,000	224,000	42,667	42,667	215,832	(65)	64,447	546,881
Net profit for the financial year	-	-	-	-	-	-	33,850	33,850
Other comprehensive loss	-	-	-	-	-	(1)	-	(1)
Total comprehensive (loss)/income	-	-	-	-	-	(1)	33,850	33,849
At 31 December 2012	224,000	224,000	42,667	42,667	215,832	(66)	98,297	580,730

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

		Issued and fully paid ordinary shares of RM1.00 each		Issued and fully paid ordinary shares of RM0.15 each		Issued and fully paid RCPS* of RM1.00 each		Non-distributable			Distributable	
	Note	Number value '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000	Share premium RM'000	Cash Flow Hegde Reserve RM'000	Capital Reserve RM'000	Retained earnings RM'000	Total RM'000
Company												
At 1 January 2013		224,000	224,000	-	-	42,667	42,667	215,832	-	-	96,797	579,296
Net loss for the financial year		-	-	-	-	-	-	-	-	-	(88,079)	(88,079)
Other comprehensive income/(loss)		-	-	-	-	-	-	-	20,527	-	-	20,527
Total comprehensive (loss)/income		-	-	-	-	-	-	-	20,527	-	(88,079)	(67,552)
Conversion of RCPS	24	42,667	42,667	-	-	(42,667)	(42,667)	-	-	-	-	-
Subdivision of shares	24	(266,667)	(266,667)	1,777,778	266,667	-	-	-	-	-	-	-
Issuance or ordinary shares	24	-	-	592,592	88,889	-	-	651,851	-	-	-	740,740
Share issuance expenses		-	-	-	-	-	-	(18,085)	-	-	-	(18,085)
Employee share option scheme	24	-	-	-	-	-	-	-	-	522	-	522
At 31 December 2013		-	-	2,370,370	355,556	-	-	849,598	20,527	522	8,718	1,234,921

	Issued and fully paid ordinary shares of RM1.00 each		Issued and fully paid RCPS* of RM1.00 each		Non-distributable	Distributable	
	Number of shares '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000	Share premium RM'000	Retained earnings RM'000	Total RM'000
Company							
At 1 January 2012	224,000	224,000	42,667	42,667	215,832	63,260	545,759
Total comprehensive income	-	-	-	-	-	33,537	33,537
At 31 December 2012	224,000	224,000	42,667	42,667	215,832	96,797	579,296

* RCPS – Redeemable Convertible Preference Shares

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/profit before taxation	(212,060)	38,005	(212,142)	37,633
Adjustments:				
Property, plant and equipment				
- Depreciation	120,558	107,097	120,558	107,097
- Gain on disposal	-	(1,148)	-	(1,148)
- Write off	-	23	-	-
Impairment of receivables	552	1,545	552	1,545
Interest expense	76,422	56,438	76,422	56,438
Interest income	(3,032)	(1,064)	(3,029)	(1,059)
Interest income on deposits for leased aircraft	(579)	(812)	(579)	(812)
Fair value gain on derivative financial instruments	(4,473)	-	(4,473)	-
Fair value on shareholders' benefits scheme	8,536	-	8,536	-
Share option expense	522	-	522	-
Share of results of an associate	502	-	-	-
Unrealised foreign exchange losses/(gains)	61,850	(38,812)	61,912	(38,812)
	48,798	161,272	48,279	160,882
Changes in working capital:				
Inventories	(187)	85	(187)	85
Receivables, prepayments and other deposits	(89,626)	(15,520)	(89,961)	(15,738)
Related parties	(5,343)	1,532	(5,719)	(1,602)
Trade and other payables	79,839	93,579	81,571	96,121
Sales in advance	226,070	(221,899)	226,070	(221,899)
Cash generated from operations	259,551	19,049	260,053	17,849
Interest paid	(73,633)	(56,170)	(73,633)	(56,170)
Interest received	3,122	957	3,119	952
Tax recovered	1,716	-	1,716	-
Tax paid	(1,267)	(1,032)	(1,001)	(690)
Net cash generated from/(used in) operating activities	189,489	(37,196)	190,254	(38,059)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Property, plant and equipment					
- Additions		(1,069,949)	(37,289)	(1,069,949)	(37,289)
- Proceeds from disposal		-	26,996	-	26,996
Investment in associate		(20,018)	-	(20,018)	-
Deposits on aircraft purchase		(218,543)	(49,700)	(218,543)	(49,700)
Net cash used in investing activities		(1,308,510)	(59,993)	(1,308,510)	(59,993)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from allotment of shares		722,655	-	722,655	-
Proceeds from borrowings		1,097,310	355,313	1,097,310	355,313
Repayments of borrowings		(612,941)	(201,062)	(612,941)	(201,062)
Deposits pledged as securities		(50,887)	-	(50,887)	-
Net cash generated from financing activities		1,156,137	154,251	1,156,137	154,251
NET INCREASE FOR THE FINANCIAL YEAR		37,116	57,062	37,881	56,199
CURRENCY TRANSLATION DIFFERENCES		1,022	2,909	1,034	2,909
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		173,951	113,980	172,975	113,867
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	21	212,089	173,951	211,890	172,975

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2013

1 GENERAL INFORMATION

The principal activity of the Company is that of providing long haul air transportation services. The principal activities of the subsidiary companies are described in Note 15 to the financial statements.

There were no significant changes in the nature of these activities during the financial year.

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

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

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

Lot PT16, Jalan KLIA S7
Southern Support Zone
KLIA
64000 Sepang
Selangor Darul Ehsan

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 28 April 2014.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

The financial statements have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies.

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

Whilst the Group's and Company's current liabilities exceeded their current assets by RM762,703,000 and RM764,439,000 respectively as at 31 December 2013, the Directors are of the view that no material uncertainty relating to these conditions exists that may cast significant doubt on the Group's or Company's ability to continue as a going concern. The Directors believe that the Group and 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. In January 2014, the Group and Company had also secured a term loan amounting to USD72.5 million (approximately RM237.7 million)to finance the acquisition of an Airbus A330-300 aircraft which was delivered on 9 January 2014 and are currently in negotiations with lenders for credit facilities to finance their commitments for the acquisition of aircraft in 2014. The Directors are of the view that the Group and Company are able to secure these credit facilities to finance the delivery of the relevant aircraft according to the aircraft delivery schedule given that the Group and Company are currently finalising the terms and conditions of these credit facilities.

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Standards, amendments to published standards and interpretations that are effective

The new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Group and Company's financial year beginning on or after 1 January 2013 are as follows:

- MFRS 10 'Consolidated Financial Statements'
- MFRS 12 'Disclosure of Interest in Other Entities'
- MFRS 13 'Fair Value Measurement'
- The revised MFRS 127, 'Separate Financial Statements'
- The revised MFRS 128, 'Investments in Associates and Joint Ventures'
- Amendments to MFRS 101 'Presentation of Items of Other Comprehensive Income'
- Amendment to MFRS 119, 'Employee benefits'
- Amendment to MFRS 7, 'Financial Instruments: Disclosures'
- Amendments to MFRS 10, 11 & 12 'Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance'
- Annual improvements 2009 – 2011 Cycle

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

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

(i) Effective for financial year beginning on or after 1 January 2014

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

- Amendments to MFRS 10, MFRS 12 and MFRS 127 (effective from 1 January 2014) introduce an exception to consolidation for investment entities. Investment entities are entities whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both and evaluate the performance of its investments on fair value basis. The amendments require investment entities to measure particular subsidiaries at fair value instead of consolidating them.

(ii) Effective date yet to be determined by Malaysian Accounting Standards Board

- MFRS 9 'Financial Instruments – Classification and Measurement of Financial Assets and Financial Liabilities' replaces the parts of MFRS 139 that relate to the classification and measurement of financial instruments. MFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the MFRS 139 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group has yet to assess MFRS 9's full impact. The Group will also consider the impact of the remaining phases of MFRS 9 when completed by the Board.

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) 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 there cognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

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

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

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

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

(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
AS AT 31 DECEMBER 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Basis of consolidation (cont'd)

(ii) Associates (cont'd)

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

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

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

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

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. 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(p) on borrowing costs).

Where significant parts of an item of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts in the carrying amount of the property, plant and equipment as a replacement when it is probable that future economic benefits associated with the parts will flow to the Group and the cost of the parts can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in profit or loss during the 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	25 years
- airframe	6, 12 or 25 years
- service potential	6 or 10 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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Property, plant and equipment (cont'd)

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.

Service potential of 10 years represents the period over which the expected cost of the first major airframe check is depreciated. Subsequent to the airframe check, the actual cost incurred is capitalised and depreciated over the subsequent 10 years.

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

Residual values, where applicable, are reviewed annually against prevailing market values at the balance sheet date for equivalent aged assets, and depreciation rates are adjusted accordingly on a prospective basis. For the current financial year ended 31 December 2013, the estimated residual value for aircraft airframes and engines is 10% of their cost (2012: 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 check or the remaining life of the aircraft.

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

Deposits 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 balance sheet date, the Group and 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. See accounting policy Note 2(g) on impairment of non-financial assets.

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

(f) Investments in subsidiaries and associates

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

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

(g) 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 (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.

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Maintenance and overhaul

Owned aircraft

The accounting for the cost of providing major airframe and certain engine maintenance checks for own aircraft is described in the accounting policy for property, plant and equipment (see Note 2(e)).

Leased aircraft

Where the Group and 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 income statements calculated by reference to the number of hours or cycles operated during the financial year.

(i) 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.

Finance leases

Leases of property, plant and equipment where the Group and 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 income statements over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

Operating leases

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

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

(j) Inventories

Inventories comprising 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) 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 in accordance with the accounting policy set out in Note 2(v). The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group and 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 Company also document their assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 17 to the financial statements. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statements.

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

When the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or property, plant and equipment), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in 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 income statement within 'other gains/(losses) – net'.

(l) 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.

(m) 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 and net of bank overdrafts. Deposits held as pledged securities for term loans granted are not included as cash and cash equivalents.

(n) Provision

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

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) 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.

(p) Borrowings

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

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

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

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

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

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

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

(q) Current and deferred income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries and associates operate and generate taxable income.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Current and deferred income taxes (cont'd)

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary differences shall not be recognised.

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

(r) 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 Company.

(ii) Defined contribution plan

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

(s) Revenue recognition

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

Revenue from 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 and where applicable, are stated net of discounts. Freight and other related revenue are recognised upon the completion of services rendered and where applicable, net of discounts.

Management fees are recognised on an accrual basis.

Incentives and commission income are recognised on an accrual basis in accordance with the substance of the relevant agreements.

Interest income is recognised using the effective interest method.

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

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) 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) and amounts due from associates 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:

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

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

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

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

(u) Contingent liabilities

The Group and 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 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.

The Group and 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 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 less, when appropriate, cumulative amortisation recognised in accordance with MFRS 118 "Revenue".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) Financial assets

(i) Classification

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives are also categorised as held for trading unless they are designated as hedges (see Note 2(k)). Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Loans and receivables

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

(ii) Recognition and initial measurement

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

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

(iii) Subsequent measurement – gains and losses

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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

(iv) Subsequent measurement – Impairment of financial assets

Assets carried at amortised cost

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

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

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(v) Financial assets (cont'd)

(iv) Subsequent measurement – Impairment of financial assets (cont'd)

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include: (cont'd)

- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- Disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  (i) adverse changes in the payment status of borrowers in the portfolio; and
  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

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

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

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

(v) De-recognition

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

(w) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is presented in the balance sheet 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.

(x) 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.

(y) 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 Chief Executive Officer that makes strategic decisions.

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2013

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

The Group and 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 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 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 frames and engines as disclosed in Note 2(e), would increase the recorded depreciation for the financial year ended 31 December 2013 by RM3,794,000 (2012: RM2,425,000) and decrease the carrying amount of property, plant and equipment as at 31 December 2013 by RM6,604,000 (2012: RM4,521,000).

(ii) Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Estimating the future taxable profits involves significant assumptions, especially in respect of regulatory approvals for prospective routes, aircraft delivery, fares, load factors, fuel price, maintenance cost and currency movements.

4 REVENUE

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Scheduled flights	1,406,447	1,283,577	1,406,447	1,283,577
Refunds	(1,796)	(1,799)	(1,796)	(1,799)
	1,404,651	1,281,778	1,404,651	1,281,778
Charter flights	107,001	67,848	107,001	67,848
Fuel surcharge	253,839	148,226	253,839	148,226
Freight and cargo	90,018	79,267	90,018	79,267
Ancillary revenue	452,494	363,934	452,494	363,934
Management fees	347	364	-	-
Other revenue	-	26,010	-	26,010
	2,308,350	1,967,427	2,308,003	1,967,063

Ancillary revenue includes administrative and other fees, seat fees, change fees, convenience fees, excess baggage fees, inflight sales, and other items and services.

Other revenue in the previous financial year was in respect of passengers on scheduled flights that were subsequently re-accommodated to flights by other airlines.

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2013

5 STAFF COSTS

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Wages, salaries, bonuses and allowances	214,784	165,928	212,120	162,717
Defined contribution retirement plan	18,295	14,570	18,058	14,353
Share option expense (Note 24)	522	-	522	-
	233,601	180,498	230,700	177,070

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

	Group and Company	
	2013 RM'000	2012 RM'000
Non-executive Director		
Fees	501	120

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

	Non-executive	
	2013	2012
Range of remuneration		
Less than RM100,000	2	-
RM100,001 to RM150,000	1	1

The details of outstanding options over the ordinary shares of the Company granted under ESOS to the eligible employees and Directors are disclosed in Note 24 to the financial statements.

6 OTHER OPERATING EXPENSES

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Management fee	-	-	2,972	4,835
Rental of land and buildings	2,025	1,774	1,956	1,711
Auditors' remuneration				
- Current year statutory audit	340	327	324	268
- Fees for audit related services [1]	4,475	-	4,475	-
Rental of equipment	296	227	296	227
Net foreign exchange (gain)/loss on operations				
- Realised	(744)	7,844	(744)	7,844
- Unrealised	(15,816)	4,639	(15,754)	4,639
Sponsorship expenses	142	1,245	142	1,245
Advertising expenses	67,460	43,262	67,729	43,648
Credit card charges	25,808	18,331	25,808	18,331
In-flight meal expenses	21,389	17,025	21,389	16,466
Insurance expenses	13,204	12,947	13,204	12,942
Penalty costs on early termination of contract	-	560	-	560
Penalty costs on charter contract	-	1,286	-	1,286
Impairment of receivables	552	1,545	552	1,545
Property, plant and equipment written off	-	23	-	-

[1] Fees incurred in connection with the role as reporting accountant in relation to the Listing of the Company

7 OTHER INCOME

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Gain on disposal of property, plant and equipment	-	1,148	-	1,148
Commission income from insurance	5,841	3,492	5,841	3,492
Others	14,560	2,341	14,560	1,481
	20,401	6,981	20,401	6,121

Other income ('others') includes incentives received/receivable by the Group and Company from certain airport authorities.

8 OTHER GAIN

Other gain represents the unrealised gain arising from fuel contracts held for trading.

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2013

9 FINANCE INCOME/(COSTS)

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Finance income:				
Interest income on deposits with licensed bank	3,032	1,064	3,029	1,059
Interest income on deposits for leased aircraft	579	812	579	812
	3,611	1,876	3,608	1,871
Finance costs:				
Interest expense on bank borrowings	(72,909)	(54,614)	(72,909)	(54,614)
Bank facilities and other charges	(3,513)	(1,824)	(3,513)	(1,824)
	(76,422)	(56,438)	(76,422)	(56,438)
Foreign exchange (losses)/gains:				
Unrealised foreign exchange (losses)/ gains on:				
- Borrowings	(119,629)	40,542	(119,629)	40,542
- Deposits and bank balances	1,034	2,909	1,034	2,909
	(118,595)	43,451	(118,595)	43,451
Fair value movement recycled from cash flow hedge reserve	40,929	-	40,929	-
Realised foreign exchange (losses)/gain	(98,505)	148	(98,505)	148
Net foreign exchange (losses)/gains	(176,171)	43,599	(176,171)	43,599

10 TAXATION

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Current taxation:				
- Malaysian taxation	727	(863)	727	(863)
- Foreign taxation	270	(37)	-	-
Deferred taxation	(124,790)	5,055	(124,790)	4,959
Total tax (credit)/expense	(123,793)	4,155	(124,063)	4,096
Current taxation:				
- Current financial year	997	319	727	356
- Over accrual in prior year	-	(1,219)	-	(1,219)
Total current tax	997	(900)	727	(863)
Deferred taxation (Note 12):				
- Origination and reversal of temporary differences	(124,790)	5,055	(124,790)	4,959
	(123,793)	4,155	(124,063)	4,096

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2013

10 TAXATION (CONT'D)

The explanation of the relationship between taxation and (loss)/profit before taxation is as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
(Loss)/profit before taxation	(212,060)	38,005	(212,142)	37,633
Tax calculated at Malaysian tax rate of 25% (2012: 25%)	(53,015)	9,501	(53,035)	9,408
Tax effects of:				
- Over accrual in prior year	-	(1,219)	-	(1,219)
- Tax incentives	(111,744)	-	(111,744)	-
- Expenses not deductible for tax purposes	30,302	5,492	30,052	5,526
- Income not subject to tax	-	(9,619)	-	(9,619)
- Changes in statutory tax rate	10,664	-	10,664	-
Taxation	(123,793)	4,155	(124,063)	4,096

The Ministry of Finance has granted approval to the Company under Section 127 of Income Tax Act, 1967 for income tax exemption in the form of an Investment Allowance ("IA") of 60% on qualifying expenditure incurred within a period of 5 years commencing 1 September 2009 to 31 August 2014, to be set off against 70% of the statutory income for each year of assessment. Any unutilised allowance can be carried forward to subsequent years until fully utilised. The amount of income exempted from tax is credited to a tax-exempt account from which tax-exempt dividends can be declared.

11 PROPERTY, PLANT AND EQUIPMENT

	At 1 January 2013 RM'000	Additions RM'000	Depreciation charge RM'000	At 31 December 2013 RM'000
Group and Company				
Net book value				
Aircraft engines, airframe and service potential	1,252,274	1,017,198	(107,796)	2,161,676
Aircraft spares	71,141	20,093	(11,662)	79,572
Motor vehicles	825	1,614	(495)	1,944
Office equipment, furniture and fittings	1,582	242	(605)	1,219
Assets not yet in operation	-	30,802	-	30,802
	1,325,822	1,069,949	(120,558)	2,275,213

11 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment losses RM'000	Net book value RM'000
At 31 December 2013				
Aircraft engines, airframe and service potential	2,567,336	(376,613)	(29,047)	2,161,676
Aircraft spares	133,574	(43,374)	(10,628)	79,572
Motor vehicles	4,407	(2,463)	-	1,944
Office equipment, furniture and fittings	5,430	(3,801)	(410)	1,219
Assets not yet in operation	30,802	-	-	30,802
	2,741,549	(426,251)	(40,085)	2,275,213

	At 1 January 2012 RM'000	Additions RM'000	Written-off RM'000	Disposals RM'000	Depreciation charge RM'000	At 31 December 2012 RM'000
Group						
Net book value						
Aircraft engines, airframe and service potential	1,345,880	1,462	-	-	(95,068)	1,252,274
Aircraft spares	72,020	35,470	-	(25,842)	(10,507)	71,141
Motor vehicles	1,379	-	-	-	(554)	825
Office equipment, furniture and fittings	2,222	357	(23)	(6)	(968)	1,582
	1,421,501	37,289	(23)	(25,848)	(107,097)	1,325,822

	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment losses RM'000	Net book value RM'000
At 31 December 2012				
Aircraft engines, airframe and service potential	1,550,138	(268,817)	(29,047)	1,252,274
Aircraft spares	113,481	(31,712)	(10,628)	71,141
Motor vehicles	2,793	(1,968)	-	825
Office equipment, furniture and fittings	5,188	(3,196)	(410)	1,582
	1,671,600	(305,693)	(40,085)	1,325,822

11 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	At 1 January 2012 RM'000	Additions RM'000	Disposals RM'000	Depreciation charge RM'000	At 31 December 2012 RM'000
Company					
Net book value					
Aircraft engines, airframe and service potential	1,345,880	1,462	-	(95,068)	1,252,274
Aircraft spares	72,020	35,470	(25,842)	(10,507)	71,141
Motor vehicles	1,379	-	-	(554)	825
Office equipment, furniture and fittings	2,199	357	(6)	(968)	1,582
	1,421,478	37,289	(25,848)	(107,097)	1,325,822

	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment losses RM'000	Net book value RM'000
At 31 December 2012				
Aircraft engines, airframe and service potential	1,550,138	(268,817)	(29,047)	1,252,274
Aircraft spares	113,481	(31,712)	(10,628)	71,141
Motor vehicles	2,793	(1,968)	-	825
Office equipment, furniture and fittings	5,188	(3,196)	(410)	1,582
	1,671,600	(305,693)	(40,085)	1,325,822

Included in property, plant and equipment of the Group and Company are aircraft pledged as security for borrowings (Note 23) with a net book value of RM2,066 million (2012: RM1,224 million).

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

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

During the financial year, the Company re-assessed the estimated useful life of its engine service potential, which in resulted in a revision of the estimated useful life of engine service potential to 6 years. The reduction in depreciation charges for the financial year arising from the revision amounted to RM18,401,000.

12 DEFERRED TAXATION

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Deferred tax assets	359,630	234,840	359,630	234,840

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2013

12 DEFERRED TAXATION (CONT'D)

The movements in deferred tax assets and liabilities during the financial years are as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
At beginning of financial year	234,840	239,895	234,840	239,799
(Charged)/credited to income statement (Note 10):				
- Property, plant and equipment	27,058	(7,868)	27,058	(7,868)
- Unrealised foreign exchange differences	(1,568)	785	(1,568)	785
- Tax losses	(691)	1,856	(691)	1,856
- Tax incentives	99,899	-	99,899	-
- Others	92	172	92	268
	124,790	(5,055)	124,790	(4,959)
At end of financial year	359,630	234,840	359,630	234,840
Deferred tax assets (before offsetting)				
- Tax incentives	284,290	184,391	284,290	184,391
- Tax losses	16,598	17,289	16,598	17,289
- Property, plant and equipment	59,371	32,313	59,371	32,313
- Unrealised foreign exchange differences	396	579	396	579
- Others	360	268	360	268
	361,015	234,840	361,015	234,840
Offsetting	(1,385)	-	(1,385)	-
Deferred tax assets (after offsetting)	359,630	234,840	359,630	234,840
Deferred tax liability (before offsetting)				
- Unrealised foreign exchange differences	1,385	-	1,385	-
Offsetting	(1,385)	-	(1,385)	-
Deferred tax liability (after offsetting)	-	-	-	-

As disclosed in Note 3 to the financial statements in respect of critical accounting estimates and judgments, 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.

13 DEPOSITS ON AIRCRAFT PURCHASES

The deposits on aircraft purchases are denominated in US Dollar and are in respect of pre-delivery payments on aircraft purchases. Pre-delivery payments constitute instalments made in respect of the price of the aircraft and are deducted from the final price on delivery.

The deposits as at 31 December 2013 are in respect of aircraft purchases which will be delivered between January 2014 to May 2025.

During the financial year ended 31 December 2013, the Group and Company capitalised borrowing costs amounting to RM10,460,000 (2012: RM10,551,000) on qualifying assets. Borrowing costs were capitalised at the rate of 5.48% (2012: 4.62%) per annum.

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2013

14 OTHER DEPOSITS

Other deposits include deposits paid for maintenance of aircraft and deposits paid to lessors for leased aircraft. These deposits are denominated in US Dollar.

15 INVESTMENTS IN SUBSIDIARIES

	Company	
	2013 RM'000	2012 RM'000
Unquoted investments, at cost	#	#

# Denotes RM250 (2012: RM250).

The details of the subsidiaries are as follows:

Name	Country of incorporation	Group's effective equity interest 2013 %	Group's effective equity interest 2012 %	Principal activities
AirAsia X Services Pty Ltd *	Australia	100	100	Provision of management logistical and marketing services
AirAsia X NZ Ltd *	New Zealand	100	100	Provision of management logistical and marketing services
AAX Capital Ltd	Malaysia	100	100	Dormant
AAX Leasing I Limited	Malaysia	100	100	Engine leasing

* Not audited by PricewaterhouseCoopers, Malaysia

16 INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Unquoted investments, at cost	20,018	-	20,018	-
Group's share of post-acquisition losses	(502)	-	-	-
	19,516	-	20,018	-

The details of the associate is as follows:

Name	Country of incorporation	Group's effective equity interest 2013 %	Group's effective equity interest 2012 %	Principal activities
Thai AirAsia X Co Ltd ("TAAX")	Thailand	49%	-	Commercial air transport services

NOTES TO THE FINANCIAL STATEMENTS
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16 INVESTMENT IN AN ASSOCIATE (CONT'D)

On 18 September 2013, the Company entered into a Shareholders' Agreement with two parties for the purpose of establishing a co-operation to set up a long-haul low cost airline in Thailand which will operate through a Thailand incorporated entity, Thai AAX Co., Ltd. The Company subscribed to 39,200,000 ordinary shares, representing 49% of the paid-up share capital of TAAX for a consideration of THB 196,000,000 (equivalent to RM20,018,000).

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.

Summarised financial information for associate

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

Summarised balance sheet

	TAAX	
	2013 RM'000	**2012 RM'000**
Current		
Cash and cash equivalents	31,831	-
Other current assets	7,741	-
Total current assets	39,572	-
Non-current		
Assets	1,542	-
Financial liabilities	(15)	-
Other liabilities	(1,270)	-
Total current liabilities	(1,285)	-
Net assets	39,829	-

Summarised statement of comprehensive income

	TAAX for the period ended 31 December	
	2013 RM'000	**2012 RM'000**
Maintenance, overhaul, user charged and other related expenses	(746)	-
Other operating expenses	(333)	-
Interest income	55	-
Loss before and after tax	(1,024)	-
Other comprehensive income	-	-
Total comprehensive loss	(1,024)	-
Dividend received from associate	-	-

NOTES TO THE FINANCIAL STATEMENTS
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16 INVESTMENT IN AN ASSOCIATE (CONT'D)

Reconciliation of summarised financial information

	TAAX	
	2013 RM'000	2012 RM'000
Operating net assets at 1 January	-	-
Investment during the financial year	40,853	-
Loss for the financial year	(1,024)	-
Closing net assets at 31 December	39,829	-
Interest in associate (49%)	19,516	-
Carrying value at 31 December	19,516	-

17 DERIVATIVE FINANCIAL INSTRUMENTS

	Group and Company			
	2013		2012	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
Non-current				
Forward foreign exchange contracts – cash flow hedges	60,388	-	-	-
Current				
Commodity derivatives – held for trading	5,541	-	-	-

The full fair value of a hedging derivative is classified as a non-current asset if the remaining maturity of the hedge item is more than 12 months and, as a current asset, 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.

(i) Forward foreign exchange contracts

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2013 were RM741.1 million (2012: nil).

The Group entered into 3 cross currency interest rate swap contracts ("CCIRS") to hedge against fluctuation in the foreign exchange currency and interest rates on its 3 newly delivered aircraft during the financial year.

Under the CCIRS facilities, the Company converted the aircraft loans whereby:

a. The USD principal repayments throughout the tenure of 10 and 12 years will be paid in RM at an exchange rate of USD1 to RM3.0260, RM3.0895 and RM3.1875 respectively; and

b. The USD interests of 3 months London Interbank Offered Rate ("LIBOR") plus a margin ranging between 0.80% and 3.75% will be paid at a RM fixed rate of between 3.83% and 7.03% per annum for the entire tenure of the 3 loans.

Gains and losses recognised in the cash flow hedge reserve in equity will be continuously released to the income statement within foreign exchanges gains/(losses) until the full repayment of the aircraft loans (Note 23 to the financial statements).

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2013

17 DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

(ii) Fuel contracts

The outstanding number of barrels of Singapore Jet Kerosene derivative contracts at 31 December 2013 was 187,778 barrels (2012: Nil). As at 31 December 2013, the Group entered into Singapore Jet Kerosene fixed swap contracts with a related party during the financial year, where the contracts are classified as derivatives held for trading.

18 INVENTORIES

	Group and Company	
	2013 RM'000	2012 RM'000
Beverages, consumables and in-flight merchandise	993	806

19 RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Trade receivables	43,675	31,091	43,675	30,741
Other receivables	46,245	33,935	46,210	33,913
Prepayments	43,277	24,255	43,275	24,255
Deposits	33,600	42,394	33,600	42,394
	166,797	131,675	166,760	131,303
Less: Allowance for impairment of receivables	(1,441)	(889)	(1,441)	(889)
	165,356	130,786	165,319	130,414

The normal credit terms of the Group and Company range from 15 to 30 days (2012: 15 to 30 days).

(a) Trade receivables

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

Trade receivables that are neither past due nor impaired for the Group and Company of RM24,302,000 (2012: RM8,477,000 and RM8,127,000) respectively, are substantially from companies with good collection track records.

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

As of 31 December 2013, trade receivables of RM19,177,000 (2012: RM22,418,000) of the Group and Company, 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 is as follows:

	Group and Company	
	2013 RM'000	2012 RM'000
Less than 30 days	2,249	3,184
Between 31 and 60 days	2,540	5,827
Between 61 and 90 days	53	10,717
Between 91 and 120 days	35	207
Between 121 and 180 days	-	2,241
More than 180 days	14,300	242
	19,177	22,418

19 RECEIVABLES AND PREPAYMENTS (CONT'D)

(a) Trade receivables (cont'd)

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

Trade receivables that are past due but not impaired includes an amount due from a customer of RM13,545,000 (2012: RM14,441,000). The Directors of the Company have assessed the recoverability of this amount and are of the view that the balance of RM13,545,000 is recoverable within 12 months from the balance sheet date.

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

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

	Group and Company	
	2013 RM'000	2012 RM'000
More than 180 days	196	196
Less: Allowance for impairment of receivables	(196)	(196)
	-	-

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

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
At 1 January	196	184	196	184
Impairment	-	12	-	12
At 31 December	196	196	196	196

(b) Other receivables

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

Other receivables that are neither past due nor impaired of RM31,819,000 and RM31,784,000 (2012: RM25,454,000 and RM25,432,000) for the Group and Company respectively, are substantially with companies with good collection track records.

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19 RECEIVABLES AND PREPAYMENTS (CONT'D)

(b) Other receivables (cont'd)

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

As at 31 December 2013, other receivables for the Group and Company of RM13,181,000 (2012: RM7,788,000) 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 is as follows:

	Group and Company	
	2013 RM'000	**2012 RM'000**
Less than 30 days	2,126	962
Between 31 and 60 days	885	1,324
Between 61 and 90 days	1,379	1,410
Between 91 and 120 days	1,634	1,491
Between 121 and 180 days	2,796	1,475
More than 180 days	4,361	1,126
	13,181	7,788

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

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

	Group and Company	
	2013 RM'000	**2012 RM'000**
More than 180 days	1,245	693
Less: Allowance for impairment of receivables	(1,245)	(693)
	-	-

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

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

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
At 1 January	693	237	693	237
Impairment (Note 6)	552	456	552	456
At 31 December	1,245	693	1,245	693

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

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Ringgit Malaysia	22,530	17,166	22,530	17,166
US Dollar	74,268	75,333	74,268	75,333
Australian Dollar	14,859	9,008	14,824	8,636
Euro	85	666	85	666
Indian Rupee	1,414	1,547	1,414	1,547
New Zealand Dollar	62	94	62	94
Others	8,861	2,717	8,861	2,717
	122,079	106,531	122,044	106,159

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19 RECEIVABLES AND PREPAYMENTS (CONT'D)

(b) Other receivables (cont'd)

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

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

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

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

Prepayments include advances for purchases of fuel and lease of aircraft.

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

20 AMOUNTS DUE FROM/(TO) RELATED PARTIES, AN ASSOCIATE AND SUBSIDIARIES

The amounts due from/(to) related parties are in respect of trading transactions. The normal credit terms of the Group and Company range from 15 to 60 days (2012: 15 to 30 days).

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Amounts due from related parties	16,387	15,738	16,325	15,705
Amount due from an associate	1,353	-	1,353	-
	17,740	15,738	17,678	15,705
Amounts due to related parties	(1,916)	(5,929)	(1,916)	(5,929)
Amounts due to subsidiaries	-	-	(1,887)	(1,651)
	(1,916)	(5,929)	(3,803)	(7,580)
The currency profile of amounts due from related parties and associate is as follows:				
Ringgit Malaysia	30,718	22,359	30,718	22,359
Australian Dollar	(14,892)	(6,646)	(14,954)	(6,679)
US Dollar	1,529	25	1,529	25
Others	385	-	385	-
	17,740	15,738	17,678	15,705

Amounts due from related parties that are neither past due nor impaired amounted to RM17,709,000 and RM17,678,000 (2012: RM11,173,000 and RM11,140,000) for the Group and Company respectively.

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20 AMOUNTS DUE FROM/(TO) RELATED PARTIES, AN ASSOCIATE AND SUBSIDIARIES (CONT'D)

The ageing analysis of amounts due from related parties that are past due but not impaired is as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Less than 30 days	31	3,712	-	3,712
Between 61 and 90 days	-	95	-	95
Between 91 and 120 days	-	52	-	52
Between 121 and 180 days	-	706	-	706
	31	4,565	-	4,565

The maximum exposure to credit risk as at the balance sheet date is the carrying value of the amounts due from related parties mentioned above. The Group and Company do not hold any collateral as security.

The Group and 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 carrying amounts of the Group's and Company's amounts due from related parties approximate their fair values.

The currency profile of amounts due to related parties and subsidiaries is as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Ringgit Malaysia	82	4,667	82	4,667
Australian Dollar	14	-	1,348	999
US Dollar	1,820	1,262	1,820	1,262
New Zealand Dollar	-	-	553	652
	1,916	5,929	3,803	7,580

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2013

21 DEPOSITS, CASH AND BANK BALANCES

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cash and bank balances	212,089	113,553	211,890	112,577
Deposits with licensed banks	50,887	60,398	50,887	60,398
	262,976	173,951	262,777	172,975
Deposits pledged as securities	(50,887)	-	(50,887)	-
Cash and cash equivalents	212,089	173,951	211,890	172,975

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

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Ringgit Malaysia	107,646	51,099	107,646	51,099
US Dollar	73,403	43,247	73,403	43,247
Australian Dollar	66,996	62,756	66,803	62,128
Taiwan Dollar	691	1,294	691	1,294
Pound Sterling	775	722	775	722
Chinese Renminbi	222	355	222	355
Japanese Yen	8,615	8,049	8,615	8,049
Korean Won	1,172	2,675	1,172	2,675
New Zealand Dollar	246	1,071	240	723
Euro	686	662	686	662
Others	2,524	2,021	2,524	2,021
	262,976	173,951	262,777	172,975

The Group and Company's weighted average effective interest rates of deposits at the balance sheet date is 2.75% (2012: 4.6%) per annum.

22 TRADE AND OTHER PAYABLES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Trade payables	203,297	170,164	203,297	169,946
Other payables and accruals	143,481	83,840	142,783	82,361
	346,778	254,004	346,080	252,307

Other payables and accruals include operational expenses payable to airport authorities and passenger service charges.

The credit term of trade payables granted to the Group and Company is 30 days (2012: 30 days).

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2013

22 TRADE AND OTHER PAYABLES (CONT'D)

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Ringgit Malaysia	148,751	98,513	148,751	98,513
US Dollar	139,924	68,496	139,924	68,496
Australian Dollar	22,930	47,090	22,232	45,676
Euro	7,650	7,335	7,650	7,335
Taiwan Dollar	2,461	4,982	2,461	4,982
Pound Sterling	537	735	537	735
Japanese Yen	6,347	14,719	6,347	14,719
Korean Won	2,242	4,875	2,242	4,875
Chinese Renminbi	10,889	4,624	10,889	4,624
New Zealand Dollar	51	286	51	3
Others	4,996	2,349	4,996	2,349
	346,778	254,004	346,080	252,307

23 BORROWINGS

	Weighted average rate of finance (per annum)		Group and Company	
	2013 %	2012 %	2013 RM'000	2012 RM'000
<u>Current:</u>				
Revolving credit (unsecured)	3.56	5.23	261,185	351,705
Term loans (secured)	4.68	4.45	184,674	100,027
Time loan (secured)	-	4.77	-	48,000
Commodity Murabahah Term Financing (unsecured)	-	6.75	-	21,313
Hire purchase (unsecured)	2.80	-	21	-
			445,880	521,045
<u>Non-current:</u>				
Revolving credit (unsecured)			179,686	131,875
Term loans (secured)			1,370,626	739,336
Hire purchase (unsecured)			61	-
			1,550,373	871,211
Total borrowings			1,996,253	1,392,256

NOTES TO THE FINANCIAL STATEMENTS
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23 BORROWINGS (CONT'D)

Total borrowings as at 31 December 2013 consist of the following banking facilities:

	Group and Company	
	2013 RM'000	2012 RM'000
Fixed rate borrowings	1,534,835	1,087,359
Floating rate borrowings	461,418	304,897
	1,996,253	1,392,256

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

	Group and Company	
	2013 RM'000	2012 RM'000
Not later than 1 year	445,880	521,045
Later than 1 year and not later than 5 years	899,680	531,982
Later than 5 years	650,693	339,229
	1,996,253	1,392,256
The currency profile of borrowings is as follows:		
Ringgit Malaysia	40,082	309,309
US Dollar	1,956,171	1,082,947
	1,996,253	1,392,256

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

	Group and Company			
	Carrying amount		Fair value	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Term loans	1,358,298	839,363	1,320,583	731,042
Hire purchase	66	-	70	-
	1,358,364	839,363	1,320,653	731,042

The fair values of borrowings classified as current liabilities, equal their carrying amounts, as the impact of discounting is not significant. The fair values of the non-current borrowings are based on cash flows discounted using borrowing rates that are reflective of the Group and Company's credit risk at the balance sheet date, at 2.80% to 4.89% (2012:4.45%) per annum. The fair values of non-current borrowings are within level 3 of the fair value hierarchy.

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23 BORROWINGS (CONT'D)

Revolving credit facilities

The revolving credit facility of RM400,871,000 as at 31 December 2013 (2012: RM243,584,000) is to finance pre-delivery payments ("PDPs") in respect of the Group's and Company's firm order of 20 Airbus A330-300 aircraft, with an option to acquire an additional 10 Airbus A330-300 aircraft. The facility becomes repayable upon delivery of the relevant aircraft and carries interest ranging from 3.2% to 3.25% (2012: 3%) per annum above the bank's USD cost of funds.

The revolving credit facility of RM40,000,000 as at 31 December 2013 (2012: RM239,996,000) is to finance the Group's and Company's corporate working capital requirements. The tenure of revolving credit facility of RM40,000,000 (2012: RM40,000,000) is up to 5 years. This facility carries an interest at cost of funds plus 3% (2012: 3%) per annum. Revolving credit facilities of RM100,000,000 and RM99,996,000 at the end of the previous financial year matured in June 2013 and October 2013 respectively. These facilities carried interest at cots of funds plus 3.25% and cost of funds plus 1.5% per annum respectively.

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 fixed interest rates of between 2.82% and 7.03% (2012: 2.82% and 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.

Time loan

The time loan was utilised to finance the Group's and Company's security deposits for aircraft operating leases and general corporate working capital requirements. This facility matured on 29 September 2013 and carried an interest rate at cost of funds plus 1.50% (2012: 1.50%) per annum.

Commodity Murabahah Term Financing

This was to re-finance the outstanding balance of up to USD18.75 million (or approximately up to RM60 million) on an existing USD25 million (or approximately RM80 million) syndicated facility from two lenders (syndicated loan). This facility matured on 19 September 2013 and carried a profit rate at cost of funds plus 3.25% per annum.

NOTES TO THE FINANCIAL STATEMENTS
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24 SHARE CAPITAL

	Group and Company	
	2013 RM'000	2012 RM'000
Authorised:		
Ordinary shares of RM1 each:		
At beginning of financial year	270,000	270,000
Sub-division of shares	(270,000)	-
At end of financial year	-	270,000
Ordinary shares of RM0.15 each:		
At beginning of financial year	-	-
Sub-division of shares	270,000	-
Increase during the financial year	230,000	-
At end of financial year	500,000	-
Redeemable Convertible Preference Shares of RM1 each ("RCPS"):		
At beginning of financial year	50,000	50,000
Cancellation of RCPS	(50,000)	-
At end of financial year	-	50,000
Total authorised	500,000	320,000
Issued and fully paid up:		
Ordinary shares of RM1 each:		
At beginning of financial year	224,000	224,000
Conversion of RCPS	42,667	-
Sub-division of shares	(266,667)	-
At end of financial year	-	224,000
Ordinary shares of RM0.15 each:		
At beginning of financial year	-	-
Sub-division of shares	266,667	-
Issuance of shares during the financial year	88,889	-
At end of financial year	355,556	-
Redeemable Convertible Preference Shares of RM1 each("RCPS"):		
At beginning of financial year	42,667	42,667
Conversion of RCPS	(42,667)	-
At end of financial year	-	42,667
Total issued and fully paid up	355,556	266,667

NOTES TO THE FINANCIAL STATEMENTS
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24 SHARE CAPITAL (CONT'D)

The terms of the RCPS are as follows:

(a) The RCPS are convertible in whole at the holder's option at any time into ordinary shares of RM1 each in the capital of the Company in the proportion of one ordinary share for every one RCPS held. Notwithstanding this, the RCPS holder shall convert all of its RCPS into ordinary shares of RM1 each in the capital of the Company upon receipt of written notice from the Company as part of the Company's shares on any recognised stock exchange.

(b) The RCPS has the same entitlement to dividend and all other forms of distributions out of income of the Company at the same rate as that of ordinary shares.

(c) The RCPS can be redeemed in part or in whole at the Company's option at any time, but only with prior written approval of the holder and redemption can only be effected at par value.

On 10 May 2013, all the outstanding 42,666,667 Redeemable Convertible Preference Shares ("RCPS") of RM1 each in the Company was converted on a one-to-one basis, into 42,666,667 new ordinary shares of RM1 each in the Company, without consideration. On 13 May 2013, the Company cancelled its authorised share capital for RCPS of RM1 each, amounting to RM50,000,000.

During the financial year, the Company implemented the following transactions as part of an initial public offering ("IPO") exercise:

(i) On 13 May 2013, the Company subdivided all of its existing 266,666,668 ordinary shares of RM1 each into 1,777,777,787 ordinary shares of RM0.15 each, by way of every three (3) ordinary shares of RM1 each into twenty (20) ordinary shares of RM0.15 each in the Company. On that same date, the Company increased its authorised share capital from RM270,000,000 to RM500,000,000, comprising 3,333,333,333 shares of RM0.15 each by the creation of 1,533,333,333 ordinary shares of RM0.15 each;

(ii) On 10 June 2013, the Company issued a Prospectus in conjunction with an IPO of up to 790,123,500 ordinary shares of RM0.15 each in the Company, comprising an offer for sale of up to 197,530,900 existing ordinary shares of RM0.15 each and a public issue of 592,592,600 new ordinary shares of RM0.15 each to retail and institutional investors at a retail price of RM1.25 per share;

(iii) In conjunction with the IPO, the Company implemented an Employees' Share Option Scheme ("ESOS") to recognise the contribution of the Eligible Directors and Eligible Employees of up to 9,550,000 ESOS new ordinary shares of RM0.15 each, to be issued and awarded upon the terms and conditions of the By-Laws of the ESOS.

The entire enlarged issued and paid up ordinary share capital of RM355,555,558 comprising 2,370,370,387 ordinary shares of RM0.15 each were listed and quoted on the Official List of the Main Market of Bursa Malaysia Securities Berhad on 10 July 2013.

The issued and paid-up share capital of the Company currently stands at RM355,555,558 comprising 2,370,370,387 ordinary shares of RM0.15 each. The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

In conjunction with the IPO, 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 Company at any one time pursuant to the exercise of options to be granted under the ESOS, to full-time eligible employees and eligible Directors of the Group ("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.

On 1 July 2013, the Company granted 9,550,000 ESOS Options to eligible employees of the Company at the exercise price of RM1.25 per option ("Initial Grant"). The vesting of the ESOS Options under the Initial Grant shall be subject to the terms and conditions of the By-Laws.

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24 SHARE CAPITAL (CONT'D)

EMPLOYEES' 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 per cent (10.0%) of the issued and paid-up share capital of the Company at any point in time during the duration of the Scheme.

(b) The ESOS Committee has been appointed and 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 Directors and 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, the By-Laws and any laws, regulations and guidelines issued by other relevant authorities.

(c) An Eligible Director or 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 subscription price, in respect of options granted prior to the date of listing in Bursa Malaysia, shall be RM1.25 per share.

(e) The options granted are exercisable one year beginning from the date of grant.

The shares to be allotted and issued upon any valid exercise of options will, upon such allotment and issuance, rank pari passu in all respects with the existing and issued shares except that such shares so issued will not be entitled to any dividends, rights, allotments and/or any other distributions which may be declared, made or paid to shareholders prior to the date of allotment of such shares. The options shall not carry any right to vote at a general meeting of the Company.

The Company granted 9,550,000 options at an exercise price of RM1.25 per share under the ESOS scheme on 1 July 2013, which will expire in 5 years.

At 31 December 2013, options to subscribe for 9,550,000 (2012: Nil) ordinary shares of RM0.15 each at the exercise price of RM1.25 per share remain unexercised. These options granted do not confer any right to participate in any share issue of any other company.

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

Grant date	Expiry date	Exercise price RM/share	At 1.1.2013 '000	Granted '000	Exercised '000	At 31.12.2013 '000
1 July 2013	11 October 2017	1.25	-	9,550	-	9,550

There is no option vested or exercised as at the balance sheet date.

25 RETAINED EARNINGS

As at 31 December 2013, the Company does not have any Section 108 tax credits and has therefore automatically moved to the single-tier tax system, which came into effect from the year of assessment 2008, under which companies are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders.

NOTES TO THE FINANCIAL STATEMENTS
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26 COMMITMENTS

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

	Group and Company	
	2013 RM'000	2012 RM'000
Aircraft purchase – approved and contracted for:		
- Not later than 1 year	3,798,706	2,123,231
- Later than 1 year and not later than 3 years	12,155,860	7,077,438
- Later than 3 years and not later than 5 years	11,396,119	3,538,718
- Later than 5 years	12,168,353	8,504,563
	39,519,038	21,243,950

Included in the amount of capital commitments above as at 31 December 2013 is the purchase of 40 Airbus A330 aircraft and 10 Airbus A350 aircraft (2012: 18 Airbus A330 aircraft and 10 Airbus A350 aircraft) over the next 12 years, at a list price of approximately USD12 billion (RM39.5 billion) (2012: USD6.9 billion (RM21.2 billion)), less a negotiated discount.

(b) Non-cancellable operating leases

The future minimum lease payments under non-cancellable operating leases in respect of aircraft are as follows:

	Group and Company	
	2013 RM'000	2012 RM'000
Not later than 1 year	325,015	193,642
Later than 1 year and not later than 3 years	578,008	551,910
Later than 3 year and not later than 5 years	541,560	476,365
Later than 5 years	1,139,078	1,242,194
	2,583,661	2,464,111

NOTES TO THE FINANCIAL STATEMENTS
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27 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.

Name of Companies	Relationship
AirAsia X Services Pty Ltd	Subsidiary
AirAsia X NZ Ltd	Subsidiary
Thai AirAsia X Co Ltd ("TAAX")	Associate
AirAsia Berhad ("AAB")	Shareholder of the Company for which there is no control, significant influence or joint venture, and common Directors and shareholders)
Caterhamjet Global Ltd ("CJG")	Common Directors and shareholders
Associates of AirAsia Berhad	
- Thai AirAsia Co. Ltd ("TAA")	Common Directors and shareholders
- PT Indonesia AirAsia ("IAA")	Common Directors and shareholders
- AirAsia Japan Co. Ltd ("JAA") *	Common Directors and shareholders
- AirAsia Inc ("PAA")	Common Directors and shareholders
Joint ventures of AirAsia Berhad	
- Asian Aviation Centre of Excellence Sdn Bhd	Common Directors and shareholders
- AAE Travel Pte Ltd ("AAE")	Common Directors and shareholders
- Tune Insurance Malaysia Berhad	Common Directors and shareholders
- Tune Box Sdn Bhd	Common Directors and shareholders
- Asian Contact Centres Sdn Bhd	Common Director and shareholders

* JAA ceased as a related party of the Company/Group as at 28 June 2013.

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

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27 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
(a) Transactions with related parties				
AirAsia X NZ Ltd				
- Management fees paid/payable	-	-	-	2,213
AirAsia X Services Pty Ltd				
- Management fees paid/payable	-	-	2.972	2,622
AirAsia Berhad				
- Operational services charged by AAB	6.998	5,461	6.998	5,461
- Brand license fee charged by AAB	8,530	7,749	8,530	7,749
- Provision of carried passenger services which were procured by AAB	(8,827)	(8,827)	(8,827)	(8,827)
PT Indonesia AirAsia				
- Operational services charged to IAA	(347)	(364)	-	-
Thai AirAsia Co. Ltd				
- Operational services charged to TAA	(423)	(132)	(423)	(132)
AirAsia Japan Co. Ltd				
- Operational services charged to JAA	(590)	(316)	(590)	(316)
Asian Aviation Centre of Excellence Sdn Bhd				
- Net expense on training services	6,680	2,778	6,680	2,778
AAE Travel Pte Ltd				
- Marketing services charged by AAE	101	-	101	-
Tune Box Sdn Bhd				
- In-flight entertainment system and software expense	1,653	2,336	1,653	2,336
Asian Contact Centres Sdn Bhd				
- Telecommunication and operational expenses	9,167	11,189	9,167	11,189
Tune Insurance Malaysia Berhad ("TIMB")				
- commission received/receivable on travel insurance for passengers	(1,833)	(623)	(1,833)	(623)
- premium collected on behalf of TIMB on travel insurance for passengers	7,333	2,491	7,333	2,491
Caterhamjet Global Ltd				
- Chartered air travel services charged by CJG	5,083	-	5,083	-

27 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Year end balances with related parties				
(b) Receivables				
AAE Travel Pte Ltd	-	39	-	39
Thai AirAsia Co. Ltd	-	14	-	14
PT Indonesia AirAsia	-	44	-	11
AirAsia Japan Co. Ltd	-	157	-	157
AirAsia Inc	-	10	-	10
Thai AirAsia X Co. Ltd	1,353	-	1,353	-
AirAsia Berhad	16,161	15,474	16,161	15,474
Others	226	-	164	-
	17,740	15,738	17,678	15,705
(c) Payables				
Asian Aviation Centre of Excellence Sdn Bhd	1,746	1,317	1,746	1,317
Asian Contact Centres Sdn Bhd	-	2,557	-	2,557
PT Indonesia AirAsia	14	-	14	-
AirAsia Inc	4	-	4	-
Tune Box Sdn Bhd	-	186	-	186
Tune Insurance Malaysia Berhad	-	1,869	-	1,869
Thai AirAsia Co. Ltd	152	-	152	-
AirAsia X Services Pty Ltd	-	-	1,334	999
AirAsia X NZ Ltd	-	-	553	652
	1,916	5,929	3,803	7,580

(d) Key management personnel comprises head or senior management officers of key operating divisions within the Group and Company. The key management compensation is disclosed below.

	Group and Company	
	2013 RM'000	2012 RM'000
Key management compensation:		
- basic salaries, bonuses and allowances	7,956	4,810
- defined contribution plan	886	545
	8,842	5,355

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28 FINANCIAL RISK MANAGEMENT POLICIES

The Group's and Company's financial risk management policies seek to ensure that adequate financial resources are available for the development of the Group's and 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 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 Company's activities.

The Group and Company also seek to ensure that the financial resources that are available for the development of the Group's and 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 Company are exposed to jet fuel price risk arising from the fluctuations in the prices of jet fuel. The Group and 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 Company upon consumption of the fuel, within "Aircraft fuel expenses" in Operating Expenses.

During the financial year ended 31 December 2013, the Group and Company entered into Singapore Jet Kerosene fixed swap. There was 187,778 barrels (2012: Nil) outstanding of Singapore Jet Kerosene contract as at 31 December 2013.

As at 31 December 2013, if USD denominated barrel had been USD5 higher/lower with all other variables held constant, the impact on the post-tax profit and equity for the year end equity are tabulated below:

	2013		2012	
	+USD5	-USD5	+USD5	-USD5
	RM'000	RM'000	RM'000	RM'000
Impact on post tax profits	3,084	(3,084)	-	-
Impact on other comprehensive income	-	-	-	-

(ii) Interest rate risk

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

In view of the substantial borrowings taken to finance the acquisition of aircraft, the Group's and 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 Company's floating rate borrowings and deposits. Surplus funds are placed with reputable financial institutions at the most favourable interest rate.

28 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

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

(a) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

The Group manages its cash flow interest rate risk by entering into a cross currency interest rate swap contracts that effectively converts its existing long-term floating rate debt facilities into fixed rate debts. This hedging strategy ensures that the Group is paying a fixed interest expense on its borrowings and that the performance of the Group is not significantly impacted by the fluctuation in interest rates.

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates.

At 31 December 2013, if interest rate on USD denominated borrowings had been 60 basis points, the impact on the post-tax profit for the financial year would have been RM4.39 million (2012: RM4.36 million) higher/lower with all other variables held constant.

(iii) Foreign currency risk

Apart from Ringgit Malaysia ("RM"), the Group and 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 Company have significant borrowings in USD, mainly to finance the purchase of aircraft and pre-delivery payments in respect of the Group's and Company's firm order of 40 Airbus A330-300 aircraft (Note 23). Therefore, the Group and 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 2013, if RM had weakened/strengthened by 5% against the USD with all other variables held constant, post-tax profit for the financial year would have been RM40 million (2012: RM43.2 million) lower/higher, mainly as a result of foreign exchange losses/gains on translation of USD denominated receivables and borrowings (term loan and finance lease). Similarly, the impact on other comprehensive income would have been RM3.3 million (2012: nil) higher/lower due to the cash flow hedging in USD. The exposure to other foreign currency risk of the Group is not material and hence, sensitivity analysis is not presented.

The Group's currency exposure is as follows:

At 31 December 2013	USD RM'000	AUD RM'000	EURO RM'000	INR RM'000	RMB RM'000	JPY RM'000	Others RM'000
Financial assets							
Receivables	74,268	14,859	85	1,414	-	-	8,923
Amounts due from related parties	1,529	(14,892)	-	-	-	-	385
Derivative financial instruments	65,929	-	-	-	-	-	-
Deposits, cash and bank balances	73,403	66,996	686	-	222	8,615	5,408
Other deposits *	50,397	-	-	-	-	-	-
	265,526	66,963	771	1,414	222	8,615	14,716
Financial liabilities							
Trade and other payables	139,924	22,930	7,650	-	10,889	6,347	10,287
Amounts due to related parties	1,820	14	-	-	-	-	-
Borrowings	1,956,171	-	-	-	-	-	-
	2,097,915	22,944	7,650	-	10,889	6,347	10,287
Net exposure	(1,832,389)	44,019	(6,879)	1,414	(10,667)	2,268	4,429

* Includes currency exposure for other deposits that are financial assets only.

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28 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: (cont'd)

At 31 December 2012	USD RM'000	AUD RM'000	EURO RM'000	INR RM'000	RMB RM'000	JPY RM'000	Others RM'000
Financial assets							
Receivables	75,333	9,008	666	1,547	-	-	2,811
Amounts due from related parties	25	(6,646)	-	-	-	-	-
Deposits, cash and bank balances	43,247	62,756	662	-	355	8,049	7,783
Other deposits *	33,739	-	-	-	-	-	-
	152,344	65,118	1,328	1,547	355	8,049	10,594
Financial liabilities							
Trade and other payables	68,496	47,090	7,335	-	4,624	14,719	13,227
Amounts due to related parties	1,262	-	-	-	-	-	-
Borrowings	1,082,947	-	-	-	-	-	-
	1,152,705	47,090	7,335	-	4,624	14,719	13,227
Net exposure	(1,000,361)	18,028	(6,007)	1,547	(4,269)	(6,670)	(2,633)

* Includes currency exposure for other deposits that are financial assets only.

The Company's currency exposure is as follows:

At 31 December 2013	USD RM'000	AUD RM'000	EURO RM'000	INR RM'000	RMB RM'000	JPY RM'000	Others RM'000
Financial assets							
Receivables	74,268	14,824	85	1,414	-	-	8,923
Amounts due from related parties	1,529	(14,954)	-	-	-	-	385
Derivative financial instruments	65,929	-	-	-	-	-	-
Deposits, cash and bank balances	73,403	66,803	686	-	222	8,615	5,402
Other deposits *	50,397	-	-	-	-	-	-
	265,526	66,673	771	1,414	222	8,615	14,710
Financial liabilities							
Trade and other payables	139,924	22,232	7,650	-	10,889	6,347	10,287
Amounts due to related parties	1,820	1,348	-	-	-	-	553
Borrowings	1,956,171	-	-	-	-	-	-
	2,097,915	23,580	7,650	-	10,889	6,347	10,840
Net exposure	(1,832,389)	43,093	(6,879)	1,414	(10,667)	2,268	3,870

* Includes currency exposure for other deposits that are financial assets only.

NOTES TO THE FINANCIAL STATEMENTS
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28 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: (cont'd)

At 31 December 2012	USD RM'000	AUD RM'000	EURO RM'000	INR RM'000	RMB RM'000	JPY RM'000	Others RM'000
Financial assets							
Receivables	75,333	8,636	666	1,547	-	-	2,811
Amounts due from related parties	25	(6,679)	-	-	-	-	-
Deposits, cash and bank balances	43,247	62,128	662	-	355	8,049	7,435
Other deposits *	33,739	-	-	-	-	-	-
	152,344	64,085	1,328	1,547	355	8,049	10,246
Financial liabilities							
Trade and other payables	68,496	45,676	7,335	-	4,624	14,719	12,944
Amounts due to related parties	1,262	999	-	-	-	-	652
Borrowings	1,082,947	-	-	-	-	-	-
	1,152,705	46,675	7,335	-	4,624	14,719	13,596
Net exposure	(1,000,361)	17,410	(6,007)	1,547	(4,269)	(6,670)	(3,350)

* Includes currency exposure for other deposits that are financial assets only.

(b) Credit risk

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

The Group's and 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 Company do not hold collateral, the maximum exposure to credit risk is represented by the total carrying amounts of these financial assets in the balance sheet. 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 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 government.

The Group and Company generally have no concentration of credit risk arising from trade receivables, other than as disclosed in Note 19 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
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28 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity and cash flow risk

The Group's and 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 Company's current liabilities exceeded their current assets by RM762,703,000 and RM764,439,000 respectively as at 31 December 2013, the Directors are of the view that no material uncertainty relating to these conditions exists that may cast significant doubt on the Group's or Company's ability to continue as a going concern. The Directors believe that the Group and 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. In January 2014, the Group and Company also secured a term loan amounting to USD72.5 million (approximately RM237.7 million) to finance the acquisition of an Airbus A330-300 which was delivered on 9 January 2014 and are currently in negotiations with lenders for credit facilities to finance their commitments for the acquisition of aircraft in 2014. The Directors are of the view that the Group and Company are able to secure these credit facilities to finance the delivery of the relevant aircraft according to the aircraft delivery schedule given that the Group and Company are currently finalising the terms and conditions of these credit facilities.

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

Group	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	Over 5 years RM'000
At 31 December 2013				
Term loans	248,771	468,421	423,324	714,822
Revolving credit	307,437	152,336	-	-
Hire purchase	19	37	37	-
Trade and other payables	346,778	-	-	-
Amounts due to related parties	1,916	-	-	-
	904,921	620,794	423,361	714,822
At 31 December 2012				
Term loans	135,561	257,958	240,561	368,824
Time loan	49,146	-	-	-
Revolving credit	376,281	96,757	42,599	-
Commodity Murabahah Term Financing	22,010	-	-	-
Trade and other payables	254,004	-	-	-
Amounts due to related parties	5,929	-	-	-
	842,931	354,715	283,160	368,824

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28 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

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

Company	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	Over 5 years RM'000
At 31 December 2013				
Term loans	248,771	468,421	423,324	714,822
Revolving credit	307,437	152,336	-	-
Hire purchase	19	37	37	-
Trade and other payables	346,080	-	-	-
Amounts due to related parties and subsidiaries	3,803	-	-	-
	906,110	620,794	423,361	714,822
At 31 December 2012				
Term loans	135,561	257,958	240,561	368,824
Time loan	49,146	-	-	-
Revolving credit	376,281	96,757	42,599	-
Commodity Murabahah Term Financing	22,010	-	-	-
Trade and other payables	252,307	-	-	-
Amounts due to related parties and subsidiaries	7,580	-	-	-
	842,885	354,715	283,160	368,824

(d) Capital risk management

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

In order to optimise the capital structure, or the capital allocation amongst the Group's various businesses, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, take on new debts or sell assets to reduce debt. The Group's overall strategy remains unchanged from the previous financial year.

The Group monitors capital utilisation on the basis of the gearing ratio. This ratio is calculated as total debts divided by total shareholders' equity. Total debts are calculated as total borrowings (including "short term and long term borrowings" as shown in the balance sheets).

The gearing ratio as at the balance sheet date is as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Total borrowings (a)	1,996,253	1,392,256	1,996,253	1,392,256
Total equity attributable to equity holders of the Company (b)	1,236,155	580,730	1,234,921	579,296
Gearing ratio (a)/(b)	1.6	2.4	1.6	2.4

The Group and the Company are in compliance with all externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2013

28 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 financial instruments are measured in the balance sheet 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 and Company's assets and liabilities that are measured at fair value at 31 December 2013, 31 December 2012.

Group and Company	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 31 December 2013				
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	5,541	-	5,541
Derivatives used for hedging	-	60,388	-	60.388
	-	65,929	-	65,929
At 31 December 2012				
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	-	-	-
Derivatives used for hedging	-	-	-	-
	-	-	-	-

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

28 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(e) Fair value measurement (cont'd)

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

- The fair value of CCIRS contracts is determined using forward interest rates extracted from observable yield curves and forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- The fair value of fuel swap contracts is determined using forward fuel price at the balance sheet date, with the resulting value discounted back to present value.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques.

29 FINANCIAL INSTRUMENTS

(a) Financial instruments by category

Group	Loan and receivables RM'000	Assets at fair value through the profit and loss RM'000	Derivatives used for hedging RM'000	Total RM'000
31 December 2013				
Assets as per balance sheet				
Trade and other receivables excluding prepayments	122,079	-	-	122,079
Other deposits	90,751	-	-	90,751
Amount due from related parties	17,740	-	-	17,740
Deposits, cash and bank balances	262,976	-	-	262,976
Derivative financial instruments	-	5,541	60,388	65,929
Total	493,546	5,541	60,388	559,475

	Other financial liabilities at amortised cost RM'000	Total RM'000
Liabilities as per balance sheet		
Borrowings	1,996,253	1,996,253
Trade and other payables	346,778	346,778
Amount due to a related party	1,916	1,916
Total	2,344,947	2,344,947

NOTES TO THE FINANCIAL STATEMENTS
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29 FINANCIAL INSTRUMENTS (CONT'D)

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

Group	Loan and receivables RM'000	Total RM'000
31 December 2012		
Assets as per balance sheet		
Trade and other receivables excluding prepayments	106,531	106,531
Other deposits	33,739	33,739
Amount due from related parties	15,738	15,738
Deposits, cash and bank balances	173,951	173,951
Total	329,959	329,959

	Other financial liabilities at amortised cost RM'000	Total RM'000
Liabilities as per balance sheet		
Borrowings	1,392,256	1,392,256
Trade and other payables	254,004	254,004
Amount due to a related party	5,929	5,929
Total	1,652,189	1,652,189

Company	Loan and receivables RM'000	Assets at fair value through the profit and loss RM'000	Derivatives used for hedging RM'000	Total RM'000
31 December 2013				
Assets as per balance sheet				
Trade and other receivables excluding prepayments	122,044	-	-	122,044
Other deposits	90,751	-	-	90,751
Amount due from related parties	17,678	-	-	17,678
Deposits, cash and bank balances	262,777	-	-	262,777
Derivative financial instruments	-	5,541	60,388	65,929
Total	493,250	5,541	60,388	559,179

	Other financial liabilities at amortised cost RM'000	Total RM'000
Liabilities as per balance sheet		
Borrowings	1,996,253	1,996,253
Trade and other payables	346,080	346,080
Amount due to a related party	3,803	3,803
Total	2,346,136	2,346,136

NOTES TO THE FINANCIAL STATEMENTS
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29 FINANCIAL INSTRUMENTS (CONT'D)

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

Company	Loan and receivables RM'000	Total RM'000
31 December 2012		
Assets as per balance sheet		
Trade and other receivables excluding prepayments	106,159	106,159
Other deposits	33,739	33,739
Amount due from related parties	15,705	15,705
Deposits, cash and bank balances	172,975	172,975
Total	328,578	328,578

	Other financial liabilities at amortised cost RM'000	Total RM'000
Liabilities as per balance sheet		
Borrowings	1,392,256	1,392,256
Trade and other payables	252,307	252,307
Amount due to a related party	7,580	7,580
Total	1,652,143	1,652,143

(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	
	2013 RM'000	**2012 RM'000**
Derivative financial assets		
AA+ to A+	519	-
A to BBB-	65,410	-
	65,929	-

30 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. With the termination of certain routes in the previous financial year, the operating segments have been reassessed and identified as North Asia, Australia and Middle East and West Asia. During the financial year, management has also revised the presentation of expense line items in the reports reviewed and used by the CEO to make strategic decisions. The comparatives for segmental information have been restated to be consistent with the present reporting structure.

The operating segments derive their revenues primarily from the Group's activities of provision of long haul air transportation services to these locations.

Consistent with information provided to the chief operating decision maker, revenue and certain direct costs (fuel and oil and maintenance, overhaul and user charges) were extracted on actual earned/incurred basis and disclosed accordingly in the operating segment results for the financial years ended 31 December 2013 and 31 December 2012 respectively. All other costs are allocated to the various segments based on "block hours". Block hours are defined as the time between the departure of an aircraft and its arrival at its destination, as recorded in the aircraft flight log.

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30 SEGMENTAL INFORMATION (CONT'D)

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

	North Asia RM'000	Australia RM'000	West Asia and Middle East* RM'000	Total RM'000
2013				
External revenue				
- Scheduled flights	755,508	518,171	132,768	1,406,447
- Refunds	(1,052)	(351)	(393)	(1,796)
	754,456	517,820	132,375	1,404,651
- Charter flights	4,681	-	102,320	107,001
- Fuel surcharge	110,503	139,221	4,115	253,839
- Freight and cargo	60,220	29,215	583	90,018
- Ancillary revenue	217,918	217,075	17,501	452,494
- Management fees	178	142	27	347
	1,147,956	903,473	256,921	2,308,350
Operating expenses				
- Staff costs	(111,110)	(90,686)	(31,805)	(233,601)
- Fuel and oil	(551,308)	(465,215)	(84,693)	(1,101,216)
- Maintenance, overhaul and user charges and other related expenses	(227,885)	(166,358)	(57,126)	(451,369)
- Aircraft operating lease expenses	(73,529)	(59,761)	(53,373)	(186,663)
- Other operating costs	(90,446)	(92,596)	(20,419)	(203,461)
- Other income	11,802	8,648	5,492	25,942
- Share of results of an associate	(286)	(178)	(38)	(502)
Gross profit	105,194	37,327	14,959	157,480
EBITDAR	178,723	97,088	68,332	344,143
EBITDA	105,194	37,327	14,959	157,480
Depreciation of property, plant and equipment	(61,291)	(47,467)	(11,800)	(120,558)
EBIT	43,903	(10,140)	3,159	36,922
Interest income	2,142	1,238	231	3,611
Interest expense and finance charges	(39,821)	(31,424)	(5,177)	(76,422)
Foreign exchange loss	(90,047)	(73,593)	(12,531)	(176,171)
Loss before tax	(83,823)	(113,919)	(14,318)	(212,060)
Taxation	63,275	51,713	8,805	123,793
Net loss for the financial year	(20,548)	(62,206)	(5,513)	(88,267)

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2013

30 SEGMENTAL INFORMATION (CONT'D)

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

	North Asia RM'000	Australia RM'000	West Asia and Middle East RM'000	Total RM'000
2012				
External revenue				
- Scheduled flights	611,891	487,950	183,736	1,283,577
- Refunds	(377)	(178)	(1,244)	(1,799)
	611,514	487,772	182,492	1,281,778
- Charter flights	1,134	-	66,714	67,848
- Fuel surcharge	54,091	82,036	12,099	148,226
- Freight and cargo	47,980	22,985	8,302	79,267
- Ancillary revenue	162,967	163,464	37,503	363,934
- Management fees	172	142	50	364
- Other revenue	-	-	26,010	26,010
	877,858	756,399	333,170	1,967,427
Operating expenses				
- Staff costs	(79,347)	(64,675)	(36,476)	(180,498)
- Fuel and oil	(421,808)	(344,271)	(159,215)	(925,294)
- Maintenance, overhaul and user charges and other related expenses	(169,826)	(124,196)	(87,523)	(381,545)
- Aircraft operating lease expenses	(56,120)	(45,067)	(51,221)	(152,408)
- Other operating costs	(63,727)	(88,398)	(26,473)	(178,598)
- Other income	2,577	2,246	2,158	6,981
Gross profit/(loss)	89,607	92,038	(25,580)	156,065
EBITDAR	145,727	137,105	25,641	308,473
EBITDA	89,607	92,038	(25,580)	156,065
Depreciation of property, plant and equipment	(50,264)	(40,378)	-	(16,455)
EBIT	39,343	51,660	(42,035)	48,968
Interest income	887	744	245	1,876
Interest expense and finance charges	(27,376)	(22,349)	(6,713)	(56,438)
Foreign exchange gain	20,034	16,183	7,382	43,599
Profit/(loss) before tax	32,888	46,238	(41,121)	38,005
Taxation	(1,910)	(1,543)	(702)	(4,155)
Net loss for the financial year	30,978	44,695	(41,823)	33,850

* Includes Europe, India and New Zealand which were terminated in 2012. This presentation is consistent with the financial information presented and regularly reviewed by the Group CEO.

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2013

30 SEGMENTAL INFORMATION (CONT'D)

Note:

EBITDAR – Earnings before interest, taxes, depreciation, amortisation and restructuring or rent costs
EBITDA – Earnings before interest, taxes, depreciation and amortisation
EBIT – Earnings before interest and taxes

All material non-current assets are based in Malaysia at the end of the current and previous financial year end.

The Group has not disclosed information relating to revenue from external customers which are attributed to the country of domicile and which are attributable to all foreign countries in total from which the Group derives revenue. Due to the nature of activities in the Group, the necessary information is not available and the cost to develop it would be excessive.

31 (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

Basic (loss)/earnings per share are calculated by dividing the net (loss)/profit for the financial year by the weighted average number of ordinary/preference shares in issue during the financial year.

	Group	
	2013	2012
Net (loss)/earnings for the financial year (RM'000)	(88,267)	33,850
Weighted average number of ordinary/preference shares in issue ('000)	1,309,305	266,667
(Loss)/earnings per share (sen)	(6.7)	12.7

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 options over unissued ordinary shares granted pursuant to the ESOS at the end of the financial year have an anti-dilutive effect. The exercise price of the ESOS of RM1.25 per option is above the average market value of the Company's shares during the financial year.

32 DISCLOSURES OF INTERESTS IN OTHER ENTITIES

The Company had set up Merah X entities, special purpose companies ("SPC") pursuant to aircraft loans obtained from various financial institutions. In this arrangement, the SPC entered into a Head Instalment Sale Agreement with special purpose companies incorporated in the Cayman Islands, for the purchase of Airbus A330-300 aircrafts. In turn the SPC entered into an instalment Sale Agreement with the Company for the sale of the Airbus A330-300 aircraft.

The details of the Merah X entities are as follows:

Name	Country of incorporation	Purpose
Merah X Satu Limited	Malaysia	Purchase of 2 Airbus A330-300 aircraft
Merah X Dua Limited	Malaysia	Purchase of 3 Airbus A330-300 aircraft
Merah X Tiga Limited	Malaysia	Purchase of 2 Airbus A330-300 aircraft
Merah X Empat Limited	Malaysia	Purchase of 1 Airbus A330-300 aircraft
Merah X Lima Limited	Malaysia	Purchase of 1 Airbus A330-300 aircraft
Merah X Enam Limited	Malaysia	Purchase of 2 Airbus A330-300 aircraft

The Merah X entities do not incur any losses or income during the financial year ended 31 December 2013. The aircraft and the corresponding term loans and finance costs have been recognised by the Company upon the purchase of the aircraft.

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

33 EVENT SUBSEQUENT TO THE FINANCIAL YEAR END

(a) On 6 January 2014, the Company procured the issuance of a standby letter of credit ("SBLC") for up to USD4.0 million (approximately RM13.2 million) to provide maintenance reserves deposit as required under the finance lease for its acquisition of a new Airbus A330-300 aircraft in January 2014. This SBLC is secured by a first fixed charge over the credit balance of its account in London maintained with the SBLC provider, where an amount equal to 50% of the SBLC amount has been deposited.

(b) On 7 January 2014, the Company obtained a term loan amounting to USD 72.5 million (approximately 237.7 million) to finance the acquisition of an Airbus A330-300 aircraft which was delivered on 9 January 2014. The repayment of this term loan is on a quarterly basis over 10 years, with equal principal instalments, at an annual interest rate of London Interbank Offered Rate (LIBOR) + 0.23210%. In connection with the USD72.5 million financing, the Company had, on 2 January 2014, entered into an interest swap with a financial institution in respect of the interest repayment of this loan ("SWAP Facility").

Under the Swap facility, the Company converted the USD interest of 3-month LIBOR plus 0.24210% to a RM fixed rate loan with interest at 2.36% per annum for the entire tenor of the loan.

(c) On 23 January 2014, the Company entered into a Shareholders' Agreement with PT Kirana Anugerah Perkasa ("PTKAP") for the purpose of establishing a long-haul low cost airline in Indonesia which will operate through an Indonesian incorporated entity, PT. Indonesia AirAsia Extra ("IAAX").

IAAX was incorporated on 22 May 2013 as a limited liability company under the laws of Republic of Indonesia with authorised capital of Rp680,484,540 divided into 69,686,036 shares of Rp9,765 each, and issued and paid-up capital of Rp292,950,000,000 divided into 30,000,000 shares of Rp9,765 each, with PTKAP holding fifty one percent (51%) and the Company holding forty nine percent (49%).

34 SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES LISTING REQUIREMENT

The following analysis of realised and unrealised retained profits is prepared in accordance with the Guidance on Special Matter No. 1 – Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants. This disclosure is based on the format prescribed by Bursa Malaysia Securities Berhad.

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Total retained earnings of AirAsia X Berhad and its subsidiaries:				
- Realised	(108,897)	59,811	(110,711)	58,311
- Unrealised	119,429	38,486	119,429	38,486
	10,532	98,297	8,718	96,797
Total share of accumulated losses from associated companies:				
- Realised	(502)	-	-	-
Total retained earnings as per consolidated financial statements	10,030	98,297	8,718	96,797

The disclosure of realised and unrealised profits above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be applied for any other purposes.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Tan Sri Rafidah Aziz and Dato' Yusli Bin Mohamed Yusuff, being two of the Directors of AirAsia X Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 67 to 126 are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at 31 December 2013 and of the results and the cash flows of the Group and Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965.

The information set out in Note 34 to the financial statements have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

In accordance with a resolution of the Board of Directors dated 28 April 2014.

TAN SRI RAFIDAH AZIZ
DIRECTOR

DATO' YUSLI BIN MOHAMED YUSUFF
DIRECTOR

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Azran Osman Rani, the officer primarily responsible for the financial management of AirAsia X Berhad, do solemnly and sincerely declare that the financial statements set out on pages 67 to 126 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.

AZRAN OSMAN RANI

Subscribed and solemnly declared by the abovenamed Azran Osman Rani at Kuala Lumpur in Malaysia on 28 April 2014 before me.

COMMISSIONER FOR OATHS
No. W 530
TAN SEOK KETT
MALAYSIA

Lot 350, 3rd Floor, Wisma MPL,
Jalan Raja Chulan,
50250 Kuala Lumpur.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AIRASIA X BERHAD
(INCORPORATED IN MALAYSIA) (COMPANY NO. 734161 K)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of AirAsia X Berhad on pages 67 to 126 which comprise the balance sheets as at 31 December 2013 of the Group and of the Company, and the statements of income, comprehensive income, changes in equity and cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out in Notes 1 to 33.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2013 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 15 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AIRASIA X BERHAD
(INCORPORATED IN MALAYSIA) (COMPANY NO. 734161 K)

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 34 on page 126 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysia Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

IRVIN GEORGE LUIS MENEZES
(No. 2932/06/14 (J))
Chartered Accountant

Kuala Lumpur
28 April 2014

ANALYSIS OF SHAREHOLDINGS
AS AT 22 APRIL 2014

DISTRIBUTION OF SHAREHOLDINGS

Class of shares : Ordinary shares of RM0.15 each ("Shares")
Voting rights : One vote per ordinary share

Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	15	0.05	138	0.00
100 - 1,000	7,133	22.85	6,752,616	0.28
1,001 - 10,000	14,978	47.99	92,779,702	3.92
10,001 - 100,000	8,100	25.95	261,912,069	11.05
100,001 to less than 5% of issued shares	981	3.15	1,012,009,283	42.69
5% and above of issued shares	4	0.01	996,916,579	42.06
Total	31,211	100.00	2,370,370,387	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")	422,630,214	17.83	-	-
AirAsia Berhad ("AAB")	326,130,573	13.76	-	-
Tan Sri Dr. Anthony Francis Fernandes	35,223,907[1]	1.49	805,160,547[2]	33.97
Datuk Kamarudin bin Meranun	169,273,114[3]	7.14	805,160,547[2]	33.97
Manara Malaysia I Limited ("Manara")	124,077,896	5.23	-	-
Orix Airline Holdings Limited ("Orix")	124,077,896	5.23	-	-
Orix Corporation	-	-	124,077,896[4]	5.23
Orix Aviation Systems Limited	-	-	124,077,896[4]	5.23
Fadeed Commercial & Industrial Investment Co.	-	-	124,077,896[5]	5.23
Mohammed Abdullah Mohammed Romaizan	-	-	124,077,896[6]	5.23
Abdullah Mohammed AbdulAziz Romaizan	-	-	124,077,896[6]	5.23
Jasmine Quadrilateral Investment Corporation	-	-	124,077,896[5]	5.23
Pergola Holdings Inc.	-	-	124,077,896[6]	5.23
Mohammed AbdulAziz AlJomaih	-	-	124,077,896[6]	5.23
Hamad AbdulAziz AlJomaih	-	-	124,077,896[6]	5.23
Estate of the late Mohammed Abdullah AlJomaih	-	-	124,077,896[6]	5.23
Estate of the late Abdulrahman AbdulAziz AlJomaih	-	-	124,077,896[6]	5.23
Manara Infrastructure Investments	-	-	124,077,896[5]	5.23
AlTouq SA	-	-	124,077,896[6]	5.23
Ibrahim AlTouq	-	-	124,077,896[6]	5.23
Sara Investments Holding	-	-	124,077,896[5]	5.23
Abdullah Bahamdan	-	-	124,077,896[6]	5.23

NOTES:

(1) Shares held through own name and HSBC Nominees (Tempatan) Sdn. Bhd.
(2) Deemed interested by virtue of Section 6A of the Companies Act, 1965 ("the Act") through a shareholding of more than 15% in TGSB, AAB and Tune Longhaul Sdn. Bhd.
(3) Shares held through own name, CIMSEC Nominees (Tempatan) Sdn. Bhd. and HSBC Nominees (Tempatan) Sdn. Bhd.
(4) Deemed interested by virtue of their shareholding interests in Orix pursuant to Section 6A of the Act.
(5) Deemed interested by virtue of their shareholding interests in Manara pursuant to Section 6A of the Act.
(6) Deemed interested by virtue of their indirect shareholding interests in Manara pursuant to Section 6A of the Act.

ANALYSIS OF SHAREHOLDINGS
AS AT 22 APRIL 2014

DIRECTORS' AND CHIEF EXECUTIVE OFFICER SHAREHOLDINGS

The interests of the Directors and Chief Executive Officer ("CEO") 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 and Register of Principle Officers' Shareholdings are as follows:-

	Direct		Indirect	
Directors	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
Tan Sri Rafidah Aziz	100,000(1)	0.00*	100,000(2)	0.00*
Tan Sri Dr. Anthony Francis Fernandes	35,223,907(3)	1.49	805,160,547(4)	33.97
Datuk Kamarudin bin Meranun	169,273,114(5)	7.14	805,160,547(4)	33.97
Dato' Seri Kalimullah Bin Masheerul Hassan	101,167,667(6)	4.27	-	-
Lim Kian Onn	105,679,661(3)	4.46	600,000(7)	0.03
Dato' Fam Lee Ee	-	-	-	-
Kiyoshi Fushitani	-	-	-	-
Tan Sri Asmat Bin Kamaludin	100,000(1)	0.00*	-	-
Dato' Yusli Bin Mohamed Yusoff	100,000(1)	0.00*	-	-
Asher Noor	-	-	-	-
Kiyotaka Tanaka	-	-	-	-

	Direct		Indirect	
CEO	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
Azran Bin Osman Rani	10,766,700(1)	0.45	-	-

NOTES:
* Negligible.
(1) Shares held through CIMSEC Nominees (Tempatan) Sdn Bhd.
(2) Deemed interest held through her spouse.
(3) Shares held through own name and HSBC Nominees (Tempatan) Sdn. Bhd.
(4) Deemed interested by virtue of Section 6A of the Act through a shareholding of more than 15% in TGSB, AAB and Tune Longhaul Sdn. Bhd.
(5) Shares held through own name, CIMSEC Nominees (Tempatan) Sdn. Bhd. and HSBC Nominees (Tempatan) Sdn. Bhd.
(6) Shares held through own name and Kenanga Nominees (Tempatan) Sdn. Bhd.
(7) 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 and CEO during the financial year.

LIST OF TOP 30 SHAREHOLDERS

AS AT 22 APRIL 2014

	Name of Shareholders	No. of Shares Held	% of Issued Share Capital
1.	Tune Group Sdn. Bhd.	422,630,214	17.83
2.	AirAsia Berhad	326,130,573	13.76
3.	Manara Malaysia I Limited	124,077,896	5.23
4.	Orix Airline Holdings Limited	124,077,896	5.23
5.	Kamarudin Bin Meranun	102,873,114	4.34
6.	Lim Kian Onn	89,609,214	3.78
7.	Kalimullah Bin Masheerul Hassan	84,997,220	3.59
8.	HSBC Nominees (Tempatan) Sdn. Bhd. *Kamarudin Bin Meranun*	65,000,000	2.74
9.	Tune Longhaul Sdn. Bhd.	56,399,760	2.38
10.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Exempt An for AIA Bhd.*	49,117,500	2.07
11.	HSBC Nominees (Tempatan) Sdn. Bhd. *Anthony Francis Fernandes*	35,000,000	1.48
12.	HSBC Nominees (Asing) Sdn. Bhd. *Exempt An for Credit Suisse (SG BR-TST-Asing)*	34,654,940	1.46
13.	Kenanga Nominees (Tempatan) Sdn. Bhd. *Pledged securities account for Kalimullah Bin Masheerul Hassan (021)*	16,170,447	0.68
14.	HSBC Nominees (Tempatan) Sdn. Bhd. *JPMCB for Lim Kian Onn*	16,070,447	0.68
15.	Hud Bin Abu Bakar	15,906,433	0.67
16.	Cartaban Nominees (Tempatan) Sdn. Bhd. *Exempt An for Eastspring Investments Berhad*	15,666,600	0.66
17.	HSBC Nominees (Asing) Sdn. Bhd. *BBH and Co Boston for Genesis ASEAN Opportunities Fund (GEMOFPLC)*	15,243,371	0.64
18.	CIMSEC Nominees (Tempatan) Sdn. Bhd. *CIMB Bank for Azran Bin Osman Rani (MH6756)*	10,766,700	0.45
19.	Lembaga Tabung Angkatan Tentera	10,000,000	0.42
20.	CIMB Group Nominees (Tempatan) Sdn. Bhd. *CIMB Commerce Trustee Berhad for Libra Strategic Opportunity Fund*	9,000,000	0.38
21.	HDM Nominees (Asing) Sdn. Bhd. *UOB Kay Hian Pte Ltd for Milton Robert Aaron*	8,499,727	0.36
22.	HSBC Nominees (Asing) Sdn. Bhd. *BBH and Co Boston for Smaller Companies Portfolio (GEMOFL)*	8,312,829	0.35
23.	Andrew Robert Littledale	7,219,174	0.30
24.	CIMSEC Nominees (Tempatan) Sdn. Bhd. *CIMB Bank for Shelina Binti Razaly Wahi (MH6755)*	5,433,300	0.23
25.	Malacca Equity Nominees (Tempatan) Sdn. Bhd. *Exempt An for Phillip Capital Management Sdn. Bhd.*	5,301,900	0.22
26.	Kenanga Nominees (Tempatan) Sdn. Bhd. *Libra Invest Berhad for ECM Libra Foundation (E00181)*	5,000,000	0.21
27.	HSBC Nominees (Asing) Sdn. Bhd. *Exempt An for JPMorgan Chase Bank, National Association (U.S.A.)*	4,967,300	0.21
28.	Malacca Equity Nominees (Tempatan) Sdn. Bhd. *Exempt An for Phillip Capital Management Sdn. Bhd. (EPF)*	4,967,000	0.21
29.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Employees Provident Fund Board (Am Inv)*	4,888,800	0.21
30.	Cartaban Nominees (Asing) Sdn. Bhd. *BBH (Lux) SCA for the Master Trust Bank of Japan, Ltd as Trustee of Muam ASEAN Stock Open*	4,682,800	0.20

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eighth Annual General Meeting of AirAsia X Berhad (734161-K) ("AAX" or "the Company") will be held at Asian Aviation Centre of Excellence (formerly known as AirAsia Academy), Lot PT25B, Jalan KLIA S5, Southern Support Zone, Kuala Lumpur International Airport, 64000 Sepang, Selangor Darul Ehsan, Malaysia on Thursday, 5 June 2014 at 10.00 a.m. for the following purposes:-

AS ORDINARY BUSINESS

1. To receive and consider the Audited Financial Statements together with the Reports of the Directors and Auditors thereon for the financial year ended 31 December 2013. **(Resolution 1)**

2. To approve Directors' Fees of RM239,535 for the financial year ended 31 December 2013. **(Resolution 2)**

3. To re-elect Tan Sri Dr. Anthony Francis Fernandes as a Director of the Company, who retires pursuant to Article 126 of the Company's Articles of Association. **(Resolution 3)**

4. To re-elect Datuk Kamarudin Bin Meranun as a Director of the Company, who retires pursuant to Article 126 of the Company's Articles of Association. **(Resolution 4)**

5. To re-elect Dato' Yusli Bin Mohamed Yusoff as a Director of the Company, who retires pursuant to Article 131 of the Company's Articles of Association. **(Resolution 5)**

6. To re-elect Mr. Asher Noor as a Director of the Company, who retires pursuant to Article 131 of the Company's Articles of Association. **(Resolution 6)**

7. To consider and if thought fit, pass the following resolution pursuant to Section 129 of the Companies Act, 1965:-

   "**THAT** Tan Sri Rafidah Aziz, retiring in accordance with Section 129 of the Companies Act, 1965, be and is hereby re-appointed as a Director of the Company to hold office until the next Annual General Meeting". **(Resolution 7)**

8. To consider and if thought fit, pass the following resolution pursuant to Section 129 of the Companies Act, 1965:-

   "**THAT** Tan Sri Asmat Bin Kamaludin, retiring in accordance with Section 129 of the Companies Act, 1965, be and is hereby re-appointed as a Director of the Company to hold office until the next Annual General Meeting". **(Resolution 8)**

9. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 9)**

AS SPECIAL BUSINESS

To consider and if thought fit, to pass, with or without modifications, the following Resolutions:

10. **ORDINARY RESOLUTION**
    AUTHORITY TO ALLOT SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

    "**THAT** pursuant to Section 132D of the Companies Act, 1965 and subject to the approval of relevant authorities, the Directors 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 as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital 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." **(Resolution 10)**

NOTICE OF ANNUAL GENERAL MEETING

11. **ORDINARY RESOLUTION**
PROPOSED SHAREHOLDERS' RATIFICATION OF RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

"**THAT** pursuant to Paragraph 10.09, Chapter 10 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the recurrent related party transactions of a revenue or trading nature and which are necessary for the day-to-day operations of the Company and/or its subsidiaries ("**Recurrent Related Party Transactions**") entered or to be entered into by the Company and/or its subsidiaries with related parties from 10 July 2013, being the date of listing of the Company until the date of the Eighth Annual General Meeting of the Company as set out in Appendix I of the Circular to Shareholders dated 14 May 2014 ("**the Circular**"), on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the non-interested shareholders of the Company, be and are hereby approved and ratified.

AND THAT all the action heretofore taken and the execution of all necessary documents by the Directors and/or any person(s) authorised by the Directors for and on behalf of the Company as they had considered expedient or deemed fit in the best interest of the Company, be and are hereby approved and ratified." **(Resolution 11)**

12. **ORDINARY RESOLUTION**
PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

"**THAT** approval be and is hereby given to 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 Appendix I of the Circular to Shareholders dated 14 May 2014 ("**the Circular**"), subject further to the following:

(i) the Recurrent Related Party Transactions are entered into in the ordinary course of business which are necessary for the day-to-day operations and are on terms which are not more favourable to the related parties than those generally available to the public, and the Recurrent Related Party Transactions are undertaken on arm's length basis and on normal commercial terms which are not to the detriment of the non-interested shareholders of the Company;

(ii) the disclosure is made in the annual report of the breakdown of the aggregated value of the Recurrent Related Party Transactions conducted pursuant to the shareholders' mandate during the financial year, amongst others, based on the following information:

(a) the type of Recurrent Related Party Transactions made; and

(b) the names of the related parties involved in each type of the Recurrent Related Party Transaction made and their relationship with the Company;

(iii) 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 Eighth AGM at which this shareholders' mandate is approved, at which time it will lapse, unless by a resolution passed at the next AGM, such authority is renewed;

(b) the expiration of the period within which the next AGM is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("**Act**") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(c) revoked or varied by resolution passed by the shareholders of the Company in a general meeting,

whichever is the earliest.

NOTICE OF ANNUAL GENERAL MEETING

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 as they consider necessary or expedient in the best interest of the Company, including executing all such documents as may be required or necessary and with full powers to assent to any modifications, variations and/or amendments as the Directors of the Company in their discretion deem fit and expedient to give effect to the Recurrent Related Party Transactions contemplated and/or authorised by this Ordinary Resolution.

AND THAT as the estimates given for the Recurrent Related Party Transactions specified in Appendix I 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 3.8 of the Circular." **(Resolution 12)**

OTHER ORDINARY BUSINESS

13. 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)
Company Secretary
Selangor Darul Ehsan
14 May 2014

Notes on Appointment of Proxy

a) Pursuant to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 and Article 44(1) of the Company's Articles of Association, only those Foreigners (as defined in the Articles) who hold shares up to the current prescribed foreign ownership limit of 45.0% of the total issued and paid-up capital, on a first-in-time basis based on the Record of Depositors to be used for the forthcoming Annual General Meeting, shall be entitled to vote. A proxy appointed by a Foreigner not entitled to vote, will similarly not be entitled to vote. Consequently, all such disenfranchised voting rights shall be automatically vested in the Chairman of the forthcoming Annual General Meeting.
b) A member must be registered in the Record of Depositors at 5.00 p.m. on 29 May 2014 ("General Meeting Record of Depositors") in order to attend and vote at the Meeting. A depositor shall not be regarded as a Member entitled to attend the Meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors. Any changes in the entries on the Record of Depositors after the abovementioned date and time shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
c) A member entitled to attend and vote is entitled to appoint a proxy (or in the case of a corporation, to appoint a representative), to attend and vote in his stead. There shall be no restriction as to the qualification of the proxy(ies).
d) The Proxy Form in the case of an individual shall be signed by the appointor or his attorney, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
e) Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
f) Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
g) The Proxy Form or other instruments of appointment shall not be treated as valid unless deposited at the Registered Office of the Company at B-13-15, Level 13, Menara Prima Tower B, Jalan PJU 1/39, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time set for holding the meeting. **Faxed copies of the duly executed form of proxy are not acceptable.**

Explanatory Notes:

a) Authority to allot shares pursuant to Section 132D of the Companies Act, 1965 (Resolution 10)

Ordinary Resolution 10 has been proposed for the purpose of obtaining the general mandate for issuance of shares by the Company under Section 132D of the Companies Act, 1965 (hereinafter referred to as the "General Mandate"). Ordinary Resolution 10, 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 or the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is earlier.

The General Mandate, if granted, will enable the Company to fulfill its obligations under the Company's Employees' Share Option Scheme in an expedient manner as well as provide 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).

b) Proposed shareholders' ratification of Recurrent Related Party Transactions of a revenue or trading nature (Resolution 11)

Ordinary Resolution 11, if passed, will ratify all Recurrent Related Party Transactions of a revenue or trading nature entered by the Company and/or its subsidiaries with the Related Parties as set out in Appendix I of the Circular to Shareholders dated 14 May 2014 from the listing of the Company on 10 July 2013 up to the date of the Eighth Annual General Meeting of the Company.

Please refer to the Circular to Shareholders dated 14 May 2014 for further information.

c) Proposed shareholders' mandate for Recurrent Related Party Transactions of a revenue or trading nature (Resolution 12)

Ordinary Resolution 12, 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 14 May 2014 for further information.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Directors standing for re-appointment at the Eighth Annual General Meeting of the Company

The Independent Non-Executive Directors who are standing for re-appointment at the Eighth Annual General Meeting are as follows:

a) Pursuant to Section 129 of the Companies Act, 1965:
   i) Tan Sri Rafidah Aziz; and
   ii) Tan Sri Asmat Bin Kamaludin.

The details of the above Directors standing for re-appointment are set out in the Profile of Directors in pages 26 to 27 of this Annual Report.

COMPANY DIRECTORY

MALAYSIA
KUALA LUMPUR
Lot PT16, Jalan KLIA S7
Southern Support Zone
KLIA, 64000 Sepang
Selangor Darul Ehsan
Malaysia

AUSTRALIA
GOLD COAST
Aviation Ground Handling
Level 1 Airport Central
1 Eastern Avenue, Bilinga
QLD 4225
Australia

MELBOURNE
Menzies Aviation PLC
P.O. Box 5027
International Terminal Melbourne Airport
Tullamarine, Victoria 3043
Australia

PERTH
AirAsia X (Perth)
Terminal 1
Horrie Miller Drive
Perth Airport, WA 6105
Australia

SYDNEY
TMF Corporate Services (Aust) Pty Ltd
Level 16
201 Elizabeth Street
Sydney NSW 2000
Australia

CHINA
BEIJING
AirAsia X Co., Ltd
Beijing Representative Office
Room 32092, Terminal 2
Beijing Capital International Airport
Beijing, China

CHENGDU
AirAsia X Co., Ltd
Chengdu Representative Office
318, International Departure
Chengdu Shuangliu International Airport
610202, Chengdu,
Sichuan Province, China

HANGZHOU
AirAsia X Co., Ltd
Hangzhou Representative Office
Room 2025A, International Terminal
Departure Level
Hangzhou Xiaoshan International Airport
Xiaoshan District, China

SHANGHAI
Pudong International Airport
T2 Terminal 2-B3-M11 Room
Shanghai, China

JAPAN
TOKYO
AirAsia X Berhad
S7KO, 2-6-5 Haneda Airport
Ota-ku, Tokyo,
144-0041, Japan

OSAKA
AirAsia X Berhad
Room 2906
Star Gate Hotel Kansai Airport
1 Rinkuorai Kita
Izumisano-shi, Osaka
598-8511 Japan

KINGDOM OF SAUDI ARABIA
JEDDAH
Mohammadiya Village Compound
Sultan Street
P.O.Box 126530
Jeddah 21352
Kingdom of Saudi Arabia

KOREA
INCHEON
Room 2042
Incheon International Airport Passenger
Terminal
2850 Woonseo Dong, Joong Gu
Incheon City
400-715 Korea

NEPAL
KATHAMANDU
AirAsia X Berhad
Room No-111,
Operation Building, Tribhuvan International
Airport,
Kathmandu, Nepal

Incentive Group of Companies
IGC Das Tower - 4th Floor
Lazimpat-2
Katmandu, Nepal

TAIWAN
TAIPEI
Room 2709A
Terminal 2,
Taiwan Taoyuan International Airport
33758, Taiwan

CALL CENTRE NUMBERS

AUSTRALIA
1300 760 330
Operating Hours: 24 Hours
Monday to Sunday

CHINA
00 86 20 2281 7666
Operating Hours: 8am - 9pm (GMT +8)
Monday to Sunday

JAPAN
0120963516
Operating Hours: 8am - 5pm (GMT +9)
Monday to Friday

KINGDOM OF SAUDI ARABIA
8008449458
Operating Hours: 8am - 6pm (GMT +3)
Saturday to Thursday

8008500001 (For guest using Zain as their telco service provider)
Operating Hours: 8am - 6pm (GMT +3)
Saturday to Thursday

MALAYSIA
600 85 8888 (AirAsia X Premium Line)
Operating Hours: 9am - 6pm (GMT +8)
Monday to Sunday

SINGAPORE
65 6307 7688 (AirAsia X Premium Line)
Operating Hours: 9am - 6pm (GMT +8)
Monday to Sunday

SOUTH KOREA
00798 1420 69940
Operating Hours: 8am - 5pm (GMT +9)
Monday to Friday

TAIWAN
008 0185 3031 (toll free)
Operating Hours: 8am - 9pm (GMT +8)
Monday to Sunday

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FORM OF PROXY

AIRASIA X BERHAD
(Company No.: 734161-K)
Incorporated in Malaysia

I/We ____ NRIC No./or Co. No.: ____________________
(FULL NAME IN BLOCK LETTERS) (COMPULSORY)

of ____ being a
(ADDRESS)

member of AIRASIA X BERHAD ("the Company") hereby appoint ________________________________
(FULL NAME IN BLOCK LETTERS)

NRIC No.: ______________________________ of ______________________________________
(COMPULSORY) (ADDRESS)

and/or ______________________________ NRIC No.: ______________________________ of
(FULL NAME IN BLOCK LETTERS) (COMPULSORY)

____

as my / our proxy(ies) to vote in my / our name and on my / our behalf at the Eighth Annual General Meeting of the Company to be held on Thursday, 5 June 2014 at 10.00 a.m. and at any adjournment of such meeting and to vote as indicated below:

RESOLUTION	DESCRIPTION	FOR	AGAINST
Ordinary No. 1	**Ordinary Business** Receive the Audited Financial Statements and Reports		
No. 2	Approval of Directors' Fees		
No. 3	Re-election of Tan Sri Dr. Anthony Francis Fernandes		
No. 4	Re-election of Datuk Kamarudin Bin Meranun		
No. 5	Re-election of Dato' Yusli Bin Mohamed Yusoff		
No. 6	Re-election of Mr. Asher Noor		
No. 7	Re-appointment of Tan Sri Rafidah Aziz		
No. 8	Re-appointment of Tan Sri Asmat Bin Kamaludin		
No. 9	Re-appointment of Auditors		
No. 10	**Special Business** Authority to allot shares pursuant to Section 132D of the Companies Act, 1965		
No. 11	Proposed Shareholders' Ratification of Recurrent Related Party Transactions of a Revenue or Trading Nature		
No. 12	Proposed 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)

No. of shares held:	
CDS Account No.:	
The proportion of my/our holding to be represented by my/our proxies are as follows:	First Proxy : ________% Second Proxy : ________%
Date:	

____
Signature of Shareholder/Common Seal

Notes to Form of Proxy

a. Pursuant to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 and Article 44(1) of the Company's Articles of Association, only those Foreigners (as defined in the Articles) who hold shares up to the current prescribed foreign ownership limit of 45.0% of the total issued and paid-up capital, on a first-in-time basis based on the Record of Depositors to be used for the forthcoming Annual General Meeting, shall be entitled to vote. A proxy appointed by a Foreigner not entitled to vote, will similarly not be entitled to vote. Consequently, all such disenfranchised voting rights shall be automatically vested in the Chairman of the forthcoming Annual General Meeting.

b. A member must be registered in the Record of Depositors at 5.00 p.m. on 29 May 2014 ("General Meeting Record of Depositors") in order to attend and vote at the Meeting. A depositor shall not be regarded as a Member entitled to attend the Meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors. Any changes in the entries on the Record of Depositors after the abovementioned date and time shall be disregarded in determining the rights of any person to attend and vote at the Meeting.

c. A member entitled to attend and vote is entitled to appoint a proxy (or in the case of a corporation, to appoint a representative), to attend and vote in his stead. There shall be no restriction as to the qualification of the proxy(ies).

d. The Proxy Form in the case of an individual shall be signed by the appointor or his attorney, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.

e. Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.

f. Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

g. The Proxy Form or other instruments of appointment shall not be treated as valid unless deposited at the Registered Office of the Company at B-13-15, Level 13, Menara Prima Tower B, Jalan PJU 1/39, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time set for holding the meeting. **Faxed copies of the duly executed form of proxy are not acceptable.**

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stamp

COMPANY SECRETARY

AirAsia X Berhad (Company No. 734161-K)
B-13-15, Level 13
Menara Prima Tower B
Jalan PJU 1/39, Dataran Prima
47301 Petaling Jaya
Selangor Darul Ehsan

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FAMOUS FOR
FUN
Gold Coast
Famous for fun
AirAsia X Berhad (734161-K)
Lot PT16, Jalan KLIA S7, Southern Support Zone, KLIA, 64000 Sepang,
Selangor Darul Ehsan, Malaysia.
T +603 8660 4600 F +603 8660 4777
W www.airasia.com