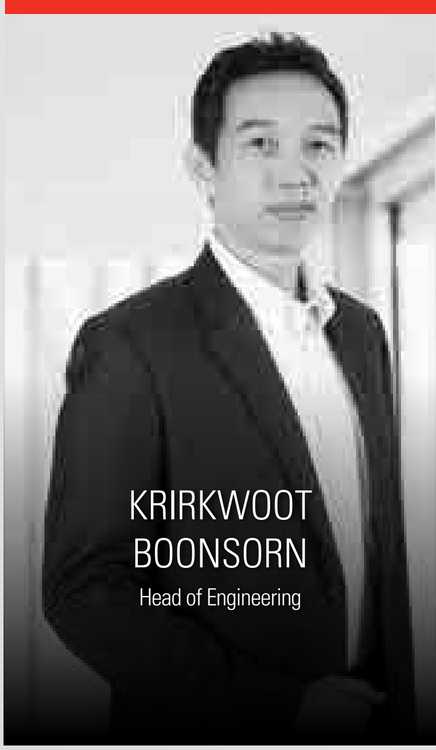
PHAIRAT PORNPATHANANANGOON
Chief Financial Officer

NADDA BURANASIRI
Chief Executive Officer

PITTINUN INTARASAK
Head of Flight Operations

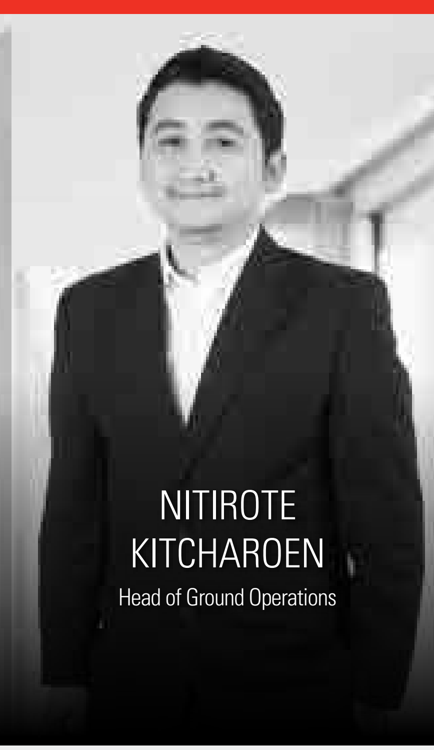
THAILAND
SENIOR MANAGEMENT



KRIRKWOOT BOONSORN
Head of Engineering

SARIT TANTRAPORN
Head of Business Development

NIRUTH SRIPAWATAKUL
Head of Commercial



NITIROTE KITCHAROEN
Head of Ground Operations

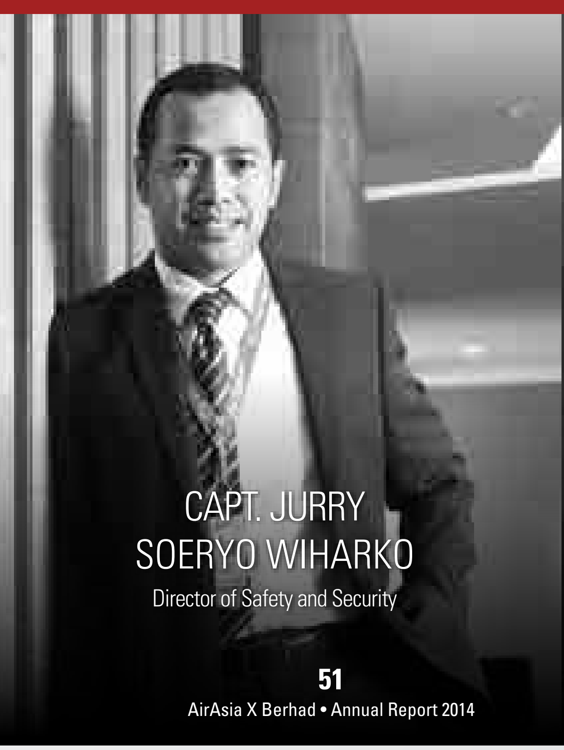
DENDY KURNIAWAN
Chief Executive Officer

CAPT. WIDHI SETYO DARWANTO
Director of Flight Operations

INDONESIA

SENIOR MANAGEMENT

HERU SUSILO
Director of Engineering and Maintenance



CAPT. JURRY SOERYO WIHARKO
Director of Safety and Security

LIZA NUR AZIZAH
Head of Legal

S & T METAFORA SDN BHD
No. 11-1, 1st Floor, Jalan Putra Mahkota 7/5B,
Putra Point Business Centre, Putra Heights,
47650 Subang Jaya, Selangor.

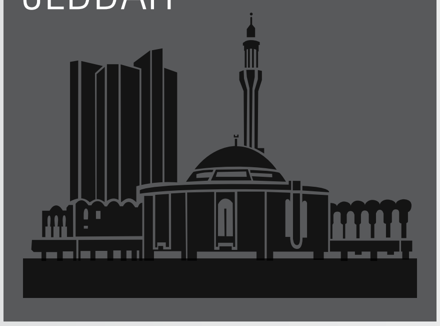
H/P: +6017-337 9977 / +6019-668 3422

MALAYSIA
CHINA
SOUTH KOREA
JAPAN
TAIWAN
AUSTRALIA
NEPAL
SRI LANKA
SAUDI ARABIA

KUALA LUMPUR

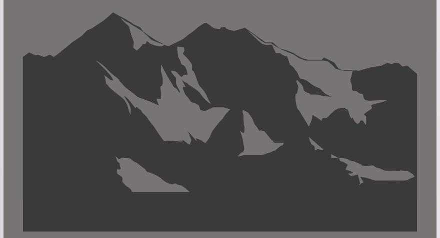
LEADERS

JEDDAH



COLOMBO

KATHMANDU



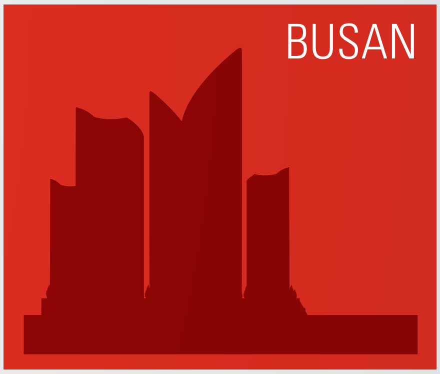
SYDNEY

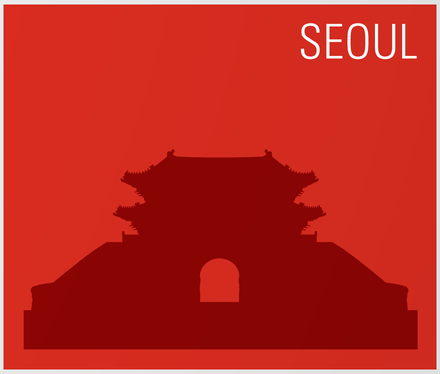
PERTH

MELBOURNE

OF THE PACK

The Station Heads





HANGZHOU, CHINA

Kitty Dong
Date Joined: September 2011

XI'AN, CHINA

Michael Liu
Date Joined: October 2012

BEIJING, CHINA

Bernard Cui
Date Joined: September 2012

CHENGDU, CHINA

Totti Deng
Date Joined: September 2009

SHANGHAI, CHINA

Yu Qi Dean
Date Joined: February 2013

CHONGQING, CHINA

Jennifer Luo
Date Joined: March 2012

SEOUL, SOUTH KOREA

Spenser Lee
Date Joined: August 2010

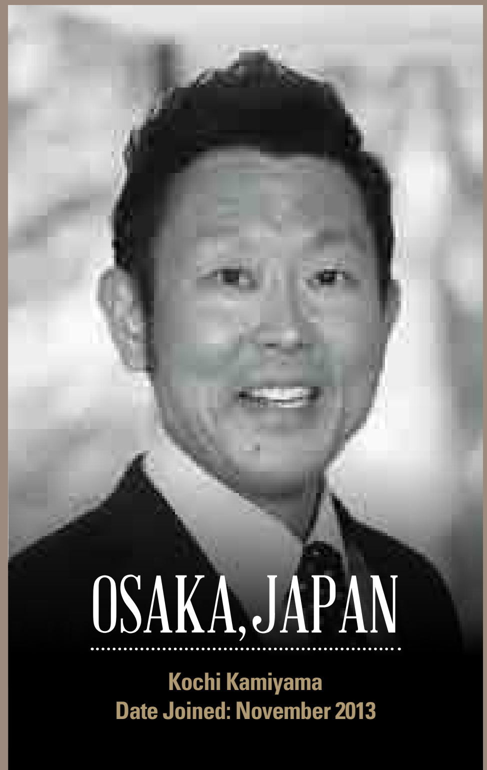
ENSURING THE SMO

BUSAN, SOUTH KOREA

Sangyul Jung
Date Joined: October 2010

KATHMANDU, NEPAL

Apar Bhushan Yadav
Date Joined: July 2010



OSAKA, JAPAN
Kochi Kamiyama
Date Joined: November 2013

TOKYO, JAPAN
Tadaharu Terashima
Date Joined: April 2014

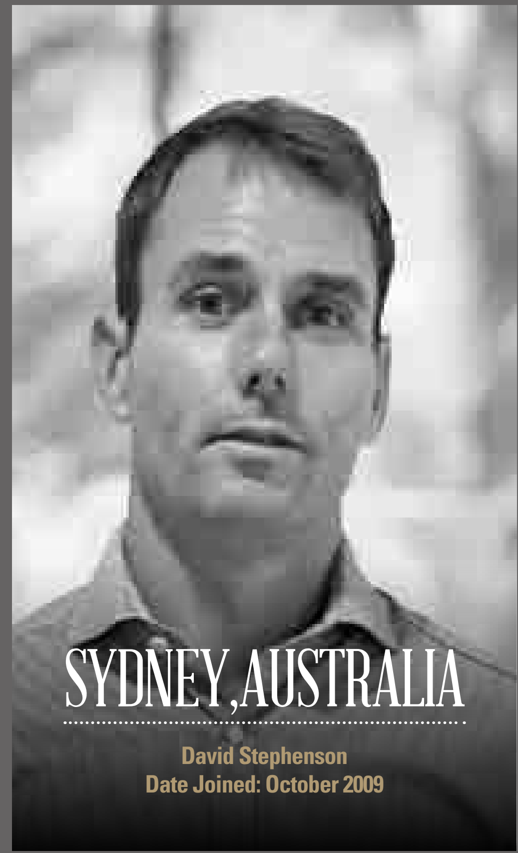
OTH flow

OF AIRPORT OPERATIONS

TAIPEI, TAIWAN
Joseph Tsai
Date Joined: June 2009

COLOMBO, SRI LANKA
Jude Nishantha
Date Joined: June 2014

PERTH, AUSTRALIA
Steve McQueen
Date Joined: December 2008



SYDNEY, AUSTRALIA
David Stephenson
Date Joined: October 2009

GOLDCOAST, AUSTRALIA
Logan Howe
Date Joined: April 2012

MELBOURNE, AUSTRALIA
Samantha Fitzgerald
Date Joined: June 2012

JEDDAH, SAUDI ARABIA
Fahad Bobsait
Date Joined: April 2014

KUALA LUMPUR, MALAYSIA
Alif Soon
Date Joined: June 2004

STATION HEADS

HANGZHOU, CHINA

Kitty Dong
Date Joined: September 2011

This energetic, friendly and fantastic organisation has provided many opportunities for me to excel in my career path. Along the way, there have been many moments I will never forget. However, the one which stands out the most was QZ8501. The tragic incident has strengthened the team more than ever.

Every day, we strive to provide the best customer service to ensure continuous support for AirAsia X. The little compliments we receive every now and then make me extremely happy. It gives me great satisfaction knowing that we provide our guests with pleasant yet affordable flying experiences.

XI'AN, CHINA

Michael Liu
Date Joined: October 2012

I enjoy every moment at work with the AirAsia X team. The bond we have is something I am very proud of, to the extent that I would call them family. The spirit and culture of the Company is very much instilled in us. We help, care and encourage each other in our everyday encounters with guests. I love this family! I love AirAsia X!

CHENGDU, CHINA

Totti Deng
Date Joined: September 2009

I guess you could say I was a pioneer team member of AirAsia X in China. Even before the opening of the Chengdu station, I was already a part of the set up team working on the negotiations with authorities and relevant parties. We worked day and night and it was indeed tough, however it all became worthwhile during the first inaugural flight. Witnessing the exciting take-off from Kuala Lumpur and safe landing in Chengdu was a very rewarding feeling I will never forget.

BEIJING, CHINA

Bernard Cui
Date Joined: September 2012

I feel extremely proud to have witnessed AirAsia X during its rapid growth period in its Chinese markets. I joined the Company in 2012, and in less than three years its capacity in China doubled. Throughout my journey here, I was privileged enough to have participated in the set-up of both Xi'an and Chongqing stations. Now every time a passenger lands in either station, I feel like I share a small part of their travel experience.

SHANGHAI, CHINA

Yu Qi Dean
Date Joined: February 2013

In AirAsia X, we get amazing opportunities to participate in various events organised in very diverse countries. The ability to travel to these unique places has opened my eyes to the world. I remember when I first attended the AirAsia X annual party in 2013, I was thrilled to finally meet my fellow colleagues in person. We were so used to communicating via e-mail thousands of miles away, but we instantaneously connected and had a great time celebrating the anniversary of our beloved Company together.

CHONGQING, CHINA

Jennifer Luo
Date Joined: March 2012

I recall this incident involving a Chinese family of three comprising a son (70 years old) and his two parents (aged 92 years and 91 years old). They landed at our Chongqing airport but were denied entry at Immigration due to incomplete documentation. The father was so devastated when he found out they had to return on the flight back to Kuala Lumpur immediately as this could be his last chance to visit China. We tried our best and managed to sort out the matter. His family was so appreciative and moved. I very clearly remember the image of the father's eyes full of tears of joy. It is satisfactory moments like these which motivate me to continue serving our guests to the best of my ability.

SEOUL, SOUTH KOREA

Spenser Lee
Date Joined: August 2010

My team and I had to work around the clock in preparation for the inaugural flight from Kuala Lumpur to Incheon Airport. But what a sense of achievement it was, witnessing the A330 full of guests landing right here in Seoul. Amongst them were Datuk Kamaruddin (Group CEO), Azran Osman-Rani (former CEO) and Moses D, (Senior Director). They were warmly welcomed by Mr. H.J.Lee (Vice CEO of Incheon Airport) and Mr. S.S.Baek (CEO of SHARP Ground Handlers). The whole event was a very fulfilling experience.

BUSAN, SOUTH KOREA

Sangyul Jung
Date Joined: October 2010

I started my career with AirAsia X back in 2010 in Incheon Airport, Seoul. two years later, AirAsia X embarked on its next South Korean destination, Busan. I was then given the golden opportunity to lead the team in Busan as Station Manager. The decision was not very easy, as I had mixed feelings about leaving my team back in Seoul as we were very tight. However, I am thankful to AirAsia X for blessing me with that opportunity and I am glad to say that the adventure in Busan has been nothing short of exciting.

KATHMANDU, NEPAL

Apar Bhushan Yadav
Date Joined: July 2010

I truly enjoy working in AirAsia X. The brightest highlight for me was when Kathmandu was recognised as the "Best On Time Performance Station" in 2014. Receiving the award from our Acting CEO, Benyamin Bin Ismail was definitely a memory to cherish.

OSAKA, JAPAN

Kochi Kamiyama
Date Joined: November 2013

I was overjoyed when AirAsia X first started flying to Osaka, and even more thrilled at the start of Thai AirAsia X. I can't wait to see more flights operating into this city and more AirAsia X aircraft in the sky!

TOKYO, JAPAN

Tadaharu Terashima
Date Joined: April 2014

I am always proud to welcome passengers to the bustling and vibrant city of Tokyo. We always do our utmost to ensure that guests receive the best service and the ultimate AirAsia experience whenever they arrive and depart Tokyo.

TAIPEI, TAIWAN

Joseph Tsai
Date Joined: June 2009

Smooth operation comes down to teamwork and I am proud to have an excellent team. We work harmoniously, grow as a family and share our experiences. One of our most treasured moments was when Taipei received the "Best Station Award" in 2014 within the AirAsia X network. The team and I were overwhelmed with happiness knowing that our efforts were acknowledged. I believe that even more amazing moments await us in the future and I know that we can make it happen. Let's continue to dream big and conquer the skies!

COLOMBO, SRI LANKA

Jude Nishantha
Date Joined: June 2014

A truly unforgettable time was when we had to simultaneously establish stations in Colombo and Male. Hard work for endless days and sleepless nights to ensure seamless operations in both stations paid off, and I was extremely thrilled when we finally launched both destinations. Unfortunately, Male was suspended but Colombo still holds strong!

PERTH, AUSTRALIA

Steve McQueen
Date Joined: December 2008

The infamous charity flight from Perth to Kuala Lumpur in May 2013 was by far the most unforgettable and frantic 24 hours. Working tirelessly with airport authorities to ensure that the event ran smoothly was worth every second to witness Sir Richard Branson emerge from the waiting room dressed in a female flight attendant's uniform complete with red lipstick and heels and knowing proceeds from the flight would be donated to the Starlight Children's Foundation. It was a huge challenge for all involved, but it definitely was a lot of fun!

SYDNEY, AUSTRALIA

David Stephenson
Date Joined: October 2009

It was with AirAsia X that I found my love. I was dressed as a Korean referee for the AAX Annual Dinner in Kuala Lumpur back in 2010. There was a young English girl in the crowd and it was at that moment, I knew she was going to be my wife. If I hadn't taken a chance, I would have never met her. Thank you AirAsia X and thank you for taking chances!

GOLD COAST, AUSTRALIA

Logan Howe
Date Joined: April 2012

Every day is a memorable day at AirAsia X. It is an extremely rewarding feeling to assist our guests and see the excitement on their faces, especially first-time travellers and families who are able to travel thanks to the low fares we offer. I love the brand and the values we stand for. I am truly proud to be an Allstar and part of the AirAsia family.

MELBOURNE, AUSTRALIA

Samantha Fitzgerald
Date Joined: June 2012

There is never a dull moment working in AirAsia X. You need to think on your feet, act quickly and manage those unexpected curve balls that are thrown at you. We are always encouraged to come up with fresh innovative ideas and alternative processes in order to be cost savvy whilst still maintaining the best value and standards. 2014 has been an incredibly busy year for Melbourne, especially during our preparation for the launch of Indonesia AirAsia X flights from Denpasar, Bali.

Being able to witness our guests travel and some even on their very first overseas holiday, is extremely rewarding. AirAsia X provides the experience of flight to those who would otherwise be unable to. AirAsia X is unique. We are the pioneers and leaders of the low-cost long-haul model and despite having critics say it could not be done, here we are today. I am extremely proud to be a part of the Company. Despite any adversity, we will continue to succeed!

JEDDAH, SAUDI ARABIA

Fahad Bobsait
Date Joined: April 2014

Having joined only in April 2014, I am still a fairly new member of the AirAsia X family. Despite the short experience thus far, I have thoroughly enjoyed my time here. Assisting pilgrims for Hajj season was an exciting time for me as it was a pleasure lending a helping hand to those who required assistance. Fellow colleagues who were posted in Jeddah for charter projects or secondment were great, and we formed strong friendships during their time here. I truly enjoy the culture at AirAsia X, and also the career growth opportunities the staff are given!

KUALA LUMPUR, MALAYSIA

Alif Soon
Date Joined: June 2004

I have been with the AirAsia Group for over a decade and to be recognised for my service thus far at the 10 Years Service Award was truly an amazing and gratifying feeling. It is incredible to think back at how I began my career in AirAsia as a Guest Service Assistant and my journey to becoming the Kuala Lumpur Station Manager and AirAsia X Head of Ground Operations.

TONNES CARGO SERVICES SDN BHD
Gst No 001001062400
No. 12-1, 1St Floor, Jalan Putra Mahkota 7/5B,
Putra Points Business Centre, Putra Heights,
47650 Subang Jaya, Selangor.

Tel: +603-5191 7833 / +603-5191 7844
Fax: +603-5103 2533

SAFETY


...is our Topmost Priority

In our quest to maintain the highest standards of safety, we are constantly improving our systems and procedures and adopting the latest best practices. No detail is too small for our safety scrutiny; and every Allstar is trained to be 100% safety conscious. Our focus on safety has led us to be certified by one of the most stringent global safety authorities. Nothing is more important to us than to keep you and your loved ones safe, all the time.

26

A330 - 300s

ACROSS AAX GROUP

*As at 30th April 2015

712
F 22

CHAIRMAN'S STATEMENT

"THE CURRENT BOARD REMAINS COMMITTED TO AIRASIA X AND WILL CONTINUE TO ASSUME AN ACTIVE ROLE IN ALL MAJOR DECISIONS TAKEN AS WELL AS THE COMPANY'S STRATEGIC DIRECTION."

TAN SRI RAFIDAH AZIZ

CHAIRMAN

WITH NEW MANAGEMENT IN PLACE, THERE ARE SOME VERY FOCUSED INITIATIVES TO FURTHER STRENGTHEN THE FUNDAMENTALS OF THIS AIRLINE WHICH WILL ENSURE OUR LONG-TERM FINANCIAL VIABILITY.

Assalamualaikum Warahmatullahi Wabarakatuh,

The year 2014 was one of the most challenging for the global aviation industry and certainly in Malaysia's history, with three unfortunate incidents involving Malaysian owned or linked carriers. Although customer confidence picked up following the first incident, in March, the rebound was short-lived as the second incident in July served to cause a dip in air travel again. This time, reduced passenger loads were observed until the final quarter of the year.

In response to a markedly lower volume of air travellers, airlines in the region have been competing more aggressively for the smaller pool of passengers, pushing down prices and affecting margins industry-wide.

Despite the challenging operating environment, the Group's revenue increased by 27% to RM2.9 billion from RM2.3 billion in 2013. However, due to high fuel costs and foreign exchange losses from a depreciating Ringgit, we made a loss after tax of RM519.4 million.

AirAsia X continued to forge ahead with our regional expansion plans. In this regard, I am very pleased to share that the year marked two significant milestones, namely the launch of our Thailand and Indonesian affiliates. Thai AirAsia X (TAAX) was officially launched on 22 April and its maiden flight took off from Don Mueang International Airport to Incheon, South Korea on 17 June. PT Indonesia AirAsia Extra (IAAX) obtained its Air Operator's Certificate (AOC) on 28 August 2014.

Both operations mark the beginning of our strategic multi-hub plan, which we expect to increase passenger traffic across not only the AirAsia X Group but also within the larger AirAsia Group, with which we will be working closely to derive greater synergies. TAAX has commenced on a positive note and we are confident that IAAX, which is the first long-haul low-cost carrier in Indonesia, will similarly begin to register healthy returns.

Another highlight of the year was the move to the brand new klia2, which is bigger and therefore more spacious than our previous home in the Low-Cost Carrier Terminal (LCCT). This new airport allows us to expand our passenger base by building our Fly-Thru business together with AirAsia to ensure Kuala Lumpur remains the main transit hub for low-cost carriers in Asia.

With the enhanced facilities we are able to provide our passengers at klia2, I am sure that AirAsia X will continue to be passengers' airline of choice. I am pleased to share that in 2014, we were recognised for the second consecutive year as the World's Best Low-Cost Airline for Premium Class Seats and Premium Cabin by Skytrax; and were named the Best Airline in the *Expatriate Lifestyle's* The Best of Malaysia Awards.

BOARD CHANGES AND APPRECIATION

There have been some changes on the Board and among our major shareholders too. During the year, we bade farewell to Mr Kiyoshi Fushitani and Mr Asher Noor. Mr Fushitani had been appointed to the Board in November 2012 while Mr Asher started off as an Alternate Director in October 2010 and became a Director in December 2013. On behalf of the Board, I would like to thank them for their contributions and wish them the best in their future undertakings. Meanwhile, the current Board remains committed to AirAsia X and will continue to assume an active role in all major decisions taken as well as the Company's strategic direction.

On behalf of the Board, I would like to take this opportunity to thank our valued shareholders for your continued support, especially during this period of uncertainty. I would like to assure you that, with a new management in place, there are some very focused initiatives to further strengthen the fundamentals of this airline which will ensure our long-term financial viability. We have already hedged a significant volume of our jet fuel for the year 2015 at an attractive price, launched rights issue to strengthen our cash position, and we have also embarked on more strategic capacity management to increase yields. With this, we stand in a better position to build a momentum of growth for the benefit of the Company, our shareholders and all other stakeholders.

Thank you for your support and loyalty.

GROUP CEO'S STATEMENT

HAVING CHOSEN TO GO DOWN THE PATH LESS TRAVELLED, CHALLENGES ARE PART AND PARCEL OF OUR JOURNEY AND SERVE ONLY TO FURTHER STRENGTHEN OUR RESOLVE TO PUT OUR HEADS TOGETHER, FINE-TUNE OUR STRATEGIES AND ACCELERATE OUR MOMENTUM OF GROWTH.

It gives me great pleasure to present my first statement as Group CEO of AirAsia X, a position to which I was appointed on 30 January 2015. The position itself is a first for the Company, and is the result of the airline realising a long-held vision to establish a network of hubs across the region. During the financial year 2014, two new hubs were launched: Thailand followed by Indonesia.

The regional network emulates a model pioneered by AirAsia X's older "sibling", AirAsia, which also branched out first into Thailand, then Indonesia followed by the Philippines and, now, India. There are, in fact, many parallels between AirAsia X and AirAsia, which are not surprising given that this airline was born to do in the medium to long-haul sector what AirAsia was, and still is, doing in the short-haul space.

Having been part of AirAsia's growth with Tony from the very beginning, I now look forward to replicating the same story of success at our sister organisation. The going was never easy for us at AirAsia, just as it has not been for AirAsia X. But with the benefit of our experience and the many lessons learnt we plan to refresh the entire business model and strategies of the AirAsia X Group – comprising Malaysia AirAsia X (MAAX), Thai AirAsia X (TAAX) and PT Indonesia AirAsia Extra (IAAX) – to take it to greater heights.

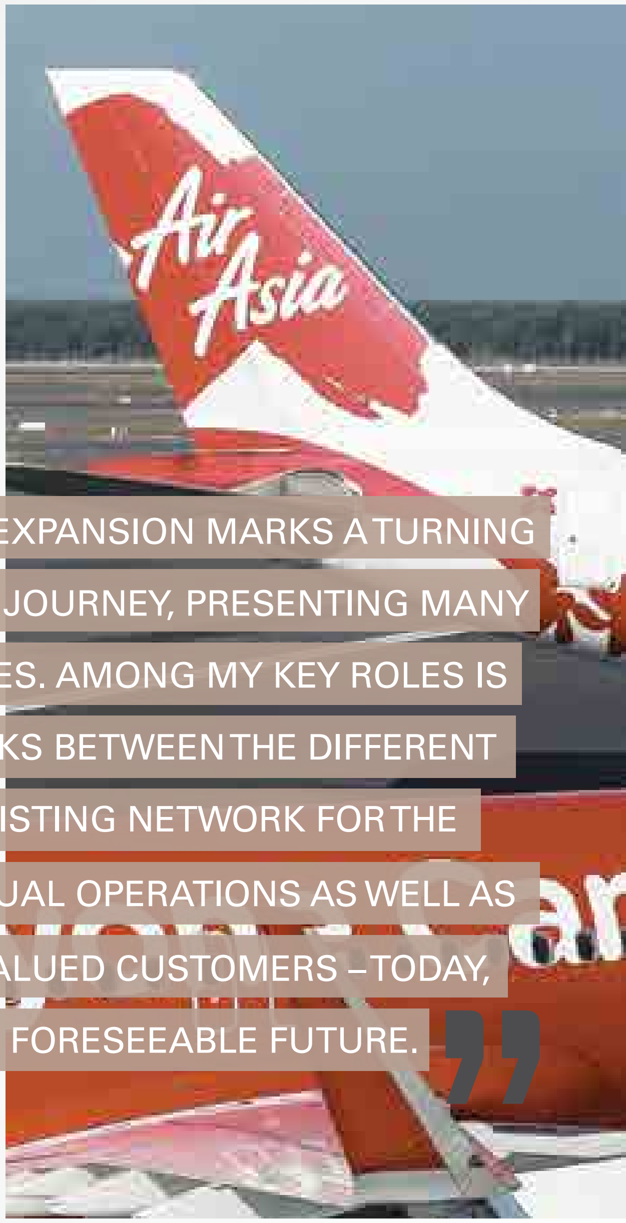
The airline has pioneered innovative services that have added to passenger comfort and convenience, leading to international awards such as being named by Skytrax as the World's Best Low-Cost Airline for Premium Class Seats and Premium Cabin two years in a row. As a result of conscientious efforts to keep costs low, it has also achieved the distinction of being the lowest unit cost per available seat kilometre (CASK) airline in the world at US3.94 cents, which is 50% lower than the 10 largest full-service carriers in Asia-Pacific.

> "AIRASIA X'S REGIONAL EXPANSION MARKS A TURNING POINT IN OUR ONWARD JOURNEY, PRESENTING MANY EXCITING OPPORTUNITIES. AMONG MY KEY ROLES IS TO CREATE STRONG LINKS BETWEEN THE DIFFERENT ENTITIES WITHIN THE EXISTING NETWORK FOR THE BENEFIT OF THE INDIVIDUAL OPERATIONS AS WELL AS THE GROUP AND OUR VALUED CUSTOMERS – TODAY, TOMORROW AND IN THE FORESEEABLE FUTURE."

During the year, the Group achieved a healthy load factor of above 80%. As at 30 April 2015, our 26 Airbus A330-300 aircraft was serving 25 routes with 19 destinations in 11 countries.

In other words, the fundamentals are already there. We have a great team of 2,903 Allstars working in a great environment. All that needs to be done now is to build on these in a strategic manner.

Towards this end, I will be working closing with the heads of all our national AirAsia X operations – Benyamin Bin Ismail, the Acting Chief Executive Officer (CEO) of MAAX; Nadda Buranasiri, CEO of TAAX; and IAAX's CEO, Dendy Kurniawan – to be able to leverage on each operation's strengths and derive maximum benefits from economies of scale where applicable.



AirAsia X's regional expansion marks a turning point in our onward journey, presenting many exciting opportunities. Among my key roles is to create strong links between the different entities within the existing network for the benefit of the individual operations as well as the Group and our valued customers – today, tomorrow and in the foreseeable future.

BUSINESS OVERVIEW

As a result of geopolitical events in the region – inclusive of the elections in Indonesia; territorial disputes between China and its neighbours; and the military coup in Thailand – as well as the three airline incidents involving Malaysian Airlines System and Indonesia AirAsia, it has been perhaps the worst year in aviation history for Malaysia and the

DATUK KAMARUDIN BIN MERANUN

GROUP CHIEF EXECUTIVE OFFICER

ADDING TO AN ALREADY SEVERELY TESTED INDUSTRY, THE RINGGIT'S WEAKENING AGAINST THE US DOLLAR BY A SIGNIFICANT 6% DURING THE FINANCIAL REPORTING PERIOD CREATED ANOTHER PRESSURE POINT FOR AIRASIA X, AS ABOUT 60% OF OUR COSTS ARE IN THIS MAJOR CURRENCY.

region. It cannot be denied that the airline disasters were so emotionally devastating, they shook us at the core, making us re-evaluate all our processes and procedures, especially those related to flight and passenger safety.

Adding to an already severely tested industry, the Ringgit's weakening against the US Dollar by a significant 6% during the financial reporting period created another pressure point for AirAsia X, as about 60% of our costs are in this major currency.

Being no newcomer to adversity, I'm proud to say that within the tough environment, AirAsia X continued to leverage on our key strengths – namely our spirit of innovation and the ability to think out of the box – to outline a journey forward that will further differentiate ourselves from our peers. Having chosen to go down the path less travelled, challenges are part and parcel of our journey and serve only to further strengthen our resolve to put our heads together, fine-tune our strategies, and accelerate our momentum of growth.

A much welcomed respite in our process of consolidation and recovery has been falling Brent Crude Oil prices, which even dipped below USD50 per barrel in January 2015 for the first time in six years. Given that fuel makes up about 50% of our total costs, this development will greatly enhance our efforts to achieve financial stability and sustainability.

Malaysia AirAsia X (MAAX)

Malaysia AirAsia X (MAAX) began the year well, reaching peak capacity growth, as measured by available seat kilometre (ASK), of 60% year-on-year in the first quarter. Subsequently, however, demand relative to all the new capacity added began to slow down as a result of a softer travel market, and especially in the number of tourist arrivals into the country.

This led to a quick revision in strategy by the leadership which essentially looked at optimum capacity management and initiatives to raise cash to bolster the Company's financial position.

MAAX deferred the delivery of aircraft that had been ordered so that for the whole year, inclusive of deliveries in the first quarter, the airline's ASK grew by only 31%. MAAX also entered into wet lease and charter agreements that will see excess capacity be redeployed elsewhere during lean periods. These arrangements have proven their worth, contributing to a total of 6% of MAAX's total revenue for the year.

To further enhance our balance sheet, MAAX executed the sale-and-leaseback of two finance lease aircraft while also initiating cost-effective engine-related transactions.

Thailand AirAsia X (TAAX)

I'm particularly pleased with the performance of Thai AirAsia X (TAAX). It made its debut as our first regional hub on 22 April 2014 in the midst of political instability in the country. Two months and a military coup later, its inaugural flight took off from Don Mueang International Airport in Thailand to Incheon in South Korea, with a full load. In the following three months, it continued to consistently fill its aircraft achieving an impressive average passenger load factor of 88%. Though having operated less than a year, it managed to achieve its first ever profit of Baht 20 million in December 2014.

PT Indonesia AirAsia Extra (IAAX)

Following the award of its Air Operator's Certificate (AOC) in August 2014, PT Indonesia AirAsia Extra (IAAX) faced a series of administrative setbacks which caused a delay in its inaugural flight. Its first ever commercial flight took off on 19 January 2015 from Bali to Taipei. This was followed by the eagerly awaited Bali to Melbourne flight on 18 March 2015, upon relevant approvals from Australia's Civil Aviation Safety Authority.

OUTLOOK

Although AirAsia X was not spared the challenging aviation environment in 2014, we believe that with strategic capacity management and route alignment, along with dedicated efforts to increase our operational efficiencies, we have what it takes to drive the company forward.

Much focus will be directed on our two newly established regional associates, which present vast potential for business growth, as we chart new routes to cater to demand. TAAX achieved its first profit in December 2014 and we hope to see further increases in its bottom line. While it is too soon to make a statement on IAAX, we can reasonably expect our Indonesian associate to follow in the footsteps of its Thai counterpart.

Other than contribute to AirAsia X's balance sheet, TAAX and IAAX will serve as new focal points of growth for the AirAsia X brand and strengthen our position in each market we serve as, now, customers have multiple direct flight options to choose from. Adding to that, connectivity presented by the AirAsia Group's short-haul flights opens a whole new vista of travel options for the more than 630 million people in the Asean region.

At MAAX, meanwhile, our main concern will be to continue with the route rationalisation programme we embarked on in 2014 to increase yields. At the same time, we will intensify all efforts to create greater operational efficiencies – enhancing internal processes as well as deriving synergies from the AirAsia Group – to further improve our customer delivery and keep our costs down. As always, we will drive a greater take-up of ancillary products and service offerings, and have high hopes of two new introductions in particular catching on strongly. These are the new BIG prepaid MasterCard which, as a loyalty/payment hybrid card, will promote greater spend not only on the ground but also on the in-flight Duty Free mall which is set to get bigger and more exciting.

We have not wavered in our belief that Asia is ripe for a low-cost long-haul carrier. Now that AirAsia X is establishing hubs across the region, we are better positioned to supply the latent demand that exists. Our ultimate aim is to connect Asian cities with only one transit stop within our unique multi-hub network. With a new and invigorated management team, and associate companies that will feed into our growing network, we feel confident that AirAsia X is entering a new and very exciting phase that will eventually lead to the realisation of our vision… God willing.

Two developments early in 2015 stand us in better stead to embark on our expansion plans. Firstly, as announced in our 4Q2014 results, we intend to undertake a rights issue of close to RM400 million to reduce our short-term debts and raise the capital needed for our envisaged growth. Secondly, we have just passed one of the most stringent international audits on airline operational management and control systems. As of 16 April 2015, we are officially IATA Operational Safety Audit (IOSA) certified, which is an incredible boost to our brand and speaks volumes of our safety standards. With this certification – which is recognised by the US Federal Aviation Authority (FAA), Australia's Civil Aviation Safety Authority, Transport Canada and Europe's Joint Aviation Authority – we are well poised to explore destinations in the United States and Europe, as had been originally intended.

I would like to take this opportunity to thank all our stakeholders – including our partners, the regulatory authorities and shareholders – for your continued support. To our guests, rest assured that your interests – and especially your safety – lie foremost in our minds. And to all our 2,903 Allstars in Malaysia, Thailand and Indonesia, keep up the excellent work. We've come quite some distance in our eight years of existence, but like our flight operations, we're in this together for the long haul!

ACTING CEO'S STATEMENT

"LET ME BEGIN BY SAYING THAT I AM HUMBLED TO BE GIVEN THIS OPPORTUNITY TO LEAD AIRASIA X, THE FIRST AND LARGEST LONG-HAUL LOW-COST CARRIER (LHLCC) IN THE REGION, PROVIDING OPPORTUNITIES TO MORE THAN 630 MILLION PEOPLE IN ASEAN TO FLY AS FAR NORTH AS BEIJING IN CHINA, AS FAR WEST AS JEDDAH IN SAUDI ARABIA, AND AS FAR SOUTH AS AUSTRALIA'S GOLD COAST."

BENYAMIN BIN ISMAIL

ACTING CHIEF EXECUTIVE OFFICER

THE YEAR ALSO SAW THE ESTABLISHMENT OF OUR TWO NEW REGIONAL ASSOCIATES - THAI AIRASIA X (TAAX) AND INDONESIA AIRASIA EXTRA (IAAX) - BOTH OF WHICH ADD SIGNIFICANTLY TO THE CONNECTIVITY THAT WE ARE ABLE TO OFFER OUR GUESTS, AS WELL AS GUESTS OF THE WIDER AIRASIA GROUP.

Let me begin by saying that I am humbled to be given this opportunity to lead AirAsia X, the first and largest long-haul low-cost carrier (LHLCC) in the region, providing opportunities to more than 630 million people in Asean to fly as far north as Beijing in China, as far west as Jeddah in Saudi Arabia, and as far south as Australia's Gold Coast. As a boy, I was fascinated by aircraft and collected over 400 die cast models (I still do!), spending weekends plane-spotting from airport windows… Never in my wildest dreams did I imagine that one day I would be the CEO of an airline.

The honour is all the greater as it comes on the heels of AirAsia X having emerged from one of the most challenging years in Malaysian aviation history, hence being entrusted to build on the strengths of this LHLCC that has gone where no others in the region have been before, creating new connections between people and places in ways that were never thought possible.

This year, the regional aviation industry was faced with a series of unforeseen setbacks - three airline incidents, a military coup in Thailand, presidential elections in Indonesia and tightening credit in China, supplier of the largest number of tourists within Asean and North Asia. Compounding the situation, significant capacity investments in recent years, both by legacy as well as low-cost airlines across the region, finally came to a head – with too much supply which was not matched by demand. The entire industry was affected. But for the team at AirAsia X it was particularly difficult given that two of our core markets were impacted. Tourist arrivals from China dropped 10% according to Tourism Malaysia – while a number of our routes to Australia during the year became loss-making.

Continuing on an aggressive expansionary mode the team had embarked on earlier to capture market share and derive scale advantages, AirAsia X received seven new aircraft in 2014, leading to a 31% increase in capacity growth as measured by available seat kilometre (ASK). This increase was most pronounced in the first quarter, when it surged by 60%, subsequently tapering down to 47% in the second quarter, 24% in the third quarter and, finally, dipping to 8% in the last quarter of 2014.

It was, naturally, a huge challenge for the team to manage this capacity in the face of a weakened industry. Adopting a clear capacity management strategy, beginning from the first quarter of the year, frequencies of certain flights were reduced and the aircraft redeployed under wet lease or charters.

At the same time, marketing and promotional initiatives were drummed up, with results. The Free Seats campaign in March saw 19% year-on-year growth in 1Q2014 ticket sales, breaking all previous campaign records. Attractive fares blitzed to spur demand for new routes filled up aircraft. Together, these efforts enabled the airline to maintain its passenger load factor at a steady 82%, but at a cost. While it was heartening to see AirAsia X carry out our brand promise of enabling even more people to fly – it carried 4.2 million guests in 2014, up 34% from 3.2 million in 2013 – yields were affected. And the cost per ASK (CASK) of the airline increased 8% to RM12.91.

Yet, there were also many positive aspects to the year as the team continued to introduce new services to further enhance the flying experience.

For guests arriving in Malaysia, it was a new dawn to be welcomed at the brand-new klia2, which became the new home of both AirAsia X and AirAsia as of 9 May 2014. Unlike most low-cost carrier terminals, klia2 is spacious, comfortable and generally very traveller-friendly. Designed to cater to 45 million passengers a year, it is particularly convenient for AirAsia X guests as it has more transit lounges and even a transit hotel. The extensive range of retail outlets, restaurants and cafes, together with a positive ambience, has not been lost on our guests, as evidenced by the volume of positive feedback we've received on what's expected to be Malaysia's Next Generation Hub.

The year also saw the establishment of our two new regional associates – Thai AirAsia X (TAAX) and Indonesia AirAsia Extra (IAAX) – both of which add significantly to the connectivity that we are able to offer our guests, as well as guests of the wider AirAsia Group.

Overall, although it has been an extremely challenging year financially, many developments in 2014 put AirAsia X in a more strategic position to take our growth to a higher level. Despite the increase in CASK, leveraging on synergies within the AirAsia Group, we have managed to maintain our position as the world's lowest unit cost operator at US3.94cents in 2014, 50% lower than the 10 largest full service carriers (FSCs) in Asia-Pacific. This in itself serves as an excellent launch pad for the new team here at AirAsia X. And, with the guidance of our newly appointed Group CEO, Datuk Kamarudin bin Meranun who, together with Tan Sri Dr. Tony Fernandes, pioneered and grew AirAsia to become the world's best low-cost airline, there is every reason to believe that we will be able to turn around our current loss-making position to truly take to the skies.

FINANCIAL PERFORMANCE

Given our expanded capacity and increase in number of guests flown, as well as revenue from chartered flights, freight and cargo, and ancillary income, AirAsia X's revenue grew by 27% to RM2,936.7 million in 2014 from RM2,308.4 million in 2013. Of this, revenue from scheduled flights increased by 16% to RM1,630.1 million; charters contributed RM171.6 million, representing an increase of 60% from 2013; freight and cargo revenue increased by 26% to RM113.9 million; while ancillary revenue grew by a significant 30% to RM586.5 million. At the same time, heavy promotions on the new routes brought down our average passenger fare, contributing to a 0.7% dip in revenue per available seat kilometre (RASK) from 12.06 sen in 2013 to 11.97 sen.

The Group's operating expenses, meanwhile, increased 44% to RM3,303.7 million, mainly due to an increase in number of Allstars, and a larger number of aircraft on lease.

Although the price of oil plummeted in the second half of the year, we had hedged up to 52% of our fuel prior to it dropping below USD100 per barrel in September and then further to below USD50 per barrel in January 2015, locking in our price at an average of USD118 per barrel. Accordingly, coupled with an increase in consumption with added capacity, our fuel expenses surged by 38%.

While we stand to benefit from low oil prices in 2015, the plunge in price so far has acted like a double-edged sword, as it has also led to a devaluation of the Ringgit. At the close of the financial year, the Ringgit had depreciated 6% year-on-year against the US Dollar. Given that 60% of our operating costs and 95% of our borrowing are denominated in USD, this resulted in an unrealised forex loss of RM118.8 million in 4Q2014.

Together with an increase in various maintenance and other operating expenses, and reduced net tax allowance, AirAsia X recorded a loss after tax of RM519.4 million in 2014 as compared to loss of RM88.3 million in 2013.

STRENGTHENING OUR EDGE WITH REGIONAL AFFILIATES

Emulating the growth strategy of AirAsia, AirAsia X is developing a regional network of associates. This got off to a positive start in 2014 with the establishment of IAAX in January 2014, and the official launch of TAAX in April 2014.

IAAX launched its inaugural flight from Bali to Taipei on 19 January 2015 and has since added flights to Melbourne to its network. TAAX saw its first flight from take off Bangkok's Don Mueang International Airport to Seoul on 17 June 2014 and, three months later, introduced routes from Bangkok to Narita International Airport, Tokyo and Kansai International Airport, Osaka. Despite the political turmoil in 2014, our Thai associate still recorded a strong average load factor of 85% on all its routes.

As at 30 April 2015, TAAX was operating with three Airbus A330-300 aircraft while IAAX had two. Both associates plan to increase their fleet size by end 2015.

These regional bases add to AirAsia X's edge as they afford more room for further growth, strengthening our market position in each of our destinations as customers have multiple direct flight options to choose from. Today, passengers are able to connect to 25 routes over 11 countries from North Asia to Australia within the AirAsia X Group. Bringing in AirAsia Group's extensive short-haul feeder network of over 190 routes throughout Asia-Pacific, the growth opportunity is unlimited. In 2014, 60% of passengers made connections between the AirAsia X and AirAsia Groups. And, according to the CAPA Centre of Aviation, together with AirAsia, we carried 26.4 million passengers representing 42% of the approximately 63.2 million passengers who flew to, from or within Malaysia.

CAPACITY MANAGEMENT

As part of AirAsia X's capacity management, we have entered into wet lease contracts with third parties that would enable us to redeploy some of our aircraft during the second and third quarters of the year which typically represent our lean season. Fortuitously, this period coincides with peak summer season in Europe as well as the Umrah travel season, hence there is demand for our aircraft during these mid-year months. Aircraft that we lease out will return to Malaysia in time for the fourth quarter, when travel in the region starts to pick up again. The arrangement is strategic as not only will our wet lease aircraft earn positive income but this will also be in US Dollars, providing us with better currency mix as a natural hedge against adverse foreign exchange movements.

Our market leadership in the routes we have established is such that even with the frequency trimming, we are still capturing more than 50% of all the core routes that we currently service.

In addition to the redeployment of aircraft, we have begun to consolidate our routes, terminating those that are under-performing while adding capacity to more profitable sectors. We have, for example, increased the frequency of flights to Seoul (Incheon), South Korea from 7 times a week to 11 times weekly beginning in January and 14 times weekly during peak season; while that from Kuala Lumpur to Kathmandu, Nepal was enhanced from 7 to 10 times weekly during the peak holiday period from 26 October until 31 December 2014.

The process is ongoing and saw us reinforce our connections with China, targeting in particular currently underserved destinations where demand is high. During the year, AirAsia X introduced flights to Xi'an, in the north-west, and added Chongqing in the south-west to its route network in 2015. These represent our fifth and sixth destinations in China, after Hangzhou, Chengdu, Beijing and Shanghai.

Further developing connections with North Asia, we launched a new route from Kuala Lumpur to Narita, Tokyo in November which continues to be popular, justifying our serving a second airport in the capital city, after launching flights to Haneda in December 2010.

ANCILLARY BUSINESS

Various initiatives were launched to further grow AirAsia X's ancillary business, which not only enhances our revenue but also adds to guests' comfort, convenience and sheer pleasure when they fly with us.

In June 2014, AirAsia X launched 46 new Fly-Thru connections from Australia, China, Japan, Nepal, Saudi Arabia, South Korea, Sri Lanka and Taiwan to various destinations in Malaysia, Indonesia, Cambodia, Thailand, Vietnam, India, Brunei and Macau. These effectively enable guests to connect from one sector of their travel to another without having to re-check in either themselves or their baggage.

We also extended our menu on board to include DeluXe Meals which include appetizers, desserts and juices, such as the Big Breakfast, Roasted Chicken with Stuffing and Cranberry Sauce and, our latest meal addition, Onigiri (Japanese rice balls) with Chicken Karaage (fried chicken). Meanwhile AirAsia X's Premium Class, which has been re-branded as Business Class, continues to be a fast favourite, and led to AirAsia X being awarded the World's Best Low-Cost Airline - Premium Class Seats and World's Best Low-Cost Airline - Premium Cabin by Skytrax for the second consecutive year. That this innovation is valued specifically by our guests is evidenced by the numbers. Despite the A330-300 configuration of 365 Economy Class seats versus 12 Business Class seats, revenue generated by Business Class during the year was three times more than that of Economy Class

DISTRIBUTION CHANNELS

AirAsia X has much to offer the citizens of Asean and beyond, the majority of whom continue to be underserved by LCCs and particularly by LHLCCs However, being still relatively young, and catering to a large number of non-Malaysian travellers – 70% at the last count – there is still a need for us to create greater visibility and awareness of our brand. This we are beginning to do by developing alternative distribution channels as we collaborate more closely with online travel agents (OTAs) and global distribution systems (GDSs).

PROSPECTS

Over the last two years, along with increased capacity, we introduced a number of new routes which typically take 12 months to mature. Given the unusually challenging environment in 2014, the normal gestation period for some of these routes has been prolonged. Our strategy for the year 2015, therefore, is to let market forces take their course, and to allow our routes sufficient time to start yielding profits. We are, in fact, rationalising our route frequencies and channelling excess capacity towards wet lease partnerships entered into during the year. This way, we believe, we should see our capacity growth in Malaysia drop to no more than 5% year-on-year, which is both rational and manageable in current circumstances.

Going by simple forces of supply and demand, reduced capacity in the industry will drive up the yield of average base fares. As the year 2015 has begun to unfold, along with a natural pick-up in the travel sector, signs of this are already evident. As this trend continues, we expect our average base fare to improve in 2015 as compared to 2014.

Meanwhile, many plans are in the pipeline to grow our revenue from ancillary services. We already have a number of innovative products and services waiting in the wings, such as WiFi on board, a Duty Free mall in the sky offering the latest labels and cutting-edge technology products, an extended menu with attractively packaged Asean meals, children's meals with toys on the side, fresh coffee brewed and served by baristas… all of which can be more easily purchased by guests using a specially designed AirAsia EZPay Passport, a pre-paid credit card which will be able to accommodate up to seven different currencies – the Ringgit, US Dollar, Euro, British Pound, Australian Dollar, Singapore Dollar and Yen.

Over and above these hard-to-resist products, there is still huge potential to develop the Fly-Thru facility, especially to connect flights arriving in and departing from the different AirAsia X Group airlines bases – namely Kuala Lumpur, Bangkok and Bali.

With these new offerings, we are hopeful of increasing the average ancillary spend per passenger by 10% year-on-year.

At the same time, we intend to focus more intently on driving down even further our unit cost to remain the lowest unit cost airline in the world. Again, various strategies have been drawn up to support our target of at least 10% CASK reduction (in US cents) from 2014.

Although we were not able to leverage on the drop in price of oil in 2014, the opportunity to do so in 2015 is there and we intend to make the most of this. Fuel comprises about 50% of our total expenses, and for every USD10 per barrel drop in jet fuel price, we stand to save approximately RM140 million. At present, we have hedged 54% of our jet fuel at USD88 per barrel, while procuring the rest at spot prices. As the price changes, we will change our strategy accordingly.

Adding to fuel savings, we plan to create further synergies with the AirAsia Group through the merger of operations while also renegotiating our contracts and charges, and terminating unprofitable routes – all with the ultimate objective of reducing our costs.

As there will be no major investment or equity requirement in 2015, the next few months present an ideal opportunity to fortify our liquidity. As announced in early 2015, we are undertaking a rights issue of RM395 million, which will boost our coffers. At the same time, we will minimise our cash outflow in every way possible. Eight aircraft to be delivered in 2015 will be on operating lease, while we defer the delivery of aircraft in 2016 and 2017 and refinance some of the older aircraft and engines through sale-and-leaseback.

A NEW BEGINNING

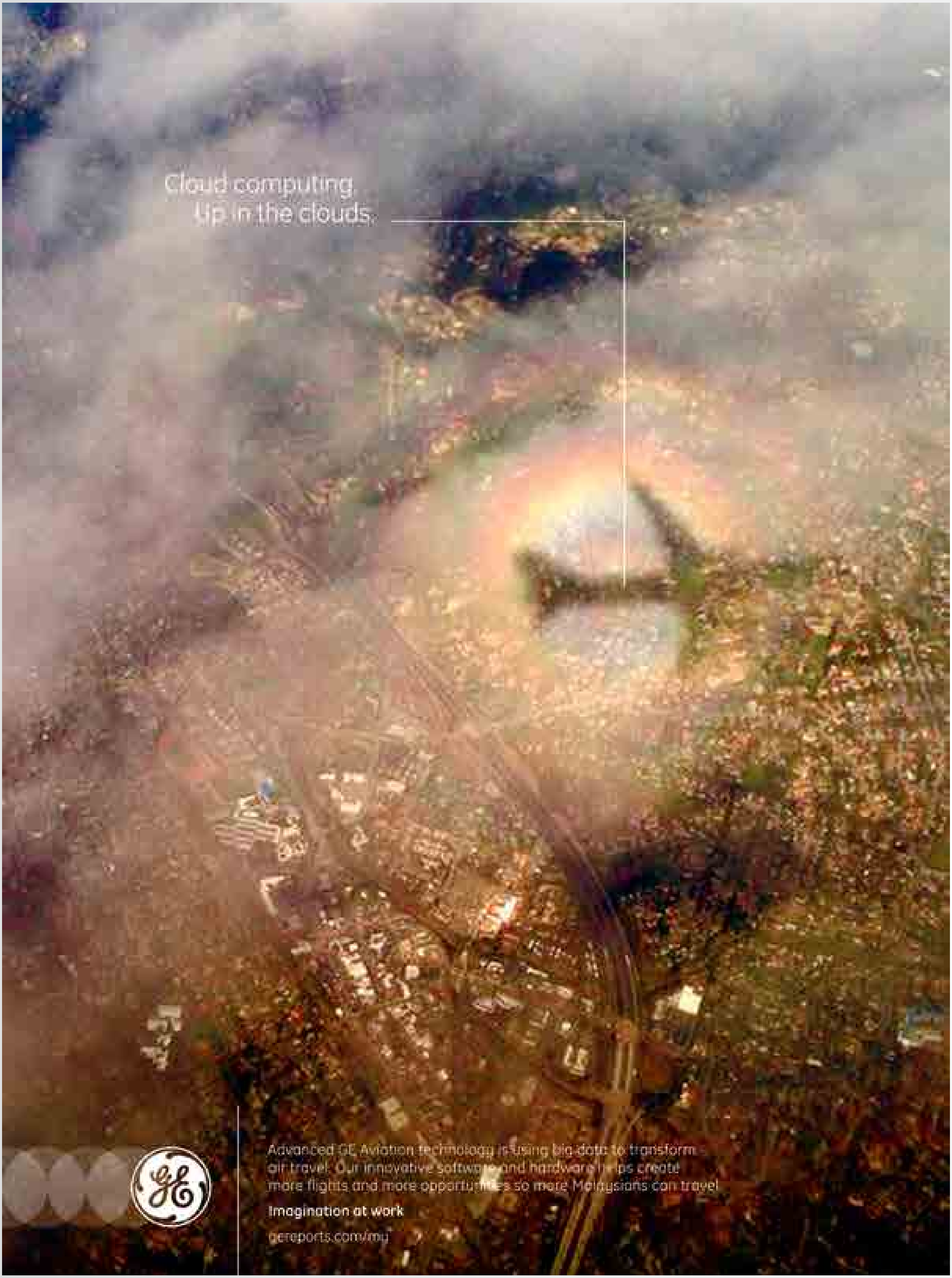
Seven years ago, when AirAsia X was launched, nobody thought it would survive. Although AirAsia had already proved sceptics wrong by growing from strength to strength, the challenges of a long-haul low-cost operation are quite distinct from those of a short-haul low-cost carrier, and to many these challenges appeared insurmountable.

Today, AirAsia X is still here, and more determined than ever to stay. We have been through more than our fair share of rough patches but we have never wavered from our promise. With true grit and perseverance, the team has accomplished much that we can be very proud of – a network of 19 routes to 18 destinations in 8 countries from our base in Kuala Lumpur, Malaysia – while always keeping an eye on costs, enabling "everyone to fly longer". In 2015 and 2016, we will continue to excite the travel community with new destinations we are currently working on which will see AirAsia X returning to Europe and, finally, for the first time, touching the shores of the US.

Our plans for expansion were positively boosted in April 2015, when we received the IATA Operational Safety Audit (IOSA) certification, which validates our safety standards. IOSA is recognised by the US Federal Aviation Authority (FAA), Australia's Civil Aviation Safety Authority, Transport Canada and Europe's Joint Aviation Authority, hence opens the door to these markets for the Group.

Since joining AirAsia X in January 2015, I have been impressed by the can-do spirit of our Allstars, the buzz, energy and enthusiasm that permeate our headquarters. With guidance from Datuk Kamarudin, and a closer working relationship in general with AirAsia, I have no doubt that this dynamism and energy can be channelled into very positive outcomes. Meanwhile, collaborating with my counterparts in Thailand and Indonesia, Nadda Buranasiri and Dendy Kurniawan, we aim to make the AirAsia X brand a formidable force in the LHLCC space.

Two of our biggest value creators are our people and the synergies that can be created with the AirAsia Group. Our people are already Allstars; now, as we enter a new dawn with a new leadership, we will get to enjoy closer connections with our sister airline and derive all the benefits that come with shared knowledge and resources.
I would like to thank Tan Sri Tony, Datuk Kamarudin, our Chairman Tan Sri Rafidah and the Board of Directors for their faith in me by appointing me as Acting CEO of AirAsia X. I would also like to express my genuine admiration for the team here – for all the hard work they have dedicated into making AirAsia X the largest and lowest-cost LHLCC in Asia. My wish now is for all of us to work together to see that our airline not only lets everyone in Asean fly, but that it too will fly along with Asean.


Cloud computing.
Up in the clouds.
Advanced GE Aviation technology is using big data to transform air travel. Our innovative software and hardware helps create more flights and more opportunities so more Malaysians can travel.
Imagination at work
gereports.com/my


Can you chat at 30,000 ft?
roKKi CAN.
CHATS
Experience sky-high Wi-Fi connectivity with access to selected instant messaging apps and social media platforms.
STREAMS
Watch regional videos and destination guides on your personal mobile device as you fly from coast-to-coast.
Wi-Fi Available Onboard
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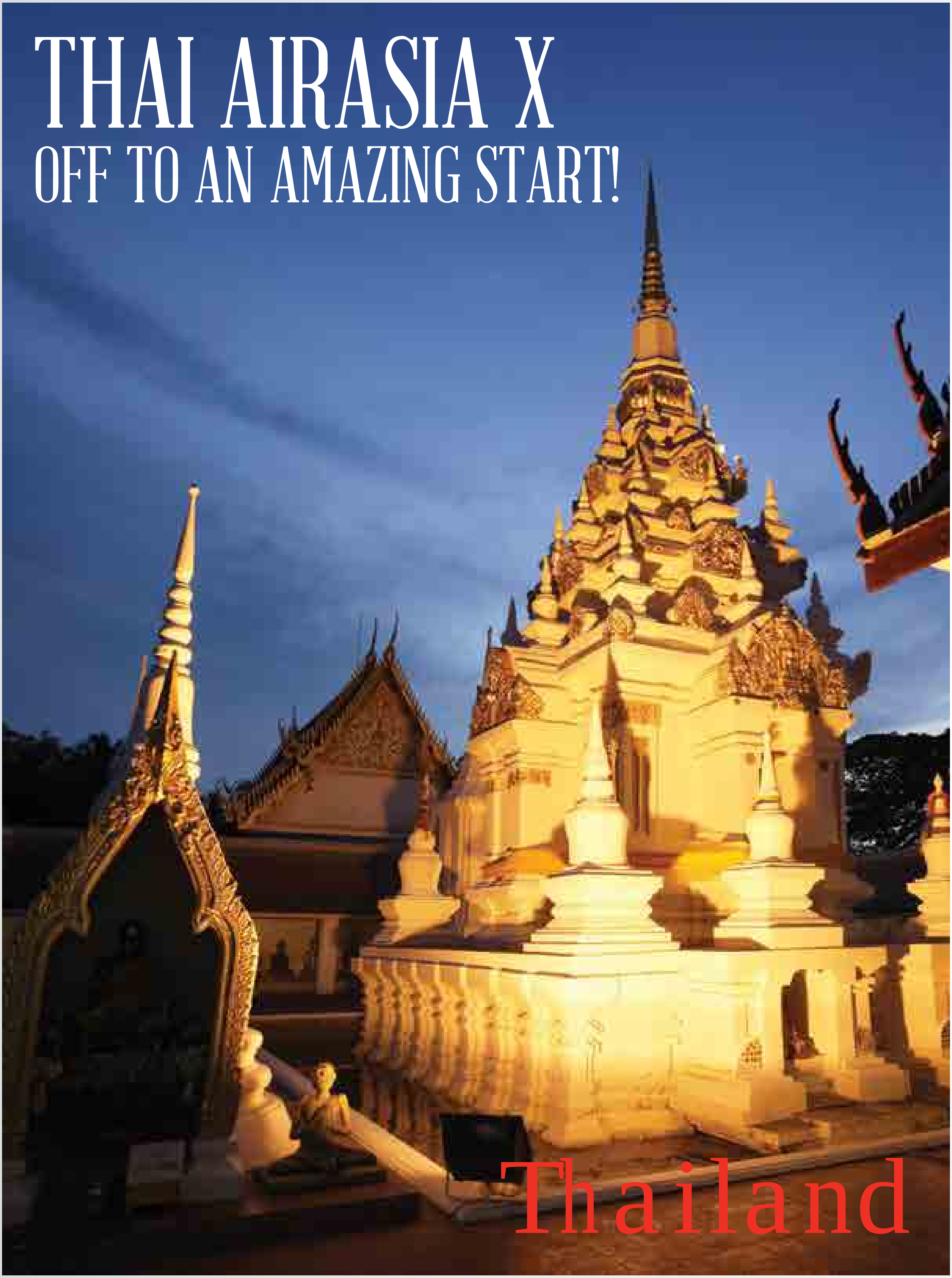
provides the latest innovative solutions for all your IFEC needs, coming soon to AirAsia X.

THAI AIRASIA X
OFF TO AN AMAZING START!



Thailand

22 APRIL 2014 WAS A SIGNIFICANT DATE FOR ALL THAIS AND FOR US IN AIRASIA X. THIS WAS THE DAY THAI AIRASIA X WAS OFFICIALLY LAUNCHED, MAKING IT THE FIRST LOW-COST LONG-HAUL AIRLINE IN THE COUNTRY, AS WELL AS OUR FIRST REGIONAL AFFILIATE.

The timing was not perhaps ideal, given ongoing political unrest in the country which led to martial law being declared by the army just a month after Thai AirAsia X (TAAX) was born. Yet, despite lower tourist arrivals in the country in the first three quarters of the year as a result of the military coup, TAAX performed admirably well in its first year of operations.

Beginning with flights from Bangkok's Don Mueang International Airport to Seoul on 17 June, the airline was quick to announce the launch of two new routes to Japan, a popular destination for Thais. Flights from Bangkok to Narita International Airport in Tokyo and Kansai International Airport in Osaka commenced on 1 September 2014 and have seen very healthy take-up by both Thai and Japanese travellers.

As a result of strengthening tourism links between the two countries, TAAX was officially presented with a Special Japan Tourism Award in 2014 by the Japan National Tourism Organization (JNTO).

While TAAX stands to benefit from the market reputation of its more established sister airline, Thai AirAsia, the new team is making the most of customer service perks that are unique to the long-haul operations to market the new airline. These include the Business Class seat (previously known as Premium Flatbed), which is truly appreciated by passengers as evidenced by AirAsia X's Skytrax wins two years in a row. A Business Class package also includes complimentary 40 kilograms of check-in baggage, a complimentary meal, free flow of soft drinks on board, priority boarding and priority baggage services.

In addition, the marketing team launched an aggressive campaign to advertise the availability of 24 new meals on board and an X-Tra Onboard Sky Ticket service which allows guests to purchase bus, train and attraction tickets in Japan during their flight. These efforts, together with operational excellence – such as an 89% on-time performance, served to keep passenger load figures high, averaging 85% for the year.

Currently operating with two Airbus A330-300 aircraft, the airline aims to increase this figure in 2015 as it increases the frequency of its current routes and adds new routes to its network. On the cards are plans to double the frequency of flights between Bangkok and Narita from once to twice daily; and to grow the Bangkok-Osaka route from five to seven flights per week.

A key achievement during the year was to launch flights to Sapporo, thus breaking a two-year monopoly on the route held by the Thai national carrier. Sapporo, the fourth largest city in Japan, located on the northern island of Hokkaido, is a popular destination given its snow festival which attracts more than two million tourists from around the world every year, and its fame as home to Sapporo Brewery.

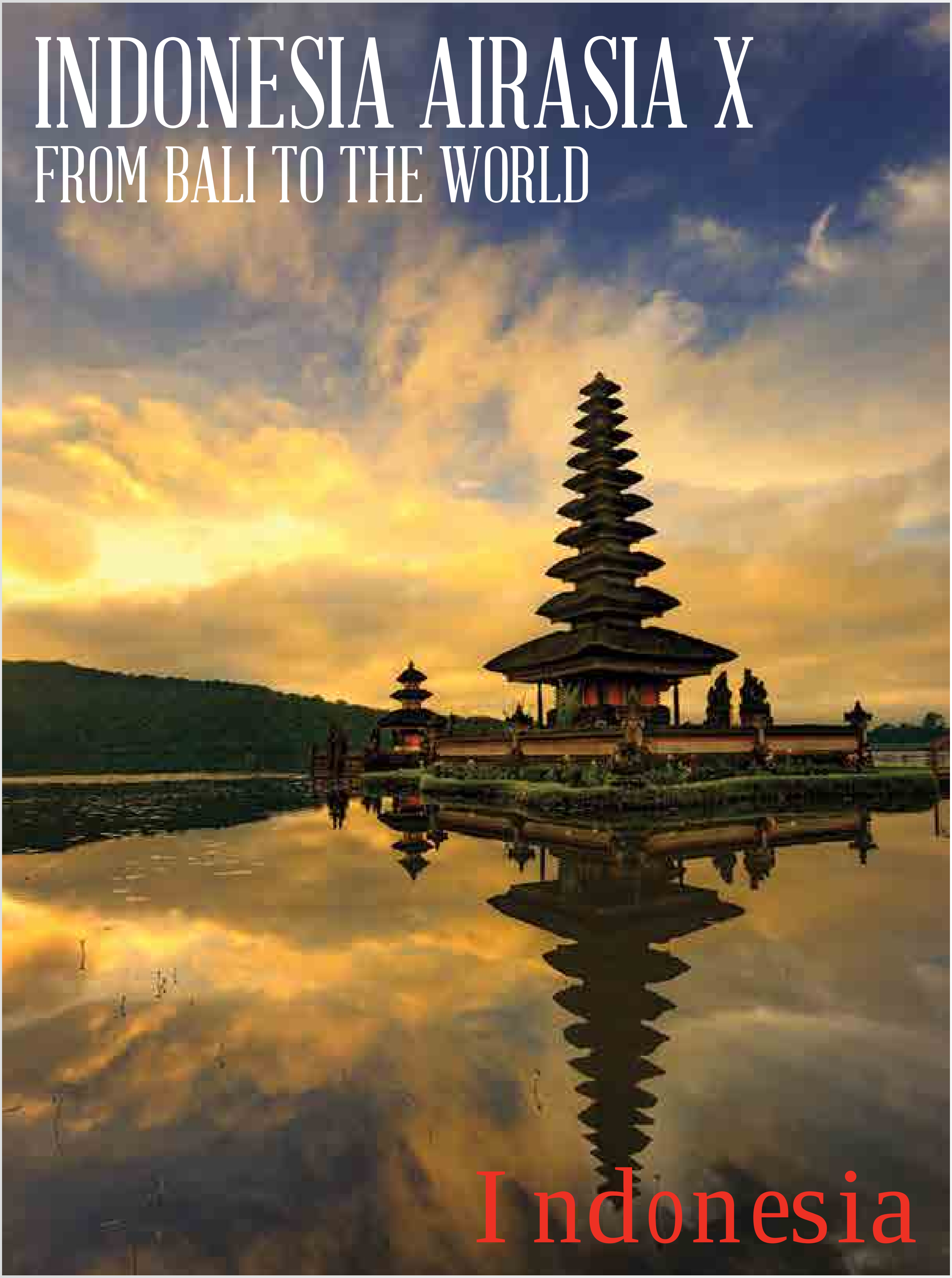
In addition, TAAX will launch two new routes into China, making the most of Thailand's position as the second most popular tourist destination among Chinese travellers.

As the airline increases its route network, it will also promote AirAsia's strong connectivity and available Fly-Thru destinations. Currently, passengers from Japan can conveniently connect to over 20 destinations in the region and within Thailand while passengers from Seoul can connect to over nine domestic and international destinations via this facility, which earns TAAX extra ancillary income.

In 2015, marketing initiatives will also focus on promoting Premium Flex Fares for business travellers, along with the new Book and Pay that enable guests to pay for tickets at 7 Eleven outlets. At the same time, TAAX has been working on further enhancing its X-Tra Onboard Sky Ticket and looks forward to launching the second phase of this service which will boast Lotte World Adventure Tickets for passengers flying to Seoul along with airport limousine service for those traveling to Thailand.

For the seven months that it has been operating, TAAX achieved a notable revenue of Baht 1,560 million. Along with a surge in tourism in the last quarter of the year, its Q4 revenue hit an impressive Baht 990 million, lending confidence of a much enhanced revenue collection in 2015 – boosted both by tourism numbers as well as a larger fleet, higher flight frequencies and new destinations.

Our first regional affiliate has made an amazing new start and we expect its first full year of operations in 2015 to be even more spectacular.


INDONESIA AIRASIA X
FROM BALI TO THE WORLD
Indonesia

OUR INDONESIAN AFFILIATE, INDONESIA AIRASIA X TOOK TO THE SKIES ON 19 JANUARY 2015 WITH AN INAUGURAL FLIGHT FROM BALI TO TAIPEI. SINCE THEN IT HAS ADDED MELBOURNE AS A SECOND DESTINATION AND IS WORKING TOWARDS FURTHER EXPANDING ITS ROUTE NETWORK EXTENDING EASTWARDS TO AUSTRALIA AND NORTHWARDS TO KOREA, JAPAN AND CHINA.

We are very excited about the establishment of this affiliate, which represents our second regional base after Thai AirAsia X (TAAX) , as it stands to connect more dots for travel within Asia, reinforcing not only the connectivity of AirAsia X but also TAAX and our sister airlines within the AirAsia fold.

Although the low-cost carrier (LCC) sector in Indonesia is very competitive, with nearly 200 LCC aircraft, Indonesia AirAsia X (IAAX) stands out as the only long-haul low-cost airline within this segment. Its first-mover status gives our affiliate a definite edge in further expanding its flight network which currently comprises four weekly flights to Taipei and five weekly flights to Melbourne with two wide-bodied Airbus A330-300 aircraft.

IAAX was officially registered as a company in Indonesia on 13 August 2013, under the name PT Indonesia AirAsia Extra. The airline itself was established on 23 January 2014 as a joint venture between AirAsia X and an Indonesian partner, with latter owning a majority 51% stake in the start-up. On 28 August 2014, IAAX obtained its Air Operator's Certificate (AOC) from the Directorate General of Civil Aviation, Ministry of Transportation, Republic of Indonesia (DGCA).

As at December 2014, IAAX had 171 Allstars on its payroll, and the number is expected to more than double by the end of 2015, along with an increase in its fleet. Plans are in the pipeline to add at least three new routes during the year, to Sydney, Jeddah in Saudi Arabia and Narita, Tokyo.

Its base in Bali gives IAAX a distinct advantage as the airport here holds potential to cater for greater passenger capacity. Bali, moreover, is a favourite holiday destination not only among regional travellers but also those from further afield. As AirAsia already accounts for about 17% of the total number of travellers passing through Bali, including 20% of all international visitors, IAAX stands to benefit from feeder traffic from its sister airlines, while itself feeding into this established network.


SIMPLICITY


...for Convenience

Booking your holiday or work travel has never been easier. Just log on, get onto our website, choose your destination, key in your dates, and… voila! You're on your way. Oh yes, in the process you can also upsize your baggage, order your meal and buy insurance for that all-important peace of mind. We've made it our mission to take all the hassle out of flying. That's why travelling with us is truly a dream… one that has been designed just for you!

OVER

7mil

FACEBOOK FANS
ACROSS THE GROUP

Sustainability Report

IN TODAY'S INCREASINGLY COMPETITIVE MARKETPLACE, CUSTOMERS ARE LOST FOR CHOICE AS TO THE SERVICES AND PRODUCTS THAT THEY PURCHASE. INVESTORS, TOO, HAVE AN INCREASINGLY LARGE BASE OF POTENTIAL COMPANIES TO SUPPORT AND LOOK FOR THAT EXTRA ASSURANCE THAT A COMPANY IS GOING TO KEEP DOING WELL, WELL INTO THE FUTURE.

IN OTHER WORDS, COMPANIES – AIRLINES INCLUDED – NEED TO DISTINGUISH THEMSELVES. SOME CALL IT THE X FACTOR. AT AIRASIA X, WE BELIEVE WHAT OUR KEY STAKEHOLDERS ARE LOOKING FOR IS: SUSTAINABILITY.

Our customers may not realise they are looking at a "sustainable" airline when they make their bookings, but in fact the very factors that influence their decision as to who to fly with – such as the price of the ticket, the level of service they can expect from the airline both on ground as well as in-flight, its reputation in the marketplace for having social conscience – are all part and parcel of what we at AirAsia X do to make our airline sustainable.

Sustainability to our investors takes on a different meaning but one that is equally as important as what our customers seek and in fact encompasses some of the very same customer-centric elements. To investors, the most important aspect of a company is its long-term profitability which in turn hinges on a robust business model and a professional team that is able to execute it while adhering to sound principles of corporate governance. Going a step further, a number of more discerning investors are looking for companies that are socially and environmentally responsible. Once again, our approach to sustainability – which includes initiatives targeted at enhancing communities that we touch; reducing our impact on the environment; and which promotes transparent as well as equitable practices – meets these criteria.

As mentioned in our inaugural annual report last year, our sustainability reporting is still in the process of being fully developed. We realise we have a long way to go towards full disclosure on measurable parameters such as CO2 emissions, however this is a work in progress. Meanwhile, it gives us pleasure to be able to report on the various initiatives currently being undertaken to enhance our value among the Communities where we operate while creating a vibrant Workplace, delivering exceptional service in the Marketplace, and protecting the Environment for future generations.

IN JULY, LOCAL NON-GOVERNMENTAL ORGANISATION (NGO) TECH OUTREACH MALAYSIA ADOPTED AN ORPHANAGE IN KATHMANDU, NEPAL WHICH CARES FOR 19 CHILDREN AFTER A SWEDISH NGO THAT HAD BEEN SUPPORTING THE HOME ABRUPTLY ENDED ITS SPONSORSHIP IN JUNE.

COMMUNITY

Our community outreach programmes stretch across national borders, reinforcing the AirAsia Group's positioning as an Asian airline. Building on a school project we supported in Nepal in 2013, last year we came to the aid of two organisations that are changing the lives of underprivileged children and women in the country. We also provided complimentary air travel to Malaysian national athletes and other sports talents to compete in international meets. And we brought to the country one of the region's oldest orchestras for a performance in aid of Malaysians with Alzheimer's.

For Children in Kathmandu

In July, local non-governmental organisation (NGO) TECH Outreach Malaysia adopted an orphanage in Kathmandu, Nepal which cares for 19 children after a Swedish NGO that had been supporting the home abruptly ended its sponsorship in June. The adoption meant representatives from TECH Outreach going to visit the home regularly to assess its needs and meet these. The NGO established that the home needed proper systems and processes for its accounting and finance, while newly appointed staff had to be trained to run the home efficiently and provide proper care for the children. Without an excess of funds itself, the NGO needed all the financial aid it could get. In response to an appeal from TECH Outreach, AirAsia X stepped in to provide free flights for two personnel from TECH Outreach per month for six months beginning in August.

In the first three trips that TECH Outreach has made, it has managed to transform the home. Fixing basic utilities such as water and electricity supply, the children can now bathe every day as opposed to only twice a week, and have clean clothes to wear as these can be washed with the new water supply. They have electricity to read and perform other activities at night whereas, before, their evenings after 5pm were spent in the dark. The children also have proper chairs and tables to use for their homework and study while before they would have to sit on the floor. In addition to being able to make these changes with money saved from their airfare, the TECH Outreach team was overwhelmed by the assistance provided by our station manager in Kathmandu who went out of his way every time the team entred or left Nepal.

For Trafficked and Underprivileged Women & Girls

We also supported a charity campaign by lingerie company Neubodi, *Old Bras For Cash*, that aimed to collect second-hand bras for distribution to trafficked and other underprivileged women, many of whom have never owned their own bra in their lives. During the one-and-a-half month campaign, from 25 September until 2 November, the company collected 11,037 bras, of which 2,441 were flown to Kathmandu.

In Nepal, Neubodi gave some of the bras to a local NGO, Asha-Nepal: Fight Against Human Trafficking, which helps trafficked women start their own second-hand bra businesses. They then visited four villages – Lanagol, Kirtipur, Chovar and Panga – where they educated women about proper bra fit and distributed the bras to about 400 appreciative beneficiaries. Among the recipients was a woman in her 30s who said: "I have to work in the paddy fields, clean the house, take care of the children, and carry clean water home every day. I suffer from terrible shoulder pain and backaches. I thought it was normal, because I am getting old. I never knew by wearing a bra with support I can stop all my aches."

As their official flight sponsor, AirAsia X provided the Neubodi team with nine free flight tickets, and 450kg of luggage weight to ship the undergarments.

Go Team Malaysia!

Continuing to support Malaysian sporting talent, during the year AirAsia X provided free travel for the national women's rugby team to Incheon for the Asian Games, and to members of Malaysia's leading cheerleading group – the Awesome Legends All-Stars – to take part in the 2014 Australian All-Star Cheerleading Federation (AASCF)

National Cheer and Dance Championship Finals, where they did the nation proud by being placed fourth in the Co-Ed Level Five Open Division.

Concert for Alzheimer's

In December, we volunteered to be the official airline for the "Konsert Amal DiRaja – Forget Me Not" charity concert held at the Kuala Lumpur Convention Centre. Our sponsorship involved providing 87 return flights from Shanghai to Kuala Lumpur for members of the world-renowned Shanghai Symphony Orchestra, the stars of the charity concert. The orchestra, which was founded in 1879, is one of the oldest orchestras in Asia. Proceeds from the concert were channelled by the organisers to the Alzheimer's Disease Foundation Malaysia (ADFM), to build a new dementia training and daycare centre for patients in Petaling Jaya.

Saving the Elephants

Finally, AirAsia X supported a heart-warming initiative by the Burm and Emily's Elephant Sanctuary (BEES) to raise funds for its project in Chiang Mai, Thailand that provides a sanctuary for retired work elephants. We donated return flights from Australia to Kuala Lumpur for a raffles organised by BEES which raised AUD4,000. The money has subsequently been channelled to help retired elephant Kam Mae and her baby, Boon, settle into their new home at the sanctuary. Both mother and baby were in bad health, having been tied up in the forest with no human contact. They have been leased to BEES for two years and will remain chain-free for this time, walking in the forest, swimming and just being elephants.

WORKPLACE

Our employees, or Allstars as we call them, make AirAsia X the exciting and extraordinary airline that we are. We are selective in bringing new people on board, ensuring they have a good fit with our culture of innovation, creativity and teamwork. Our resourcing and selection processes include taking part in local and international career fairs as well as collaborating with TalentCorp to enhance our talent pool. Talents who are brought in are encouraged to make the most of a work environment in which individual excellence is rewarded while teamwork is the norm.

In recruiting new hires, we are conscious of maintaining a high level of diversity in terms of our Allstars' cultural backgrounds as well as age profile. As a result we have a good mix of the different races, with 45% Malays, 23% Chinese, 11% Indians, 4% non-Malay Bumiputras and the remaining 17% foreigners and others. In terms of age, 63.6% of our Allstars are within the 17-30 year bracket; 32.7% in the 31-50 year bracket; and 3.7% aged between 51-69 years. Our female to male ratio, meanwhile, stands at 39:61. We positively encourage diversity at work because we believe that the different perspectives brought by Allstars from different backgrounds enrich our intellectual capital, creating a stimulating environment in which different viewpoints are aired and considered in the decision-making process.

Various activities are organised by our People Department and Culture Team to bring together all 2,903 Allstars, from physical activities such as bootcamps and running clubs to more social events at which everyone has a chance to get to know each other better. As a result of intense engagement, we enjoy an open culture where Allstars feel empowered to contribute in meaningful ways to our operations, and to further improving the way things are done. Allstars also get together to organise charity drives and other events to give back to the community.

Various training and development programmes are organised for our Allstars at the Asian Aviation Centre of Excellence (AACE) in Sepang. Building on functional training programmes, AirAsia X has also embarked on developing the leadership capabilities of our employees. Talent development initiatives include FLY@X and SOAR@X, which are Leadership Development Programmes for frontline team leaders from Flight Attendant, Guest Services, Security and Engineering departments; LEAD@X Leadership Development Programme for middle management across departments, and Executive Coaching for middle and senior management team members. Aside from being talent retention initiatives, these programmes focus on upskilling our leaders with the tools they need in order to manage their teams better, and to achieve higher productivity.

WE HAVE A GOOD MIX OF THE DIFFERENT RACES, WITH **45% MALAYS, 23% CHINESE, 11% INDIANS, 4% NON-MALAY BUMIPUTRAS** AND THE REMAINING **17% FOREIGNERS** AND OTHERS.

IN TERMS OF AGE, 63.6% OF OUR ALLSTARS ARE WITHIN THE 17-30 YEAR BRACKET; 32.7% IN THE 31-50 YEAR BRACKET; AND 3.7% AGED BETWEEN 51-69 YEARS.

A second batch of cabin crew leaders, also known as Pursers, embarked on the SOAR@X programme in March 2014, focusing on improved communication with their teams, encouraging greater input from all cabin crew members; and mentoring junior crew members to help them learn the ropes faster. Following the programme, our Allstars got to share their experiences and knowledge on team engagement and efficiency best-practices at an afternoon tea session hosted by the management and operations team of Ritz-Carlton Hotel, Kuala Lumpur.

2014 also saw the People Department introducing a new programme, JET@X, to take the facilitation and coaching skills of our pilot instructors to the next level. Type Rating Instructors (TRIs) and Ground Training Instructors (GTIs) went through strenuous five-day training that also included an assessment of facilitation and coaching competencies. Working closely with the Training and Standards team in the Flight Operations Department, the programme addresses requirements listed by the Department of Civil Aviation (DCA).

For our frontliners, the focus this year was on developing a coaching culture, with two-day Coaching Skills workshops and Train-the-Trainer programmes to equip senior ground crew with the skills to train new recruits. This team played a critical role in the opening of klia2, when members worked in shifts to ensure 24-hour supervision to help guests navigate the new airport, concentrating on key areas such as the check-in counters, international departure hall and transfer desks. Our volunteers, meanwhile, formed an integral part of a 300-strong Allstar volunteer contingent from across the AirAsia Group that supported the operations teams, assisting guests at multiple spots in the departure, arrival and transfer gates during the early weeks of the new terminal operations.

Safety at Work

As stated in our corporate values, AirAsia X adopts zero tolerance to unsafe practices and strives for zero accidents through a strong safety culture, proper training, work practices, risk management and adherence to safety regulations at all times. Safety has always been a priority at AirAsia X, particularly for pilots and engineers, and is another key area of focus in the workplace for both cabin crew and ground staff.

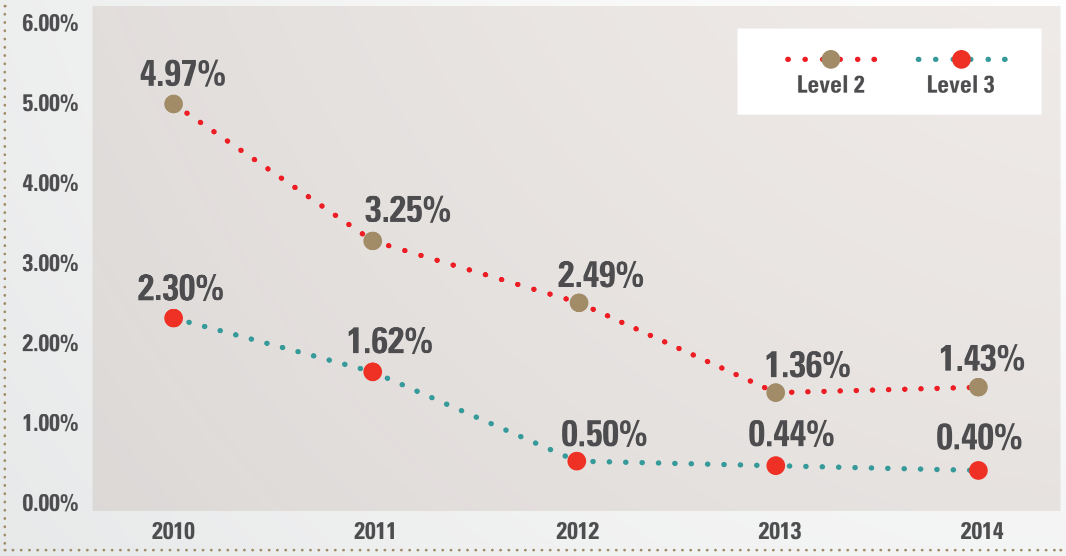
Every employee in AirAsia X, regardless of roles and responsibilities, is required to undergo safety awareness sessions regularly on topics relating to the importance of proactive reporting, human factors awareness as well as updates on the latest safety issues within the industry.

AirAsia X is committed to building a robust Safety Management System (SMS) that overlooks every aspect of our operations. For safety in cabins, for example, it provides guidelines from having an optimum cabin design to the safe operation of equipment, procedures, crew training, human performance and passenger management. Cabin safety trends, findings, safety reports, flight medical incidents and flight attendant academic performances are meticulously monitored and used to further improve cabin operations. A group of dedicated Cabin Safety Examiners has been working proactively to identify safety issues by focusing on the four key pillars of SMS, namely Safety Policy, Risk Management, Safety Assurance and Safety Promotion.

Apart from the yearly recurrent classes, flight attendants are reminded of safety procedures via regular communiques, relevant articles or newsletters and face-to-face dialogue sessions with cabin safety team. In 2014, a campaign was held to create awareness of new cardio pulmonary resuscitation (CPR) procedures. A session to provide flight attendants and ground personnel hands-on practice on the new CPR techniques was attended by 366 Allstars.

Besides our well-established safety reporting system, we have adopted another channel where our pilots meet monthly to discuss safety concerns, allowing us to detect hazards early and stay ahead of any unwanted incidents. In addition, we keep our pilots updated on incidents within the AirAsia Group and the aviation industry via safety notices to further enhance their safety awareness. Meanwhile, for our regular flight simulator training sessions, we adopt an evidence-based approach, making use of critical incidents within the industry which increase our pilots' awareness of red signals in actual flights enabling them to identify potential hazards early.

The effectiveness of these safety initiatives, and hence the "safety strength" of AirAsia X, is monitored regularly by a set of Safety Performance Indicators. Over the years, we have seen an improvement in our safety performance, and particularly in a marked drop in deviations from pilot standard operating procedures (SOPs) representing "significant risk", from 2.3% in 2010 to 0.4% in 2014.



On the ground, we have a Ground Safety & Emergency Response Plan (ERP) to monitor and analyse safe practices thus ensuring strict compliance with procedures and policies. Our Ground Safety team conducts regular checks, analyses data from these, and identifies any discernible trends before presenting its findings to different levels of management.

The Ground Safety team also runs basic induction safety training for all new Allstars, tailored to International Civil Aviation Organization (ICAO) standards, Occupational Safety and Health Act (OSHA) 1994 requirements and our organisational culture. Based on their job scope, some Allstars are provided additional training be it in SMS, Ground Service Equipment (GSE) operations, manual handling, working at height, and so on. Apart from having an Emergency Response Plan (ERP) manual, which has been endorsed by the Department of Civil Aviation (DCA) Malaysia, our ERP meets Civil Aviation Safety Authority (CASA) Australia and IATA Operational Safety Audit (IOSA) standards. These procedures and plan are tested biannually through an ERP Table Top Exercise to ensure they can and will fulfil a safe and orderly transition from normal to emergency operations, and safe continuation of operations or return to usual operations as soon as practicable.

During the year, "Exercise Spill" was carried out to test the response time of relevant airport parties to emergency situations. It also tested the effectiveness of procedures as stated in our Ground Operations Manual (GOM) which included deplaning passengers. The exercise revealed that the relevant parties have a good understanding of their roles and can execute the appropriate decisions and functions as stated in the GOM. We also identified areas where the procedures could be further improved, and relevant steps have been taken to ensure the enhancements are carried out for at the next GOM revision.

Besides having in place the comprehensive Safety Management System, AirAsia X has embraced many initiatives to improve our safety standards. Among these is the IATA Operational Safety Audit (IOSA) programme, an internationally recognised and accepted evaluation system designed to access the operational management and control systems of an airline. We were able to proudly announce being successfully IOSA certified in April 2015, which testifies to our operational safety processes and standards being comparable to any of the world's leading airlines. This is a very important step for AirAsia X as we embark on our global expansion. Most importantly, it has also allowed us to further strengthen the safety and efficiency of AirAsia X.

MARKETPLACE

In the Marketplace, our main concerns are to engage actively with the investor community and to further enhance our guests' experience when dealing with or flying AirAsia X.

Our Investor Relations (IR) team has in place a structured framework to build strong relationships with analysts and fund managers. In addition to meeting with this group of stakeholders on a one-on-one basis to provide business updates, we also participate in regional and international investor conferences. In 2014, this saw our management and IR team travel to Singapore, Hong Kong, New York and London to attend events organised by investment banks such as CIMB, Credit Suisse, Macquarie, Citi and Alliance DBS. We also participated in five local and global non-deal roadshows, and were pleased to see our efforts rewarded by an increase in analyst coverage from 13 in 2013 to 15 in 2014.

The views and concerns of all shareholders, including our minority shareholders, are aired freely and openly at our Annual General Meetings (AGMs). We encourage shareholders to attend these meetings as we are keen to understand their issues and concerns. For added transparency, we make available our AGM video presentations on our website.

Better Guest Experience

Towards enhancing our guests' experience, the move on 9 May 2014 to klia2, which is bigger and more spacious than our previous home at the Low-Cost Carrier Terminal (LCCT) in Sepang, has been significant. Transit guests, especially, will feel the difference as they now have access to a transit hotel at the airport and lounges where they can rest. The incredible range of shops and food and beverage outlets, meanwhile, cater to those with time to fill before their flights. And the provision of aerobridges creates greater convenience, obliterating the need for guests to walk on the tarmac to board their planes.

To continuously improve our products and services, and better understand our guests' preferences, we gather feedback via a web-based survey conducted by the research firm KOJI on guests' satisfaction at each stage of their journey with AirAsia X, from booking their ticket to checking in, boarding, enjoyment of their meal to crew service. This survey also provides an indication of the likelihood of the passenger travelling with us again or recommending us to their friends. Our score, based on this survey, improved from 20.6 points in 2013 to 25.1 points in 2014.

OUR GUEST SATISFACTION SCORE, BASED ON AN ONLINE SURVEY,
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FROM

20.6 POINTS
IN 2013 TO

25.1 POINTS
IN 2014.

This increase is supported by positive performance in other key parameters such as our on-time performance (OTP) within 15 minutes. Despite the move to klia2, we managed to maintain a high OTP of 84% for the year.

THIS INCREASE IS SUPPORTED BY POSITIVE PERFORMANCE IN OTHER KEY PARAMETERS SUCH AS OUR ON-TIME PERFORMANCE (OTP) WITHIN 15 MINUTES. DESPITE THE MOVE TO KLIA2, WE MANAGED TO MAINTAIN A HIGH OTP OF 84% FOR THE YEAR.

To keep our guests enchanted, we are continuously looking for ways to make their travel experience with us as convenient as possible. The Fly-Thru service which we launched in 2010, allowing guests to connect from one flight to another without the hassle of collecting their bags at the transit hub, was further extended in 2014 to include 626 city-pairings via Kuala Lumpur as compared to 256 in 2013. In December, we also officially launched multi-city booking for guests enabling them to book up to six flights across our networks in several countries in one go, through a single transaction.

Most recently, we have embarked on migrating our refund process to a global shared services office to be able to process refund requests in less than 45 business days. We realise that delayed refunds cause guests a great deal of anxiety and are hopeful that the new procedure will eliminate much if not all of that.

These service improvements add to an already long list of innovations that stand AirAsia X apart from other low-cost long-haul airlines and contributed to our winning a number of awards in the year. Of these, two that stand out were being named the World's Best Low-Cost Airline — Premium Class Seats and the World's Best Low-Cost Airline — Premium Cabin at the 2014 Skytrax World Airline Awards, for the second year running.

ENVIRONMENT

As an airline, we are conscious of our duty to reduce as far as possible our carbon footprint via the most efficient use of energy. Fuel efficiency is, in fact, of critical importance to us not only because of its environmental repercussions but also because it is a major cost factor in our operations.

Our entire business model revolves around keeping our operations as fuel efficient as possible. As stated in last year's annual report, this is achieved via three key principles, namely: 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.

During the year, we further increased our fuel efficiency by initiating new processes to enhance our engine upkeep and to reduce fuel burn during flights.

Whenever our aircraft are available on the ground, they are sent for dry washes or compressor washes thus preventing the accumulation of dirt on the engine and aircraft which would increase the aerodynamic drag and reduce engine efficiency. According to Airbus, regular engine washes, especially of the fan and core, can reduce fuel flow by between 0.5% and 1%. These periodic washes also have a positive effect on exhaust gas temperature and consequently on engine overhaul intervals.

New fuel saving initiatives include:

Electronic Flight Bag (EFB).

As of December 2014, AirAsia X has become one of the first airlines in the region to receive approval from DCA Malaysia to use Portable Electronic Devices (Apple iPads) as navigation and reference tools. By not having hardcopy charts on board, we are able to reduce the weight of our aircraft as manuals weigh about 55kg. On average, every kg of additional weight on board the aircraft burns approximately 0.15kg of additional fuel. Removing the manuals translates to a reduction in fuel burn of up to 8.25kg per sector. As an added environmental bonus, the initiative reduces the amount of paper used to support our operations.

FlySmart with Airbus.

This application, available on the EFB, enables our crew to do performance calculations to optimise our take-off thrust. Although thrust reduction may actually increase fuel consumption slightly, this offset by considerably lower engine maintenance costs due to reduced engine wear. Also, taking off at reduced thrust minimises our noise emission at take-off.

One Engine Taxi-In.

The Technical & Development team has worked closely with Rolls-Royce, Airbus and DCA Malaysia to introduce and implement the One Engine Taxi-In initiative. When conditions permit, and at the commander's discretion, crew will shut down one engine during taxi-in to reduce fuel burn and, therefore, carbon emissions. The ability to do this, however, depends on environmental conditions, aircraft weight and traffic congestion among others. Also, DCA Malaysia's approval obtained in December 2014 is currently limited to a few pilots and only in Kuala Lumpur. In 2015, we will look at broadening the scope of this approval. Theoretically, this initiative should save up to 12.5kg of fuel per minute of taxi-ing. Currently, each flight can perform the one engine taxi-in for approximately three minutes, saving about 37.5kg of fuel per flight.

In terms of noise reduction, AirAsia X adopts and complies with all noise abatement procedures as required by the authorities in countries where we operate. However, for Busan departures, our aircraft (and many other carriers as well) are regularly flagged for exceeding the accepted noise level. Following a thorough analysis, our Technical & Development team has designed special departure procedures in Busan to avoid the areas sensitive to noise as prescribed by the airport authorities.

STATEMENT ON CORPORATE GOVERNANCE

AirAsia X Berhad ("AirAsia X" or "the Company") is committed to ensure good corporate governance are applied throughout the group. 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 year 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 nine (9) Members who form the Board, the details are given on pages 28 to 36 of this Annual Report.

One (1) of the Board Members is a Senior Independent Non-Executive Chairman, one (1) Non-Independent Executive Director and Group Chief Executive Officer, five (5) Non-Independent Non-Executive Directors and two (2) Independent Non-Executive Directors.

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 retired on 5 June 2014. Mr. Kiyotaka Tanaka was appointed as a Non-Independent Non-Executive Director of the Company on 12 June 2014 in place of Mr. Kiyoshi Fushitani, who had resigned on the even date.

Datuk Kamarudin Bin Meranun was re-designated from a Non-Independent Non-Executive Director to a Non-Independent Executive Director and Group Chief Executive Officer ("GCEO") of the Company effective 30 January 2015.

En. Benyamin Bin Ismail ("En. Benyamin") was appointed as the Acting Chief Executive Officer ("Acting CEO") of the Company on 30 January 2015, in place of En. Azran Bin Osman Rani who ceased as the Chief Executive Officer ("CEO") of the Company on the even date. En. Benyamin is not a Board member of the Company and his profile is provided on page 43 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, GCEO and the Acting 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 Board Committees 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 28 to 36 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 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, ethnicity, age 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 its senior management.

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.

The Board had in November 2014 combined the Nomination Committee and Remuneration Committee of the Company into one known as Nomination and Remuneration Committee.

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 2014, the Board held a total of six (6) meetings and the details of Directors' attendances are as set out below:

Name	Number of Meetings
Tan Sri Rafidah Aziz	6
Tan Sri Dr. Anthony Francis Fernandes	4
Datuk Kamarudin Bin Meranun	5
Dato' Seri Kalimullah Bin Masheerul Hassan	5
Lim Kian Onn	6
Dato' Fam Lee Ee	6
Tan Sri Asmat Bin Kamaludin	4
Dato' Yusli Bin Mohamed Yusoff	6
Asher Noor	3[(1)]
Kiyoshi Fushitani	Nil[(2)]
Kiyotaka Tanaka	3[(3)]

(1) Mr. Asher Noor retired on 5 June 2014.

(2) Mr. Kiyoshi Fushitani resigned as a Non-Independent Non-Executive Director of the Company on 12 June 2014.

(3) Mr. Kiyotaka Tanaka ceased as an Alternate Director to Mr. Kiyoshi Fushitani on 12 June 2014 and appointed as a Non-Independent Non-Executive Director of the Company on the 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 serves 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 of Bursa Malaysia 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 necessary information is obtained, as well as all legal and regulatory obligations are met.

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	• Delivered many Talks and Keynote addresses on a wide variety of Economic topics and Issues, ranging from Asean, Leadership, Management and Globalisation, to Women in Nation building.
Datuk Kamarudin Bin Meranun	• CEO CIMB Asia Pacific Conference, Kuala Lumpur
Tan Sri Dr. Anthony Francis Fernandes	• JANE Summit, Japan • CEO CIMB Asia Pacific Conference, Kuala Lumpur • CLSA Investors Forum, Hong Kong • Nordic Business Forum, Norway • Credit Suisse Emerging Markets, Beijing
Dato' Fam Lee Ee	• Risk Management and Internal Control - workshop for audit committee members • Malaysia- China High Level Economic Forum • "Aviation Outlook in 2014" • Performance and Forecast of London Development Market Update • China- Malaysia Qinzhou Industrial Park Forum • "Market outlook" luncheon talk
Lim Kian Onn	• The 17th Annual Asian Investment Conference
Tan Sri Asmat Bin Kamaludin	• 2014 MASB Roundtable on Financial Reporting • Strategy and Risks – Managing Uncertainty • ICAAP Meeting (Internal Capital Adequacy Assessment Process) • Introduction to Drilling Activities – Luncheon Talk • Advocacy Session on Corporate Disclosure • Dialogue Session with Nomination Committee (NC) Members • Global Competitiveness and the Malaysian Experience • Investment Series
Dato' Yusli Bin Mohamed Yusoff	• Enterprise Risk Management (ERM) Awareness Program • GST and Tax Training • Appreciation & Application of ASEAN Corporate Governance Scorecard

During the year under review, Dato' Seri Kalimullah Bin Masheerul Hassan and Mr. Kiyotaka Tanaka 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 and Remuneration 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 of Bursa Malaysia 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.

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 20 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 97 to 99 of this Annual Report.

ii. Nomination and Remuneration Committee ("NRC")

NRC 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 20 of this Annual Report.

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

For Nomination:

- 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; and
- Overseeing the appointment, management succession planning and performance evaluation of the Board, the Board Committees and individual directors.

For the financial year ended 31 December 2014, the NRC was satisfied with the size and composition of the Board is adequate with the appropriate mix of knowledge, skills, attributes, core competencies and diversity including diversity in ethnicity and age to meet the needs of the Company. A Board Diversity Policy was also established, setting out the approach to diversify the Board of the Company.

Other than that, the NRC 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 NRC also discussed on the succession planning for the key management of the Company.

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

For Remuneration:

- Reviewing annually and recommending to the Board the overall remuneration policy for Directors and the GCEO, Acting CEO and former 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 GCEO, Acting CEO and former CEO (including but not limited to salaries, allowances, bonuses, share options and benefits-in-kind);
- Reviewing annually the performance of the Directors and the former 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 Committee is operating at maximum effectiveness and recommend any change it considers necessary to the Board 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 abstained from discussing their own remuneration.

iv. Safety Review Board ("SRB")

The SRB comprises of the GCEO, Acting 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 20 of this Annual Report.

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, Security and Quality Assurance, 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 Executive Director and GCEO, the Company's Acting CEO and the Head of People Department, the Members are set out on page 20 of this Annual Report.

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

- 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 the 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.

The total remuneration of Directors during the financial year ended 31 December 2014 are as follows:-

Directors' Remuneration	Executive (RM'000)	Non-Executive (RM'000)	Total (RM'000)
Fees	-	822	822
Salaries and other emoluments	-	-	-
Benefits-in-kind	-	-	-
Total	-	822	822

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	-	3
RM50,001 to RM100,000	-	6
RM100,001 to RM150,000	-	1
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 GCEO has a three-year service contract with AirAsia X whilst the Acting CEO has a six-month service contract with AirAsia X, subject to further review.

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 is 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 Customer Support Line 603 8775 4680 during operating hours from 9.00 am to 6.00 pm (Malaysian time) Mondays to Fridays.

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

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 GCEO or the Acting 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.

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.

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 97 to 99 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 100 to 102 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 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 community, workplace, marketplace and environment with sustainability objectives. The sustainability report is set out in pages 82 to 89 of this Annual Report.

F. Standard Operating Procedures ("SOPs")

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 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 Internal Audit 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, as the Company has zero tolerance in this 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 Internal Audit, 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 27 April 2015.

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. 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 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.

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 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 of Bursa Malaysia, 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 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 2014 ("financial year") is set out below.

Composition of the AC and Attendance of meetings

A total of six (6) meetings were held during 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 (Chairman of AC)	Independent Non-Executive Director	6
Tan Sri Asmat Bin Kamaludin	Independent Non-Executive Director	6
Lim Kian Onn	Non-Independent Non-Executive Director	6

The AC meets on a scheduled basis. The Acting CEO, the Chief Financial Officer, Head of Legal and the Head of Internal Audit are invited to attend the meetings to assist in the deliberations as and when necessary. The representatives of the external auditors, 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.

Internal Audit

- Reviewed and approved the Audit Charter for Internal Audit Department.
- Reviewed and approved the Internal Audit Plan 2015.
- 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 and approved the progress report on risk management activities.
- Reviewed the Statement on Risk Management and Internal Control and AC Report for inclusion in the 2014 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 auditors 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 auditors 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 of Bursa Malaysia.

ESOS

- 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 CEO.

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 2014 were RM164,460.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

The Board of Directors ("Board") of AirAsia X Berhad ("AAX" or "the Company") 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 Main Market Listing Requirements Paragraph 15.26 (b) and Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuer. The Board is pleased to issue the following statement of risk management & internal control for the financial year ended 31 December 2014."

Responsibility

The Board of Directors ("Board") of AirAsia X Berhad ("AAX" or "the Company") acknowledges its responsibility for maintaining sound internal control and risk management systems that would provide reasonable assurance in ensuring the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations, to safeguard shareholders' interests and the Group's assets. The system of internal control is designed to manage the Company's risk within acceptable risk profile, and provides reasonable assurance against material errors, misstatement or irregularities.

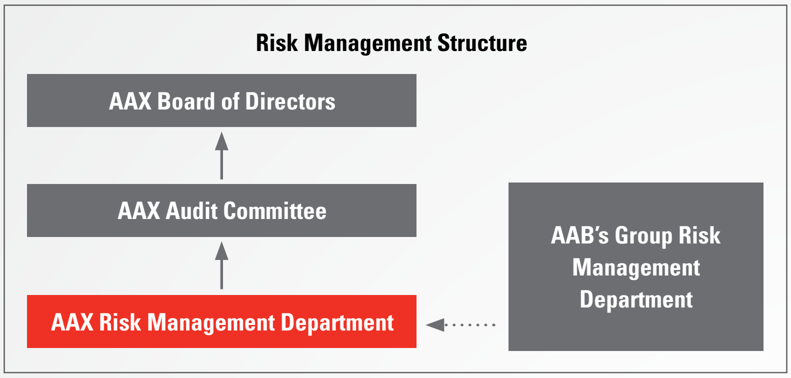
In view of the limitations inherent in any system of internal control, such a system is designed to mitigate rather than eliminate risks of failure to achieve corporate objectives. Accordingly, the system provides reasonable and not absolute assurance against material error, misstatement or loss. The system of internal control covers, inter alia, risks management, financial, operational and compliance controls. The Board confirms that the system of internal control and risk management of the Company was in place during the financial year. The system is subject to regular review by the Board.

Risk Management

By virtue of AAX is one of the players in low cost aviation industry, our businesses have unique risks that are specific to our industry. We recognize the fact that these risks must be effectively managed to ensure the long-term growth and enhancement of shareholder value. As such, AAX adopts a comprehensive risk management framework that includes risk management policy, clear lines of responsibility and accountability as well as an efficient framework on procedures and reporting guidelines. Our risk management system is also linked to the Group's internal control system, thus providing us an efficient and reliable decision making tool. AAX Risk Management Framework has been approved by the Board of Directors for adoption in year 2013 and AAX Group Risk Register and status on Action Plans were deliberated diligently during the quarterly Audit Committee and Board of Directors meetings respectively.

Key Objectives of the Risk Management Process

Our Risk Management structure aims to enhance the understanding and acceptance of risk management within AAX in order to assist the decision making process and ensuring our strategic objectives are fulfilled. It also aims to develop and sustain a risk management culture, initiatives and activities within AAX community. Finally, it ensures we are continuously in compliance with corporate governance best practices and the relevant laws including Bursa Malaysia's Listing Requirements. The following diagram outlines the risk management reporting structure that is in place at AAX. The company utilise the similar tools and processes which have been developed by AirAsia Berhad's ("AAB") Group Risk Management Department.



Role of the Board of Directors

Below are the roles of the Board with regards to risk management initiatives in AAX:

- To approve the risk management policy and framework, this includes risk parameters, thresholds & boundaries;
- To ensure that overall corporate risks are measured & thresholds are controlled within pre-determined limits;
- To ensure that there are sufficient internal controls and clear mitigation plans for major risks and that these plans include accountabilities and timelines;
- To ensure that a culture of identifying and managing risk exists throughout AAX organisation; and
- Setting the right example and tone at the top for risk management culture and ensure risk analysis and quantification is conducted for all major investments or strategic decisions.

Role of the Audit Committee

The Audit Committee's role is to implement and support the overseeing functions of the Board's role in risk management. It performs risk oversight and review risk profiles on quarterly basis. It identifies and communicates to the Board on critical risks and corresponding management action plans as well as highlighting any changes to AAX's Risk Profile.

Role of the Risk Management Department ("RMD")

The RMD is tasked with reviewing AAX Risk Register, highlighting any new risk that may arise to the Audit Committee and updating the Risk Register accordingly. It is responsible for the following activities:

- Recommending procedures and reporting formats on the risk management process;
- To assist Audit Committee in coordinating the risk management activities and reviewing of the Risk Register;
- Preparing risk progress report for the presentation to the Audit Committee;
- Considering new entries for the risk register from the time of the last review and updating entries of the last reported register;
- To coordinate risk management training for management team members; and
- Discussing and recommending improvement plans on risk management issues and procedures that can be implemented or incorporated by any function in AAX to Audit Committee;

Risk Management Process

There are four (4) steps within the risk management process in AAX. At each stage, there are distinct decisive factors to be considered before the next stage is reached. A structured framework approach to risk management that incorporates all the necessary steps was developed. These steps are depicted in Figure 1 below.

Figure 1: AAX Risk Management Process Diagram

Conclusion

The Board is of the opinion that the Group's Risk Management System is effective and functioning adequately, and that everyone in the Group has been made aware of and alert to the requirements of the system and its procedures. The Board has acknowledged that all identified risks are being managed to an acceptable level, and that the system is proficient in helping to keep the Group in line with its long term goals and objective. To facilitate the aforementioned process, AAX uses a web-based risk management information system, namely RedRadar. The objectives of RedRadar are to capture risk information i.e. roots causes and consequences of identified risks, the existing controls and its effectiveness, as well as proposed management actions to mitigate these risks which will be performed by the appointed risk owners.

The Board also monitors the progress of implementation plan and the level of risk rating on quarterly basis. As of December 2014, there are a total of thirty (30) identified risks for AAX which categorised as follows:

No	Type of Risk	Net Risk Rating		
		High	Medium	Low
1	Business Development	0	1	0
2	Commercial	1	1	1
3	Routes & Regulatory	1	1	0
4	Legal	1	4	1
5	Engineering	0	1	0
6	Ground Operations	0	3	0
7	Flight Operations	0	1	0
8	Safety & Security	1	2	0
9	Finance	1	3	1
10	People	0	3	0
11	ICT	0	2	0

Internal Control

Key elements of the Company's internal control system, including the processes in place to review its adequacy, are as follows:

Control Environment

The internal control mechanism is embedded in the various work processes and procedures at appropriate levels in the Company especially for operations activities. The work processes and procedures for flight operations and ground operations are documented in Flight Operations Manuals and Ground Operations Manuals respectively. These manuals assist in ensuring continuity of best practice and effective control of various tasks in operations. Continuous efforts are also being undertaken by the heads of departments to review and update the manuals regularly or when it is deemed necessary.

Organisational Structure

AAX has a well-defined organisational structure that is aligned to its business and operational requirements. Each strategic operating function is headed by a responsible Departmental Head. Clear lines of accountability and responsibility, approval, authorization, and control procedures have been laid down and communicated throughout AAX.

People Department

AAX believes that the key strategy to maintain business growth in an environment of intense competition is to enhance the operational efficiency and productivity of human capital. Thus, formal appraisal process namely Performance Review Appraisal Process using Performance Appraisal Form and guided by Expectations, Goals and Measurements (EGM) provide a framework to translate and align the strategy of human capital development to the Group's Strategic Plan. It is also being used as a performance measurement tool. AAX continued to emphasise on the talent and competencies of employees by establishing Talent Management Framework.

Budget

The Group undertakes a comprehensive budgeting process each year, to establish goals and targets against which performance is monitored on an on-going basis. The Board participates in the review and approval of the Yearly Budget. A quarterly reporting and review of financial results and forecast has been established and is consistently observed. The quarterly financial performance is constantly presented to the Board.

Limits of Authority (LOA)

AAX documented its Limits of Authority ("LOA") which clearly defines the level of authority and responsibility in making operational and commercial business decisions. Approving authorities cover various levels of management and includes the Board. The LOA is reviewed regularly and any amendments made to the LOA must be tabled to and approved by the Board. The latest version of LOA which named Revised LOA was approved by the Board in November 2012.

Insurance and Physical Safeguards

The Group undertakes adequate insurance and ensure physical safeguard on assets are in place to ensure that the assets are sufficiently covered against any mishap that will result in material losses. AAX Aviation Insurance program comprises of the following: -
- Aviation Hull and Spares All Risks and Liability;
- Aviation Hull and Spares War and Allied Perils (Primary and Excess);
- Aircraft Hull and Spares Deductible;
- Aviation War, Hi-jacking and Other Perils Excess Liability (Excess AVN52); and
- General Insurance Program.

Information and Communication

While the management is responsible to ensure proper implementation of internal control procedures, the Board can request to review the state of internal controls as and when it deems necessary. The Board can request for information and clarification from management as well as to seek inputs from the Audit Committee, external and internal auditors, and other experts, and any costs shall be borne by the Company.

Audit Committee

The Audit Committee has been established by the Board since year 2013. The Audit Committee comprises of three (3) members of the Board, majority of who are independent directors. Its terms of reference together with the Audit Committee Report are disclosed in pages 97 to 99 of this Annual Report.

Internal Audit Function

The Audit Committee has established the Internal Audit Department ("IAD") since year 2013. The IAD of AAX acts as an independent appraisal function to assist the Audit Committee in discharging their duties and to provide assurance to Management and the Board that all internal controls are in place, adequate and functioning effectively within the acceptable limits and expectations. IAD strives to provide the means for the Company to accomplish its control objectives by introducing a systematic and disciplined approach in evaluating and improving the effectiveness of risk management, internal control and governance processes. The purpose, authority and responsibility of IAD as well as the nature of assurance and consultancy activities provided to the Company are clearly stated in the Internal Audit Charter as approved by the Audit Committee in year 2014. In order to preserve its independence, the Head of IAD reports directly to the Audit Committee and administratively to the Acting Chief Executive Officer of AAX.

Throughout the year 2014, the IAD activities are focusing more towards operational audits. Nevertheless in November 2014, the IAD developed the risk-based Internal Audit Plan which covering strategic, operational, information technology and financial activities that are significant to the overall performance of the Company. The Internal Audit Plan will be reviewed and approved by the Audit Committee. The IAD primarily acts as an assurance unit which reviews the effectiveness of the system of internal control, highlighting any areas for improvement and recommend enhancement to the internal controls where necessary and to minimize or eliminate the risk of internal fraud and irregularities.

As an integral part of the management process, IAD furnishes the Management with independent analysis, appraisals, counsel and information on the activities under review. The key internal audit activities that add value to AAX can be summarized as follows:
1. Identify all auditable activities and relevant risk factors, and to assess their significance;
2. Research and gather information that is competent, factual and complete;
3. Analyse and examine that operational activities are carried out effectively;
4. Provide assurance on compliance to statutory requirements, laws, company policies and guidelines;
5. Recommend appropriate controls to overcome deficiencies and to enhance company operations;
6. Evaluate procedures in place to safeguard company assets;
7. Assist Management in establishing a proper risk management framework, assessing risk and monitoring the effectiveness of the risk management program and ensuring the adequacy of the internal control system.

Code of Conduct

Our Code of Conduct ("the Code") governs the professional conduct of our employees and outlines their responsibilities to the Company in performing their duties. The various policies and guidelines within the Code spell out the standards and ethics that all employees are expected to adhere to in the course of their work. It highlights AAX's expectations on their professional conduct which includes amongst others:
- The environment inside and outside of workplace.
- How we work.
- Conflict of interest.
- Confidentiality and disclosure of information.
- Good practices and controls.
- Duty and declaration.

The Code is designed to maintain discipline and order in the work place among employees at all levels. It also sets out the circumstances in which such employees would be deemed to have breached the Code and the disciplinary actions that can be taken against them.

Whistle Blower Policy

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

The Board has received an assurance from the Acting CEO and CFO of AirAsia X Berhad that the risk management and internal control system is operating adequately and effective, in all material aspects.

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 proceeds raised from the Initial Public Offering ("IPO") had been partially utilised and the details of the utilisation of proceeds as at 27 April 2015 are as follows:-

	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	(196.7)	83.3
Estimated listing expenses	38.0	(38.0)	-
Working capital	136.9	(136.9)	-
Total	740.7	(657.4)	83.3

2. SHARE BUY-BACK

The Company does not have a scheme to buy-back its own shares during the financial year ended 31 December 2014.

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES EXERCISED

The Company did not issue any warrants or convertible securities in issues. During the financial year ended 31 December 2014, the ESOS is exercisable but no exercise of ESOS took place.

4. DEPOSITORY RECEIPT PROGRAMME

The Company did not sponsor any depository receipt programme during the financial year ended 31 December 2014.

5. ESOS

The ESOS is the only share scheme of the Company in existence during the financial year ended 31 December 2014 approved by the shareholders on 12 October 2012. The information of the ESOS is as follows:

	During the financial year ended 31 December 2014	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	1,725,000	1,725,000
Total options or shares outstanding	6,150,000	6,150,000

Granted to senior management	During the financial year ended 31 December 2014	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 2014.

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 2014 were RM331,000 in connection with tax consultancy and rights issue exercise.

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 2014.

9. PROFIT GUARANTEE

During the financial year ended 31 December 2014, 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 2014.

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

At the Annual General Meeting ("AGM") held on 5 June 2014, the Company had obtained a shareholders' mandate to allow the Company to enter into recurrent related party transactions ("RRPTs") of a revenue or trading nature.

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

	Transacting Parties	Nature of RRPTs	Class and relationship of the Related Parties	Actual value
1.	AirAsia Berhad ("AirAsia")	Rights granted by AirAsia to our Company to operate air services under the "AIRASIA" trade name and livery in respect of our low-cost, long-haul air services.	**Interested Directors** Tan Sri Dr. Tony Fernandes ("Tan Sri Dr. Tony Fernandes") Datuk Kamarudin Bin Meranun ("Datuk Kamarudin") Dato' Fam Lee Ee ("Dato' Fam") **Interested Major Shareholders** AirAsia Tune Group Sdn. Bhd. ("Tune Group") Tan Sri Dr. Tony Fernandes Datuk Kamarudin	RM2,595,000
2.	AirAsia	Provision of services by AirAsia to our Company in respect of passenger insurance, regulatory issues and infrastructure development, commercial services, information and communications technology, treasury, audit and consulting services, security, cargo and manpower.	**Interested Directors** Tan Sri Dr. Tony Fernandes Datuk Kamarudin Dato' Fam **Interested Major Shareholders** AirAsia Tune Group Tan Sri Dr. Tony Fernandes Datuk Kamarudin	RM4,289,000
		Shared services in relation to the respective employees of our Company whose services are also provided to AirAsia.		RM726,000

	Transacting Parties	Nature of RRPTs	Class and relationship of the Related Parties	Actual value
3.	AirAsia	Purchase of Tune Talk prepaid mobile SIM cards from AirAsia for sale on-board our flights, based on a reseller arrangement.	**Interested Directors** Tan Sri Dr. Tony Fernandes Datuk Kamarudin Dato' Fam **Interested Major Shareholders** AirAsia Tune Group Tan Sri Dr. Tony Fernandes Datuk Kamarudin	-
4.	AAE Travel Ptd Ltd ("AAE")	Marketing, distribution and sale of our travel products and services by AAE in Asia through AAE's distribution channels ("Services").	**Interested Directors** Tan Sri Dr. Tony Fernandes Datuk Kamarudin Dato' Fam **Interested Major Shareholders** AirAsia Tune Group Tan Sri Dr. Tony Fernandes Datuk Kamarudin	-
5.	Asian Contact Centres Sdn Bhd ("ACCSB")	Provision of call centre services to our Company	**Interested Directors** Tan Sri Dr. Tony Fernandes Datuk Kamarudin Dato' Fam **Interested Major Shareholders** AirAsia Tune Group Tan Sri Dr. Tony Fernandes Datuk Kamarudin	RM8,463,000
6.	AirAsia	Provision of carried passenger services for a long-haul destination to AirAsia on an ad-hoc basis, whereby the passengers are procured by AirAsia but are carried by our Company.	**Interested Directors** Tan Sri Dr. Tony Fernandes Datuk Kamarudin Dato' Fam **Interested Major Shareholders** AirAsia Tune Group Tan Sri Dr. Tony Fernandes Datuk Kamarudin	RM8,827,000

	Transacting Parties	Nature of RRPTs	Class and relationship of the Related Parties	Actual value
7.	CaterhamJet Global Ltd ("CJG")	Annual payment in respect of chartered air travel services to be provided by CJG for members of our Board and key management for corporate and strategic development activities of our Company to explore, assess and implement our growth strategies and future plans. Such services allow for more flexibility in managing their travel requirements. Examples of such travel requirements include governmental or ministerial meetings as well as meetings with civil aviation and airport authorities, including flights to Europe for meetings with our aircraft supplier or financiers.	**Interested Directors** Tan Sri Dr. Tony Fernandes Datuk Kamarudin **Interested Major Shareholders** Tune Group Tan Sri Dr. Tony Fernandes Datuk Kamarudin	RM2,385,000
8.	Tune Box Sdn Bhd ("Tune Box")	Supply of in-flight entertainment system, hardware, software, content and updates by Tune Box.	**Interested Directors** Tan Sri Dr. Tony Fernandes Datuk Kamarudin **Interested Major Shareholders** Tune Group Tan Sri Dr. Tony Fernandes Datuk Kamarudin	RM891,000
9.	Tune Box Avionics Sdn Bhd	Sale and maintenance of an in-flight entertainment and connectivity (IFEC) solution.	**Interested Directors** Tan Sri Dr. Tony Fernandes Datuk Kamarudin **Interested Major Shareholders** Tune Group Tan Sri Dr. Tony Fernandes Datuk Kamarudin	-
10.	Tune Insurance Malaysia Berhad ("Tune Insurance")	Receipt of commission income of 25% on all insurance premiums received by Tune Insurance pursuant to our Company's role as a corporate agent of Tune Insurance for the provision of AirAsia Insure, a travel protection plan which provides coverage for losses arising from, amongst others, personal accident, medical and evacuation, emergency medical evacuation and mortal remains repatriation, travel inconvenience such as flight cancellation or loss or damage to baggage and personal effects, flight delay and on-time guarantee.	**Interested Directors** Tan Sri Dr. Tony Fernandes Datuk Kamarudin **Interested Major Shareholders** AirAsia Tune Group Tan Sri Dr. Tony Fernandes Datuk Kamarudin	RM1,393,000

	Transacting Parties	Nature of RRPTs	Class and relationship of the Related Parties	Actual value
11.	Asian Aviation Centre of Excellence Sdn Bhd ("AACOE")	Provision of commercial training services and non-pilot training services by AACOE.	**Interested Directors** Tan Sri Dr. Tony Fernandes Datuk Kamarudin Dato' Fam **Interested Major Shareholders** AirAsia Tune Group Tan Sri Dr. Tony Fernandes Datuk Kamarudin	RM1,199,000
12.	Think BIG Digital Sdn Bhd ("Think BIG")	Purchase of loyalty points from Think BIG, which operates and manages a loyalty programme branded as the BIG Loyalty Program.	**Interested Directors** Tan Sri Dr. Tony Fernandes Datuk Kamarudin Dato' Fam Lim Kian Onn **Interested Major Shareholders** AirAsia Tune Group Tan Sri Dr. Tony Fernandes Datuk Kamarudin	RM713,000
13.	Tune Insurance	Payment to Tune Insurance of insurance premiums collected on its behalf pursuant to our Company's role as a corporate agent of Tune Insurance for the provision of AirAsia Insure, a travel protection plan which provides coverage for losses arising from, amongst others, personal accident, medical and evacuation, emergency medical evacuation and mortal remains repatriation, travel inconvenience such as flight cancellation or loss or damage to baggage and personal effects, flight delay and on-time guarantee.	**Interested Directors** Tan Sri Dr. Tony Fernandes Datuk Kamarudin **Interested Major Shareholders** AirAsia Tune Group Tan Sri Dr. Tony Fernandes Datuk Kamarudin	RM5,574,000

The shareholdings of the interested Directors and interested Major Shareholders in our Company as at the 27 April 2015 are as follows:

	<------------- Direct ------------->		<------------- Indirect ----------->	
	No. of Shares	**%**	**No. of Shares**	**%**
Interested Directors				
Tan Sri Dr. Tony Fernandes	49,887,845	2.10	748,760,787[1]	31.59
Datuk Kamarudin	192,972,994	8.14	748,760,787[1]	31.59
Lim Kian Onn	112,447,632	4.74	600,000[2]	0.03
Dato' Fam	-	-	-	-
Interested Major Shareholders				
AirAsia	326,130,573	13.76	-	-
Tune Group	422,630,214	17.83	-	-
Tan Sri Dr. Tony Fernandes	49,887,845	2.10	748,760,787(1	31.59
Datuk Kamarudin	192,972,994	8.14	748,760,787[1]	31.59

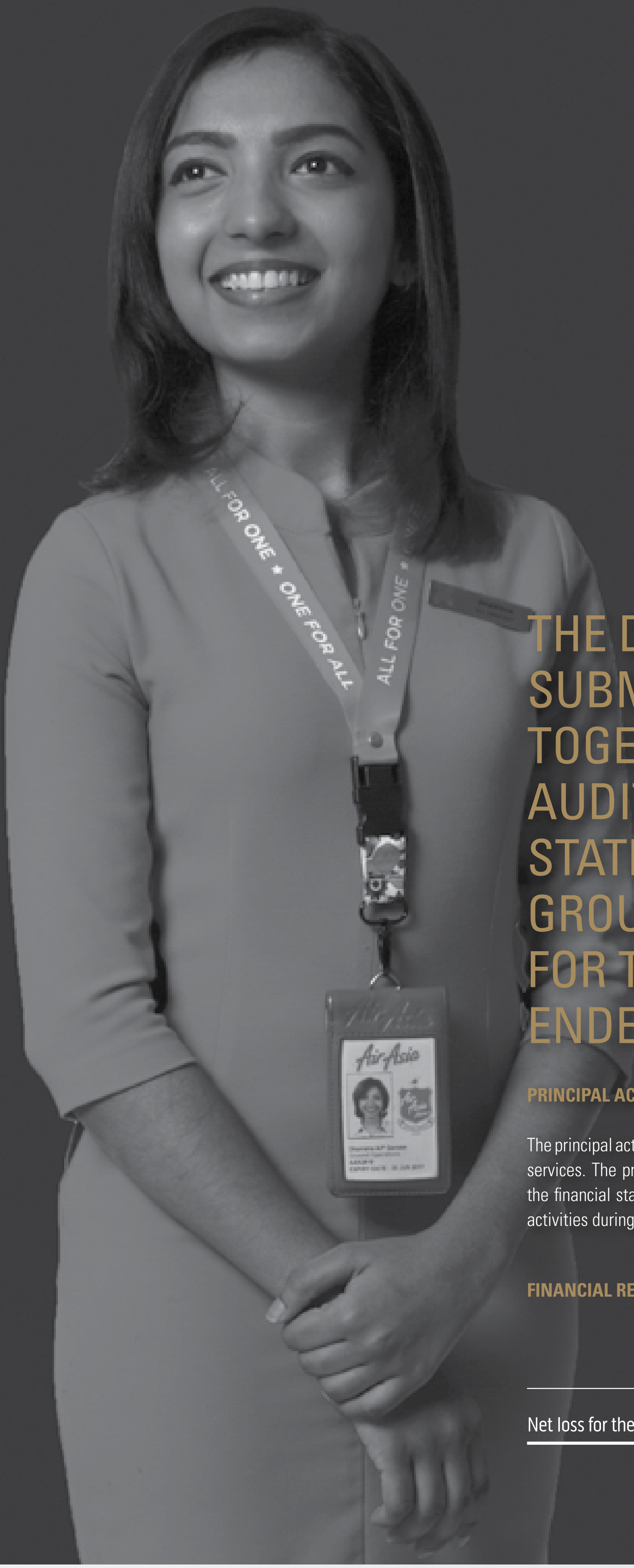
Note:

[1] Deemed interested via their interests in AirAsia and Tune Group, being the Major Shareholders of our Company pursuant to Section 6A of the Act.
[2] Deemed interest via shareholdings of his spouse and children.

Please refer to Section 7 and Appendix I of the Circular to shareholders dated 14 May 2014 and the note of Section 2.3 of the Circular to shareholders dated 13 May 2015 respectively on the directorships and shareholdings of the interested directors and interested major shareholders in the transacting parties.

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 2014.

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 16 to the financial statements. There was no significant change in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net loss for the financial year	519,443	484,003

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 2014.

RESERVES AND PROVISIONS

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

EMPLOYEES' SHARE OPTION SCHEME

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 of the Group. 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 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 26 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 Rafidah Aziz	
Datuk Kamarudin Bin Meranun	
Tan Sri Dr. Anthony Francis Fernandes	
Dato' Seri Kalimullah Bin Masheerul Hassan	
Lim Kian Onn	
Dato' Fam Lee Ee	
Tan Sri Asmat Bin Kamaludin	
Dato' Yusli Bin Mohamed Yusoff	
Kiyotaka Tanaka	(Ceased as Alternate Director to Kiyoshi Fushitani on 12 June 2014; Appointed on 12 June 2014)
Kiyoshi Fushitani	(Resigned on 12 June 2014)
Asher Noor	(Retired on 5 June 2014)

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit 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 5 and Note 28 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 RM0.15 each			
	1.1.2014	Acquired/ Transferred	Disposed/ Transferred	31.12.2014
Direct interests in the Company				
Datuk Kamarudin Bin Meranun	66,456,360	131,016,634	(4,500,000)	192,972,994
Tan Sri Dr. Anthony Francis Fernandes	35,223,907	14,663,938	-	49,887,845
Dato' Seri Kalimullah Bin Masheerul Hassan	16,170,447	91,765,191	-	107,935,638
Lim Kian Onn	16,170,447	96,277,185	-	112,447,632
Tan Sri Rafidah Aziz	100,000	-	-	100,000
Tan Sri Asmat Bin Kamaludin	100,000	-	-	100,000
Dato' Yusli Bin Mohamed Yusoff	100,000	-	-	100,000
Indirect interests in the Company				
Datuk Kamarudin Bin Meranun	1,143,016,016	479,029,974	(873,285,203)	748,760,787*
Tan Sri Dr. Anthony Francis Fernandes	1,143,016,016	479,029,974	(873,285,203)	748,760,787*
Lim Kian Onn**	600,000	-	-	600,000
Tan Sri Rafidah Aziz***	100,000	-	-	100,000

* Deemed interest by virtue of their shareholding interests in AirAsia Berhad and Tune Group Sdn Bhd 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 (deceased) of Tan Sri Rafidah Aziz in the shares of the Company shall also be treated as the interest of Tan Sri Rafidah Aziz.

According to the register of Directors' shareholdings, other than disclosed above, 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.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

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

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

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

In the opinion of the Directors:

(a) 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.

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 29 April 2015.

TAN SRI RAFIDAH AZIZ
DIRECTOR

DATUK KAMARUDIN BIN MERANUN
DIRECTOR

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

		Group		Company	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Revenue	4	2,936,727	2,308,350	2,935,584	2,308,003
Operating expenses					
- Staff costs	5	(313,018)	(233,601)	(308,730)	(230,700)
- Depreciation of property, plant and equipment		(180,730)	(120,558)	(180,730)	(120,558)
- Aircraft fuel expenses		(1,519,924)	(1,101,216)	(1,519,924)	(1,101,216)
- Maintenance, overhaul, user charges and other related expenses		(638,167)	(451,369)	(638,167)	(451,369)
- Aircraft operating lease expenses		(337,978)	(186,663)	(337,978)	(186,663)
- Other operating expenses	6	(313,954)	(203,461)	(317,671)	(206,596)
Other income	7	190,744	20,401	190,744	20,401
Share of results of an associate	17	(19,516)	(502)	-	-
Share of results of a joint venture	18	(16,322)	-	-	-
Operating (loss)/profit		(212,138)	31,381	(176,872)	31,302
Finance income	9	6,349	3,611	6,349	3,608
Finance costs	9	(159,658)	(76,422)	(159,658)	(76,422)
Foreign exchange losses	9	(136,921)	(176,171)	(136,921)	(176,171)
Other (loss)/gain	8	(102,993)	5,541	(102,993)	5,541
Loss before taxation		(605,361)	(212,060)	(570,095)	(212,142)
Taxation					
- Current taxation	10	(245)	(997)	(71)	(727)
- Deferred taxation	10	86,163	124,790	86,163	124,790
		85,918	123,793	86,092	124,063
Net loss for the financial year		(519,443)	(88,267)	(484,003)	(88,079)
Net loss for the financial year attributable to:					
- Equity holders of the Company		(519,443)	(88,267)		
- Non-controlling interests		-	-		
		(519,443)	(88,267)		
Loss per share (sen)					
- Basic	11	(21.9)	(6.7)		
- Diluted	11	(21.9)	(6.7)		

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Net loss for the financial year	(519,443)	(88,267)	(484,003)	(88,079)
Other comprehensive (loss)/income				
Items that may be subsequently reclassified to profit or loss				
Cash flow hedges	(14,049)	20,527	(14,049)	20,527
Foreign currency translation differences	(26)	(12)	-	-
Other comprehensive (loss)/income for the financial year, net of tax	(14,075)	20,515	(14,049)	20,527
Total comprehensive loss for the financial year	(533,518)	(67,752)	(498,052)	(67,552)
Total comprehensive loss attributable to:				
- Equity holders of the Company	(533,518)	(67,752)		
- Non-controlling interests	-	-		
	(533,518)	(67,752)		

BALANCE SHEETS
AS AT 31 DECEMBER 2014

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	12	1,934,588	2,275,213	1,934,588	2,275,213
Deferred tax assets	13	445,793	359,630	445,793	359,630
Deposits on aircraft purchases	14	469,526	638,283	469,526	638,283
Other deposits and prepayments	15	344,420	196,201	344,420	196,201
Investments in subsidiaries	16	-	-	*	*
Investment in an associate	17	-	19,516	20,018	20,018
Investment in a joint venture	18	37,566	-	53,888	-
Derivative financial instruments	19	-	60,388	-	60,388
		3,231,893	3,549,231	3,268,233	3,549,733
CURRENT ASSETS					
Derivative financial instruments	19	-	5,541	-	5,541
Inventories	20	1,362	993	1,362	993
Receivables and prepayments	21	310,894	165,356	310,821	165,319
Amounts due from related parties	22	38,769	16,387	38,304	16,325
Amount due from a joint venture	22	19,499	-	19,499	-
Amount due from an associate	22	5,314	1,353	-	1,353
Amount due from a subsidiary	22	-	-	5,314	-
Deposits, cash and bank balances	23	127,198	262,976	126,767	262,777
Tax recoverable		1,065	523	1,039	274
		504,101	453,129	503,106	452,582
LESS: CURRENT LIABILITIES					
Derivative financial instruments	19	102,993	-	102,993	-
Trade and other payables	24	828,802	346,778	828,019	346,080
Amounts due to related parties	22	23,173	1,916	23,173	1,916
Amounts due to subsidiaries	22	-	-	1,896	1,887
Amount due to an associate	22	196	-	196	-
Sales in advance		497,855	421,258	497,855	421,258
Borrowings	25	513,245	445,880	513,245	445,880
		1,966,264	1,215,832	1,967,377	1,217,021
NET CURRENT LIABILITIES		(1,462,163)	(762,703)	(1,464,271)	(764,439)
NON-CURRENT LIABILITY					
Borrowings	25	1,066,100	1,550,373	1,066,100	1,550,373
		703,630	1,236,155	737,862	1,234,921

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
CAPITAL AND RESERVES					
Share capital	26	355,556	355,556	355,556	355,556
Share premium		849,598	849,598	849,598	849,598
Currency translation reserve		(104)	(78)	-	-
(Accumulated losses)/ retained earnings		(509,413)	10,030	(475,285)	8,718
Other reserves		7,993	21,049	7,993	21,049
SHAREHOLDERS' EQUITY		703,630	1,236,155	737,862	1,234,921

* Less than RM1,000

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

		Attributable to equity holders of the Company									
		Issued and fully paid ordinary shares of RM0.15 each									
	Note	Number of shares '000	Nominal value RM'000	Share premium RM'000	Cash flow hedge reserve RM'000	Capital reserve RM'000	Currency translation reserve RM'000	(Accumulated losses)/ retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
At 1 January 2014		2,370,370	355,556	849,598	20,527	522	(78)	10,030	1,236,155	-	1,236,155
Net loss for the financial year		-	-	-	-	-	-	(519,443)	(519,443)	-	(519,443)
Other comprehensive loss		-	-	-	(14,049)	-	(26)	-	(14,075)	-	(14,075)
Total comprehensive loss		-	-	-	(14,049)	-	(26)	(519,443)	(533,518)	-	(533,518)
Employee Share Option Scheme	26	-	-	-	-	993	-	-	993	-	993
At 31 December 2014		2,370,370	355,556	849,598	6,478	1,515	(104)	(509,413)	703,630	-	703,630

		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							
	Note	Number of shares '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 hedge reserve RM'000	Capital reserve RM'000	Currency translation reserve RM'000	Retained earnings RM'000	Total RM'000
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	26	42,667	42,667	-	-	(42,667)	(42,667)	-	-	-	-	-	-
Subdivision of shares	26	(266,667)	(266,667)	1,777,778	266,667	-	-	-	-	-	-	-	-
Issuance or ordinary shares	26	-	-	592,592	88,889	-	-	651,851	-	-	-	-	740,740
Share issuance expenses		-	-	-	-	-	-	(18,085)	-	-	-	-	(18,085)
Employee Share Option Scheme	26	-	-	-	-	-	-	-	-	522	-	-	522
At 31 December 2013		-	-	2,370,370	355,556	-	-	849,598	20,527	522	(78)	10,030	1,236,155

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	Issued and fully paid ordinary shares of RM0.15 each		Non-distributable				
		Number of shares '000	Nominal value RM'000	Share premium RM'000	Cash flow hedge reserve RM'000	Capital reserve RM'000	(Accumulated losses)/ retained earnings RM'000	Total RM'000
At 1 January 2014		2,370,370	355,556	849,598	20,527	522	8,718	1,234,921
Net loss for the financial year		-	-	-	-	-	(484,003)	(484,003)
Other comprehensive loss		-	-	-	(14,049)	-	-	(14,049)
Total comprehensive loss		-	-	-	(14,049)	-	(484,003)	(498,052)
Employee Share Option Scheme	26	-	-	-	-	993	-	993
At 31 December 2014		2,370,370	355,556	849,598	6,478	1,515	(475,285)	737,862

	Note	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				
		Number of shares '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 hedge reserve RM'000	Capital Reserve RM'000	Retained earnings RM'000	Total RM'000
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		-	-	-	-	-	-	-	20,527	-	-	20,527
Total comprehensive income/(loss)		-	-	-	-	-	-	-	20,527	-	(88,079)	(67,552)
Conversion of RCPS `	26	42,667	42,667	-	-	(42,667)	(42,667)	-	-	-	-	-
Subdivision of shares	26	(266,667)	(266,667)	1,777,778	266,667	-	-	-	-	-	-	-
Issuance or ordinary shares	26	-	-	592,592	88,889	-	-	651,851	-	-	-	740,740
Share issuance expenses		-	-	-	-	-	-	(18,085)	-	-	-	(18,085)
Employee Share Option Scheme	26	-	-	-	-	-	-	-	-	522	-	522
At 31 December 2013		-	-	2,370,370	355,556	-	-	849,598	20,527	522	8,718	1,234,921

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before taxation	(605,361)	(212,060)	(570,095)	(212,142)
Adjustments:				
Property, plant and equipment				
- Depreciation	180,730	120,558	180,730	120,558
- Write off	4,890	-	4,890	-
Gain on disposal of aircraft and engine pursuant to sales and leaseback arrangement	(121,257)	-	(121,257)	-
Impairment of trade and other receivables	1,509	552	1,509	552
Interest expense	99,935	72,354	99,935	72,354
Amortisation of deposits for leased aircraft	59,723	4,068	59,723	4,068
Interest income	(1,051)	(3,032)	(1,051)	(3,029)
Interest income on deposits for leased aircraft	(5,298)	(579)	(5,298)	(579)
Fair value loss/(gain) on derivative financial instruments	134,858	(4,473)	134,858	(4,473)
Fair value (gain)/loss of shareholders' benefits scheme	(1,990)	8,536	(1,990)	8,536
Share option expense	993	522	993	522
Share of results of an associate	19,516	502	-	-
Share of results of a joint venture	16,322	-	-	-
Net unrealised foreign exchange losses	90,736	61,850	90,772	61,912
	(125,745)	48,798	(126,281)	48,279
Changes in working capital:				
Inventories	(369)	(187)	(369)	(187)
Receivables, prepayments and other deposits	(285,065)	(89,626)	(285,029)	(89,961)
Related parties balances	(22,890)	(5,343)	(22,514)	(5,719)
Trade and other payables	403,743	79,839	403,635	81,571
Sales in advance	76,597	226,070	76,597	226,070
Cash generated from operations	46,271	259,551	46,039	260,053
Interest paid	(98,793)	(73,633)	(98,793)	(73,633)
Interest received	800	3,122	800	3,119
Tax recovered	-	1,716	-	1,716
Tax paid	(836)	(1,267)	(836)	(1,001)
Net cash (used in)/from operating activities	(52,558)	189,489	(52,790)	190,254

	Note	Group		Company	
		2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
CASH FLOWS FROM INVESTING ACTIVITIES					
Property, plant and equipment					
- Additions	12	(352,461)	(882,665)	(352,461)	(882,665)
Investment in an associate		-	(20,018)	-	(20,018)
Investment in a joint venture		(53,888)	-	(53,888)	-
Proceeds from disposal of aircraft and engine pursuant to sales and leaseback arrangement		1,010,059	-	1,010,059	-
Deposits placed on aircraft purchases		(211,469)	(405,827)	(211,469)	(405,827)
Net cash from/(used in) investing activities		392,241	(1,308,510)	392,241	(1,308,510)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from allotment of shares		-	722,655	-	722,655
Proceeds from borrowings		597,104	1,097,310	597,104	1,097,310
Repayments of borrowings		(1,078,563)	(612,941)	(1,078,563)	(612,941)
Deposits pledged as securities		(1,374)	(50,887)	(1,374)	(50,887)
Net cash (used in)/from financing activities		(482,833)	1,156,137	(482,833)	1,156,137
NET (DECREASE)/INCREASE FOR THE FINANCIAL YEAR		(143,150)	37,116	(143,382)	37,881
CURRENCY TRANSLATION DIFFERENCES		5,998	1,022	5,998	1,034
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		212,089	173,951	211,890	172,975
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	23	74,937	212,089	74,506	211,890

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 16 to the financial statements.

There was no significant change 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:

Mezzanine Floor, LCCT
Jalan KLIA S3
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 29 April 2015.

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 and the Company incurred net loss of RM519,443,000 and RM484,003,000 respectively during the financial year ended 31 December 2014 and as of that date, the Group's and the Company's current liabilities exceeded their current assets by RM1,462,163,000 and RM1,464,271,000 respectively, the Directors are of the view that no material uncertainty related 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 the Company are able to realise their assets and discharge their liabilities in the normal course of business and that the financial position will be improved through future operating profits and cash flows.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

On 27 January 2015, the Company had secured an additional term loan facility amounting to RM75 million for working capital purposes. In addition, as disclosed in Note 33 to the financial statements, on 30 January 2015, the Company announced the proposal to undertake a renounceable rights issue of new ordinary shares of RM0.15 each in AirAsia X Berhad together with free detachable warrants to raise gross proceeds of up to RM395 million ("Rights Issue with Warrants"). This corporate transaction was approved by the shareholders at the Extraordinary General Meeting held on 27 March 2015. Certain shareholders ("Undertaking Shareholders") have provided irrevocable and unconditional written undertakings to subscribe and/or procure the subscription in full of their respective entitlements under the Rights Issue with Warrants. In addition, the Company has also entered into an underwriting agreement with an underwriter to underwrite the remaining portion of the rights shares. Proceeds from the rights issue are expected to be available in the second quarter of 2015.

Based on the above, the Directors believe that it is appropriate to prepare the financial statements of the Group and the Company on a going concern basis.

(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 2014 are as follows:

- Amendments to MFRS 132 'Offsetting Financial Assets and Financial Liabilities'
- Amendments to MFRS 136 'Recoverable Amount Disclosures for Non-Financial Assets'
- Amendments to MFRS 139 'Novation of Derivatives and Continuation of Hedge Accounting'
- Amendments to MFRS 10, MFRS 12 and MFRS 127 'Investment Entities'

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- Amendment to MFRS 11 'Joint arrangements' (effective from 1 January 2016) requires an investor to apply the principles of MFRS 3 'Business Combination' when it acquires an interest in a joint operation that constitutes a business. The amendments are applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation. However, a previously held interest is not re-measured when the acquisition of an additional interest in the same joint operation results in retaining joint control.

- Amendments to MFRS 116 'Property, plant and equipment' and MFRS 138 'Intangible assets' (effective from 1 January 2016) clarify that the use of revenue-based methods to calculate the depreciation and amortisation of an item of property, plant and equipment and intangible are not appropriate. This is because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

  The amendments to MFRS 138 also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption can be overcome only in the limited circumstances where the intangible asset is expressed as a measure of revenue or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

- Amendments to MFRS 10 and MFRS 128 regarding sale or contribution of assets between an investor and its associate or joint venture (effective from 1 January 2016) resolve a current inconsistency between MFRS 10 and MFRS 128. The accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business'. Full gain or loss shall be recognised by the investor where the non-monetary assets constitute a 'business'. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor to the extent of the other investors' interests. The amendments will only apply when an investor sells or contributes assets to its associate or joint venture. They are not intended to address accounting for the sale or contribution of assets by an investor in a joint operation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement". The complete version of MFRS 9 was issued in November 2014.

  MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

  For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. 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.

  There is now a new expected credit losses model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

- MFRS 15 'Revenue from contracts with customers' (effective from 1 January 2017) deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations.

The Group and the Company are in the process of assessing the full impact of the above standards, amendments to published standards and interpretations on the financial statements of the Group and of the Company in the year of initial application.

(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 the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Basis of consolidation (continued)

(i) Subsidiaries (continued)

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.

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.

(iii) Joint arrangements

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Basis of consolidation (continued)

(iii) Joint arrangements (continued)

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

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

Service potential of 6 years represents the period over which the expected cost of the first major aircraft engine overhaul is depreciated. Subsequent to the engine overhaul, the actual cost incurred is capitalised and depreciated over the subsequent 6 years.

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

Assets not yet in operation are stated at cost and are not depreciated until the assets are ready for their intended use. Useful lives of assets are reviewed and adjusted if appropriate, at the 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 2014, the estimated residual value for aircraft airframes and engines is 10% of their cost (2013: 10% of their cost).

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment (continued)

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, joint ventures and associates

In the Company's separate financial statements, investments in subsidiaries, joint ventures 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, joint ventures 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.

(h) Maintenance and overhaul

Owned aircraft

The accounting for the cost of 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

Sale and leaseback transactions

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

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

If the sale price is below fair value then the gain or loss is recognised immediately other than to the extent that a loss is compensated for by future rentals at below-market price, then the loss is deferred and amortised over the period that the asset is expected to be used.

If the sale price is above fair value, then any gain is deferred and amortised over the useful life of the asset.

If the fair value of the asset is less than the carrying amount of the asset at the date of the transaction, then that difference is recognised immediately as a loss on the sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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 19 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) Trade receivables

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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 (including tax incentives) 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 tax 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 net of discounts. The revenue of seats sold for which services have not been rendered is included in current liabilities as sales in advance.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Revenue recognition (continued)

Fuel surcharge, insurance surcharge, administrative fees, seat fees, change fees, convenience fees, excess baggage and baggage handling fees are recognised upon the completion of services rendered net of discounts. Freight and other related revenue are recognised upon the completion of services rendered net of discounts.

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

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

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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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".

(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 the income statement in the period in which the changes arise.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Financial assets (continued)

(iv) Subsequent measurement – Impairment of financial assets

Assets carried at amortised cost

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

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

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

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

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

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

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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 airframes and engines as disclosed in Note 2(e), would increase the recorded depreciation for the financial year ended 31 December 2014 by RM3,346,000 (2013: RM3,794,000) and decrease the carrying amount of property, plant and equipment as at 31 December 2014 by RM8,548,000 (2013: RM6,604,000).

(ii) Deferred tax assets

Deferred tax assets are mainly originating from unutilised tax incentives, unabsorbed capital allowances and tax losses carry forward which have no expiry dates. The deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Estimating the future taxable profits involves significant assumptions, especially in respect of regulatory approvals for prospective routes, aircraft delivery, fares, load factors, fuel price, maintenance cost and currency movements. These assumptions have been built based on past performance and adjusted for non-recurring circumstances and a reasonable growth rate. Based on these projections, management believes that the current non-time restricted temporary differences will be utilised and has recognised the deferred tax assets as at end of the reporting date.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(iii) Impairment of investments in associate and joint venture

The investments in associate and joint venture are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Significant judgement is required in the estimation of the present value of future cash flows generated by the associate and joint venture, which involves uncertainties and are significantly affected by assumptions used and judgement made regarding estimates of future cash flows and discount rates. Changes in assumptions can significantly affect the results of the Group's test for impairment of investments in associate and joint venture.

(iv) Sales and leaseback

Judgement is required in the initial classification of leases as either operating leases or finance leases and, in respect of finance leases, determining the appropriate discount rate implicit in the lease to discount minimum lease payments. The Company had accounted for the aircraft under the sale and leaseback arrangements as "operating lease" as the Company operates, but does not own, these aircraft. The Company has no right or obligation to acquire these aircraft at the end of the relevant lease terms. The present value of the minimum lease payments determined at the inception of the lease was not substantially all of the aircraft's fair value and the lease term under the arrangement is not a major part of the economic life of the aircraft.

4 REVENUE

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Scheduled flights	1,630,119	1,404,651	1,630,119	1,404,651
Charter flights	171,633	107,001	171,633	107,001
Fuel surcharge	344,133	253,839	344,133	253,839
Freight services	113,878	90,018	113,878	90,018
Ancillary revenue	586,485	452,494	586,485	452,494
Management fees	1,143	347	-	-
Aircraft operating lease income	89,336	-	89,336	-
	2,936,727	2,308,350	2,935,584	2,308,003

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

5 STAFF COSTS

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Wages, salaries, bonuses and allowances	289,054	214,784	285,109	212,120
Defined contribution retirement plan	22,971	18,295	22,628	18,058
Share option expense (Note 26)	993	522	993	522
	313,018	233,601	308,730	230,700

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

	Group and Company	
	2014 RM'000	2013 RM'000
Non-executive Directors		
- fees	856	501

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

	Non-executive	
	2014	2013
Range of remuneration		
Less than RM100,000	8	2
RM100,001 to RM150,000	2	1
RM150,001 to RM200,000	1	-

The details of outstanding options over the ordinary shares of the Company granted under ESOS to the eligible employees are disclosed in Note 26 to the financial statements.

6 OTHER OPERATING EXPENSES

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

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Management fee	-	-	3,508	2,972
Rental of land and buildings	3,986	2,025	3,839	1,956
Auditors' remuneration				
- Statutory audit	358	340	341	324
- Audit related services [1]	-	4,475	-	4,475
- Non-audit fees	331	-	331	-
Rental of equipment	327	296	327	296
Net foreign exchange loss/(gain) on operations				
- Realised	31,565	(744)	31,565	(744)
- Unrealised	12,168	(15,816)	12,204	(15,754)
Sponsorship expenses	949	142	949	142
Advertising expenses	68,565	67,460	69,066	67,729
Credit card charges	36,068	25,808	36,068	25,808
In-flight meal expenses	29,813	21,389	29,813	21,389
Insurance expenses	16,620	13,204	16,260	13,204
Penalty on early termination of term loan	13,362	-	13,362	-
Impairment of receivables	1,509	552	1,509	552
Property, plant and equipment written off	4,890	-	4,890	-

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

7 OTHER INCOME

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Gain on disposal of aircraft and engine pursuant to sales and leaseback arrangements	121,257	-	121,257	-
Others	69,487	20,401	69,487	20,401
	190,744	20,401	190,744	20,401

Other income ('others') includes concession received from supplier, commission received from advertising activities and marketing incentives received from certain airport authorities.

8 OTHER (LOSS)/GAIN

Other (loss)/gain represent the unrealised (loss)/gain arising from fuel contracts held for trading.

9 FINANCE INCOME/(COSTS)

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Finance income:				
Interest income:				
- Deposits with licensed bank	1,051	3,032	1,051	3,029
- Deposits for leased aircraft	5,298	579	5,298	579
	6,349	3,611	6,349	3,608
Finance costs:				
Interest expense on bank borrowings	(98,561)	(68,841)	(98,561)	(68,841)
Amortisation of deposits for leased aircraft	(59,723)	(4,068)	(59,723)	(4,068)
Bank facilities and other charges	(1,374)	(3,513)	(1,374)	(3,513)
	(159,658)	(76,422)	(159,658)	(76,422)
FOREIGN EXCHANGE LOSSES				
Unrealised foreign exchange (losses)/ gains on:				
- Borrowings	(64,551)	(119,629)	(64,551)	(119,629)
- Deposits and bank balances	5,998	1,034	5,998	1,034
	(58,553)	(118,595)	(58,553)	(118,595)
Fair value movement recycled from cash flow hedge reserve and others	(78,368)	(57,576)	(78,368)	(57,576)
Net foreign exchange losses	(136,921)	(176,171)	(136,921)	(176,171)

10 TAXATION

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Current taxation:				
- Malaysian taxation	71	727	71	727
- Foreign taxation	174	270	-	-
	245	997	71	727
Deferred taxation	(86,163)	(124,790)	(86,163)	(124,790)
Total tax credit	(85,918)	(123,793)	(86,092)	(124,063)
Current taxation:				
- Current financial year	245	997	71	727
Deferred taxation: (Note 13)				
- Origination and reversal of temporary differences	(86,163)	(124,790)	(86,163)	(124,790)
	(85,918)	(123,793)	(86,092)	(124,063)

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Loss before taxation	(605,361)	(212,060)	(570,095)	(212,142)
Tax calculated at Malaysian tax rate of 25% (2013: 25%)	(151,340)	(53,015)	(142,524)	(53,035)
Tax effects of:				
- clawback of tax incentives/ (tax incentives)	34,202	(111,744)	34,202	(111,744)
- expenses not deductible for tax purposes	51,681	30,176	51,651	30,052
- income not subject to tax	(34,217)	-	(34,217)	-
- changes in statutory tax rate	4,796	10,664	4,796	10,664
- share of results of an associate and a joint venture	8,960	126	-	-
Taxation	(85,918)	(123,793)	(86,092)	(124,063)

11 LOSS PER SHARE

Basic loss per share

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

	Group	
	2014	2013
Net loss for the financial year (RM'000)	(519,443)	(88,267)
Weighted average number of ordinary/preference shares in issue ('000)	2,370,370	1,309,305
Loss per share (sen)	(21.9)	(6.7)

Diluted loss per share

The diluted loss per share of the Group is similar to the basic loss 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.

12 PROPERTY, PLANT AND EQUIPMENT

	At 1 January 2014 RM'000	Additions RM'000	Reclassification RM'000	Disposals RM'000	Depreciation charge RM'000	Write off RM'000	At 31 December 2014 RM'000
Group and Company							
Net book value							
Aircraft engines, airframe and service potential	2,161,676	307,346	94,438	(573,658)	(165,588)	-	1,824,214
Aircraft spares	79,572	16,798	-	-	(13,810)	(4,890)	77,670
Motor vehicles	1,944	-	-	-	(596)	-	1,348
Office equipment, furniture and fittings	1,219	3,887	-	-	(736)	-	4,370
Assets not yet in operation	30,802	90,622	(94,438)	-	-	-	26,986
	2,275,213	418,653	-	(573,658)	(180,730)	(4,890)	1,934,588

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment losses RM'000	Net book value RM'000
At 31 December 2014				
Aircraft engines, airframe and service potential	2,351,224	(497,963)	(29,047)	1,824,214
Aircraft spares	138,112	(49,814)	(10,628)	77,670
Motor vehicles	4,408	(3,060)	-	1,348
Office equipment, furniture and fittings	9,317	(4,537)	(410)	4,370
Assets not yet in operation	26,986	-	-	26,986
	2,530,047	(555,374)	(40,085)	1,934,588

	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

	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

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Included in property, plant and equipment of the Group and Company are aircraft pledged as security for borrowings (Note 25) with a net book value of RM1,682 million (2013: RM2,066 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.

The net cash outflow for the acquisition of property, plant and equipment during the financial year is as follows:

	Group and Company	
	2014 RM'000	2013 RM'000
Acquisition of property, plant and equipment during the financial year	418,653	1,069,949
Less: Deposits on aircraft purchases paid in the previous financial year	(66,192)	(187,284)
	352,461	882,665

13 DEFERRED TAXATION

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deferred tax assets	445,793	359,630	445,793	359,630

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At beginning of financial year	359,630	234,840	359,630	234,840
Credited/(charged) to income statement (Note 10):				
- Property, plant and equipment	43,395	27,058	43,395	27,058
- Unrealised foreign exchange differences	32,403	(1,568)	32,403	(1,568)
- Tax losses	42,665	(691)	42,665	(691)
- Tax incentives	(32,834)	99,899	(32,834)	99,899
- Others	534	92	534	92
	86,163	124,790	86,163	124,790
At end of financial year	445,793	359,630	445,793	359,630

13 DEFERRED TAXATION (CONTINUED)

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deferred tax assets (before offsetting)				
- Tax incentives	251,456	284,290	251,456	284,290
- Tax losses	59,263	16,598	59,263	16,598
- Property, plant and equipment	102,766	59,371	102,766	59,371
- Derivatives	31,414	-	31,414	-
- Others	894	360	894	360
	445,793	360,619	445,793	360,619
Offsetting	-	(989)	-	(989)
Deferred tax assets (after offsetting)	445,793	359,630	445,793	359,630
Deferred tax liability (before offsetting)				
- Unrealised foreign exchange differences	-	989	-	989
Offsetting	-	(989)	-	(989)
Deferred tax liability (after offsetting)	-	-	-	-

Deferred tax assets are mainly originating from unutilised tax incentives, unabsorbed capital allowances and tax losses carry forward which have no expiry dates. 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. Based on these projections, management believes that the current non-time restricted temporary differences will be utilised and has recognised the deferred tax assets as at end of the reporting date.

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 50% on qualifying expenditure incurred within a period of 5 years commencing 1 September 2014 to 31 August 2019, to be set off against 50% 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.

14 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 2014 are in respect of aircraft purchases which will be delivered from January 2015 to May 2025.

During the financial year ended 31 December 2014, the Group and Company capitalised borrowing costs amounting to RM10,054,000 (2013: RM10,460,000) on qualifying assets. Borrowing costs were capitalised at the rate of 4.90% (2013: 5.48%) per annum.

15 OTHER DEPOSITS AND PREPAYMENTS

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

16 INVESTMENTS IN SUBSIDIARIES

	Company 2014 RM'000	Company 2013 RM'000
Unquoted investments, at cost	#	#

# Denotes RM21 (2013: RM12).

The details of the subsidiaries are as follows:

Name	Country of incorporation	Group's effective equity interest 2014 %	Group's effective equity interest 2013 %	Principal activities
AirAsia X Services Pty Ltd*	Australia	100	100	Provision of management logistical and marketing services
AAX Capital Limited	Malaysia	100	100	Dormant
AAX Leasing I Limited	Malaysia	100	100	Engine leasing
AAX Mauritius One Limited*	Mauritius	100	100	Provide aircraft leasing facilities to Thai AirAsia X Co. Ltd
AirAsia Capital II Limited*	Malaysia	100	-	Dormant
Fly X Limited*	Malaysia	100	-	Dormant

* Not audited by PricewaterhouseCoopers, Malaysia

On 20 October 2014, a wholly-owned subsidiary of the Company, AirAsia Capital II Ltd was incorporated in Labuan, Malaysia as a special purpose financing vehicle for the Company. The initial share capital of AirAsia Capital II Ltd is USD1.00 comprising 1 ordinary shares of USD1.00.

On 28 April 2014, a wholly-owned subsidiary of the Company, Fly X Limited as a special purpose financing vehicle was incorporated in Labuan, Malaysia for the Company's aircraft pre-delivery payment purpose. The initial share capital of Fly X Limited is USD1.00 comprising 1 ordinary shares of USD1.00.

17 INVESTMENT IN AN ASSOCIATE

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Unquoted investments, at cost	20,018	20,018	20,018	20,018
Group's share of post-acquisition losses	(20,018)	(502)	-	-
	-	19,516	20,018	20,018

17 INVESTMENT IN AN ASSOCIATE (CONTINUED)

The details of the associate are as follows:

Name	Principal place of business /country of incorporation	Group's effective equity interest		Principal activities
		2014 %	2013 %	
Thai AirAsia X Co. Ltd ("TAAX")	Thailand	49	49	Commercial air transport services

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

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

TAAX is operator of commercial air transport services which are based in Thailand. This associate company is strategic investment of the Company and form an essential part of the Company's growth strategy. They provide access to a wider geographical market and network coverage in the provision of air transport services across the ASEAN region.

Summarised financial information for associate

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

Summarised balance sheet

	TAAX	
	2014 RM'000	2013 RM'000
Current		
Cash and cash equivalents	26,438	31,831
Other current assets	52,603	7,741
Total current assets	79,041	39,572

	TAAX	
	2014 RM'000	2013 RM'000
Non-current		
Assets	19,495	1,542
Financial liabilities	(24,731)	(15)
Other liabilities	(110,142)	(1,270)
Total current liabilities	(134,873)	(1,285)
Net (liabilities)/assets	(36,337)	39,829

17 INVESTMENT IN AN ASSOCIATE (CONTINUED)

Summarised statement of comprehensive income

	TAAX 2014 RM'000	TAAX 2013 RM'000
Revenue	160,964	-
Cost of sales	(209,473)	(746)
Other operating expenses	(28,503)	(333)
Interest income	272	55
Interest expense	(251)	-
Other income	825	-
Loss before taxation	(76,166)	(1,024)
Income tax expenses	-	-
Loss after tax	(76,166)	(1,024)
Other comprehensive income	-	-
Total comprehensive loss	(76,166)	(1,024)
Dividend received from associate	-	-

Reconciliation of summarised financial information

	TAAX 2014 RM'000	TAAX 2013 RM'000
Opening net assets at 1 January /acquisition date	39,829	40,853
Loss for the financial year	(76,166)	(1,024)
Closing net (liabilities)/assets at 31 December	(36,337)	39,829
Interest in associate (49%)	-	19,516
Unrecognised share of loss (49%)		
- for the year	17,805	-
- cumulative	17,805	-
Carrying value at 31 December	-	19,516

18 INVESTMENT IN A JOINT VENTURE

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Unquoted investments, at cost	53,888	-	53,888	-
Group's share of post-acquisition losses	(16,322)	-	-	-
	37,566	-	53,888	-

The details of the joint venture are as follows:

Name	Principal place of business/ country of incorporation	Group's effective equity interest 2014 %	2013 %	Principal activities
PT Indonesia AirAsia Extra ("IAAX")	Indonesia	49	-	Commercial air transport services

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"). The Company subscribed to 14,700,000 ordinary shares, representing 49% of the paid-up share capital of IAAX for a cash consideration of IDR143,545,500,000 (equivalent to RM53,888,000).

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

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

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

18 INVESTMENT IN A JOINT VENTURE (CONTINUED)

Summarised financial information for joint venture

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

Summarised balance sheet

	IAAX 2014 RM'000
Current	
Cash and cash equivalents	54,211
Other current assets	54,766
Total current assets	108,977
Non-current	
Assets	26,634
Financial liabilities	(26,222)
Other liabilities	(32,723)
Total current liabilities	(58,945)
Net assets	76,666

Summarised statement of comprehensive income

	IAAX for period ended 31 December 2014 RM'000
Revenue	7
Cost of sales	(28,181)
Other operating expenses	(5,562)
Interest income	641
Interest expense	(215)
Loss before and after tax	(33,310)
Other comprehensive income	-
Total comprehensive loss	(33,310)
Dividend received from joint venture	-

18 INVESTMENT IN A JOINT VENTURE (CONTINUED)

Reconciliation of summarised financial information

	IAAX 2014 RM'000
Opening net assets at acquisition date	109,976
Loss for the financial year	(33,310)
Closing net assets at 31 December	76,666
Interest in joint venture (49%)	37,566
Carrying value at 31 December	37,566

19 DERIVATIVE FINANCIAL INSTRUMENTS

	Group and Company			
	2014		2013	
	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	-	(102,993)	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 2014 were nil (2013: RM741.1million).

During the financial year 2014, the Group has terminated all cross currency interest rate swaps ("CCIRS"). The hedging instruments are derecognised from balance sheet and any cumulative gain or loss existing in equity at that time is reclassified to income statement.

(ii) Fuel contracts

The outstanding number of barrels of Singapore Jet Kerosene derivative contracts at 31 December 2014 was 1,957,597 barrels (2013: 187,778 barrels). The Group entered into Singapore Jet Kerosene fixed swap contracts with AirAsia Berhad during the financial year ended 31 December 2014, where the contracts are classified as derivatives held for trading.

20 INVENTORIES

	Group and Company	
	2014 RM'000	2013 RM'000
Beverages, consumables and in-flight merchandise	1,362	993

21 RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Trade receivables	43,176	43,675	43,146	43,675
Other receivables	51,102	46,245	51,095	46,210
Prepayments	78,350	43,277	78,350	43,275
Deposits	141,216	33,600	141,180	33,600
	313,844	166,797	313,771	166,760
Less: Allowance for impairment of receivables	(2,950)	(1,441)	(2,950)	(1,441)
	310,894	165,356	310,821	165,319

The normal credit terms of the Group and Company range from 15 to 30 days (2013: 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 RM31,053,000 (2013: RM24,302,000) respectively, are substantially from companies with good collection track records.

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

As of 31 December 2014, trade receivables of RM11,927,000 and RM11,897,000 (2013: RM19,177,000) for the Group and Company respectively, were past due but not impaired. These debts relate to a number of independent customers for whom there is no recent history of default.

21 RECEIVABLES AND PREPAYMENTS (CONTINUED)

(a) Trade receivables (continued)

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

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

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Less than 30 days	8,335	2,249	8,335	2,249
Between 31 and 60 days	211	2,540	211	2,540
Between 61 and 90 days	1,895	53	1,865	53
Between 91 and 120 days	673	35	673	35
Between 121 and 180 days	213	-	213	-
More than 180 days	600	14,300	600	14,300
	11,927	19,177	11,897	19,177

(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	
	2014 RM'000	**2013 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	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
At 1 January	196	196	196	196
Impairment	-	-	-	-
At 31 December	196	196	196	196

21 RECEIVABLES AND PREPAYMENTS (CONTINUED)

(b) Other receivables

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

Other receivables that are neither past due nor impaired of RM19,379,000 and RM19,372,000 (2013: RM31,819,000 and RM31,784,000) for the Group and Company respectively, are substantially with companies with good collection track records.

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

As at 31 December 2014, other receivables for the Group and Company of RM28,969,000 (2013: RM13,181,000) 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	
	2014 RM'000	**2013 RM'000**
Less than 30 days	6,174	2,126
Between 31 and 60 days	5,701	885
Between 61 and 90 days	1,562	1,379
Between 91 and 120 days	1,784	1,634
Between 121 and 180 days	4,137	2,796
More than 180 days	9,611	4,361
	28,969	13,181

(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	
	2014 RM'000	**2013 RM'000**
More than 180 days	2,754	1,245
Less: Allowance for impairment of receivables	(2,754)	(1,245)
	-	-

The individually impaired 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.

21 RECEIVABLES AND PREPAYMENTS (CONTINUED)

(b) Other receivables (continued)

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

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

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
At 1 January	1,245	693	1,245	693
Impairment (Note 6)	1,509	552	1,509	552
At 31 December	2,754	1,245	2,754	1,245

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

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Ringgit Malaysia	17,585	22,530	17,585	22,530
US Dollar	186,711	74,268	186,711	74,268
Australian Dollar	17,006	14,859	16,933	14,824
Euro	241	85	241	85
Indian Rupee	1,502	1,414	1,502	1,414
New Zealand Dollar	112	62	112	62
Others	9,387	8,861	9,387	8,861
	232,544	122,079	232,471	122,044

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.

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

Deposits include funds placed with lessor in respect of maintenance of the leased aircraft.

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

22 AMOUNTS DUE FROM / (TO) RELATED PARTIES, AN ASSOCIATE, A JOINT VENTURE 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 30 to 60 days (2013: 15 to 60 days).

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Amounts due from related parties	38,769	16,387	38,304	16,325
Amount due from a joint venture	19,499	-	19,499	-
Amount due from an associate	5,314	1,353	-	1,353
Amount due from a subsidiary	-	-	5,314	-
	63,582	17,740	63,117	17,678
Amounts due to related parties	(23,173)	(1,916)	(23,173)	(1,916)
Amount due to an associate	(196)	-	(196)	-
Amounts due to subsidiaries	-	-	(1,896)	(1,887)
	(23,369)	(1,916)	(25,265)	(3,803)

The currency profile of amounts due from related parties, joint venture and a subsidiary are as follows:

Ringgit Malaysia	36,394	15,764	36,394	15,764
Australian Dollar	581	62	116	-
US Dollar	26,085	1,529	26,085	1,529
Others	522	385	522	385
	63,582	17,740	63,117	17,678

Amounts due from related parties, an associate, a joint venture, and a subsidiary that are neither past due nor impaired amounted to RM53,639,000 and RM53,558,000 (2013: RM17,709,000 and RM17,678,000) for the Group and Company respectively.

The ageing analysis that is past due but not impaired is as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Less than 6 months	9,737	31	9,353	-
More than 6 months	206	-	206	-
	9,943	31	9,559	-

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

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.

22 AMOUNTS DUE FROM / (TO) RELATED PARTIES, AN ASSOCIATE, A JOINT VENTURE AND SUBSIDIARIES (CONTINUED)

The currency profile of amounts due to related parties, an associate and subsidiaries are as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Ringgit Malaysia	21,894	82	21,894	82
Australian Dollar	-	14	1,132	1,348
US Dollar	1,475	1,820	1,475	1,820
New Zealand Dollar	-	-	764	553
	23,369	1,916	25,265	3,803

23 DEPOSITS, CASH AND BANK BALANCES

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash and bank balances	74,937	212,089	74,506	211,890
Deposits with licensed banks	52,261	50,887	52,261	50,887
	127,198	262,976	126,767	262,777
Deposits pledged as securities	(52,261)	(50,887)	(52,261)	(50,887)
Cash and cash equivalents	74,937	212,089	74,506	211,890

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Ringgit Malaysia	39,327	107,646	39,327	107,646
US Dollar	56,568	73,403	56,568	73,403
Australian Dollar	16,884	66,996	16,459	66,803
Chinese Renminbi	1,344	222	1,344	222
Japanese Yen	3,880	8,615	3,880	8,615
Korean Won	1,497	1,172	1,497	1,172
Euro	445	686	445	686
Others	7,253	4,236	7,247	4,230
	127,198	262,976	126,767	262,777

The Group and Company's weighted average effective interest rate of deposits at the balance sheet date is 1.44% (2013: 2.75%) per annum.

The deposits with licensed banks of the Group and Company amounting to RM52,261,000 (2013: RM50,887,000) are pledged as securities for banking facilities granted to the Group and Company (Note 25).

24 TRADE AND OTHER PAYABLES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Trade payables	379,634	203,297	379,634	203,297
Other payables and accruals	449,168	143,481	448,385	142,783
	828,802	346,778	828,019	346,080

Included in other payables and accruals are operational expenses payable to airport authorities, passenger service charges and provision for maintenance of leased aircraft.

The credit term of trade payables granted to the Group and Company is 30 days (2013: 30 days).

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Ringgit Malaysia	282,721	148,751	282,721	148,751
US Dollar	431,953	139,924	431,953	139,924
Australian Dollar	55,344	22,930	54,561	22,232
Euro	9,029	7,650	9,029	7,650
Taiwan Dollar	3,306	2,461	3,306	2,461
Japanese Yen	18,355	6,347	18,355	6,347
Korean Won	4,643	2,242	4,643	2,242
Chinese Renminbi	10,114	10,889	10,114	10,889
Others	13,337	5,584	13,337	5,584
	828,802	346,778	828,019	346,080

25 BORROWINGS

	Weighted average rate of finance		Group and Company	
	2014 %	**2013 %**	**2014 RM'000**	**2013 RM'000**
Current				
Secured:				
- Revolving credit	4.19	3.56	316,026	261,185
- Term loans	4.24	4.68	162,202	184,674
- Hire purchase	2.80	2.80	17	21
Unsecured:				
- Commodity structured trade finance	5.88	-	35,000	-
			513,245	445,880
Non-current				
Secured:				
- Revolving credit	-	3.56	-	179,686
- Term loans	4.24	4.68	1,066,051	1,370,626
- Hire purchase	2.80	2.80	49	61
			1,066,100	1,550,373
Total borrowings			1,579,345	1,996,253

Total borrowings as at 31 December 2014 consist of the following banking facilities:

	Group and Company	
	2014 RM'000	**2013 RM'000**
Fixed rate borrowings	1,228,319	1,534,835
Floating rate borrowings	351,026	461,418
	1,579,345	1,996,253
The Group's and Company's borrowings are repayable as follows:		
Not later than 1 year	513,245	445,880
Later than 1 year and not later than 5 years	648,858	899,680
Later than 5 years	417,242	650,693
	1,579,345	1,996,253
The currency profile of borrowings is as follows:		
Ringgit Malaysia	75,066	40,082
US Dollar	1,504,279	1,956,171
	1,579,345	1,996,253

25 BORROWINGS (CONTINUED)

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

	Group and Company			
	2014		2013	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Term loans	1,066,051	1,006,804	1,358,298	1,320,583
Hire purchase	49	53	66	70
	1,066,100	1,006,857	1,358,364	1,320,653

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 fixed rate 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% (2013: 2.80% to 3.98%) per annum. The fair values of non-current borrowings are within level 2 of the fair value hierarchy.

Total borrowings include secured liabilities of RM1.5 billion (2013: RM2.0 billion).

Revolving credit facilities

The revolving credit facility of RM276,026,000 as at 31 December 2014 (2013: RM400,871,000) is to finance pre-delivery payments ("PDPs") in respect of the Group's and Company's firm order of Airbus A330-300 aircraft, with an option to acquire additional Airbus A330-300 aircraft. The facility becomes repayable upon delivery of the relevant aircraft and carries interest ranging from 3.2% to 3.25% (2013: 3.2% to 3.25%) per annum above the bank's USD cost of funds.

The revolving credit facility of RM40,000,000 as at 31 December 2014 (2013: RM40,000,000) is to finance the Group's and Company's corporate working capital requirements. The tenure of revolving credit facility is up to 5 years. This facility carries an interest at cost of funds plus 3% (2013: 3%) per annum.

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% to 5.45% (2013: 2.82% and 7.03%) 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.

Commodity structured trade finance

The commodity structured trade finance of RM35,000,000 as at 31 December 2014 is to finance the Group's and Company's prepayment for the delivery of jet fuel by Petronas Dagangan Berhad. This facility is repayable within 1 month from the drawdown date and carries an interest at cost of funds plus 2% per annum.

26 SHARE CAPITAL

	Group and Company	
	2014 RM'000	2013 RM'000
Authorised:		
Ordinary shares of RM1.00 each:		
At beginning of financial year	-	270,000
Sub-division of shares	-	(270,000)
At end of financial year	-	-
Ordinary shares of RM0.15 each:		
At beginning of financial year	500,000	-
Sub-division of shares	-	270,000
Increased during the financial year	-	230,000
At end of financial year	500,000	500,000
Redeemable Convertible Preference Shares of RM1.00 each ("RCPS"):		
At beginning of financial year	-	50,000
Cancellation of RCPS	-	(50,000)
At end of financial year	-	-
Total authorised	500,000	500,000
Issued and fully paid up:		
Ordinary shares of RM1.00 each:		
At beginning of financial year	-	224,000
Conversion of RCPS	-	42,667
Sub-division of shares	-	(266,667)
At end of financial year	-	-
Ordinary shares of RM0.15 each:		
At beginning of financial year	355,556	-
Sub-division of shares	-	266,667
Issuance of shares during the financial year	-	88,889
At end of financial year	355,556	355,556
Redeemable Convertible Preference Shares of RM1.00 each ("RCPS"):		
At beginning of financial year	-	42,667
Conversion of RCPS	-	(42,667)
At end of financial year	-	-
Total issued and fully paid up	355,556	355,556

26 SHARE CAPITAL (CONTINUED)

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.

In the previous 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 Employee Share Option Scheme ("ESOS") to recognise the contribution of the 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.

EMPLOYEE SHARE OPTION SCHEME ("ESOS")

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 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.

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 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 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.

26 SHARE CAPITAL (CONTINUED)

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 1.1.2014 '000	Granted '000	Exercised '000	Forfeited '000	At 31.12.2014 '000
1 July 2013	11 October 2017	1.25	9,550	-	-	(3,400)	6,150

The vested options are not exercised as at the balance sheet date.

27 COMMITMENTS

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

	Group and Company	
	2014 RM'000	2013 RM'000
Property, plant and equipment – approved and contracted for:		
- Not later than 1 year	3,640,862	3,798,706
- Later than 1 year and not later than 5 years	12,773,934	23,551,979
- Later than 5 years	58,548,565	12,168,353
	74,963,361	39,519,038

Included in capital commitments as at 31 December 2014 is the purchase of Airbus A330 and A350 aircraft over the next 12 years.

(b) Non-cancellable operating leases

The future minimum lease payments and sublease receipts under non-cancellable operating leases are as follows:

	Group and Company			
	2014		2013	
	Future minimum lease payments RM'000	Future minimum sublease receipts RM'000	Future minimum lease payments RM'000	Future minimum sublease receipts RM'000
Not later than 1 year	665,326	111,688	325,015	-
Later than 1 year and not later than 5 years	3,314,688	446,751	1,119,568	-
Later than 5 years	4,977,571	420,343	1,139,078	-
	8,957,585	978,782	2,583,661	-

The group leases various aircraft and engines under non-cancellable operating lease agreements. The lease terms are between 10 to 12 years.

28 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

The related parties of the Company and their relationships at 31 December 2014 are as follows:

Name of Companies	**Relationship**
AirAsia X Services Pty Ltd	Subsidiary
AirAsia X NZ Ltd	Subsidiary
AirAsia X Mauritius One Ltd	Subsidiary
Thai AirAsia X Co Ltd ("TAAX")	Associate
PT Indonesia AirAsia Extra ("IAAX")	Joint Venture
AirAsia Berhad ("AAB")	Shareholder of the Company for which there is no control, significant influence or joint control, 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
- Zest Airway Inc ("AAZ")	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 Directors 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.

Key management personnel are categorised as head or senior management officers of key operating divisions within the Group and Company. The key management compensation is disclosed in Note 28(g) below.

28 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
(a) Income:				
Aircraft operating lease income for leased aircraft				
- AAX Mauritius One Limited	-	-	69,880	-
- PT Indonesia AirAsia Extra	19,457	-	19,457	-
- Thai AirAsia X Co. Ltd	69,880	-	-	-
Provision of carried passenger services to				
- AirAsia Berhad	8,827	8,827	8,827	8,827
Commission on travel insurance for passengers charged to				
- Tune Insurance Malaysia Berhad	2,710	1,833	2,710	1,833
(b) Recharges:				
Recharges of expenses to				
- PT Indonesia AirAsia	1,144	347	-	-
- Thai AirAsia Co. Ltd	-	423	-	423
- AirAsia Japan Co. Ltd	-	590	-	590
- Zest Airway Inc	1,118	-	1,118	-
Recharges of expenses by				
- AirAsia Berhad	(7,388)	(6,998)	(7,388)	(6,998)
- Thai AirAsia Co. Ltd	(3,136)	-	(3,136)	-
(c) Other charges:				
Management fees charged by				
- AirAsia X Services Pty Ltd	-	-	(3,508)	(2,972)
Brand license fee charged by				
- AirAsia Berhad	(8,530)	(8,530)	(8,530)	(8,530)
Training services charged by				
- Asian Aviation Centre of Excellence Sdn Bhd	(5,459)	(6,680)	(5,459)	(6,680)
Marketing services charged by				
- AAE Travel Pte Ltd	(53)	(101)	(53)	(101)

28 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
(c) Other charges: (continued)				
In-flight entertainment system and software expense charged by				
- Tune Box Sdn Bhd	(1,994)	(1,653)	(1,994)	(1,653)
Telecommunication and operational expenses charged by				
- Asian Contact Centres Sdn Bhd	(14,062)	(9,167)	(14,062)	(9,167)
Charter air travel services charged by				
- CaterhamJet Global Ltd	(4,856)	(5,083)	(4,856)	(5,083)
(d) Premium collected on travel insurance for passengers paid to:				
- Tune Insurance Malaysia Berhad	(10,839)	(7,333)	(10,839)	(7,333)
(e) Receivables:				
- AAX Mauritius One Limited	-	-	5,314	-
- Thai AirAsia Co. Ltd	-	-	-	-
- PT Indonesia AirAsia	20,492	-	20,027	-
- AirAsia Inc	2,248	-	2,248	-
- Thai AirAsia X Co. Ltd	5,314	1,353	-	1,353
- PT Indonesia AirAsia Extra	19,499	-	19,499	-
- AirAsia Berhad	13,861	16,161	13,861	16,161
- Zest Airway Inc	1,754	-	1,754	-
- Others	414	226	414	164
	63,582	17,740	63,117	17,678
(f) Payables:				
- Asian Aviation Centre of Excellence Sdn Bhd	5,421	1,746	5,421	1,746
- Asian Contact Centres Sdn Bhd	10,253	-	10,253	-
- PT Indonesia AirAsia	-	14	-	14
- AirAsia Inc	-	4	-	4
- Tune Box Sdn Bhd	1,088	-	1,088	-
- Tune Insurance Malaysia Berhad	781	-	781	-
- Thai AirAsia Co. Ltd	2,939	152	2,939	152
- AirAsia X Services Pty Ltd	-	-	1,132	1,334
- AirAsia X NZ Ltd	-	-	764	553
- CaterhamJet Global Ltd	2,621	-	2,621	-
- Others	266	-	266	-
	23,369	1,916	25,265	3,803

28 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
(g) Key management compensation:				
- basic salaries, bonus and allowances	7,076	7,956	7,076	7,956
- defined contribution plan	976	886	976	886
	8,052	8,842	8,052	8,842

29 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 2014, the Group and Company entered into Singapore Jet Kerosene fixed swap. There were 1,957,597 barrels (2013: 187,778 barrels) of Singapore Jet Kerosene contract outstanding as at 31 December 2014.

As at 31 December 2014, 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:

	2014		2013	
	+USD5 RM'000	-USD5 RM'000	+USD5 RM'000	-USD5 RM'000
Impact on post tax profits	34,129	(34,129)	3,084	(3,084)
Impact on other comprehensive income	-	-	-	-

29 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(a) Market risk (continued)

(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.

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 2014, if interest rate on USD denominated borrowings had been 60 basis points higher/lower, the impact on the post-tax profit for the financial year would have been RM3.42 million (2013: RM4.39 million) higher/lower with all other variables held constant.

	2014		2013	
	+60bps RM'000	-60bps RM'000	+60bps RM'000	-60bps RM'000
Impact on post tax profits	(3,423)	3,423	(4,388)	4,388
Impact on other comprehensive income	-	-	-	-

(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 Airbus A330-300 aircraft (Note 25). 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 2014, 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 RM83 million (2013: RM92 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). The exposure to other foreign currency risk of the Group is not material and hence, sensitivity analysis is not presented.

29 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(a) Market risk (continued)

(iii) Foreign currency risk (continued)

The Group's currency exposure is as follows:

At 31 December 2014	USD RM'000	AUD RM'000	EURO RM'000	INR RM'000	RMB RM'000	JPY RM'000	Others RM'000
Financial assets							
Receivables	186,711	17,006	241	1,502	-	-	9,499
Amounts due from related parties, an associate, and a joint venture	26,085	581	-	-	522	-	-
Deposits, cash and bank balances	56,568	16,884	445	-	1,344	3,880	8,750
Other deposits *	109,163	-	-	-	-	-	-
	378,527	34,471	686	1,502	1,866	3,880	18,249
Financial liabilities							
Trade and other payables	431,953	55,344	9,029	-	10,114	18,355	21,286
Amounts due to related parties and an associate	1,475	-	-	-	-	-	-
Borrowings	1,504,279	-	-	-	-	-	-
Derivative financial instruments	102,993	-	-	-	-	-	-
	2,040,700	55,344	9,029	-	10,114	18,355	21,286
Net exposure	(1,662,173)	(20,873)	(8,343)	1,502	(8,248)	(14,475)	(3,037)

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 and an associate	1,529	62	-	-	-	-	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	81,917	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)	58,973	(6,879)	1,414	(10,667)	2,268	4,429

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

29 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(a) Market risk (continued)

(iii) Foreign currency risk (continued)

The Company's currency exposure is as follows:

At 31 December 2014	USD RM'000	AUD RM'000	EURO RM'000	INR RM'000	RMB RM'000	JPY RM'000	Others RM'000
Financial assets							
Receivables	186,711	16,933	241	1,502	-	-	9,499
Amounts due from related parties, a joint venture and a subsidiary	26,085	116	-	-	522	-	-
Deposits, cash and bank balances	56,568	16,459	445	-	1,344	3,880	8,744
Other deposits *	109,163	-	-	-	-	-	-
	378,527	33,508	686	1,502	1,866	3,880	18,243
Financial liabilities							
Trade and other payables	431,953	54,561	9,029	-	10,114	18,355	21,286
Amounts due to related parties, an associate and subsidiaries	1,475	1,132	-	-	-	-	764
Borrowings	1,504,279	-	-	-	-	-	-
Derivative financial instruments	102,993	-	-	-	-	-	-
	2,040,700	55,693	9,029	-	10,114	18,355	22,050
Net exposure	(1,662,173)	(22,185)	(8,343)	1,502	(8,248)	(14,475)	(3,807)

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 and an associate	1,529	-	-	-	-	-	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	81,627	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 and subsidiaries	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)	58,047	(6,879)	1,414	(10,667)	2,268	3,870

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

29 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(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 governments.

The Group and Company generally have no concentration of credit risk arising from trade receivables, other than as disclosed in Note 21 to the financial statements.

(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 RM1,462,163,000 and RM1,464,271,000 (2013: RM762,703,000 and RM764,439,000) respectively as at 31 December 2014, 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 addition, on 27 January 2015, the Company had secured an additional term loan facility amounting to RM75 million for working capital purposes.

The table below analyses the Group's and Company'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

At 31 December 2014

	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	Over 5 years RM'000
Term loans	197,977	192,574	544,588	432,552
Revolving credit	319,627	-	-	-
Commodity structured trade finance	35,079	-	-	-
Hire purchase	19	19	37	-
Trade and other payables	828,802	-	-	-
Amounts due to related parties	23,173	-	-	-
Amount due to an associate	196	-	-	-
	1,404,873	192,593	544,625	432,552

At 31 December 2013

	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	Over 5 years RM'000
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

29 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(c) Liquidity and cash flow risk (continued)

Company

At 31 December 2014

	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	Over 5 years RM'000
Term loans	197,977	192,574	544,588	432,552
Revolving credit	319,627	-	-	-
Commodity structured trade finance	35,079	-	-	-
Hire purchase	19	19	37	-
Trade and other payables	828,019	-	-	-
Amounts due to related parties	23,173	-	-	-
Amounts due to subsidiaries	1,896	-	-	-
Amount due to an associate	196	-	-	-
	1,405,986	192,593	544,625	432,552

At 31 December 2013

	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	Over 5 years RM'000
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	1,916	-	-	-
Amounts due to subsidiaries	1,887	-	-	-
	906,110	620,794	423,361	714,822

The table below analyses the Group's and Company's derivative financial instruments for which contractual maturities are essential for an understanding of the timing of the cash flows into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RM'000	1-2 years RM'000	2-5 years RM'000	Over 5 years RM'000
Group and Company				
At 31 December 2014				
Net-settled derivatives				
Trading	103,145	-	-	-
At 31 December 2013				
Net-settled derivatives				
Trading	-	-	-	-

29 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(d) Capital risk management

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

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

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

During 2014, the Group's strategy, which was unchanged from 2013. The gearing ratio as at the 31 December 2014 and 2013 were as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Total borrowings (Note 25)	1,579,345	1,996,253	1,579,345	1,996,253
Less: Cash and cash equivalents (Note 23)	(74,937)	(212,089)	(74,506)	(211,890)
Net debt	1,504,408	1,784,164	1,504,839	1,784,363
Total equity attributable to equity holders of the Group and Company	703,630	1,236,155	737,862	1,234,921
Total capital	2,208,038	3,020,319	2,242,701	3,019,284
Gearing ratio	68.1%	59.1%	67.1%	59.1%

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2014 and 31 December 2013, except that the Group and the Company did not meet certain financial ratio covenants for three borrowing facilities totalling RM173 million as at 31 December 2014. Consequently, borrowing facilities amounting to RM138 million were reclassified as short term borrowings under current liabilities at that date. The remaining RM35 million of borrowing facility was already classified as short term borrowings under current liabilities as it is repayable within a year. The respective lenders had granted indulgences to the Group and the Company from having to comply with the financial covenant ratios for the financial year ended 31 December 2014. As the covenants are enforced annually, the Group monitors compliance with the financial covenant ratios at the end of each financial year. In the event of a breach, the Group will seek indulgences from the respective banks to ensure that the Group and the Company are not in default of any borrowings. The Group's and the Company's overall strategy for capital risk management remains unchanged.

(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).

29 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(e) Fair value measurement (continued)

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group and Company				
31 December 2014				
Liabilities				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	102,993	-	102,993
	-	102,993	-	102,993
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

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

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

30 FINANCIAL INSTRUMENTS

(a) Financial instruments by category

Group	Loan and receivables RM'000
31 December 2014	
Assets as per balance sheet	
Trade and other receivables excluding prepayments	232,544
Other deposits excluding prepayments	109,163
Amounts due from related parties	38,769
Amount due from a joint venture	19,499
Amount due from an associate	5,314
Deposits, cash and bank balances	127,198
Total	532,487

	Liabilities at fair value through the profit and loss RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
Liabilities as per balance sheet			
Borrowings	-	1,579,345	1,579,345
Trade and other payables	-	828,802	828,802
Amount due to related parties	-	23,173	23,173
Amount due to an associate	-	196	196
Derivative financial instruments	102,993	-	102,993
Total	102,993	2,431,516	2,534,509

30 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments by category (continued)

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	16,387	-	-	16,387
Amount due from an associate	1,353	-	-	1,353
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
Liabilities as per balance sheet	
Borrowings	1,996,253
Trade and other payables	346,778
Amount due to a related parties	1,916
Total	2,344,947

Company	Loan and receivables RM'000
31 December 2014	
Assets as per balance sheet	
Trade and other receivables excluding prepayments	232,471
Other deposits excluding prepayments	109,163
Amount due from related parties	38,304
Amount due from a joint venture	19,499
Amount due from a subsidiary	5,314
Deposits, cash and bank balances	126,767
Total	531,518

30 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments by category (continued)

	Liabilities at fair value through the profit and loss RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
Liabilities as per balance sheet			
Borrowings	-	1,579,345	1,579,345
Trade and other payables	-	828,019	828,019
Amount due to a related parties	-	23,173	23,173
Amount due to subsidiaries	-	1,896	1,896
Amount due to an associate	-	196	196
Derivative financial instruments	102,993	-	102,993
Total	102,993	2,432,629	2,535,622

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	16,325	-	-	16,325
Amount due from an associate	1,353	-	-	1,353
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
Liabilities as per balance sheet	
Borrowings	1,996,253
Trade and other payables	346,080
Amount due to related parties	1,916
Amount due to an associate	1,887
Total	2,346,136

30 FINANCIAL INSTRUMENTS (CONTINUED)

(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	
	2014 RM'000	2013 RM'000
Counterparties without external credit rating		
Group 1	12,746	4,006
Group 2	18,307	20,296
Total trade receivables that are neither past due nor impaired	31,053	24,302
Cash at bank and short term deposits		
AAA	12,159	15,822
AA2	4,960	-
AA3	47,280	185,905
A2	14,504	14,793
A3	47,706	45,691
	126,609	262,211
Derivative financial assets		
AA+ to A+	-	519
A to BBB-	-	65,410
	-	65,929

Group 1 – New customers/related parties (Less than 6 months)
Group 2 – Existing customers/related parties (more than 6 months) with no defaults in the past.
Group 3 – Existing customers/related parties (more than 6 months) with some defaults in the past.

All defaults were fully recovered.

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

31 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.

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, 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 2014 and 31 December 2013 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.

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

2014	North Asia RM'000	Australia RM'000	West Asia and Middle East RM'000	Total RM'000
External revenue				
- Scheduled flights	841,295	520,412	268,412	1,630,119
- Charter flights	9,065	-	162,568	171,633
- Fuel surcharge	145,838	198,075	220	344,133
- Freight and cargo	82,485	27,812	3,581	113,878
- Ancillary revenue	284,994	262,893	38,598	586,485
- Management fees	583	499	61	1,143
- Aircraft operating lease income	45,632	38,965	4,739	89,336
	1,409,892	1,048,656	478,179	2,936,727
Operating expenses				
- Staff costs	(142,217)	(119,190)	(51,611)	(313,018)
- Fuel and oil	(732,340)	(629,728)	(157,856)	(1,519,924)
- Maintenance, overhaul and user charges and other related expenses	(299,329)	(245,183)	(93,655)	(638,167)
- Aircraft operating lease expenses	(140,375)	(115,210)	(82,393)	(337,978)
- Other operating costs	(150,775)	(131,607)	(31,572)	(313,954)
- Other income	105,551	75,806	9,387	190,744
- Share of results of an associate	(10,937)	(7,081)	(1,498)	(19,516)
- Share of results of a joint venture	(9,147)	(5,922)	(1,253)	(16,322)
Gross (loss)/profit	30,323	(129,459)	67,728	(31,408)
EBITDAR	170,698	(14,249)	150,121	306,570
EBITDA	30,323	(129,459)	67,728	(31,408)
Depreciation of property, plant and equipment	(86,253)	(72,561)	(21,916)	(180,730)
EBIT	(55,930)	(202,020)	45,812	(212,138)
Interest income	3,560	2,422	367	6,349
Interest expense and finance charges	(85,101)	(66,840)	(7,717)	(159,658)
Foreign exchange loss	(70,374)	(59,449)	(7,098)	(136,921)
Other loss	(54,897)	(43,117)	(4,979)	(102,993)
(Loss)/profit before tax	(262,742)	(369,004)	26,385	(605,361)
Taxation	44,160	37,304	4,454	85,918
Net (loss)/profit for the financial year	(218,582)	(331,700)	30,839	(519,443)

31 SEGMENTAL INFORMATION (CONTINUED)

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

2013	North Asia RM'000	Australia RM'000	West Asia and Middle East RM'000	Total RM'000
External revenue				
- Scheduled flights	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	9,281	6,801	4,319	20,401
- Share of results of an associate	(286)	(178)	(38)	(502)
Gross profit	102,673	35,480	13,786	151,939
EBITDAR	176,202	95,241	67,159	338,602
EBITDA	102,673	35,480	13,786	151,939
Depreciation of property, plant and equipment	(61,291)	(47,467)	(11,800)	(120,558)
EBIT	41,382	(11,987)	1,986	31,381
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)
Other gain	2,521	1,847	1,173	5,541
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)

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.

32 UNCONSOLIDATED STRUCTURED ENTITIES

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

The SPC are orphan trust companies in which the Company has no equity interest.

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 A330-343 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 SPC do not incur any losses or earn any income during the financial year ended 31 December 2014. The aircraft and the corresponding term loans and finance costs associated with the SPC have been recognised by the Group and Company upon the purchase of the aircraft.

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

33 EVENTS SUBSEQUENT TO THE FINANCIAL YEAR END

On 30 January 2015, the Company announced the proposal to undertake a renounceable rights issue of new ordinary shares of RM0.15 each in AirAsia X Berhad together with free detachable warrants to raise gross proceeds of up to RM395 million. This corporate transaction was approved by the shareholders at the Extraordinary General Meeting held on 27 March 2015.

34 RECLASSIFICATION OF COMPARATIVES

During the financial year ended 31 December 2014, the presentation of the other (loss)/gain was changed to better reflect the operating performance of the Group and the Company.

Previously, other (loss)/gain was charged/credited in arriving at operating (loss)/profit.

Comparatives had been re-presented to align with the current year's presentation.

35 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	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Total retained earnings of AirAsia X Berhad and its subsidiaries:				
- Realised	(212,298)	(108,897)	(214,510)	(110,711)
- Unrealised	(260,775)	119,429	(260,775)	119,429
	(473,073)	10,532	(475,285)	8,718
Total share of accumulated losses from associated company:				
- Realised	(20,018)	(502)	-	-
Total share of accumulated losses from joint venture	(16,322)	-	-	-
Total retained earnings as per consolidated financial statements	(509,413)	10,030	(475,285)	8,718

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 TOSECTION 169(15) OF THE COMPANIES ACT, 1965

We, Tan Sri Rafidah Aziz and Datuk Kamarudin Bin Meranun, being two of the Directors of AirAsia X Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 113 to 180 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 2014 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 35 to the financial statements has been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

In accordance with a resolution of the Board of Directors dated 29 April 2015.

TAN SRI RAFIDAH AZIZ
DIRECTOR

DATUK KAMARUDIN BIN MERANUN
DIRECTOR

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

I, Datuk Kamarudin Bin Meranun, 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 113 to 180 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.

DATUK KAMARUDIN BIN MERANUN

Subscribed and solemnly declared by the above named Datuk Kamarudin Bin Meranun at Kuala Lumpur in Malaysia on 29 April 2015, before me.

COMMISSIONER FOR OATHS

29 APR 2015

PESURUHJAYA SUMPAH
W 661
TAN KIM CHOOI
MALAYSIA
16TH FLOOR, WISMA SIME DARBY
JALAN RAJA LAUT, 50350 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 113 to 180 which comprise the balance sheets as at 31 December 2014 of the Group and of the Company, the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 34.

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 about 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 judgement, 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 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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 16 to the financial statements.

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

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

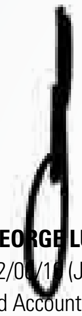
OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 35 on page 180 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 Malaysian 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. 2932/06/16 (J))
Chartered Accountant

Kuala Lumpur
29 April 2015

ANALYSIS OF SHAREHOLDINGS

AS AT 27 APRIL 2015

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	0.04	148	0.00
100 – 1,000	6,747	19.94	6,335,102	0.27
1,001 – 10,000	15,277	45.15	95,162,704	4.01
10,001 – 100,000	10,512	31.06	346,343,298	14.61
100,001 to less than 5% of issued shares	1,284	3.80	1,052,747,672	44.42
5% and above of issued shares	4	0.01	869,781,463	36.69
	33,839	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:

Name	DIRECT		INDIRECT	
	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
Tune Group Sdn. Bhd. ("TGSB")	422,630,214 (1)	17.83	-	-
AirAsia Berhad ("AAB")	326,130,573	13.76	-	-
Tan Sri Dr. Anthony Francis Fernandes	49,887,845 (2)	2.10	748,760,787 (3)	31.59
Datuk Kamarudin Bin Meranun	192,972,994 (4)	8.14	748,760,787 (3)	31.59
Orix Airline Holdings Limited ("Orix")	124,077,896	5.23	-	-
Orix Corporation	-	-	124,077,896 (5)	5.23
Orix Aviation Systems Limited	-	-	124,077,896 (5)	5.23

NOTES:

(1) Shares held through own name, HSBC Nominees (Tempatan) Sdn. Bhd., Kenanga Nominees (Tempatan) Sdn. Bhd. and Cimsec Nominees (Tempatan) Sdn. Bhd.

(2) Shares held through own name and HSBC Nominees (Tempatan) Sdn. Bhd.

(3) Deemed interested by virtue of Section 6A of the Companies Act, 1965 ("the Act") through a shareholding of more than 15% in TGSB and AAB.

(4) Shares held through own name, HSBC Nominees (Tempatan) Sdn. Bhd. and Cimsec Nominees (Tempatan) Sdn. Bhd.

(5) Deemed interested by virtue of their shareholding interests in Orix pursuant to Section 6A of the Act.

DIRECTORS' SHAREHOLDINGS

The interests of the Directors of AirAsia X in the Shares and options over shares in the Company and its related corporations based on the Company's Register of Directors' Shareholdings are as follows:-

	DIRECT		INDIRECT	
Name	No. of Shares Held	% of Issued Shares	No. of Shares held	% of Issued Shares
Tan Sri Rafidah Aziz	100,000 (1)	0.00*	100,000 (2)	0.00*
Datuk Kamarudin Bin Meranun	192,972,994 (3)	8.14	748,760,787 (4)	31.59
Tan Sri Dr. Anthony Francis Fernandes	49,887,845 (5)	2.10	748,760,787 (4)	31.59
Dato' Seri Kalimullah Bin Masheerul Hassan	102,935,447 (6)	4.34	-	-
Lim Kian Onn	112,447,632 (5)	4.74	600,000 (7)	0.03
Dato' Fam Lee Ee	-	-	-	-
Kiyotaka Tanaka	-	-	-	-
Tan Sri Asmat Bin Kamaludin	100,000 (1)	0.00*	-	-
Dato' Yusli Bin Mohamed Yusoff	100,000 (1)	0.00*	-	-

NOTES:

* Negligible.
(1) Shares held through Cimsec Nominees (Tempatan) Sdn. Bhd.
(2) Deemed interest held under the name of her spouse (deceased).
(3) Shares held through own name, HSBC Nominees (Tempatan) Sdn. Bhd. and Cimsec Nominees (Tempatan) Sdn. Bhd.
(4) Deemed interested by virtue of Section 6A of the Act through a shareholding of more than 15% in TGSB and AAB.
(5) Shares held through own name and HSBC Nominees (Tempatan) Sdn. Bhd.
(6) Shares held through Kenanga Nominees (Tempatan) Sdn. Bhd. and Amsec 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 during the financial year.

LIST OF TOP 30 LARGEST SHAREHOLDERS

	Name of Shareholders	No. of Shares Held	% of Issued Share Capital
1.	AirAsia Berhad	326,130,573	13.76
2.	Kenanga Nominees (Tempatan) Sdn. Bhd. For Tune Group Sdn. Bhd.	293,000,000	12.36
3.	Kamarudin Bin Meranun	126,572,994	5.34
4.	Orix Airline Holdings Limited	124,077,896	5.23
5.	Lim Kian Onn	96,377,185	4.07
6.	Amsec Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account - AmBank (M) Berhad for Kalimullah Bin Masheerul Hassan (SMART)	86,765,000	3.66
7.	Cimsec Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Tune Group Sdn. Bhd. (EDG&GCM)	75,000,000	3.16
8.	HSBC Nominees (Tempatan) Sdn. Bhd. Kamarudin Bin Meranun	65,000,000	2.74

	Name of Shareholders	No. of Shares Held	% of Issued Share Capital
9.	Citigroup Nominees (Tempatan) Sdn. Bhd. Exempt An for AIA Bhd.	63,125,800	2.66
10.	HSBC Nominees (Tempatan) Sdn. Bhd. Anthony Francis Fernandes	35,000,000	1.48
11.	Tune Group Sdn. Bhd.	28,130,214	1.19
12.	Maybank Nominees (Tempatan) Sdn. Bhd. Maybank Trustees Berhad for CIMB-Principal Small Cap Fund (240218)	25,680,400	1.08
13.	HSBC Nominees (Asing) Sdn. Bhd. Exempt An for Credit Suisse (SG BR-TST-ASING)	21,342,100	0.90
14.	HSBC Nominees (Tempatan) Sdn. Bhd. Tune Group Sdn. Bhd.	20,000,000	0.84
15.	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Kalimullah Bin Masheerul Hassan (021)	16,170,447	0.68
16.	HSBC Nominees (Tempatan) Sdn. Bhd. JPMCB for Lim Kian Onn	16,070,447	0.68
17.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Hud Bin Abu Bakar	15,000,000	0.63
18.	Anthony Francis Fernandes	14,887,845	0.63
19.	CIMB Group Nominees (Tempatan) Sdn. Bhd. CIMB-Principal Asset Management Berhad for Manulife Insurance (Malaysia) Berhad - (Managed Fund)	12,606,000	0.53
20.	Lembaga Tabung Angkatan Tentera	10,470,000	0.44
21.	Kenanga Nominees (Tempatan) Sdn. Bhd. ECM Libra Partners Sdn Bhd - Pledged securities account for Tune Group Sdn. Bhd.	6,500,000	0.27
22.	HSBC Nominees (Asing) Sdn. Bhd. Exempt An for JPMorgan Chase Bank, National Association (U.S.A.)	5,612,600	0.24
23.	Cimsec Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Shelina Binti Razaly Wahi (MH6755)	5,433,300	0.23
24.	Choong Yean Yaw	4,983,400	0.21
25.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Bank AG Singapore for Ho Wei Choon (Maybank SG)	4,503,700	0.19
26.	Amsec Nominees (Tempatan) Sdn. Bhd. AmTrustee Berhad for Pacific Pearl Fund (UT-PM-PPF)	4,486,000	0.19
27.	RHB Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Goh Sin Bong	4,324,900	0.18
28.	Cimsec Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Goh Sin Bong (MP0081)	3,971,400	0.17
29.	CIMB Group Nominees (Tempatan) Sdn. Bhd. CIMB-Principal Asset Management Berhad for Manulife Insurance (Malaysia) Berhad - (Equity Fund)	3,802,900	0.16
30.	RHB Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Chew Weng Choy	3,640,000	0.15

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Ninth 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, 4 June 2015 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 2014. **(Resolution 1)**

2. To approve Directors' Fees of RM434,658 for the financial year ended 31 December 2014. **(Resolution 2)**

3. To re-elect Dato' Fam Lee Ee 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 Mr. Kiyotaka Tanaka as a Director of the Company, who retires pursuant to Article 131 of the Company's Articles of Association. **(Resolution 4)**

5. 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 5)**

6. 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 6)**

7. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

AS SPECIAL BUSINESS

To consider and if thought fit, to pass, with or without modifications, the following Resolutions:

8. 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 8)**

9. ORDINARY RESOLUTION
PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE AND NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED MANDATE")

"**THAT** approval be and is hereby given for the renewal of the existing shareholders' mandate and new shareholders' mandate for the Company to enter into recurrent related party transactions of a revenue or trading nature with the related parties ("Recurrent Related Party Transactions") as set out in Section 2.3 of the Circular to Shareholders dated 13 May 2015 **("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 minority 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, among 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 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 after the date 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.

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 Section 2.3 of the Circular being provisional in nature, the Directors of the Company and/or any one of them be and are hereby authorised to agree to the actual amount or amounts thereof provided always that such amount or amounts comply with the procedures set out in Section 2.6 of the Circular." **(Resolution 9)**

OTHER ORDINARY BUSINESS

10. 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
13 May 2015

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 28 May 2015 ("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 8)

Ordinary Resolution 8 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 8, 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 renewal of existing shareholders' mandate and new shareholders' mandate for Recurrent Related Party Transactions of a revenue or trading nature ("Proposed Mandate") (Resolution 9)

Ordinary Resolution 9, 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 13 May 2015 for further information.

c) Dato' Seri Kalimullah Bin Masheerul Hassan who retires pursuant to Article 126 of the Company's Articles of Association, will not be seeking for re-election at the forthcoming Annual General Meeting of the Company and therefore shall retire at the conclusion of the said Annual General Meeting.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Directors standing for re-appointment at the Ninth Annual General Meeting of the Company

The Independent Non-Executive Directors who are standing for re-appointment at the Ninth 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 28 to 36 of this Annual Report.

COMPANY DIRECTORY

OFFICES & STATIONS

MALAYSIA
KUALA LUMPUR
LCC Terminal
Jalan KLIA S3
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
Aerocare Flight Support
PO Box 5103
Melbourne International Airport
Tullamarine, VIC 3045
Australia

PERTH
AirAsia X (Perth)
31/383Horrie 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 Berhad
Beijing Representative Office
Room 32092, Terminal 2
Beijing Capital International Airport
Beijing, China

CHENGDU
AirAsia X Berhad
Chengdu Representative Office
318, International Departure
Chengdu Shuangliu International Airport
610202, Chengdu,
Sichuan Province, China

HANGZHOU
AirAsia X Berhad
Hangzhou Representative Office
Room 2025A, International Terminal
Departure Level
Hangzhou Xiaoshan International Airport
Xiaoshan District, Hangzhou City,
Zhejiang Province, China

SHANGHAI
AirAsia X Berhad
Pudong International Airport
T2 Terminal 2-B3-M11 Room
Shanghai, China

JAPAN
TOKYO
AirAsia X Berhad
S7K0, 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
Al-Nakhil Trading Center
Office Number 12
Madinah Road
Jeddah
Kingdom of Saudi Arabia

KOREA
INCHEON
Room 2042
Incheon International Airport Passenger
Terminal
2850 Woonseo Dong, Joong Gu
Incheon City
400-715 Korea

NEPAL
KATHMANDU
AirAsia X Berhad
Room No-111,
Operation Building, Tribhuvan International
Airport,
Kathmandu, Nepal
Incentive Group of Companies
Post Box : 20957, 3rd Floor IGC Lounge
Metro Park Building, Uttar Dhoka, Katmandu, Nepal

TAIWAN
TAIPEI
Room 260-2
Terminal 1,
Taiwan Taoyuan International Airport
33758, Taiwan

SRI LANKA
COLOMBO
AirAsia X Berhad
Room No-FD62, First Floor,
Departure Terminal
Bandaranayake International Airport,
Katunayake

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

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)

____
(ADDRESS)

as my / our proxy(ies) to vote in my / our name and on my / our behalf at the Ninth Annual General Meeting of the Company to be held on Thursday, 4 June 2015 at 10.00 a.m. and at any adjournment of such meeting and to vote as indicated below:

RESOLUTIONS	DESCRIPTION	FOR	AGAINST
Ordinary No. 1	**Ordinary Business** Receive the Audited Financial Statements and Reports		
No. 2	Approval of Directors' Fees		
No. 3	Re-election of Dato' Fam Lee Ee		
No. 4	Re-election of Mr. Kiyotaka Tanaka		
No. 5	Re-appointment of Tan Sri Rafidah Aziz		
No. 6	Re-appointment of Tan Sri Asmat Bin Kamaludin		
No. 7	Re-appointment of Auditors		
No. 8	**Special Business** Authority to allot shares pursuant to Section 132D of the Companies Act, 1965		
No. 9	Proposed renewal of existing shareholders' mandate and new shareholders' mandate for Recurrent Related Party Transactions		

(Please indicate with an "X" in the spaces provided how you wish your votes to be cast. If you do not do so, the proxy will vote or abstain from voting as he thinks fit)

No. of shares held:	
CDS Account No.:	
The proportion of my/our holding to be represented by my/our proxies are as follows:	First Proxy : ___________% Second Proxy : ___________%
Date:	

____
Signature of Shareholder/Common Seal

Notes to Form of Proxy

a. Pursuant to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 and Article 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 28 May 2015 ("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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AirAsia X Berhad (734161-K)

AWESOME TEAM,
AMAZING
Des tina tions

annual report 2014

AIRASIA X BERHAD (734161-K)
LCC Terminal, Jalan KLIA S3, Southern Support Zone, Kuala Lumpur International Airport
64000 Sepang, Selangor Darul Ehsan, Malaysia
T +603 8660 4600 **F** +603 8775 4036
W www.airasiax.com