AirAsia X Berhad

200601014410 (734161-K)

(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements

30 June 2021

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

Contents

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

Directors' report

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial period ended 30 June 2021.

Principal activities

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

The Company has temporarily grounded most of its fleet across the network due to the COVID-19 pandemic.

The principal activity of the subsidiary, associate and joint venture companies is disclosed in Notes 19, 20 and 21 to the financial statements.

Change of financial year end

During the financial period, the Group and the Company changed its financial year end from 31 December to 30 June. Accordingly, the current financial period covers a period of 18 months, from 1 January 2020 to 30 June 2021. Consequently, the comparative amounts for the statements of comprehensive income, statements of changes in equity, statements of cash flows and related notes to the financial statements are not comparable.

Financial results

	Group RM'000	Company RM'000
Loss for the financial period	(33,689,780)	(33,757,566)

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

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial period were not substantially affected by any item, transaction or event of a material and unusual nature except for the provision for termination of RM25.16 billion as disclosed in Note 10 to the financial statements and impairment of right of use assets of RM4.01 billion as disclosed in Note 17 to the financial statements.

AirAsia X Berhad
(Incorporated in Malaysia)

Directors

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

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

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

Jean Marc Kin Voon Likamtin
Benyamin Bin Ismail
Natacha Sabrina Kong Hung Cheong
Tommy Lo Seen Chong

Directors' benefits

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

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as shown in Note 8 to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which he is a member, or with a company in which the Director has a substantial financial interest, other than as disclosed in Note 39 to the financial statements.

Indemnity and insurance for Directors and officers

The Directors and officers of the Company and its subsidiaries are covered under a Directors' and Officers' Liability Insurance up to an aggregate limit of RM10 million against any legal liability, if incurred by the Directors and officers of the Company and its subsidiaries in the discharge of their duties while holding office for the Company and its subsidiaries. The insurance premium paid by the Company was RM498,200.

Directors' remuneration

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

AirAsia X Berhad
(Incorporated in Malaysia)

Directors' interests

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

		Number of ordinary shares		
	1.1.2020	**Acquired**	**Disposed**	**30.06.2021**
The Company				
Datuk Kamarudin Bin Meranun				
Direct interest	370,709,939	-	-	370,709,939
Indirect interest *	1,310,331,376	-	-	1,310,331,376
Tan Sri Anthony Francis Fernandes				
Direct interest	111,587,228	-	-	111,587,228
Indirect interest *	1,310,331,376	-	-	1,310,331,376
Dato' Lim Kian Onn				
Indirect interest **	175,833,356	-	-	175,833,356
Tan Sri Rafidah Aziz				
Direct interest	175,000	-	-	175,000
Indirect interest ***	100,000	-	-	100,000
Tan Sri Asmat Bin Kamaludin				
Direct interest	297,400	-	-	297,400
Indirect interest ****	40,000	-	-	40,000

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

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

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

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

Directors' interests (cont'd.)

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

Other statutory information

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

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

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

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

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

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

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

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

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

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

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

Other statutory information (cont'd.)

(f) In the opinion of the Directors:

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

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial period and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial period in which this report is made except for matters disclosed in Note 10 and Note 46.

(g) As at 30 June 2021, the net current liabilities shortfall position of the Group and of the Company amounted to RM34.21 billion and RM34.30 billion respectively. Management is taking steps to address the current situation arising from the court convene meeting as described in Note 10 and Note 46 of the financial statements. The Board of Directors is confident that based on the debt restructuring, corporate restructuring, fundraising exercise and the revised business plan, the Group and the Company will be in good stead to weather the current challenging environment.

Auditors and auditors' remuneration

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

Auditors' remuneration are disclosed in Note 9 to the financial statements.

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

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 29 October 2021.

Tan Sri Rafidah Aziz
Director

Dato' Yusli Bin Mohamed Yusoff
Director

Kuala Lumpur, Malaysia

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

Statements of profit or loss
For the financial period ended 30 June 2021

	Note	Group 1.1.2020 to 30.6.2021 RM'000	Group 1.1.2019 to 31.12.2019 RM'000	Company 1.1.2020 to 30.6.2021 RM'000	Company 1.1.2019 to 31.12.2019 RM'000
Revenue	4	**1,215,543**	4,233,344	**1,215,544**	4,231,015
Operating expenses					
- Staff costs	5	**(248,318)**	(429,016)	**(239,624)**	(418,640)
- Depreciation	6	**(961,502)**	(745,434)	**(971,788)**	(755,567)
- Aircraft fuel expenses		**(538,450)**	(1,680,688)	**(538,450)**	(1,680,688)
- Maintenance and overhaul	7	**(785,425)**	(701,627)	**(785,425)**	(701,627)
- User charges		**(96,979)**	(431,336)	**(96,979)**	(431,336)
- Aircraft operating lease expenses		**(2,417)**	-	**(2,417)**	-
- Other operating expenses	9	**(6,106,334)**	(406,734)	**(6,184,881)**	(440,635)
- Provision for termination	10	**(25,163,344)**	-	**(25,163,344)**	-
Other income	11	**6,997**	41,055	**5,406**	23,209
Other losses	13	**(10,928)**	-	**(10,928)**	-
Operating loss		**(32,691,157)**	(120,436)	**(32,772,886)**	(174,269)
Finance income	12	**144,051**	137,529	**144,006**	137,441
Finance costs	12	**(1,063,210)**	(364,911)	**(1,043,553)**	(345,706)
Net operating loss		**(33,610,316)**	(347,818)	**(33,672,433)**	(382,534)
Net foreign exchange (loss)/ gain	12	**(79,471)**	42,914	**(85,031)**	43,524
Share of results of an associate	20	**-**	(1,104)	**-**	-
Share of results of a joint venture	21	**-**	-	**-**	-
Loss before taxation		**(33,689,787)**	(306,008)	**(33,757,464)**	(339,010)
Taxation					
- Current taxation	14	**7**	495	**(102)**	650
- Deferred taxation	14	**-**	(344,804)	**-**	(344,174)
		7	(344,309)	**(102)**	(343,524)
Loss for the financial period/ year		**(33,689,780)**	(650,317)	**(33,757,566)**	(682,534)
Loss per share (sen)					
- Basic	15	(812.2)	(15.7)		
- Diluted	15	(812.2)	(15.7)		

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

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

Statements of comprehensive income
For the financial period ended 30 June 2021

	Group		Company	
	1.1.2020 to 30.6.2021 RM'000	**1.1.2019 to 31.12.2019 RM'000**	**1.1.2020 to 30.6.2021 RM'000**	**1.1.2019 to 31.12.2019 RM'000**
Loss for the financial period/year	**(33,689,780)**	(650,317)	**(33,757,566)**	(682,534)
Other comprehensive (loss)/ income				
Items that may be subsequently reclassified to profit or loss				
Cash flow hedges	**(30,452)**	129,621	**(30,452)**	129,621
Foreign currency translation differences	**638**	60	**-**	-
Other comprehensive (loss)/income for the financial period/year, net of tax	**(29,814)**	129,681	**(30,452)**	129,621
Total comprehensive loss for the financial period/year	**(33,719,594)**	(520,636)	**(33,788,018)**	(552,913)

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

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

Statements of financial position
As at 30 June 2021

	Note	2021 RM'000	2019 RM'000
Group			
Assets			
Non-current assets			
Property, plant and equipment	16	-	623,445
Right-of-use assets	17	-	4,959,771
Finance lease receivables	18	-	842,043
Investment in an associate	20	-	-
Investment in a joint venture	21	-	-
Trade and other receivables	24	**2,118,782**	1,588,833
Amount due from an associate	25	**23,434**	50,165
Derivative financial assets	22	-	1,311
		2,142,216	8,065,568
Current assets			
Inventories	23	-	13,102
Trade and other receivables	24	**119,604**	671,902
Amount due from an associate	25	**150,540**	117,772
Amount due from a joint venture	27	-	4,501
Amount due from related parties	28	**4,068**	119,328
Finance lease receivables	18	-	170,631
Derivative financial assets	22	-	44,615
Tax recoverable		**1,694**	1,481
Deposits, cash and bank balances	32	**74,110**	357,961
		350,016	1,501,293
Total assets		**2,492,232**	9,566,861
Equity and liabilities			
Current liabilities			
Sales in advance	2.18	**504,841**	730,725
Derivative financial liabilities	22	-	2,317
Trade and other payables	33	**1,741,420**	823,811
Provision for termination	10	**25,163,344**	-
Amount due to an associate	29	**3,625**	45,391
Amount due to related parties	31	**353,906**	30,616
Borrowings	34	**6,766,607**	860,070
Provision for aircraft maintenance	35	**29,469**	88,710
		34,563,212	2,581,640
Net current liabilities		**(34,213,196)**	(1,080,347)

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

Statements of financial position
As at 30 June 2021 (cont'd.)

	Note	2021 RM'000	2019 RM'000
Group (cont'd.)			
Non-current liabilities			
Derivative financial liabilities	22	-	3,541
Trade and other payables	33	589	14,818
Amount due to an associate	29	170,284	213,708
Borrowings	34	2	5,405,541
Provision for aircraft maintenance	35	1,339,809	1,209,684
		1,510,684	6,847,292
Total liabilities		36,073,896	9,428,932
Net (liabilities)/assets		(33,581,664)	137,929
Equity attributable to equity holders of the Company			
Share capital	36	1,534,044	1,534,043
Warrant reserve	37	-	62,222
Other reserves	37	-	30,452
Currency translation reserve		727	89
Accumulated losses		(35,116,435)	(1,488,877)
Total equity		(33,581,664)	137,929

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

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

Statements of financial position
As at 30 June 2021 (cont'd.)

	Note	2021 RM'000	2019 RM'000
Company			
Assets			
Non-current assets			
Property, plant and equipment	16	-	623,445
Right-of-use assets	17	-	5,041,965
Finance lease receivables	18	-	842,043
Investments in subsidiaries	19	4	4
Investment in an associate	20	-	-
Investment in a joint venture	21	-	-
Trade and other receivables	24	2,118,782	1,588,833
Amount due from an associate	25	23,434	50,165
Derivative financial assets	22	-	1,311
		2,142,220	8,147,766
Current assets			
Inventories	23	-	13,102
Trade and other receivables	24	119,485	671,802
Amount due from subsidiaries	26	170,238	134,229
Amount due from an associate	25	18,481	16,568
Amount due from a joint venture	27	-	4,501
Amount due from related parties	28	4,068	119,328
Finance lease receivables	18	-	170,631
Derivative financial assets	22	-	44,615
Tax recoverable		1,695	1,616
Deposits, cash and bank balances	32	73,993	337,947
		387,960	1,514,339
Total assets		2,530,180	9,662,105
Equity and liabilities			
Current liabilities			
Sales in advance	2.18	504,841	730,725
Derivative financial liabilities	22	-	2,317
Trade and other payables	33	1,471,064	811,539
Provision for termination	10	25,163,344	-
Amount due to subsidiaries	30	268,658	2,898
Amount due to an associate	29	41,870	72,013
Amount due to related parties	31	353,906	33,084
Borrowings	34	6,851,341	876,590
Provision for aircraft maintenance	35	29,469	88,710
		34,684,493	2,617,876
Net current liabilities		(34,296,533)	(1,103,537)

AirAsia X Berhad
(Incorporated in Malaysia)

Statements of financial position
As at 30 June 2021 (cont'd.)

	Note	2021 RM'000	2019 RM'000
Company (cont'd.)			
Non-current liabilities			
Derivative financial liabilities	22	-	3,541
Trade and other payables	33	**589**	14,818
Amount due to an associate	29	**170,284**	213,708
Borrowings	34	**2**	5,479,458
Provision for aircraft maintenance	35	**1,339,809**	1,209,684
		1,510,684	6,921,209
Total liabilities		**36,195,177**	9,539,085
Net (liabilities)/assets		**(33,664,997)**	123,020
Equity attributable to equity holders of the Company			
Share capital	36	**1,534,044**	1,534,043
Warrant reserve	37	-	62,222
Other reserves	37	-	30,452
Accumulated losses		**(35,199,041)**	(1,503,697)
Total equity		**(33,664,997)**	123,020

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

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

Consolidated statement of changes in equity
For the financial period ended 30 June 2021

	<---- Attributable to equity holders of the Group ----						
		<---- Non-Distributable ----				Distributable	
	Number of shares '000	Share capital RM'000	Warrant reserve RM'000	Cash flow hedge reserve RM'000	Currency translation reserve RM'000	Accumulated losses RM'000	Total equity RM'000
Group							
At 1 January 2020	4,148,148	1,534,043	62,222	30,452	89	(1,488,877)	137,929
Net loss for the financial period	-	-	-	-	-	(33,689,780)	(33,689,780)
Transfer of warrant reserve upon expiry of warrants to accumulated losses	-	-	(62,222)	-	-	62,222	-
Other comprehensive income/(loss) for the financial period	-	-	-	(30,452)	638		(29,813)
Total comprehensive income/(loss) for the financial period	-	-	(62,222)	(30,452)	638	(33,627,558)	(33,719,594)
Issuance of new shares from warrant exercise	1	1	-	-	-	-	1
At 30 June 2021	4,148,149	1,534,044	-	-	727	(35,116,435)	(33,581,664)

AirAsia X Berhad
(Incorporated in Malaysia)

Consolidated statement of changes in equity
For the financial period ended 30 June 2021 (cont'd.)

		<-- Attributable to equity holders of the Group					
		<-- Non-Distributable			-->	Distributable	
	Note	**Number of shares '000**	**Share capital RM'000**	**Warrant reserve RM'000**	**Cash flow hedge reserve RM'000**	**Currency translation reserve RM'000**	**Accumulated losses RM'000**	**Total equity RM'000**
Group (cont'd.)								
At 1 January 2019		4,148,148	1,534,043	62,222	(99,169)	29	(923,463)	573,662
Effects of adoption of MFRS 16	2.2	-	-	-	-	-	84,903	84,903
At 1 January 2019 (As restated)		4,148,148	1,534,043	62,222	(99,169)	29	(838,560)	658,565
Net loss for the financial year		-	-	-	-	-	(650,317)	(650,317)
Other comprehensive income for the financial year		-	-	-	129,621	60	-	129,681
Total comprehensive income/(loss) for the financial year		-	-	-	129,621	60	(650,317)	(520,636)
At 31 December 2019		4,148,148	1,534,043	62,222	30,452	89	(1,488,877)	137,929

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

AirAsia X Berhad
(Incorporated in Malaysia)

Statement of changes in equity
For the financial period ended 30 June 2021 (cont'd.)

		<------------- Attributable to equity holders of the Company				------------>
		<------------ Non-Distributable		------------>	Distributable	
	Number of shares '000	Share capital RM'000	Warrant reserve RM'000	Cash flow hedge reserve RM'000	Accumulated losses RM'000	Total equity RM'000
Company						
At 1 January 2020	4,148,148	1,534,043	62,222	30,452	(1,503,697)	123,020
Loss for the financial period	-	-	-	-	(33,757,566)	(33,757,566)
Transfer of warrant reserve upon expiry of warrants to accumulated losses	-	-	(62,222)	-	62,222	-
Other comprehensive income/(loss) for the financial period	-	-	-	(30,452)	-	(30,451)
Total comprehensive income/(loss) for the financial period	-	-	(62,222)	(30,452)	(33,695,344)	(33,788,018)
Issuance of new shares from warrant exercise	1	1	-	-	-	1
At 30 June 2021	4,148,149	1,534,044	-	-	(35,199,041)	(33,664,997)

AirAsia X Berhad
(Incorporated in Malaysia)

Statement of changes in equity
For the financial period ended 30 June 2021 (cont'd.) (cont'd.)

			<-------------- Attributable to equity holders of the Company				------------>
			<------------ Non-Distributable		------------>	Distributable	
	Note	Number of shares '000	Share capital RM'000	Warrant reserve RM'000	Cash flow hedge reserve RM'000	Accumulated losses RM'000	Total equity RM'000
Company (cont'd.)							
At 1 January 2019		4,148,148	1,534,043	62,222	(99,169)	(906,066)	591,030
Effects of adoption of MFRS 16	2.2	-	-	-	-	84,903	84,903
At 1 January 2019 (As restated)		4,148,148	1,534,043	62,222	(99,169)	(821,163)	675,933
Loss for the financial year		-	-	-	-	(682,534)	(682,534)
Other comprehensive income for the financial year		-	-	-	129,621	-	129,621
Total comprehensive income/(loss) for the financial year		-	-	-	129,621	(682,534)	(552,913)
At 31 December 2019		4,148,148	1,534,043	62,222	30,452	(1,503,697)	123,020

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

200601014410 (734161-K)

AirAsia X Berhad
(Incorporated in Malaysia)

Statements of cash flows
For the financial period ended 30 June 2021

	Note	Group 1.1.2020 to 30.6.2021 RM'000	Group 1.1.2019 to 31.12.2019 RM'000	Company 1.1.2020 to 30.6.2021 RM'000	Company 1.1.2019 to 31.12.2019 RM'000
Cash flows from operating activities					
Loss before taxation		**(33,689,787)**	(306,008)	**(33,757,464)**	(339,010)
Adjustments for:					
Property, plant and equipment and right-of-use assets					
- Depreciation	6	**961,502**	745,434	**971,788**	755,567
- Impairment loss	9	**4,577,165**	-	**4,649,885**	-
- Disposal loss	9	**10,594**	-	**9,541**	-
- Write off	9	**-**	10	**-**	10
Allowance for impairment:					
- Finance lease receivables	9	**794,250**	-	**794,250**	-
- Trade and other receivables	9	**60,937**	69,404	**60,937**	69,404
- Inventories	9	**9,245**	-	**9,245**	-
- Amount due from associates	9	**389,329**	-	**-**	-
- Amount due from subsidiaries	9	**-**	-	**391,129**	-
- Amount due from related parties	9	**12,188**	-	**12,188**	-
Provision for termination	10	**25,163,344**	-	**25,163,344**	-
Impairment loss on investment in an associate	9	**-**	-	**-**	21,122
Loss on disposal of non-current assets held for sale	9	**-**	90,416	**-**	90,416
(Gain)/loss on lease modification on right-of-use assets	9,11	**-**	(16,337)	**-**	8,992
Finance income	12	**(78,764)**	(78,890)	**(78,719)**	(78,802)
Finance costs	12	**986,408**	315,536	**966,751**	296,331
Impact of discounting effect on financial instruments (net)	12	**11,515**	(9,264)	**11,515**	(9,264)
Fair value losses on derivative financial instruments	13	**10,928**	-	**10,928**	-
Share of results of an associate		**-**	1,104	**-**	-
Net unrealised foreign exchange loss/(gain)	12	**67,298**	(39,299)	**73,038**	(39,909)
Operating (loss)/profit before working capital changes		**(713,848)**	772,106	**(711,644)**	774,857

AirAsia X Berhad
(Incorporated in Malaysia)

Statements of cash flows
For the financial period ended 30 June 2021 (cont'd.)

	Note	Group 1.1.2020 to 30.6.2021 RM'000	Group 1.1.2019 to 31.12.2019 RM'000	Company 1.1.2020 to 30.6.2021 RM'000	Company 1.1.2019 to 31.12.2019 RM'000
Cash flows from operating activities (cont'd.)					
Changes in working capital:					
Inventories		**3,857**	155	**3,857**	155
Trade and other receivables		**(32,197)**	(24,634)	**(32,178)**	(24,611)
Related parties balances		**(30,556)**	(239,813)	**237,405**	(244,879)
Trade and other payables		**955,014**	(80,321)	**705,409**	(88,440)
Sales in advance		**(225,884)**	33,599	**(225,884)**	33,599
Cash flows generated from operations		**(43,614)**	461,092	**(23,035)**	450,681
Finance costs paid		**(2,546)**	(3,951)	**(2,545)**	(3,933)
Interest received		**3,495**	5,177	**3,450**	5,089
Tax paid		**91**	(676)	**91**	(676)
Net cash (used in)/generated from operating activities		**(42,574)**	461,642	**(22,039)**	451,161
Cash flows from investing activities					
Additions of property, plant and equipment		**(4,346)**	(46,336)	**(4,346)**	(46,336)
Proceeds from disposal of non-current assets held for sale		-	908,596	-	908,596
Additional subscription of shares in an associate		-	(1,104)	-	(1,104)
Receipt of principal portion of finance lease receivables		-	163,014	-	163,014
Net cash (used in)/generated from investing activities		**(4,346)**	1,024,170	**(4,346)**	1,024,170
Cash flows from financing activities					
Repayment of lease liabilities	34	**(211,336)**	(1,029,785)	**(211,336)**	(1,037,799)
Repayment of term loans	34	**(21,180)**	(395,468)	**(21,180)**	(395,468)
Repayment of hire purchase	34	**(20)**	(14)	**(20)**	(14)
Deposits pledged as securities		**44,698**	(5,337)	**44,698**	(5,337)
Net cash used in financing activities		**(187,838)**	(1,430,604)	**(187,838)**	(1,438,618)

Statements of cash flows
For the financial period ended 30 June 2021 (cont'd.)

	Note	Group 30.6.2021 to 30.6.2021 RM'000	Group 31.12.2019 to 31.12.2019 RM'000	Company 30.6.2021 to 30.6.2021 RM'000	Company 31.12.2019 to 31.12.2019 RM'000
Net (decrease)/increase in cash and cash equivalents		**(234,758)**	55,208	**(214,223)**	36,713
Currency translation differences		**(4,395)**	(193)	**(5,033)**	(253)
Cash and cash equivalents at beginning of the financial period/ year		**307,619**	252,604	**287,605**	251,145
Cash and cash equivalents at end of the financial period/ year	32	**68,466**	307,619	**68,349**	287,605

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

Notes to the financial statements - 30 June 2021

1. Corporate information

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

During the financial period, the Group and the Company changed its financial year end from 31 December to 30 June. Accordingly, the current financial period covers a period of 18 months, from 1 January 2020 to 30 June 2021. Consequently, the comparative amounts for the statements of comprehensive income, statements of changes in equity, statements of cash flows and related notes to the financial statements are not comparable.

The principal activity of the Company is that of providing long haul air transportation services. The Company has temporarily grounded most of its fleet across the network due to the COVID-19 pandemic. The principal activity of the subsidiary companies is disclosed in Notes 19.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 29 October 2021.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

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

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

2.1 Basis of preparation (cont'd.)

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

The global economy and in particular, the commercial airline industry, faces uncertainty over the expected timing of the recovery from the COVID-19 pandemic. The travel and border restrictions implemented by countries around the world have led to a significant fall in demand for international air travel which has impacted the Group's and the Company's financial position, financial performance and cash flows. The Group and the Company have reported a net loss of RM33.72 and RM33.79 billion respectively for the financial period ended 30 June 2021 and current liabilities exceeded current assets by RM34.21 billion and RM34.30 billion respectively. In addition, the Group and the Company also reported a shareholders' deficit of RM33.58 billion and RM33.66 billion respectively.

As a result of the pandemic, the Group and the Company have grounded most of the fleet since March 2020 and have deferred payment to creditors. Consequently, the Group and the Company have triggered events of default for various contracts and have made an additional provision for termination claims of RM25.16 billion, which is an integral part of the total provisional scheme amounts owing to scheme creditors of RM33.65 billion as disclosed in Note 3(iv) and 10.
These conditions or events, along with other matters as disclosed in Note 46, indicate the existence of material uncertainties that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. The ability of the Group and of the Company to continue as a going concern is dependent on the successful implementation and favourable outcome of various ongoing plans to respond to the conditions above, including the approval and completion of the proposed debt restructuring exercise, the completion of the proposed fundraising exercise as well as the successful implementation of the revised business plan. Further details are disclosed in Note 46. The Board of Directors is optimistic of the successful and timely implementation of the aforementioned plans. Accordingly, the financial statements for the financial period ended 30 June 2021 of the Group and of the Company have been prepared on a going concern basis.

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

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

2.2 Adoption of new and revised pronouncements

As at 1 January 2020, the Group and the Company have adopted the following pronouncements that are applicable and have been issued by the MASB as listed below:

Effective for annual periods beginning on or after 1 January 2020

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

The adoption of these amendments did not have any material impact on the current period or any prior period.

2.3 Pronouncements yet in effect

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

Effective for annual periods beginning on or after 1 January 2021

Amendments to MFRS 4	Insurance Contracts: Interest Rate Benchmark Reform - Phase 2
Amendments to MFRS 9	Financial Instruments: Interest Rate Benchmark Reform - Phase 2
Amendments to MFRS 7	Financial Instruments: Disclosures: Interest Rate Benchmark Reform - Phase 2

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

2.3 Pronouncements yet in effect (cont'd.)

Effective for annual periods beginning on or after 1 January 2021 (cont'd.)

Amendments to MFRS 16	Leases: Interest Rate Benchmark Reform - Phase 2
Amendments to MFRS 139	Financial Instruments: Recognition and Measurement: Interest Rate Benchmark Reform - Phase 2
Amendments to MFRS 16	Leases: Covid-19-Related Rent Concessions beyond 30 June 2021

Effective for annual periods beginning on or after 1 January 2022

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

Effective for annual periods beginning on or after 1 January 2023

MFRS 17	Insurance Contracts
Amendments to MFRS 17	Insurance Contracts
Amendments to MFRS 101	Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
Amendments to MFRS 112	Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

2.3 Pronouncements yet in effect (cont'd.)

Effective for a date yet to be confirmed

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

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

2.4 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.

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

2.4 Basis of consolidation (cont'd.)

(i) Subsidiaries (cont'd.)

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

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

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

(ii) Associates

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

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

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

2.4 Basis of consolidation (cont'd.)

(ii) Associates (cont'd.)

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

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

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

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

(iii) Joint arrangements

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

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

2.4 Basis of consolidation (cont'd.)

(iii) Joint arrangements (cont'd.)

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

Where an indication of impairment exists, the carrying value of the investment is assessed and written down immediately to its recoverable amount. Refer to accounting policy Note 2.7 on impairment of non-financial assets.

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

2.5 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 2.15 on borrowing costs).

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

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

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

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

The useful lives for this purpose are as follows:

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

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

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

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

Residual values, where applicable, are reviewed annually against prevailing market values at the financial position date for equivalent aged assets, and depreciation rates are adjusted accordingly on a prospective basis.

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

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

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

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

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

At each financial period/year, the Group and the Company assess whether there is any indication of impairment. If such an indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. Refer to accounting policy Note 2.7 on impairment of non-financial assets.

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

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

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

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

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

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

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

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

2.6 Investments in subsidiaries, associates and joint ventures

In the Group's and the Company's separate financial statements, investments in subsidiaries, associates and joint ventures are stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. Refer to Note 2.7 on impairment of non-financial assets.

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

2.7 Impairment of non-financial assets

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

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

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

2.8 Maintenance and overhaul

(i) Owned aircraft

The accounting for the cost of major airframe and certain engine maintenance checks for own aircraft is described in the accounting policy in Note 2.5 for property, plant and equipment.

(ii) Leased aircraft

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

2.9 Leases

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

Group and Company as a lessee

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

(i) Right-of-use assets

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

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

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

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

2.9 Leases (cont'd.)

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

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

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

The right-of-use assets are also subject to impairment in accordance with accounting policy set out in Note 2.7.

(ii) Lease liabilities

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

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

The Group's and the Company's lease liabilities are included in Note 34 Borrowings.

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

2.9 Leases (cont'd.)

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

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

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

(iv) Sale and leaseback transactions

Sale and leaseback transactions are tested under MFRS 15 Revenue from Contracts with Customers at the date of the transaction to assess whether the transaction qualifies as a sale. If the transfer of the asset is a sale, the seller-lessee will:

- Derecognise the underlying asset; and
- Recognise the gain or loss, if any, that relates to the rights transferred to the buyerlessor and adjusted for off-market terms.

If the transaction does not qualify as sale under MFRS 15, a financial liability equal to the sale value is recognised in the financial statements.

Group and Company as a lessor

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

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

2.9 Leases (cont'd.)

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

(i) Finance leases

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

The Group and the Company derecognise the underlying asset and recognise a receivable at an amount equal to the finance lease receivables in a finance lease. Finance lease receivables in a finance lease are measured at an amount equal to the sum of the present value of lease payments from lessee and the unguaranteed residual value of the underlying asset. Initial direct costs are also included in the initial measurement of the finance lease receivables. The finance lease receivables are subject to MFRS 9 impairment (refer to Note 2.22) on impairment of financial assets. In addition, the Group and the Company review regularly the estimated unguaranteed residual value.

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

(ii) Operating leases

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

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

(iii) Sublease classification

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

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

2.9 Leases (cont'd.)

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

(iii) Sublease classification (cont'd.)

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

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

2.10 Inventories

Inventories comprising consumables used internally for repairs and maintenance and in-flight merchandise, are stated at the lower of cost and net realisable value.

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

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

2.11 Derivative financial instruments and hedging activities

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

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as held for trading and accounted for as financial liabilities in accordance with the accounting policy set out in Note 2.25. The Group and the Company designate certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

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

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

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

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

Cash flow hedge

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

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

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

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

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

2.12 Cash and cash equivalents

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

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

2.13 Provisions

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

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

2.14 Share capital

(i) Classification

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

(ii) Share issue costs

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

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

2.14 Share capital (cont'd.)

(iii) Dividends to shareholders of the Company

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

2.15 Borrowings

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

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

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

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

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

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

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

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

2.16 Income taxes

(i) Current tax

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

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

(ii) Deferred tax

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

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

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

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

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

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

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

2.16 Income taxes (cont'd.)

(ii) Deferred tax (cont'd.)

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

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

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

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

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

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

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

2.17 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 period/year in which the associated services are rendered by the employees of the Group and of the Company.

(ii) Defined contribution plan

The Group's and the Company's contributions to the Employees' Provident Fund are charged to the profit or loss in the period to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.18 Revenue recognition

(a) Revenue from contracts with customers

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

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

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

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

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

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

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

2.18 Revenue recognition (cont'd.)

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

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

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

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

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

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

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

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

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

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

Interest income is recognised using the effective interest method.

(b) Other revenue

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

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

2.19 Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(iii) Group companies

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

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

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

- all resulting exchange differences are recognised as a separate component of equity.

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

2.19 Foreign currencies (cont'd.)

(iii) Group companies (cont'd.)

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

2.20 Contingent liabilities

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

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

Subsequent to the initial recognition, the Group and the Company measure the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provisions of MFRS 137 “Provisions, Contingent Liabilities and Contingent Assets” and the amount initially recognised.

2.21 Financial assets

(i) Recognition and initial measurement

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

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

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

2.21 Financial assets (cont'd.)

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

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

Prior to 1 January 2020, trade receivables are carried at amortised cost.

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

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

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

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

(ii) Subsequent measurement

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

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

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

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

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

2.21 Financial assets (cont'd.)

(ii) Subsequent measurement (cont'd.)

Financial assets at amortised cost

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

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

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

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

(iii) Derecognition

A financial asset is derecognised when:

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

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

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

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

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

2.21 Financial assets (cont'd.)

(iii) Derecognition (cont'd.)

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

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

2.22 Impairment of financial assets

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

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

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

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

2.22 Impairment of financial assets (cont'd.)

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

2.23 Offsetting financial instruments

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

2.24 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2.25 Financial liabilities

(i) Recognition and initial measurement

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

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

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

(ii) Subsequent measurement

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

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

2.25 Financial liabilities (cont'd.)

(ii) Subsequent measurement (cont'd.)

Financial liabilities at fair value through profit or loss

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

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

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

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

Loans and borrowings

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

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

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

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

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

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

2.25 Financial liabilities (cont'd.)

(iii) Derecognition

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

2.26 Segment reporting

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

2.27 Warrant reserve

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

3. Critical accounting estimates and judgements

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

The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have a material impact to the Group's and the Company's results and financial position are tested for sensitivity to changes in the underlying parameters.

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

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

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

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

Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction of 5% in the residual values of aircraft airframes and engines as disclosed in Note 2.5, would increase the recorded depreciation for the financial period ended 30 June 2021 by RM921,000 (2019: RM865,000) and decrease the carrying amount of property, plant and equipment as at 30 June 2021 by RM7,061,000 (2019: RM5,635,000).

(ii) Impairment assessment of property, plant and equipment and right-of-use assets

The Group and the Company is required to assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. This requires an estimation of the value in use of the airline cash generating units.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

There is a high degree of estimation uncertainty inherent in estimating the duration and severity of the economic downturn caused by the COVID-19 pandemic, and the pattern of any expected recovery. As a result, the estimates and assumptions used in the cash flow projections which form the basis of the recoverable amounts attributable to the CGUs require significant judgement. These judgements require estimates to be made over areas including those relating to the timing of recovery of the COVID-19 pandemic, future revenues, operating costs, growth rates, projected aircraft usage, aircraft capital expenditure, foreign exchange rates and discount rates.

Further details of the carrying value, the key assumptions applied in the impairment assessment of property, plant and equipment and right-of-use assets are disclosed in Notes 16 and 17.

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

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below: (cont'd.)

(iii) Provision for aircraft maintenance

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

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

(iv) Provision for termination

The Group and the Company are required to recognise a provision when there is a present obligation (legal or constructive) as a result of a past event that it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations. The Group and the Company have triggered events of default for various contracts and have made additional provision for termination claims of RM25.16 billion, which is an integral part of the provisional scheme amounts of RM33.65 billion owing to scheme creditors, in respect of obligations arising from these contracts.

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

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below: (cont'd.)

(iv) Provision for termination (cont'd.)

In conjunction with the proposed debt restructuring exercise, the scheme creditors submitted a proof of debt (including termination claims) amounted to RM65.14 billion. However, the Group and the Company have applied significant judgement in estimating the provisional scheme amounts totalling to RM33.65 billion based on the relevant provisions in the applicable law of the relevant contracts that creditors are required to take action to mitigate their losses and to reduce their termination claims including offsetting against any deposits and prepayments wherever applicable. The Group and the Company have engaged an expert to assist in applying judgement in assessing and estimating the provisional scheme amount of RM33.65 billion which comprise provision for termination of RM25.16 billion and other liabilities of RM8.49 billion.

(v) Impairment assessment of financial assets

The Group and the Company applies the MFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance ("ECL") for all receivables (including intercompanies and related parties' balances).

The Group and the Company assesses the credit risk at each reporting date, whether there have been significant increases in credit risk since initial recognition. The impairment provisions for receivables are based on assumptions about risk of default and expected loss rates. The Group and the Company uses judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group's and the Company's past history, existing market conditions as well as forward-looking estimates specific to the debtors at the end of each reporting period.

4. Revenue

	Group		Company	
	1.1.2020 to 30.6.2021 RM'000	1.1.2019 to 31.12.2019 RM'000	1.1.2020 to 30.6.2021 RM'000	1.1.2019 to 31.12.2019 RM'000
Revenue from contracts with customers	**970,913**	4,013,967	**970,914**	4,011,638
Aircraft operating lease income	**244,630**	219,377	**244,630**	219,377
	1,215,543	4,233,344	**1,215,544**	4,231,015
Revenue from contracts with customers				
Type of goods or services				
Scheduled flights	**589,689**	2,893,458	**589,690**	2,893,458
Charter flights	**65,192**	114,946	**65,192**	114,946
Freight services	**140,192**	182,955	**140,192**	182,955
Ancillary revenue	**175,840**	820,279	**175,840**	820,279
Management fees	-	2,329	-	-
	970,913	4,013,967	**970,914**	4,011,638
Timing of revenue recognition				
At a point of time	**970,913**	4,013,967	**970,914**	4,011,638

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

5. Staff costs

	Group		Company	
	1.1.2020 to 30.6.2021 RM'000	1.1.2019 to 31.12.2019 RM'000	1.1.2020 to 30.6.2021 RM'000	1.1.2019 to 31.12.2019 RM'000
Wages, salaries, bonuses and allowances	**227,962**	394,635	**219,268**	385,073
Defined contribution retirement plan	**20,356**	34,381	**20,356**	33,567
	248,318	429,016	**239,624**	418,640

6. Depreciation

	Group		Company	
	1.1.2020 to 30.6.2021 RM'000	1.1.2019 to 31.12.2019 RM'000	1.1.2020 to 30.6.2021 RM'000	1.1.2019 to 31.12.2019 RM'000
Property, plant and equipment (Note 16)	**56,447**	47,845	**56,447**	47,845
Right-of-use assets (Note 17)	**905,055**	697,589	**915,341**	707,722
	961,502	745,434	**971,788**	755,567

7. Maintenance and overhaul

Maintenance and overhaul includes routine and non-routine maintenance of the aircraft airframe, engines, landing gear, wheels and other consumable spares.

8. Directors' remuneration

The details of remuneration paid to Directors of the Group and of the Company during the financial period/year ended 30 June 2021 and 31 December 2019, respectively, are as follows:

	Fees RM'000	Other allowances RM'000	Total RM'000
2021			
Non-executive Directors:			
Datuk Kamarudin Bin Meranun	**128**	**10**	**138**
Tan Sri Anthony Francis Fernandes	**98**	**9**	**107**
Dato' Lim Kian Onn	**143**	**16**	**159**
Dato' Fam Lee Ee	**188**	**19**	**207**
Tan Sri Rafidah Aziz	**383**	**19**	**402**
Tan Sri Asmat Bin Kamaludin	**143**	**14**	**157**
Dato' Yusli Bin Mohamed Yusoff	**218**	**21**	**239**
Total Non-Executive Directors	**1,301**	**108**	**1,409**

8. Directors' remuneration (cont'd.)

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

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

	Number of Directors 30.6.2021	Number of Directors 31.12.2019
Non-executive Directors:		
Less than RM100,000	-	2
RM100,001 to RM150,000	**2**	3
RM150,001 to RM200,000	**2**	1
More than RM200,000	**3**	1

9. Other operating expenses

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

	Group		Company	
	1.1.2020 to 30.6.2021 RM'000	1.1.2019 to 31.12.2019 RM'000	1.1.2020 to 30.6.2021 RM'000	1.1.2019 to 31.12.2019 RM'000
Management fee	**983**	-	**7,285**	8,930
Rental of land and buildings	**978**	781	**761**	758
Auditors' remuneration				
- Statutory audit	**621**	621	**445**	445
- Non-audit fees	**14**	14	**-**	-
Rental of equipment	**354**	247	**354**	247
Advertising expenses	**-**	52,976	**-**	52,976
Credit card charges	**7,314**	41,333	**7,314**	41,333
In-flight meal expenses	**11,857**	24,152	**11,857**	24,152
Insurance expenses	**43,062**	26,620	**43,062**	26,620
Allowance for impairment:				
- Inventories	**9,245**	-	**9,245**	-
- Trade and other receivables (Note 24)	**60,937**	69,404	**60,937**	69,404
- Amount due from associates (Note 25)	**389,329**	-	**-**	-
- Amount due from subsidiaries (Note 26)	**-**	-	**391,129**	-
- Amount due from related parties (Note 28)	**12,188**	-	**12,188**	-
- Right-of-use assets (Note 17)	**4,006,080**	-	**4,078,800**	-
- Finance lease receivables (Note 18)	**794,250**	-	**794,250**	-
- Property, plant and equipment (Note 16)	**571,085**	-	**571,085**	-
Property, plant and equipment written off (Note 16)	**-**	10	**-**	10
Impairment loss on investment in an associate (Note 20)	**-**	-	**-**	21,122
Loss on disposal of non-current assets held for sale	**-**	90,416	**-**	90,416
Loss on termination of lease	**10,594**	-	**9,541**	-
Loss on lease modification on right-of-use assets (Note 17)	**-**	-	**-**	8,992

10. Provision for termination

	Group		Company	
	1.1.2020 to 30.6.2021 RM'000	1.1.2019 to 31.12.2019 RM'000	1.1.2020 to 30.6.2021 RM'000	1.1.2019 to 31.12.2019 RM'000
Provision for termination	25,163,344	-	25,163,344	-

The movements in the provision account are as follows:

	Group		Company	
	1.1.2020 to 30.6.2021 RM'000	1.1.2019 to 31.12.2019 RM'000	1.1.2020 to 30.6.2021 RM'000	1.1.2019 to 31.12.2019 RM'000
At 1 January	-	-	-	-
Additions during the period	25,163,344	-	25,163,344	-
At 31 December	25,163,344	-	25,163,344	-

The Group and the Company have made an estimated provision for termination of RM25.16 billion as of 30 June 2021 where the Group and the Company are in default under the terms of the relevant contracts, though the aforementioned provision will be waived upon a successful completion of the proposed debt restructuring exercise as disclosed in Notes 46. In conjunction with the proposed debt restructuring exercise, the scheme creditors submitted a proof of debt (including termination claims) amounted to RM65.14 billion. The scheme creditors are creditors of the Group and the Company whose debts are to be dealt with under the proposed debt restructuring exercise.

Based on the relevant provisions in the applicable law of the relevant contracts, creditors are required to take action to mitigate their losses and to reduce their termination claims. Accordingly, management had engaged an expert to assist in determining the provisional scheme amounts and applied significant judgement in assessing and estimating the provisional scheme amounts totalling to RM33.65 billion, which includes the provision for termination claims of RM25.16 billion.

11. Other income

	Group 1.1.2020 to 30.6.2021 RM'000	Group 1.1.2019 to 31.12.2019 RM'000	Company 1.1.2020 to 30.6.2021 RM'000	Company 1.1.2019 to 31.12.2019 RM'000
Gain on lease modification on right-of-use assets (Note 17)	-	16,337	-	-
Carbon credit sale	-	8,353	-	8,353
Others	**6,997**	16,365	**5,406**	14,856
	6,997	41,055	**5,406**	23,209

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

	Group 1.1.2020 to 30.6.2021 RM'000	Group 1.1.2019 to 31.12.2019 RM'000	Company 1.1.2020 to 30.6.2021 RM'000	Company 1.1.2019 to 31.12.2019 RM'000
(a) Finance income:				
Interest income from deposits with licensed bank	**3,495**	5,177	**3,450**	5,089
Interest income from finance lease receivables (Note 17)	**62,277**	61,904	**62,277**	61,904
Other interest income	**12,992**	11,809	**12,992**	11,809
	78,764	78,890	**78,719**	78,802
Impact of discounting effect on financial instruments	**65,287**	58,639	**65,287**	58,639
	144,051	137,529	**144,006**	137,441

12. Finance income/(costs) and net foreign exchange (loss)/gain (cont'd.)

	Group		Company	
	1.1.2020 to 30.6.2021 RM'000	1.1.2019 to 31.12.2019 RM'000	1.1.2020 to 30.6.2021 RM'000	1.1.2019 to 31.12.2019 RM'000
(a) Finance Costs:				
Interest expense on lease liabilities (Note 17 and Note 34)	**(764,493)**	(293,901)	**(744,837)**	(274,714)
Interest expense on term loans (Note 34)	**(6,268)**	(17,682)	**(6,268)**	(17,682)
Interest expense on hire purchase (Note 34)	**(2)**	(2)	**(2)**	(2)
Bank facilities and other charges	**(215,645)**	(3,951)	**(215,644)**	(3,933)
	(986,408)	(315,536)	**(966,751)**	(296,331)
Impact of discounting effect on financial instruments	**(76,802)**	(49,375)	**(76,802)**	(49,375)
	(1,063,210)	(364,911)	**(1,043,553)**	(345,706)
(b) Net foreign exchange (loss)/gain:				
Realised	**(12,173)**	3,615	**(11,993)**	3,615
Unrealised	**(67,298)**	39,299	**(73,038)**	39,909
	(79,471)	42,914	**(85,031)**	43,524

13. Other losses

	Group and Company	
	1.1.2020 to 30.6.2021 RM'000	1.1.2019 to 31.12.2019 RM'000
Other losses from fuel contracts held for trading	**10,928**	-

14. Taxation

	Group		Company	
	1.1.2020 to 30.6.2021 RM'000	**1.1.2019 to 31.12.2019 RM'000**	**1.1.2020 to 30.6.2021 RM'000**	**1.1.2019 to 31.12.2019 RM'000**
Current taxation:				
Malaysian income tax	**115**	1,402	**115**	1,222
Foreign tax	**-**	280	**-**	-
	115	1,682	**115**	1,222
Overprovision in respect of prior years	**(122)**	(2,177)	**(13)**	(1,872)
	(7)	(495)	**102**	(650)
Deferred taxation:				
Relating to origination and reversal of temporary differences	**22,154**	356,237	**22,154**	355,607
Overprovision in respect of prior years	**(22,154)**	(11,433)	**(22,154)**	(11,433)
	-	344,804	**-**	344,174
Total income tax expense	**(7)**	344,309	**102**	343,524

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

Domestic current income tax is calculated at the statutory tax rate of 24% (2019: 24%) of the estimated assessable profit for the year.

14. Taxation (cont'd.)

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

	Group		Company	
	1.1.2020 to 30.6.2021 RM'000	1.1.2019 to 31.12.2019 RM'000	1.1.2020 to 30.6.2021 RM'000	1.1.2019 to 31.12.2019 RM'000
Loss before taxation	(33,689,787)	(306,008)	(33,757,464)	(339,010)
Tax at Malaysian statutory tax rate of 24% (2019: 24%)	(8,085,549)	(73,442)	(8,101,791)	(81,362)
Expenses not deductible for tax purposes	1,572,040	56,297	1,582,656	62,680
Income not subject to tax	(36,252)	(29,377)	(30,626)	(28,930)
Deferred tax assets not recognised	6,572,030	241,915	6,572,030	241,915
Utilisation of previously unrecognised unutilised reinvestment allowance	-	(14,490)	-	(14,490)
Utilisation of previously unrecognised unutilised investment tax allowance	-	177,016	-	177,016
Overprovision of deferred tax in respect of prior years	(22,154)	(11,433)	(22,154)	(11,433)
Overprovision of income tax in respect of prior years	(122)	(2,177)	(13)	(1,872)
Total income tax expenses	(7)	344,309	102	343,524

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

	Group and Company	
	1.1.2020 to 30.6.2021 RM'000	1.1.2019 to 31.12.2019 RM'000
Unutilised business losses	2,337,877	540,265
Unabsorbed capital allowances	759,697	740,915
Unutilised reinvestment allowances	310,168	310,168
Provision for termination	25,163,344	-
Other temporary differences	555,834	152,112
	29,126,920	1,743,460

14. Taxation (cont'd.)

Effective from the year of assessment 2019 in accordance to the Income Tax Act 1967, any unutilised tax losses of the Company as at 30 June 2021 for the year of assessment 2021 will only be made available for utilisation for seven (7) consecutive years of assessment, i.e. from the year of assessment 2021 until the year of assessment 2027. Any unutilised tax losses after year of assessment 2027 shall be disregarded. Unabsorbed capital allowances, unutilised investment tax allowances and other deductible temporary differences do not expire under current tax legislation.

Estimating the future taxable profits involves significant assumptions, especially in respect of fares, load factor, fuel price, maintenance costs and currency movements. These assumptions have been built based on past performance and adjusted for non-recurring circumstances and a reasonable growth rate.

15. Loss per share (sen)

(a) Basic loss per share

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

	Group	
	1.1.2020 to 30.6.2021	**1.1.2019 to 31.12.2019**
Loss for the financial period/year (RM'000)	**(33,689,780)**	(650,317)
Weighted average number of ordinary shares in issue ('000)	**4,148,149**	4,148,148
Loss per share (sen)	**(812.2)**	(15.7)

(b) Diluted loss per share

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

16. Property, plant and equipment

	Aircraft engines, airframes and service potential RM'000	Aircraft spares RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Ramp equipment RM'000	Pre-delivery payments RM'000	Total RM'000
Group and Company							
2021							
Net book value							
At 1 January 2020	432,982	53,380	262	3,101	-	133,720	623,445
Additions	1,384	2,947	-	15	-	-	4,346
Depreciation (Note 6)	(38,478)	(15,665)	(217)	(2,087)	-	-	(56,447)
Disposal	-	(248)	(10)	(1)	-	-	(259)
Impairment loss (Note 9)	(395,888)	(40,414)	(35)	(1,028)	-	(133,720)	(571,085)
At 30 June 2021	-	-	-	-	-	-	-
2019							
Net book value							
At 1 January 2019	459,007	53,258	410	4,472	1	107,816	624,964
Additions	6,913	12,584	-	935	-	25,904	46,336
Depreciation (Note 6)	(32,938)	(12,452)	(148)	(2,306)	(1)	-	(47,845)
Write off (Note 9)	-	(10)	-	-	-	-	(10)
At 31 December 2019	432,982	53,380	262	3,101	-	133,720	623,445

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

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

	Aircraft engines, airframes and service potential RM'000	Aircraft spares RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Ramp equipment RM'000	Pre-delivery payments RM'000	Total RM'000
Group and Company							
2021							
Cost	**678,609**	**157,880**	**3,455**	**17,898**	-	**133,720**	**991,562**
Accumulated depreciation	**(282,721)**	**(106,839)**	**(3,420)**	**(16,460)**	-	-	**(409,440)**
Accumulated impairment losses	**(395,888)**	**(51,041)**	**(35)**	**(1,438)**	-	**(133,720)**	**(582,122)**
	-	-	-	-	-	-	-
2019							
Cost	677,225	155,636	3,475	17,890	-	133,720	987,946
Accumulated depreciation	(244,243)	(91,628)	(3,213)	(14,379)	-	-	(353,463)
Accumulated impairment losses	-	(10,628)	-	(410)	-	-	(11,038)
	432,982	53,380	262	3,101	-	133,720	623,445

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

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

	Group and Company	
	2021	2019
	RM'000	RM'000
Assets under hire purchase:		
Net book value at the end of financial period/year	-	33

Included in property, plant and equipment of the Group and Company are aircraft pledged as security for borrowings (Note 34) with a net book value of RM Nil (2019: RM424 million).

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

On 17 December 2020, the Group and the Company has received the termination and enforcement notice in relation to the aircraft pledged.

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

17. Right-of-use assets

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

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

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

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

	Aircraft and engines RM'000	Office RM'000	Total RM'000
Group			
As at 1 January 2020	**4,920,926**	**38,845**	**4,959,771**
Lease modification	**25,930**	**-**	**25,930**
Lease termination	**(74,566)**	**-**	**(74,566)**
Depreciation expense (Note 6)	**(901,424)**	**(3,631)**	**(905,055)**
Impairment loss (Note 9)	**(3,970,866)**	**(35,214)**	**(4,006,080)**
As at 30 June 2021	**-**	**-**	**-**
As at 1 January 2019	-	-	-
Additions	5,613,880	43,480	5,657,360
Depreciation expense (Note 6)	(692,954)	(4,635)	(697,589)
As at 31 December 2019	4,920,926	38,845	4,959,771
Company			
As at 1 January 2020	**5,003,120**	**38,845**	**5,041,965**
Lease modification	**26,700**	**-**	**26,700**
Lease termination	**(74,524)**	**-**	**(74,524)**
Depreciation expense (Note 6)	**(911,710)**	**(3,631)**	**(915,341)**
Impairment loss (Note 9)	**(4,043,586)**	**(35,214)**	**(4,078,800)**
As at 30 June 2021	**-**	**-**	**-**
As at 1 January 2019	-	-	-
Additions	5,706,207	43,480	5,749,687
Depreciation expense (Note 6)	(703,087)	(4,635)	(707,722)
As at 31 December 2019	5,003,120	38,845	5,041,965

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

The following are the amounts recognised in profit or loss:

	Group 2021 RM'000	Group 2019 RM'000	Company 2021 RM'000	Company 2019 RM'000
Impairment loss for right-of-use assets (Note 9)	**4,006,080**	-	**4,078,800**	-
Depreciation on right-of-use assets (Note 6)	**905,055**	697,589	**915,341**	707,722
Interest income from finance lease receivables (Note 12(a))	**(62,277)**	(61,904)	**(62,277)**	(61,904)
Interest expense on lease liabilities (Note 12(a))	**764,493**	293,901	**744,837**	274,714
(Gain)/loss on lease modification (Note 9 and Note 11)	-	(16,337)	-	8,992
Unrealised foreign exchange loss/(gain)	**34,086**	(39,299)	**48,281**	(39,908)
Total amount recognised in profit or loss	**5,647,437**	873,950	**5,724,982**	889,616

Impairment testing on right-of-use assets

The recoverable amounts were based on value in use as at 30 June 2021. The recoverable amounts of the CGU have been measured based on cash flow projections approved by the management. The airline CGU comprise right-of-use assets and aircraft related property, plant and equipment.

The discount rates applied to the cash flow projections ranged from 7% to 9%. The assumptions used to determine the recoverable amounts include revenue per passenger, load factor and growth rate which may change significantly depending on the recovery of the aviation industry internationally.

18. Finance lease receivables

	Weighted average rate of finance 2021 %	Weighted average rate of finance 2019 %	Group and Company 2021 RM'000	Group and Company 2019 RM'000
Secured:				
Current	**5.45%**	5.45%	-	170,631
Non-current	**5.45%**	5.45%	-	842,043
			-	1,012,674

18. Finance lease receivables (cont'd.)

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

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

	Group and Company	
	2021	2019
	RM'000	RM'000
Finance lease receivables	**794,250**	1,012,674
Less: Allowance for impairment of finance lease receivables (Note 9)	**(794,250)**	-
	-	1,012,674

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

	Group and Company	
	2021	2019
	RM'000	RM'000
Not later than 1 year	**-**	170,631
Later than 1 year and not later than 5 years	**-**	601,904
Later than 5 years	**-**	240,139
	-	1,012,674

19. Investments in subsidiaries

	Company	
	2021	2019
	RM'000	RM'000
Unquoted investments, at cost	**4**	4

The details of the subsidiaries are as follows:

Name	Country of incorporation/ Principal place of business	Group's effective equity interest 2021 %	2019 %	Principal activities
AirAsia X Services Pty Ltd*	Australia	**100**	100	Provision of management logistical and marketing services

19. Investments in subsidiaries (cont'd.)

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

Name	Country of incorporation/ Principal place of business	Group's effective equity interest 2021 %	2019 %	Principal activities
AAX Mauritius One Limited	Mauritius	**100**	100	Provision of aircraft leasing facilities
AAX Aviation Capital Ltd	Malaysia	**100**	100	Holding company
AAX Leasing One Ltd	Malaysia	**100**	100	Provision of aircraft leasing facilities
AAX Leasing Two Ltd	Malaysia	**100**	100	Provision of aircraft leasing facilities
AAX Leasing Three Ltd	Malaysia	**100**	100	Provision of aircraft leasing facilities
AAX Leasing Four Ltd	Malaysia	**100**	100	Provision of aircraft leasing facilities
AAX Leasing Five Ltd	Malaysia	**100**	100	Provision of aircraft leasing facilities
AAX Leasing Six Ltd	Malaysia	**100**	100	Provision of aircraft leasing facilities
AAX Leasing Seven Ltd	Malaysia	**100**	100	Provision of aircraft leasing facilities
AAX Leasing Eight Ltd	Malaysia	**100**	100	Provision of aircraft leasing facilities
AAX Leasing Nine Ltd	Malaysia	**100**	100	Provision of aircraft leasing facilities
AAX Leasing Ten Ltd	Malaysia	**100**	100	Provision of aircraft leasing facilities
AAX Leasing Eleven Ltd	Malaysia	**100**	100	Provision of aircraft leasing facilities

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

20. Investment in an associate

	Group		Company	
	2021	**2019**	**2021**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Unquoted investments, at cost	**21,122**	21,122	**21,122**	21,122
Group's share of post-acquisition losses	**(21,122)**	(21,122)	**-**	-
Accumulated impairment loss	**-**	-	**(21,122)**	(21,122)
	-	-	**-**	-

The details of the associate are as follows:

Name	Country of incorporation	Group's effective equity interest 2021 %	2019 %	Principal activity
Thai AirAsia X Co., Ltd ("TAAX")*	Thailand	**49**	49	Commercial air transport services

* Audited by a member of Ernst & Young Global.

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

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

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

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

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

Summarised statement of financial position

	TAAX	
	2021	**2019**
	RM'000	**RM'000**
Current:		
Cash and cash equivalents	**68,459**	84,047
Other current assets	**269,106**	468,945
Total current assets	**337,565**	552,992
Non-current:		
Assets	**1,727,635**	2,301,725
Current:		
Financial liabilities	**(152,531)**	(184,428)
Other current liabilities	**(1,643,973)**	(782,577)
Total current liabilities	**(1,796,504)**	(967,005)
Non-current:		
Liabilities	**(1,759,255)**	(2,114,064)
Net (liabilities)/assets	**(1,490,559)**	(226,352)

Summarised statement of comprehensive income

	TAAX	
	2021	**2019**
	RM'000	**RM'000**
Revenue	**536,965**	1,788,373
Cost of sales	**(975,278)**	(1,892,865)
Other operating expenses	**(748,477)**	(77,133)
Finance income	**12,111**	-
Finance cost	**(138,737)**	(86,238)
Other income	**19,630**	36,612
Loss before tax	**(1,293,786)**	(231,251)
Taxation	**784**	1,363
Loss after tax	**(1,293,002)**	(229,888)
Other comprehensive loss	**-**	3,743
Total comprehensive loss	**(1,293,002)**	(226,145)
Dividend received from associate	**-**	-

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

Reconciliation of summarised financial information

	TAAX	
	2021	2019
	RM'000	RM'000
Opening net liabilities at 1 January	**(268,616)**	(32,791)
Total comprehensive loss for the financial period/year	**(1,293,002)**	(226,145)
Effect of foreign exchange translation	**-**	11,321
Elimination of unrealised profit from downstream sales	**(27,942)**	(21,001)
Closing net liabilities at 30 June/31 December	**(1,589,560)**	(268,616)
Cumulative unrecognised share of losses as at 1 January	**(156,189)**	(40,635)
Share of loss for the financial period/year	**(647,263)**	(115,554)
Cumulative unrecognised share of losses as at 30 June/31 December	**(803,452)**	(156,189)

21 Investment in a joint venture

	Group		Company	
	2021	2019	2021	2019
	RM'000	RM'000	RM'000	RM'000
Unquoted investments, at cost	**53,888**	53,888	**53,888**	53,888
Group's share of post-acquisition losses	**(53,888)**	(53,888)	**-**	-
Accumulated impairment losses	**-**	-	**(53,888)**	(53,888)
	-	-	**-**	-

The details of the joint venture are as follows:

Name	Country of incorporation	Group's effective equity interest 2021 %	2019 %	Principal activity
PT Indonesia AirAsia Extra ("IAAX")*	Indonesia	**49**	49	Commercial air transport services

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

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

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

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

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

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

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

Summarised statement of financial position

	IAAX	
	2021	**2019**
	RM'000	**RM'000**
Current:		
Cash and cash equivalents	**823**	2,819
Other current assets	**134,237**	4,011
Total current assets	**135,060**	6,830
Non-current:		
Assets	**5,241**	8,535
Current:		
Financial liabilities	-	(362,465)
Other current liabilities	**(604,128)**	(6,729)
Total current liabilities	**(604,128)**	(369,194)
Non-current:		
Liabilities	**(6,189)**	(4,475)
Net liabilities	**(470,016)**	(358,304)

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

Summarised statement of comprehensive income

	IAAX 2021 RM'000	2019 RM'000
Revenue	**832**	91,013
Cost of sales	**(95,603)**	(231,858)
Other operating expenses	**(28,013)**	(23,537)
Finance income	**13**	100
Finance cost	**(36)**	(227)
Other income	**1**	-
Loss before tax	**(122,806)**	(164,509)
Taxation	**-**	-
Loss after tax	**(122,806)**	(164,509)
Other comprehensive loss	**-**	655
Total comprehensive loss	**(122,806)**	(163,854)
Dividend received from joint venture	**-**	-

Reconciliation of summarised financial information

	IAAX 2021 RM'000	2019 RM'000
Opening net liabilities at 1 January	**(403,946)**	(222,822)
Total comprehensive loss for the financial period/year	**(122,806)**	(163,854)
Effect of foreign exchange translation	**-**	(10,186)
Elimination of unrealised profit from downstream sales	**(6,849)**	(7,084)
Closing net liabilities at 30 June/31 December	**(533,601)**	(403,946)
Cumulative unrecognised share of losses as at 1 January	**(219,300)**	(130,549)
Share in loss for the financial period/year	**(63,531)**	(88,751)
Cumulative unrecognised share of losses as at 30 June/31 December	**(282,831)**	(219,300)

22. Derivative financial assets and liabilities

	Group and Company			
	2021		2019	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
Current				
Commodity derivatives of cash flow hedge	-	-	44,615	2,317
Non-current				
Commodity derivatives of cash flow hedge	-	-	1,311	3,541

The full fair value of a hedging derivative was classified as a non-current assets or liabilities if the remaining maturity of the hedged item is more than 12 months and, as a current assets or liabilities, if the maturity of the hedged item is less than 12 months. Derivatives held for trading are those which do not qualify for hedge accounting. These derivatives were denominated in US Dollar.

Fuel contracts

There is no outstanding number of barrels of Brent and fuel derivative contracts as at 30 June 2021. (2019: 4,842,043 barrels).

23. Inventories

	Group and Company	
	2021 RM'000	2019 RM'000
At cost		
Consumables and in-flight merchandise	-	13,102
At net realisable value		
Consumables and in-flight merchandise	-	-

24. Trade and other receivables

	Note	Group 2021 RM'000	Group 2019 RM'000	Company 2021 RM'000	Company 2019 RM'000
Non-current					
Deposits	(c)	**1,051,314**	792,778	**1,051,314**	792,778
Prepayments	(d)	**1,044,152**	769,440	**1,044,152**	769,440
Deferred lease expenses	(e)	**23,316**	26,615	**23,316**	26,615
		2,118,782	1,588,833	**2,118,782**	1,588,833
Current					
Trade receivables		**9,062**	79,365	**9,062**	79,365
Less: Allowance for impairment of receivables		**(7,397)**	(57,219)	**(7,397)**	(57,219)
Trade receivables, net	(a)	**1,665**	22,146	**1,665**	22,146
Other receivables		**303,411**	257,192	**303,411**	257,192
Less: Allowance for impairment of receivables		**(297,601)**	(236,666)	**(297,601)**	(236,666)
	(b)	**5,810**	20,526	**5,810**	20,526
Deposits		**84,450**	185,578	**84,450**	185,575
Less: Allowance for impairment of receivables		**(7,143)**	-	**(7,143)**	-
	(c)	**77,307**	185,578	**77,307**	185,575
Prepayments	(d)	**27,973**	438,739	**27,854**	438,642
Deferred lease expenses	(e)	**6,849**	4,913	**6,849**	4,913
Other receivables, net		**117,939**	649,756	**117,820**	649,656
		119,604	671,902	**119,485**	671,802

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

	Note	Group 2021 RM'000	Group 2019 RM'000	Company 2021 RM'000	Company 2019 RM'000
Total trade and other receivables		**2,238,386**	2,260,735	**2,238,267**	2,260,635
Add: Finance lease receivables	18	**-**	1,012,674	**-**	1,012,674
Add: Deposits, cash and bank balances	32	**74,110**	357,961	**73,993**	337,947
Add: Amount due from subsidiaries	26	**-**	-	**170,238**	134,229
Add: Amount due from an associate	25	**173,974**	167,937	**41,915**	66,733
Add: Amount due from a joint venture	27	**-**	4,501	**-**	4,501
Add: Amount due from related parties	28	**4,068**	119,328	**4,068**	119,328
Less: Prepayments		**(1,072,125)**	(1,208,179)	**(1,072,006)**	(1,208,082)
Less: Deferred lease expenses		**(30,165)**	(31,528)	**(30,165)**	(31,528)
Total financed assets carried at amortised cost	41(a)	**1,388,248**	2,683,429	**1,426,310**	2,696,437

The normal credit terms of the Group and of the Company range from 15 to 30 days (2019: 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 RM238,000 (2019: RM15,414,000) are substantially from companies with good collection track records.

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

(a) Trade receivables (cont'd.)

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

As of 30 June 2021, trade receivables for the Group and Company of RM1,427,000 (2019: RM6,732,000) were past due but not impaired. These debts relate to a number of independent customers for whom there is no recent history of default.

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

	Group and Company	
	2021	**2019**
	RM'000	**RM'000**
Less than 30 days	-	1,359
Between 31 and 60 days	-	4,045
Between 61 and 90 days	-	1,328
Between 91 and 120 days	-	-
Between 121 and 180 days	-	-
More than 180 days	**1,427**	-
	1,427	6,732

(iii) Financial assets that are past due and impaired

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

	Group and Company	
	2021	**2019**
	RM'000	**RM'000**
More than 180 days	**7,397**	57,219
Less: Allowance for impairment of receivables	**(7,397)**	(57,219)
	-	-

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

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

(a) Trade receivables (cont'd.)

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

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

	Group and Company	
	2021	**2019**
	RM'000	**RM'000**
At 1 January	**57,219**	59,324
Written off	**(49,822)**	-
Charged to profit or loss (Note 9)	**-**	(2,105)
At 30 June (31 December)	**7,397**	57,219

(b) Other receivables

Other receivables includes other debtors and refunds of goods and service tax receivable from the authorities in various countries in which the Group and the Company operates.

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

	Group and Company	
	2021	**2019**
	RM'000	**RM'000**
At 1 January	**236,666**	165,157
Written off	**(2)**	-
Charged to profit or loss (Note 9)	**60,937**	71,509
At 30 June (31 December)	**297,601**	236,666

(c) Deposits

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

Included in deposits are deposits paid to lessors for leased aircraft and funds placed with lessor in respect of maintenance of the leased aircraft which will be considered in the proposed debt restructuring exercise as further described in Note 3(iv) and Note 10. These deposits are denominated in US Dollar.

(d) Prepayments

Included in prepayments are prepayments for maintenance of aircraft, advances made for purchases of fuel, lease of aircraft and maintenance of engines which will be considered in the proposed debt restructuring exercise as further described in Note 3(iv) and Note 10.

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

(e) Deferred lease expenses

Deferred lease expenses represent the differences between fair value of non-current rental deposits recognised at initial recognition and the absolute deposit amount, which are amortised on a straight-line basis over the lease terms ranging from 2 to 12 years (2019: 10 to 12 years).

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

	Group and Company	
	2021	**2019**
	RM'000	**RM'000**
At 1 January	**31,528**	42,432
Impact of discounting effect on financial instruments - net	**(1,363)**	(10,904)
At 30 June (31 December)	**30,165**	31,528
Representing:		
Current	**6,849**	4,913
Non-current	**23,316**	26,615
	30,165	31,528

The other classes within receivables do not contain impaired assets.

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

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

	Group		Company	
	2021	**2019**	**2021**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	**5,375**	30,190	**5,375**	30,187
US Dollar	**1,127,020**	966,902	**1,127,020**	966,902
Australian Dollar	**1,841**	8,055	**1,841**	8,055
Euro	**2**	213	**2**	213
Indian Rupee	**240**	4,837	**240**	4,837
Chinese Renminbi	**229**	1,513	**229**	1,513
Japanese Yen	**344**	6,202	**344**	6,202
Others	**1,045**	3,116	**1,045**	3,116
	1,136,096	1,021,028	**1,136,096**	1,021,025

25. Amount due from an associate

	Group		Company	
	2021	**2019**	**2021**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non-current				
Amount due from an associate	**23,434**	50,165	**23,434**	50,165
Current				
Amount due from an associate	**539,869**	117,772	**18,481**	16,568
Less: Allowance for impairment of amount due from an associate	**(389,329)**	-	-	-
	150,540	117,772	**18,481**	16,568
	173,974	167,937	**41,915**	66,733

Movements on allowance for impairment of amount due from an associate is as follows:

	Group		Company	
	2021	**2019**	**2021**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 1 January	-	-	-	-
Allowance for impairment (Note 9)	**(389,329)**	-	-	-
At 30 June/31 December	**(389,329)**	-	-	-

The amount due from an associate, Thai AirAsia X Co. Ltd, at Group and at Company are unsecured, bearing effective weighted average interest rate of 10.6% per annum and repayable over 6 years.

The currency profile of amount from an associate are as follows:

	Group		Company	
	2021	**2019**	**2021**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
US Dollar	**173,944**	167,937	**41,915**	66,733
Others	**30**	-	-	-
	173,974	167,937	**41,915**	66,733

26. Amount due from subsidiaries

	Company 2021 RM'000	2019 RM'000
Amount due from subsidiaries	**561,367**	134,229
Less: Allowance for impairment of amount due from subsidiaries	**(391,129)**	-
	170,238	134,229
Subsidiaries		
- AirAsia X Mauritius One Ltd	**170,238**	127,795
- AirAsia X Leasing Two Ltd.	-	4,978
- Others	-	1,456
Amount due from subsidiaries	**170,238**	134,229

Movements on allowance for impairment of amount due from subsidiaries is as follows:

	Company 2021 RM'000	2019 RM'000
At 1 January	-	-
Allowance for impairment (Note 9)	**(391,129)**	-
At 30 June/31 December	**(391,129)**	-

The amount due from subsidiaries are unsecured, interest free and repayable on demand. The currency profile of amount from subsidiaries are as follows:

	2021	2019
Ringgit Malaysia	-	300
US Dollar	**170,238**	133,929
	170,238	134,229

27. Amount due from a joint venture

	Group and Company 2021 RM'000	2019 RM'000
Amount due from a joint venture	-	4,501

The amount due from a joint venture, PT Indonesia AirAsia Extra, at Group and at Company are unsecured, bearing effective weighted average interest rate of 9.6% per annum and repayable over 7 years. The amount due from joint venture are denominated in US Dollar.

28. Amount due from related parties

	Group and Company	
	2021	2019
	RM'000	RM'000
Amount due from related parties	**16,256**	119,328
Less: Allowance for impairment of amount due from related parties	**(12,188)**	-
	4,068	119,328
Related parties		
- Teleport Everywhere Pte Ltd	**4,061**	-
- AirAsia Japan Co. Ltd	**-**	3,249
- AirAsia Berhad	**-**	71,038
- Teleport Commerce Malaysia Sdn Bhd	**-**	38,141
- Others	**7**	6,900
Amount due from related parties	**4,068**	119,328

Movements on allowance for impairment of amount due from related parties is as follows:

	Group and Company	
	2021	2019
	RM'000	RM'000
At 1 January	**-**	-
Allowance for impairment (Note 9)	**(12,188)**	-
At 30 June/31 December	**(12,188)**	-

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

The currency profile of amount from related parties are as follows:

	Group and Company	
	2021	2019
	RM'000	RM'000
Ringgit Malaysia	**1,485**	64,702
US Dollar	**2,583**	4,705
Others	**-**	49,921
	4,068	119,328

29. Amount due to an associate

	Group 2021 RM'000	Group 2019 RM'000	Company 2021 RM'000	Company 2019 RM'000
Non-current				
Amount due to an associate	**(170,284)**	(213,708)	**(170,284)**	(213,708)
Current				
Amount due to an associate	**(3,625)**	(45,391)	**(41,870)**	(72,013)
	(173,909)	(259,099)	**(212,154)**	(285,721)

The amount due to an associate, Thai AirAsia X Co. Ltd, are unsecured, interest free and repayable on demand.

The currency profile of amount due to an associate is as follows:

	Group 2021 RM'000	Group 2019 RM'000	Company 2021 RM'000	Company 2019 RM'000
US Dollar	**(173,909)**	(259,099)	**(211,691)**	(285,388)
Others	**-**	-	**(463)**	(333)
	(173,909)	(259,099)	**(212,154)**	(285,721)

30. Amount due to subsidaries

	Company 2021 RM'000	Company 2019 RM'000
Amount due to subsidiaries	**(268,658)**	(2,898)
Subsidiaries		
- AirAsia X Leasing One Ltd	**(8,837)**	-
- AirAsia X Leasing Two Ltd	**(46,262)**	-
- AirAsia X Leasing Three Ltd	**(3,736)**	(226)
- AirAsia X Leasing Four Ltd	**(5,158)**	(360)
- AirAsia X Leasing Six Ltd	**(4,325)**	-
- AirAsia X Leasing Seven Ltd	**(3,357)**	-
- AirAsia X Leasing Eight Ltd	**(5,709)**	(205)
- AirAsia X Leasing Nine Ltd	**(30,114)**	(816)
- AirAsia X Leasing Eleven Ltd	**(155,653)**	-
- Others	**(5,507)**	(1,291)
Amount due to subsidiaries	**(268,658)**	(2,898)

The amount due to subsidiaries are unsecured, interest free and repayable on demand.

30. Amount due to subsidaries (cont'd.)

The currency profile of amount due to subsidiaries are as follows:

	Company	
	2021	2019
	RM'000	RM'000
US Dollar	**(268,259)**	(1,914)
Others	**(399)**	(984)
	(268,658)	(2,898)

31. Amount due to related parties

	Group		Company	
	2021	2019	2021	2019
	RM'000	RM'000	RM'000	RM'000
Amount due to related parties	**(353,906)**	(30,616)	**(353,906)**	(33,084)
Related parties				
- AirAsia Berhad	**(315,077)**	-	**(315,077)**	-
- Ground Team Red Sdn Bhd	**(15,978)**	(5,726)	**(15,978)**	(5,726)
- PT Indonesia AirAsia	**(5,374)**	(6,183)	**(5,374)**	(8,650)
- Thai AirAsia Co. Ltd	**(10,828)**	(6,105)	**(10,828)**	(6,105)
- Others	**(6,649)**	(12,602)	**(6,649)**	(12,603)
Amount due to related parties	**(353,906)**	(30,616)	**(353,906)**	(33,084)

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

The currency profile of amount due to related parties are as follows:

	Group		Company	
	2021	2019	2021	2019
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	**(335,948)**	(11,083)	**(335,948)**	(11,083)
US Dollar	**(16,389)**	(12,642)	**(16,389)**	(15,109)
Others	**(1,569)**	(6,891)	**(1,569)**	(6,892)
	(353,906)	(30,616)	**(353,906)**	(33,084)

32. Deposits, cash and bank balances

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

	Group		Company	
	2021	**2019**	**2021**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash and bank balances	**14,090**	261,652	**13,973**	241,638
Deposits with licensed banks	**60,020**	96,309	**60,020**	96,309
Total deposits, cash and bank balances	**74,110**	357,961	**73,993**	337,947
Less: Bank balances pledged as securities	-	(31,522)	-	(31,522)
Deposits pledged as securities	**(5,644)**	(18,820)	**(5,644)**	(18,820)
Cash and cash equivalents	**68,466**	307,619	**68,349**	287,605

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

	Group		Company	
	2021	**2019**	**2021**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	**11,303**	192,120	**11,295**	192,062
US Dollar	**53,702**	65,289	**53,645**	47,651
Australian Dollar	**498**	39,508	**446**	37,190
Euro	**54**	778	**54**	778
Indian Rupee	**28**	16,654	**28**	16,654
Chinese Renminbi	**5,311**	2,227	**5,311**	2,227
Japanese Yen	**2,262**	21,359	**2,262**	21,359
Others	**952**	20,026	**952**	20,026
	74,110	357,961	**73,993**	337,947

The Group's and the Company's weighted average effective interest rate of deposits at the reporting date is 1.81% (2019: 3.06%) per annum.

The bank balances and deposits with licensed banks of the Group and of the Company amounting to RM Nil and RM5,644,000 (2019: RM31,522,000 and RM18,820,000) respectively are pledged as securities for banking facilities granted to the Group and of the Company.

33. Trade and other payables

	Note	Group 2021 RM'000	Group 2019 RM'000	Company 2021 RM'000	Company 2019 RM'000
Current					
Trade payables	(a)	**1,329,095**	241,100	**1,079,443**	230,111
Other payables and accruals	(b)	**410,213**	581,108	**389,509**	579,825
Deferred lease income	(c)	**2,112**	1,603	**2,112**	1,603
		1,741,420	823,811	**1,471,064**	811,539
Non-current					
Other deposits		-	9,789	-	9,789
Deferred lease income	(c)	**589**	5,029	**589**	5,029
		589	14,818	**589**	14,818
Total trade and other payables		**1,742,009**	838,629	**1,471,653**	826,357
Add: Borrowings	34	**6,766,609**	6,265,611	**6,851,343**	6,356,048
Add: Amount due to subsidiaries	30	-	-	**268,658**	2,898
Add: Amount due to an associate	29	**173,909**	259,099	**212,154**	285,721
Add: Amount due to related parties	31	**353,906**	30,616	**353,906**	33,084
Less: Deferred lease income		**(2,701)**	(6,632)	**(2,701)**	(6,632)
Total financial liabilities carried at amortised cost	41(a)	**9,033,732**	7,387,323	**9,155,013**	7,497,476

(a) Trade payables

The credit term of trade payables granted to the Group and the Company is 7 to 90 days (2019: 7 to 90 days).

(b) Other payables and accruals

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

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

(c) Deferred lease income

Deferred lease income represent the differences between fair value of non-current rental deposits recognised at initial recognition and the absolute deposit amount, which are amortised on a straight-line basis over the lease terms ranging from 7 to 11 years (2019: 7 to 11 years).

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

	Group and Company	
	2021	**2019**
	RM'000	**RM'000**
At 1 January	**6,632**	11,688
Impact of discounting effect on financial instruments (net)	**(3,931)**	(5,056)
At 31 December	**2,701**	6,632
Representing:		
Current	**2,112**	1,603
Non-current	**589**	5,029
	2,701	6,632

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

	Group		Company	
	2021	**2019**	**2021**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	**212,246**	482,488	**212,246**	482,488
US Dollar	**1,426,217**	211,652	**1,153,339**	202,463
Australian Dollar	**6,960**	23,548	**9,482**	20,464
Euro	**1,567**	1,336	**1,567**	1,336
Indian Rupee	**8,302**	9,867	**8,302**	9,867
Chinese Renminbi	**23,821**	24,481	**23,821**	24,481
Japanese Yen	**21,976**	45,768	**21,976**	45,768
Others	**38,219**	32,857	**38,219**	32,858
	1,739,308	831,997	**1,468,952**	819,725

Included in trade and other payables is an amount of RM1.73 billion relating to the provisional scheme amounts as disclosed in Note 3(iv).

34. Borrowings

	Group		Company	
	2021 RM'000	2019 RM'000	2021 RM'000	2019 RM'000
Current				
Secured:				
- Lease liabilities	**6,473,678**	803,518	**6,558,412**	820,038
- Term loans	**292,916**	56,541	**292,916**	56,541
- Hire purchase	**13**	11	**13**	11
	6,766,607	860,070	**6,851,341**	876,590
Non-current				
Secured:				
- Lease liabilities	**-**	5,158,147	**-**	5,232,064
- Term loans	**-**	247,372	**-**	247,372
- Hire purchase	**2**	22	**2**	22
	2	5,405,541	**2**	5,479,458
Total borrowings	**6,766,609**	6,265,611	**6,851,343**	6,356,048

	2021 %	2019 %	2021 %	2019 %
Weighted average rate of finance				
- Lease liabilities	**4.90**	4.90	**4.76**	4.76
- Term loans	**2.46**	2.75	**2.46**	2.75
- Hire purchase	**5.12**	5.12	**5.12**	5.12

Total borrowings consist of the following banking facilities:

	Group		Company	
	2021 RM'000	2019 RM'000	2021 RM'000	2019 RM'000
Fixed rate borrowings	**6,473,693**	5,961,698	**6,558,427**	6,052,135
Floating rate borrowings	**292,916**	303,913	**292,916**	303,913
	6,766,609	6,265,611	**6,851,343**	6,356,048

34. Borrowings (cont'd.)

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

	Group		Company	
	2021	2019	2021	2019
	RM'000	RM'000	RM'000	RM'000
Not later than 1 year	**6,766,607**	860,070	**6,851,341**	876,590
Later than 1 year and not later than 5 years	**2**	3,497,156	**2**	3,549,966
Later than 5 years	**-**	1,908,385	**-**	1,929,492
	6,766,609	6,265,611	**6,851,343**	6,356,048

The currency profile of borrowings are as follows:

	Group		Company	
	2021	2019	2021	2019
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	**36,590**	39,800	**36,590**	39,800
US Dollar	**6,730,019**	6,225,811	**6,814,753**	6,316,248
	6,766,609	6,265,611	**6,851,343**	6,356,048

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

	2021		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	RM'000	RM'000	RM'000	RM'000
Group				
Hire purchase	**15**	**15**	33	33
Company				
Hire purchase	**15**	**15**	33	33

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

34. Borrowings (cont'd.)

The fair values of the fixed rate borrowings are based on cash flows discounted using borrowing rates that are reflective of the Group's and Company's credit risk at the reporting date, at 4.90% (2019: 4.90%) and 4.76% (2019: 4.76%) per annum respectively. The fair values of fixed rate borrowings are within level 2 of the fair value hierarchy (Note 40(e)).

Lease liabilities
The lease liabilities are for operating leases of aircraft, engines and office (Note 17). The maturity analysis of lease liabilities are disclosed in Note 40(c).

Term loans
The term loans are for the purchase of new Airbus A330-300 aircraft. The repayment of the term loans is on a quarterly basis over 12 years (2019:12 years), with equal principal instalments, at a combination of floating rate of LIBOR + 0.8% is 2.46% per annum. The term loans are secured by the following:

(a) Assignment of rights under contract with Airbus over each aircraft;
(b) Assignment of insurance of each aircraft; and
(c) Assignment of airframe and engine warranties of each aircraft.

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

Group	Lease Liabilities RM'000	Term loans RM'000	Hire purchase RM'000	Total RM'000
Balance as at 1 January 2020	**5,961,665**	**303,913**	**33**	**6,265,611**
Changes from financing cash flows				
Lease modification	(75,230)	-	-	(75,230)
Repayment of borrowings	(162,675)	(14,912)	(18)	(177,605)
Interest paid	(48,661)	(6,268)	(2)	(54,931)
Total changes from financing cash flows	**5,675,099**	**282,733**	**13**	**5,957,845**
Other changes				
Liability-related				
Finance costs (Note 12(a))	764,493	6,268	2	770,763
Unrealised foreign exchange loss	34,086	3,915	-	38,001
Balance as at 30 June 2021	**6,473,678**	**292,916**	**15**	**6,766,609**

34. Borrowings (cont'd.)

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

Group	Lease Liabilities RM'000	Term loans RM'000	Hire purchase RM'000	Total RM'000
Balance as at 1 January 2019	-	687,007	45	687,052
Changes from financing cash flows				
Additions	6,755,063	-	-	6,755,063
Lease modification	(16,337)	-	-	(16,337)
Repayment of borrowings	(735,884)	(377,786)	(12)	(1,113,682)
Interest paid	(293,901)	(17,682)	(2)	(311,585)
Total changes from financing cash flows	5,708,941	291,539	31	6,000,511
Other changes				
Liability-related				
Finance costs (Note 12(a))	293,901	17,682	2	311,585
Unrealised foreign exchange gains	(41,177)	(5,308)	-	(46,485)
Balance as at 31 December 2019	5,961,665	303,913	33	6,265,611
Company				
Balance as at 1 January 2020	**6,052,102**	**303,913**	**33**	**6,356,048**
Changes from financing cash flows				
Lease modification	**(75,472)**	-	-	**(75,472)**
Repayment of borrowings	**(164,321)**	**(14,912)**	**(18)**	**(179,251)**
Interest paid	**(47,015)**	**(6,268)**	**(2)**	**(53,285)**
Total changes from financing cash flows	**5,765,294**	**282,733**	**13**	**6,048,040**
Other changes				
Liability-related				
Finance costs (Note 12(a))	**744,837**	**6,268**	**2**	**751,107**
Unrealised foreign exchange loss	**48,281**	**3,915**	-	**52,196**
Balance as at 30 June 2021	**6,558,412**	**292,916**	**15**	**6,851,343**

34. Borrowings (cont'd.)

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

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

During the current financial period, the Group and the Company have terminated the term loans.

35. Provision for aircraft maintenance

	Group and Company 2021 RM'000	**2019 RM'000**
Aircraft maintenance provision		
Current	**29,469**	88,710
Non-current	**1,339,809**	1,209,684
	1,369,278	1,298,394

35. Provision for aircraft maintenance (cont'd.)

The movements in the provision account are as follows:

	Group and Company	
	2021	2019
	RM'000	RM'000
At 1 January	**1,298,394**	792,697
Additions during the financial period	**611,629**	534,860
Reversal and utilisation during the financial period	**(540,745)**	(29,163)
At 31 December	**1,369,278**	1,298,394

36. Share capital

	Group and Company	
	2021	2019
	RM'000	RM'000
Issued and fully paid up:		
At beginning of financial period/year	**1,534,043**	**1,534,043**
Issued during the financial period/year	**1**	-
At end of financial period/year	**1,534,044**	1,534,043

During the financial period, there is an exercise of warrants of 550 shares with the issue price per share of RM0.46, which is equivalent to RM253.

37. Warrant and other reserves

	Group and Company	
	Cash flow hedge reserve	
	2021	2019
	RM'000	RM'000
At 1 January	**30,452**	(99,169)
Net change in fair value, net of deferred tax	**(30,452)**	129,621
At 30 June/ 31 December	**-**	30,452

37. Warrant and other reserves (cont'd.)

Warrant reserve

On 11 June 2015, the Company completed a renounceable rights issue of new ordinary shares of RM0.15 each in the Company together with free detachable warrants for working capital purpose. As a result, 1,777,777,790 ordinary shares of RM0.15 each were issued during the financial year ended 31 December 2015. These new ordinary shares rank pari passu with the existing ordinary shares. Following the completion of the exercise, the issued and fully paid ordinary shares of the Company consists of 4,148,149,102 ordinary shares of RM0.15 each with a share premium of RM911,820,644 and warrant reserve of RM62,222,223. Each warrant is entitled at any time during the exercise period, to subscribe for one new ordinary share at the exercise price of RM0.46.

On 6 June 2020, all unexercised warrants remaining in a depositor's securities account with Bursa Depository will be withdrawn from the respective depositor's securities account.

38. Capital commitments

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

	Group and Company	
	2021	**2019**
	RM'000	**RM'000**
Property, plant and equipment		
approved and contracted for:		
- later than 1 year and not later than 5 years	**65,122,636**	64,424,839
- later than 5 years	**71,687,097**	70,918,961
	136,809,733	135,343,800

The approved and contracted capital commitments for the Group and the Company are in respect of aircraft purchase. The Group and the Company has made an estimated provision of termination of RM25.16 billion (Note 10) as of 30 June 2021, in relation to the capital commitment, where the Group and the Company are in default under the terms of the relevant contracts, though the aforementioned provision will be waived upon a successful completion of the proposed debt restructuring exercise.

39. Significant related party transactions

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

The related parties of the Group and of the Company and their relationships at 30 June 2021 are as follows:

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

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

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

Key management personnel are categorised as head or senior management officers of key operating divisions within the Group and the Company. The key management compensation is disclosed in Note 39(f).

	Group		Company	
	2021 RM'000	2019 RM'000	2021 RM'000	2019 RM'000
(a) Income:				
Aircraft operating lease income for leased aircraft				
- AAX Mauritius One Limited	-	-	**489,559**	378,640
- PT Indonesia AirAsia Extra	**62,154**	65,655	**62,154**	65,655
- Thai AirAsia X Co., Ltd	**489,559**	378,640	-	-
Commission on travel insurance for passengers charged to Tune Insurance Malaysia Berhad	**455**	1,974	**455**	1,974
Provision of lounge services to AirAsia Berhad	**280**	1,832	**280**	1,832
Management fees charged to PT Indonesia AirAsia	-	2,329	-	-
Sale of ticket and other ancillary revenue to BIGLIFE Sdn Bhd	**753**	17,738	**753**	17,738
Ground handling fees charged to Thai AirAsia Co., Ltd	**285**	1,376	**285**	1,376
Ground handling fees charged to Philippines AirAsia Inc	**859**	5,921	**859**	5,921
Sale of cargo transportation to Teleport Everywhere Pte Ltd	**56,591**	-	**56,591**	-

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

	Group		Company	
	2021	**2019**	**2021**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
(a) Income (cont'd.):				
Sale of cargo transportation to Teleport Commerce Malaysia Sdn Bhd	**83,061**	185,957	**83,061**	185,957
(b) Recharges:				
Recharges of expenses to				
- Philippines AirAsia Inc	**3,809**	3,669	**3,809**	3,669
- Thai AirAsia Co., Ltd	**410**	862	**410**	862
- AirAsia Japan Co., Ltd	**131**	556	**131**	556
- PT Indonesia AirAsia	**24**	36	**24**	36
- Thai AirAsia X Co., Ltd	**18,481**	37,789	**18,481**	37,789
- PT Indonesia AirAsia Extra	**2,589**	2,164	**2,589**	2,164
- AirAsia (Guanghou) Aviation Service Limited	**2,355**	392	**2,355**	392
Recharges of expenses by				
- AirAsia Berhad	**(6,064)**	(21,618)	**(6,064)**	(21,618)
- AirAsia Japan Co., Ltd	**(678)**	(2,426)	**(678)**	(2,426)
- AirAsia (India) Pvt Ltd	**(388)**	(777)	**(388)**	(777)
- AirAsia SEA Sdn Bhd	**(517)**	(2,273)	**(517)**	(2,273)
- Ground Team Red Sdn Bhd	**187**	(656)	**187**	(656)
(c) Other charges:				
Management fees charged by AirAsia X Services Pty Ltd (Note 9)	**-**	-	**(7,285)**	(8,930)
Brand license fee charged by AirAsia Berhad	**(4,715)**	(8,600)	**(4,715)**	(8,600)
Office rental charged by AirAsia Berhad	**(5,040)**	(3,360)	**(5,040)**	(3,360)

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

	Group		Company	
	2021	2019	2021	2019
	RM'000	RM'000	RM'000	RM'000
(c) Other charges (cont'd.):				
In-flight entertainment system and software expense charged by Rokki Sdn Bhd	**(1,119)**	(4,476)	**(1,119)**	(4,476)
Shared service management fee charged by AirAsia SEA Sdn Bhd	**(2,760)**	(3,551)	**(2,760)**	(3,551)
Provision of food catering services charged by Ormond Lifestyle Services Sdn Bhd	**(333)**	(1,537)	**(333)**	(1,537)
Ground handling services charged by Ground Team Red Sdn Bhd	**(9,995)**	(39,763)	**(9,995)**	(39,763)
Purchase of loyalty point from BIGLIFE Sdn Bhd	**(620)**	(6,538)	**(620)**	(6,538)
Turnaround charges charged by AirAsia (Guanghou) Aviation Service Limited	**(651)**	(5,089)	**(651)**	(5,089)
Marketing funds charged by AirAsia (Guanghou) Aviation Service Limited	**(1,009)**	(13,985)	**(1,009)**	(13,985)
Premium collected on travel insurance for passengers paid to Tune Insurance Malaysia Berhad	**(1,819)**	(7,898)	**(1,819)**	(7,898)

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

	Group		Company	
	2021 RM'000	2019 RM'000	2021 RM'000	2019 RM'000
(d) Receivables:				
- AAX Mauritius One Limited	-	-	**170,238**	127,795
- Teleport Commerce Malaysia Sdn Bhd	-	38,140	-	38,140
- Thai AirAsia X Co., Ltd	**173,974**	167,937	**41,915**	66,733
- PT Indonesia AirAsia Extra	-	4,501	-	4,501
- AirAsia Berhad	-	71,039	-	71,039
- Others	**4,068**	10,149	**4,068**	16,583
	178,042	291,766	**216,221**	324,791
(e) Payables:				
- Thai AirAsia X Co., Ltd	**173,909**	259,099	**212,154**	285,721
- AirAsia Berhad	**315,077**	-	**315,077**	-
- AirAsia Leasing One Ltd	-	-	**8,837**	-
- AirAsia Leasing Two Ltd	-	-	**46,262**	-
- AirAsia Leasing Three Ltd	-	-	**3,736**	-
- AirAsia Leasing Four Ltd	-	-	**5,158**	-
- AirAsia Leasing Five Ltd	-	-	**3,245**	-
- AirAsia Leasing Six Ltd	-	-	**4,325**	-
- AirAsia Leasing Seven Ltd	-	-	**3,357**	-
- AirAsia Leasing Eight Ltd	-	-	**5,709**	-
- AirAsia Leasing Nine Ltd	-	-	**30,114**	-
- AirAsia Leasing Ten Ltd	-	-	**1,847**	-
- AirAsia Leasing Eleven Ltd	-	-	**155,653**	-
- AirAsia (Guanghou) Aviation Service Limited	**1,782**	6,892	**1,782**	6,892
- Philippines AirAsia Inc	-	354	-	354
- PT Indonesia AirAsia	**5,374**	6,183	**5,374**	8,650
- Thai AirAsia Co., Ltd	**10,828**	6,105	**10,828**	6,105
- Ground Team Red Sdn Bhd	**15,978**	5,726	**15,978**	5,726
- Others	**4,867**	5,356	**5,282**	8,255
	527,815	289,715	**834,718**	321,703

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

(f) Key management personnel compensation:

	Group		Company	
	2021 RM'000	2019 RM'000	2021 RM'000	2019 RM'000
Basic salaries, bonus and allowances	**6,254**	5,564	**6,254**	5,564
Defined contribution plan	**594**	494	**594**	494
	6,848	6,058	**6,848**	6,058

40. Financial risk management policies

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

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group and the Company. The management team then establishes detailed policies such as risk identification and measurement, exposure limits and risk management strategies. Risk management policies and procedures are reviewed regularly to reflect changes in the market condition, and the Group's and the Company's activities.

The Group and the Company also seek to ensure that the financial resources that are available for the development of the Group's and the Company's businesses are constantly monitored and managed by implementing the turnaround plans as further disclosed in Note 46.

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.

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

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

(a) Market risk (cont'd.)

(i) Fuel price risk

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

During the financial period ended 30 June 2021, the Group and the Company has not entered into Brent fixed swap contracts. There were 4,842,043 barrels (Note 22) of Brent and fuel contracts outstanding as at 31 December 2019.

As at 30 June 2021, if USD denominated barrel had been USD5 higher/lower with all other variables held constant, the impact on the post-tax profit/(loss) and equity for the year end equity are tabulated below:

	2021		2019	
	+USD5	-USD5	+USD5	-USD5
	RM'000	RM'000	RM'000	RM'000
Impact on other comprehensive income/(loss)	-	-	98,122	(98,122)

(ii) Interest rate risk

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

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

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

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

(a) Market risk (cont'd.)

(ii) Interest rate risk (cont'd.)

At 30 June 2021, if interest rate on USD denominated borrowings had been 60 basis points higher/lower with all other variables held constant, the impact on the post-tax (loss)/profit for the financial period/year are tabulated below:

	2021		2019	
	+60bps RM'000	-60bps RM'000	+60bps RM'000	-60bps RM'000
Impact on post tax (loss)/ profits	(1,758)	1,758	(1,839)	1,839

(iii Foreign currency risk

Apart from Ringgit Malaysia ("RM"), the Group and the Company transact business in various foreign currencies including United States Dollar ("USD"), Australian Dollar ("AUD"), EURO, Indian Rupee ("INR"), Chinese Renminbi ("RMB") and Japanese Yen ("JPY"). In addition, the Group and the Company have significant borrowings in USD (Note 34), mainly to finance the purchase of aircraft and pre-delivery payments in respect of the Group's and the Company's firm order of Airbus A330-300 aircraft. Therefore, the Group and the Company are exposed to currency exchange risk. These exposures are managed, to the extent possible, by natural hedges that arise when payments for foreign currency payables are matched against receivables denominated in the same foreign currency, or whenever possible by intragroup arrangements and settlements.

As at 30 June 2021, if RM had weakened/strengthened by 5% against the USD with all other variables held constant, the impact on the post-tax (loss)/profit for the financial period/year are tabulated below:

	2021		2019	
	+5% RM'000	-5% RM'000	+5% RM'000	-5% RM'000
Impact on post tax (loss)/ profits	(349,464)	349,464	(222,356)	222,356

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

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

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

(a) Market risk (cont'd.)

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

The Group's currency exposure is as follows:

	Note	USD RM'000	AUD RM'000	EURO RM'000	INR RM'000	RMB RM'000	JPY RM'000	Others RM'000
At 30 June 2021								
Financial assets								
Trade and other receivables	24	1,127,020	1,841	2	240	229	344	1,045
Amount due from an associate	25	173,944	-	-	-	-	-	30
Amount due from related parties	28	2,583	-	-	-	-	-	-
Deposits, cash and bank balances	32	53,702	498	54	28	5,311	2,262	952
		1,357,249	2,339	56	268	5,540	2,606	2,027
Financial liabilities								
Trade and other payables	33	1,426,217	6,960	1,567	8,302	23,821	21,976	38,219
Amount due to an associate	29	173,909	-	-	-	-	-	-
Amount due to related parties	31	16,389	-	-	-	-	-	1,569
Borrowings	34	6,730,019	-	-	-	-	-	-
		8,346,534	6,960	1,567	8,302	23,821	21,976	39,788
Net exposure		(6,989,285)	(4,621)	(1,511)	(8,034)	(18,281)	(19,370)	(37,761)

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

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

(a) Market risk (cont'd.)

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

The Group's currency exposure is as follows:

	Note	USD RM'000	AUD RM'000	EURO RM'000	INR RM'000	RMB RM'000	JPY RM'000	Others RM'000
At 31 December 2019								
Financial assets								
Finance lease receivables	18	1,012,674	-	-	-	-	-	-
Trade and other receivables	24	966,902	8,055	213	4,837	1,513	6,202	3,116
Amount due from an associate	25	167,937	-	-	-	-	-	-
Amount due from a joint venture	27	4,501	-	-	-	-	-	-
Amount due from related parties	28	4,705	-	-	-	-	-	49,921
Deposits, cash and bank balances	32	65,289	39,508	778	16,654	2,227	21,359	20,026
Derivative financial assets	22	45,926	-	-	-	-	-	-
		2,267,934	47,563	991	21,491	3,740	27,561	73,063
Financial liabilities								
Trade and other payables	33	211,652	23,548	1,336	9,867	24,481	45,768	32,857
Amount due to an associate	29	259,099	-	-	-	-	-	-
Amount due to related parties	31	12,642	-	-	-	-	-	6,891
Borrowings	34	6,225,811	-	-	-	-	-	-
Derivative financial libialities	22	5,858	-	-	-	-	-	-
		6,715,062	23,548	1,336	9,867	24,481	45,768	39,748
Net exposure		(4,447,128)	24,015	(345)	11,624	(20,741)	(18,207)	33,315

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

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

(a) Market risk (cont'd.)

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

The Company's currency exposure is as follows:

	Note	USD RM'000	AUD RM'000	EURO RM'000	INR RM'000	RMB RM'000	JPY RM'000	Others RM'000
At 30 June 2021								
Financial assets								
Trade and other receivables	24	1,127,020	1,841	2	240	229	344	1,045
Amount due from an associate	25	41,915	-	-	-	-	-	-
Amount due from subsidiaries	26	170,238	-	-	-	-	-	-
Amount due from related parties	28	2,583	-	-	-	-	-	-
Deposits, cash and bank balances	32	53,645	446	54	28	5,311	2,262	952
		1,395,401	2,287	56	268	5,540	2,606	1,997
Financial liabilities								
Trade and other payables	33	1,153,339	9,482	1,567	8,302	23,821	21,976	38,219
Amount due to an associate	29	211,691	-	-	-	-	-	463
Amount due to subsidiaries	30	268,259	-	-	-	-	-	399
Amount due to related parties	31	16,389	-	-	-	-	-	1,569
Borrowings	34	6,814,753	-	-	-	-	-	-
		8,464,431	9,482	1,567	8,302	23,821	21,976	40,650
Net exposure		(7,069,030)	(7,195)	(1,511)	(8,034)	(18,281)	(19,370)	(38,653)

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

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

(a) Market risk (cont'd.)

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

The Company's currency exposure is as follows:

	Note	USD RM'000	AUD RM'000	EURO RM'000	INR RM'000	RMB RM'000	JPY RM'000	Others RM'000
At 31 December 2019								
Financial assets								
Finance lease receivables	18	1,012,674	-	-	-	-	-	-
Trade and other receivables	24	966,902	8,055	213	4,837	1,513	6,202	3,116
Amount due from an associate	25	66,733	-	-	-	-	-	-
Amount due from subsidiaries	26	133,929	-	-	-	-	-	-
Amount due a joint venture	27	4,501	-	-	-	-	-	-
Amount due related parties	28	4,705	-	-	-	-	-	49,921
Deposits, cash and bank balances	32	47,651	37,190	778	16,654	2,227	21,359	20,026
Derivative financial assets	22	45,926	-	-	-	-	-	-
		2,283,021	45,245	991	21,491	3,740	27,561	73,063
Financial liabilities								
Trade and other payables	33	202,463	20,464	1,336	9,867	24,481	45,768	32,858
Amount due to an associate	29	285,388	-	-	-	-	-	333
Amount due to subsidiaries	30	1,914	-	-	-	-	-	984
Amount due to related parties	31	15,109	-	-	-	-	-	6,892
Borrowings	34	6,316,248	-	-	-	-	-	-
Derivative financial libialities	22	5,858	-	-	-	-	-	-
		6,826,980	20,464	1,336	9,867	24,481	45,768	41,067
Net exposure		(4,543,959)	24,781	(345)	11,624	(20,741)	(18,207)	31,996

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

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

(b) Credit risk

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

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

Credit risk relating to receivables is minimised by regular monitoring and, in addition, credit risk is controlled as the majority of the Group's and the Company's deposits and bank balances are placed with major financial institutions and reputable parties. The Directors are of the view that the possibility of non-performance by the majority of these financial institutions is remote on the basis of their financial strength and support of their respective governments.

(c) Liquidity and cash flow risk

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

Following the COVID-19 pandemic, the liquidity of the Group is impacted as it is influenced by the booking and payment pattern of customers which saw a decline. Further details are as disclosed in Note 46.

The management will continue to monitor liquidity reserves and rolling cash flow forecasts throughout the year based on the measures put in place as disclosed in Note 46 and also potential impacts from events outside the Group's control.

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

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

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

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

	Note	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
Group					
At 30 June 2021					
Term loans	34	**292,916**	-	-	-
Hire purchase	34	**13**	**2**	-	-
Lease liabilities	34	**6,473,678**	-	-	-
Trade and other payables	33	**1,741,420**	-	-	**589**
Provision for termination	10	**25,163,344**	-	-	-
Amount due to an associate	29	**3,625**	-	-	**170,284**
Amount due to related parties	31	**353,906**	-	-	-
		34,028,902	**2**	-	**170,873**
At 31 December 2019					
Term loans	34	56,541	56,538	169,615	21,219
Hire purchase	34	11	13	9	-
Lease liabilities	34	803,518	838,345	2,432,636	1,887,166
Trade and other payables	33	823,811	-	-	14,818
Amount due to an associate	29	45,391	-	-	213,708
Amount due to related parties	31	30,616	-	-	-
		1,759,888	894,896	2,602,260	2,136,911

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

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

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

	Note	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
Company					
At 30 June 2021					
Term loans	34	**292,916**	**-**	**-**	**-**
Hire purchase	34	**13**	**2**	**-**	**-**
Lease liabilities	34	**6,558,412**	**-**	**-**	**-**
Trade and other payables	33	**1,471,064**	**-**	**-**	**589**
Provision for termination	10	**25,163,344**	**-**	**-**	**-**
Amount due to subsidiaries	30	**268,658**	**-**	**-**	**-**
Amount due to an associate	29	**41,870**	**-**	**-**	**170,284**
Amount due to related parties	31	**353,906**	**-**	**-**	**-**
		34,150,183	**2**	**-**	**170,873**
At 31 December 2019					
Term loans	34	56,541	56,538	169,615	21,219
Hire purchase	34	11	13	9	-
Lease liabilities	34	820,038	853,920	2,469,872	1,908,272
Trade and other payables	33	811,539	-	-	14,818
Amount due to subsidiaries	30	2,898	-	-	-
Amount due to an associate	29	72,013	-	-	213,708
Amount due to related parties	31	33,084	-	-	-
		1,796,124	910,471	2,639,496	2,158,017

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

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

(d) Capital risk management

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

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

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

Following the COVID-19 pandemic, the Group's and the Company's overall strategies are as disclosed in Note 46. The gearing ratio as at 30 June 2021 and 31 December 2019 were as follows:

	Group		Company	
	30.6.2021 RM'000	**31.12.2019 RM'000**	**30.6.2021 RM'000**	**31.12.2019 RM'000**
Total borrowings (Note 34)	**6,766,609**	6,265,611	**6,851,343**	6,356,048
Less: Cash and cash equivalents (Note 32)	**(68,466)**	(307,619)	**(68,349)**	(287,605)
Net debt	**6,698,143**	5,957,992	**6,782,994**	6,068,443
Total equity attributable to equity holders of the Group and Company	**(33,581,664)**	137,929	**(33,664,997)**	123,020
Total capital	**(26,883,521)**	6,095,921	**(26,882,003)**	6,191,463
Gearing ratio	**(0.25)**	0.98	**(0.25)**	0.98

On 15 September 2021, the High Court of Malaya at Kuala Lumpur had granted an order for, amongst others, an extension of time until 17 March 2022 for the Company to convene separate meetings of the creditors pursuant to Section 366(1) of the Companies Act 2016 for the purpose of considering and, if thought fit, approving with or without modification the Proposed Debt Restructuring to be proposed by the Company to the creditors.

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

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

(e) Fair value measurement

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

Determination of fair value and fair value hierarchy

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

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

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

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
30 June 2021				
Liabilities				
Loans and borrowings	-	(6,473,693)	-	(6,473,693)

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

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

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

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

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2019				
Assets				
Derivatives used for hedging	-	45,926	-	45,926
Liabilities				
Derivatives used for hedging	-	(5,858)	-	(5,858)
Loans and borrowings	-	(5,961,698)	-	(5,961,698)
	-	(5,921,630)	-	(5,921,630)

Company	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
30 June 2021				
Liabilities				
Loans and borrowings	-	(6,558,427)	-	(6,558,427)
31 December 2019				
Assets				
Derivatives used for hedging	-	45,926	-	45,926
Liabilities				
Derivatives used for hedging	-	(5,858)	-	(5,858)
Loans and borrowings	-	(6,052,135)	-	(6,052,135)
	-	(6,012,067)	-	(6,012,067)

41. Financial instruments

(a) Financial instruments by category

	Group Amortised cost RM'000	Company Amortised cost RM'000
30 June 2021		
Assets as per statement of financial position		
Trade and other receivables excluding prepayments and deferred lease expense	1,136,096	1,136,096
Amount due from subsidiaries	-	170,238
Amount due from an associate	173,974	41,915
Amount due from related parties	4,068	4,068
Deposits, cash and bank balances	74,110	73,993
Total	1,388,248	1,426,310
Liabilities as per statement of financial position		
Borrowings	6,766,609	6,851,343
Trade and other payables excluding deferred lease incom	1,739,308	1,468,952
Amount due to subsidiaries	-	268,658
Amount due to an associate	173,909	212,154
Amount due to related parties	353,906	353,906
Total	9,033,732	9,155,013

41. Financial instruments (cont'd.)

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

Group	**Assets at fair value through other comprehensive income RM'000**	**Amortised cost RM'000**	**Total RM'000**
31 December 2019			
Assets as per statement of financial position			
Derivative financial assets	45,926	-	45,926
Trade and other receivables excluding prepayments and deferred lease expense	-	1,021,028	1,021,028
Finance lease receivables	-	1,012,674	1,012,674
Amount due from an associate	-	167,937	167,937
Amount due from a joint venture	-	4,501	4,501
Amount due from related parties	-	119,328	119,328
Deposits, cash and bank balances	-	357,961	357,961
Total	45,926	2,683,429	2,729,355
Liabilities as per statement of financial position			
Derivative financial liabilities	5,858	-	5,858
Borrowings	-	6,265,611	6,265,611
Trade and other payables excluding deferred lease income	-	831,997	831,997
Amount due to an associate	-	259,099	
Amount due to related parties	-	30,616	30,616
Total	5,858	7,387,323	7,134,082

41. Financial instruments (cont'd.)

Company **31 December 2019**	**Assets at fair value through other comprehensive income RM'000**	**Amortised cost RM'000**	**Total RM'000**
Assets as per statement of financial position			
Derivative financial assets	45,926	-	45,926
Trade and other receivables excluding prepayments and deferred lease expense	-	1,021,025	1,021,025
Finance lease receivables	-	1,012,674	1,012,674
Amount due from subsidiaries	-	134,229	134,229
Amount due from an associate	-	66,733	66,733
Amount due from a joint venture	-	4,501	4,501
Amount due from related parties	-	119,328	119,328
Deposits, cash and bank balances	-	337,947	337,947
Total	45,926	2,696,437	2,742,363
Liabilities as per statement of financial position			
Derivative financial liabilities	5,858	-	5,858
Borrowings	-	6,356,048	6,356,048
Trade and other payables excluding deferred lease income	-	819,725	819,725
Amount due to subsidiaries	-	2,898	2,898
Amount due to an associate	-	285,721	285,721
Amount due to related parties	-	33,084	33,084
Total	5,858	7,497,476	7,503,334

41. Financial instruments (cont'd.)

(b) Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	Group 2021 RM'000	Group 2019 RM'000	Company 2021 RM'000	Company 2019 RM'000
Counterparties without external credit rating				
Group 1	-	-	-	-
Group 2	**238**	15,414	**238**	15,414
Total trade receivables that are neither past due nor impaired (Note 24 (a)(i))	**238**	15,414	**238**	15,414

	Note	Group 2021 RM'000	Group 2019 RM'000	Company 2021 RM'000	Company 2019 RM'000
Deposits, cash and bank balances					
AAA to A-		**6,248**	356,317	**6,248**	336,303
BBB to BBB-		**67,689**	1,295	**67,572**	1,295
		73,937	357,612	**73,820**	337,598
Cash on hand		**173**	349	**173**	349
Total	32	**74,110**	357,961	**73,993**	337,947

41. Financial instruments (cont'd.)

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

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates (cont'd.):

Amount due from subsidiaries, an associate, a joint venture and related parties					
Group 1		-	-	-	-
Group 2		**41,579**	160,459	**41,579**	166,894
Total		**41,579**	160,459	**41,579**	166,894
Derivative financial assets					
AA+ to A+		-	15,525	-	15,525
A to BBB-		-	25,838	-	25,838
No rating		-	4,563	-	4,563
Total	22	-	45,926	-	45,926

Group 1 - New customers/related parties (Less than 6 months)

Group 2 - Existing customers/related parties (more than 6 months)

All other receivables and deposits are substantially with existing counterparties.

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AirAsia X Berhad
(Incorporated in Malaysia)

42. Segmental information

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

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

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

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

2021	Malaysia RM'000	Thailand RM'000	Indonesia RM'000	Elimination adjustments RM'000	Total RM'000
Segment results					
Revenue	1,215,543	536,965	832	(244,582)	1,508,758
Operating expenses					
- Staff costs	(248,318)	(106,036)	(1,273)	-	(355,627)
- Depreciation of property, plant and equipment and ROU assets	(961,502)	(572,883)	(2,458)	307,131	(1,229,712)
- Aircraft fuel expenses	(538,450)	(364,959)	(223)	-	(903,632)
- Maintenance and overhaul	(785,425)	(352,844)	(35,777)	182,428	(991,618)
- User charges	(96,979)	(62,812)	5,256	-	(154,535)
- Aircraft operating lease expenses	(2,417)	-	(64,475)	64,475	(2,417)
- Other operating expenses	(6,106,334)	(140,154)	(7,760)	-	(6,254,248)
- Provision for termination	(25,163,344)	-	-	-	(25,163,344)
Other income	6,997	19,630	1	-	26,628
Operating (loss)/ profit	(32,680,229)	(1,043,093)	(105,877)	309,452	(33,519,747)
Finance income	144,051	12,111	13	(62,277)	93,898
Finance costs	(1,063,210)	(138,737)	(36)	-	(1,201,983)
Net operating loss	(33,599,388)	(1,169,719)	(105,900)	247,175	(34,627,832)
Net foreign exchange loss	(79,471)	(130,120)	(16,906)	(2,321)	(228,818)
Other (losses)/gains	(10,928)	6,053	-	-	(4,875)
Loss before taxation	(33,689,787)	(1,293,786)	(122,806)	244,854	(34,861,525)

42. Segmental information (cont'd.)

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

2021 (cont'd.)	Malaysia RM'000	Thailand RM'000	Indonesia RM'000	Elimination adjustments RM'000	Total RM'000
Segment results					
Loss before taxation	**(33,689,787)**	**(1,293,786)**	**(122,806)**	**244,854**	**(34,861,525)**
Taxation	**7**	**784**	**-**	**-**	**791**
Loss after taxation	**(33,689,780)**	**(1,293,002)**	**(122,806)**	**244,854**	**(34,860,734)**
2019					
Segment results					
Revenue	4,233,344	1,788,373	91,013	(219,377)	5,893,353
Operating expenses					
- Staff costs	(429,016)	(206,060)	(19,736)	-	(654,812)
- Depreciation of property, plant and equipment and ROU assets	(745,434)	(325,951)	(1,935)	224,918	(848,402)
- Aircraft fuel expenses	(1,680,688)	(701,256)	(3,901)	-	(2,385,845)
- Maintenance and overhaul	(701,627)	(290,692)	(10,060)	153,722	(848,657)
- User charges	(431,336)	(350,342)	(14,728)	-	(796,406)
- Aircraft operating lease expenses	-	-	(65,655)	65,655	-
- Other operating expenses	(406,734)	(96,114)	(139,380)	-	(642,228)
Other income	41,055	36,612	-	-	77,667
Operating (loss)/ profit	(120,436)	(145,430)	(164,382)	224,918	(205,330)
Finance income	137,529	-	100	(61,904)	75,725
Finance costs	(364,911)	(86,238)	(227)	-	(451,376)
Net operating (loss)/profit	(347,818)	(231,668)	(164,509)	163,014	(580,981)
Net foreign exchange gain	42,914	417	-	-	43,331
Share of result of an associate	(1,104)	-	-	-	(1,104)
(Loss)/profit before taxation	(306,008)	(231,251)	(164,509)	163,014	(538,754)
Taxation	(344,309)	1,363	-	-	(342,946)
(Loss)/profit after taxation	(650,317)	(229,888)	(164,509)	163,014	(881,700)

42. Segmental information (cont'd.)

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

	Malaysia RM'000	Thailand RM'000	Indonesia RM'000	Elimination adjustments RM'000	Total RM'000
2021					
Segment assets					
Non-current assets^	**2,142,216**	**1,727,635**	**5,241**	**(268,288)**	**3,606,804**
Investment in an associate and a joint venture	-	-	-	-	-
Current assets	**350,016**	**337,565**	**135,060**	**(152,690)**	**669,951**
	2,492,232	**2,065,200**	**140,301**	**(420,978)**	**4,276,755**
Segment liabilities					
Non-current liabilities	**(1,510,684)**	**(1,759,255)**	**(6,189)**	**23,434**	**(3,252,694)**
Current liabilities	**(34,563,212)**	**(1,796,504)**	**(604,128)**	**152,690**	**(36,811,154)**
	(36,073,896)	**(3,555,759)**	**(610,317)**	**176,124**	**(40,063,848)**
2019					
Segment assets					
Non-current assets^	8,065,568	2,301,725	8,535	(213,179)	10,162,649
Investment in an associate and a joint venture	-	-	-	-	-
Current assets	1,501,293	552,992	6,830	(122,273)	1,938,842
	9,566,861	2,854,717	15,365	(335,452)	12,101,491
Segment liabilities					
Non-current liabilities	(6,847,292)	(2,114,064)	(4,475)	50,165	(8,915,666)
Current liabilities	(2,581,640)	(967,005)	(369,194)	122,273	(3,795,566)
	(9,428,932)	(3,081,069)	(373,669)	172,438	(12,711,232)

^ Excluding investment in an associate and a joint venture.

42. Segmental information (cont'd.)

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

	2021 RM'000	2019 RM'000
(a) Reconciliation of segment revenue to reported revenue:		
Segment revenue	**1,508,758**	5,893,353
Less: Revenue from an associate and a joint venture which were not consolidated	**(293,215)**	(1,660,009)
	1,215,543	4,233,344
(b) Reconciliation of segment loss before taxation to reported loss before taxation:		
Segment loss before taxation	**(34,861,525)**	(538,754)
Add: Expenses from an associate and a joint venture which were not consolidated	**1,171,738**	232,746
	(33,689,787)	(306,008)
(c) Reconciliation of segment assets to reported total assets:		
Segment assets	**4,276,755**	12,101,491
Less: Assets of an associate and a joint venture which were not consolidated	**(1,784,523)**	(2,534,630)
	2,492,232	9,566,861
(d) Reconciliation of segment liabilities to reported total liabilities:		
Segment liabilities	**(40,063,848)**	(12,711,232)
Add: Liabilities of an associate and a joint venture which were not consolidated	**3,989,952**	3,282,300
	(36,073,896)	(9,428,932)

43. Unconsolidated structured entities

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

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

The details of the Merah X entities are as follows:

Name	Country of incorporation	Purpose
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 period ended 30 June 2021. The aircraft and the corresponding term loans and finance costs associated with the SPC have been recognised by the Group and Company upon the purchase of the aircraft.

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

44. Comparative figures

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

45. Other matters

<u>Claim filed by BOC Aviation Limited ("BOCA")</u>

AAX and AAX Leasing Two Ltd ("AAX Leasing Two"), an indirect wholly-owned subsidiary of AAX, had on 25 August 2020, received a letter dated 19 August 2020 issued by Morgan, Lewis & Bockius UK LLP ("Morgan Lewis") enclosing, amongst others, a particulars of claim dated 19 August 2020 ("Particulars of Claim") filed by Morgan Lewis on behalf of BOCA against AAX and AAX Leasing Two in the High Court of Justice - Business and Property Courts of England and Wales ("High Court of England and Wales") ("said Claim").

BOCA is an aircraft operating leasing company. AAX Leasing Two has leased 4 aircraft from BOCA pursuant to 4 individual aircraft lease agreements, all dated 24 November 2014 as novated, amended and restated on 28 December 2018 ("BOCA Lease Agreements").

45. Other matters (cont'd.)

Claim filed by BOC Aviation Limited ("BOCA") (cont'd.)

In the Particulars of Claim, BOCA claimed that the said Claim is in relation to:-

(a) the alleged breach of AAX Leasing Two's obligations under the BOCA Lease Agreements; and
(b) the alleged breach of AAX's obligations under 4 guarantees, all dated 28 December 2018 issued by AAX in favour of BOCA pursuant to the BOCA Lease Agreements

In connection to the said Claim, BOCA had in the Particulars of Claim claimed for, amongst others, the sum of USD22,975,392 from AAX and AAX Leasing Two, representing the outstanding amounts due as a debt under the BOCA Lease Agreements and the

On 20 November 2020, AAX announced that AAX and AAX Leasing Two had respectively been served with a sealed copy of the order dated 6 November 2020 made by the High Court of England and Wales in respect of the said Claim ("said Order").

The High Court of England and Wales has in the said Order ordered, amongst others, the following:-

(a) BOCA is granted summary judgment against the Company and AAX Leasing Two on the said Claim;

(b) AAX and AAX Leasing Two shall pay:-

    (1) a sum of USD23,376,779, comprising the sum of (aa) USD22,975,392 (inclusive of interest to 30 June 2020) claimed in the said Claim and (bb) USD401,387 in respect of interest between 1 July 2020 and 6 November 2020;

    (2) post-judgement interest on the above sum at the Default Rate (as defined in the BOCA Lease Agreements); and

    (3) a sum of £75,000.00, being BOCA's cost of the said Claim (summarily

AAX and AAX Leasing Two had respectively been served with the Notice to Judgment Debtors of Registration of Foreign Judgment dated 7 December 2020 filed in the High Court at Kuala Lumpur in respect of the registration of the said Order by BOCA as a Judgment of the High Court.

AAX had on 14 December 2020 filed and served on the solicitors of BOCA an application to set aside the registration of the said Order as a Judgment of the High Court. AAX, AAX Leasing Two and BOCA had on 25 May 2021 filed their respective written submissions and thereafter reply submissions were filed by the parties on 12 July 2021 and 14 July 2021 respectively. The hearing initially fixed on 27 October 2021 was vacated and has now been converted into a case management.

45. Other matters (cont'd.)

Claim filed by BOC Aviation Limited ("BOCA") (cont'd.)

The solicitors of AAX and AAX Leasing Two are of the view that AAX and AAX Leasing Two's chances of success is dependent on the progress of the Proposed Debt Restructuring and that AAX and AAX Leasing Two have a fair chance of success in setting aside the registration of the said Order by BOCA as a Judgment of the High Court.

Claim filed by International Lease Finance Corporation ("ILFC")

AAX and its subsidiaries, AAX Mauritius One Ltd. ("AAX Mauritius") and AAX Leasing Four Ltd. ("AAX Leasing Four") had on 19 November 2020, each been served with a Judgement for claimant (in default) dated 13 November 2020 (and sealed on 18 November 2020) ("Judgement") obtained by ILFC (as trustee) ("Claimant") against AAX, AAX Mauritius and AAX Leasing Four respectively, in the High Court of Justice, Queens Bench Division, Commercial Court ("High Court of Justice").

ILFC is an aircraft operating leasing company. AAX Leasing Four has leased 2 aircraft from ILFC persuant to 2 individual aircraft lease agreement ("ILFC Lease Agreement"), all dated 14 September 2012, as novated, amended and restated on 29 March 2019. The ILFC Lease Agreement had been terminated persuant to 2 termination notice, all dated 29 December

The High Court of Justice has pursuant to the Judgement, ordered each of AAX, AAX Mauritius and AAX Leasing Four to pay the sum of £6,581,868 (inclusive of costs and interests to the date of the judgement) to the Claimant.

As at the 29 October 2021, AAX has not received any notice in relation to the registration of the Judgment by ILFC with the High Court of Justice pursuant to the Reciprocal Enforcement of Judgments Act 1958.

The solicitors of AAX Mauritius and AAX Leasing Four are not able to provide an opinion as to the probable outcome of this matter as no cause papers have been filed in view of the AAX Restraining Order.

Claim filed by Malaysia Airports (Sepang) Sdn Bhd ("MASSB")

On 10 December 2018, MASSB initiated a civil suit against AAX for outstanding passenger service charges and late payment charges.

On 18 July 2019, the High Court allowed summary judgment against AAX for the sum of RM26,718,142 in outstanding passenger service charges and RM661,749 in outstanding late payment charges.

The claim by MASSB is currently pending appeal to the Court of Appeal, which is fixed for hearing on 27 January 2022.

The solicitors of AAX are of the view that AAX has a fair chance of success in the appeal.

45. Other matters (cont'd.)

Claim filed by AAX and AirAsia Berhad against Malaysia Airports (Sepang) Sdn Bhd ("MASSB")

On 2 October 2019, AAX together with AirAsia Berhad (affiliate company of AAX) filed a Writ of Summons at the High Court against MASSB for the sum of RM479,781,285, being loss and damage caused by negligence and breaches of contract on the part of MASSB, its servants and/or agents in the management, operation, maintenance and/or provision of airport services and facilities at klia2.

The matter is presently pending the decision on AAX and AirAsia Berhad's joint application to expunge an affidavit filed by MASSB which contains without prejudice communications and the expungement application is fixed for hearing on 10 December 2021.

Further, there are 2 other pending applications in the suit, being MASSB's application to strike out the claim, and secondly, MASSB's application for further and better particulars of the claim, both of which are fixed for case management on 13 October 2021.

The solicitors of AAX are of the view that AAX has a fair chance in opposing the striking out application and in succeeding in the claim.

Claim filed by Malaysia Airports (Sepang) Sdn Bhd ("MASSB")

AAX had on 23 October 2020, been served with an unsealed copy of the Writ of Summons and Statement of Claim, both dated 22 October 2020, filed by MASSB against the AAX in the High Court of Kuala Lumpur ("MASSB Claim").

In the Statement of Claim, MASSB claimed that the MASSB Claim is in respect of the sum of RM78,162,965, being the outstanding amount for various aeronautical charges which comprised of passenger service charges, passenger service security charges, aerobridge charges, aircraft parking charges, check-in counter charges, landing charges and late payment charges pursuant to the Malaysian Aviation Commission (Aviation Services Charges) Regulations 2016 and/or the conditions of use for Kuala Lumpur International

In connection to the MASSB Claim, MASSB had also sought for, amongst others, an order that MASSB's contractual and continual lien over any aircraft, parts, accessories, vehicles, equipment and/or any other property belonging to and/or under the AAX's control or any ground handler appointed by the Company under the Condition of Use shall only be discharged upon full settlement by AAX of the full sum owing to MASSB.

In response AAX filed its Statement of Defence which includes (inter alia) a counterclaim to recover amounts paid to MASSB since the coming into force of the MAVCOM Act on 1 March 2016.

45. Other matters (cont'd.)

Claim filed by Malaysia Airports (Sepang) Sdn Bhd ("MASSB") (cont'd.)

Subsequently, MASSB had on 11 November 2020 filed an application for Summary Judgment ("MASSB Summary Judgment Application") solely in respect of the purportedly outstanding passenger service charges and late payment charges claimed in the Statement of Claim amounting to RM62,937,145 on the same grounds it relied on in its Statement of Claim, to which AAX has filed a reply on 4 December 2020. In addition, BNP Paribas, Singapore Branch as well as a group of 8 passengers also filed applications to intervene in the MASSB Claim.

AAX thereafter filed an application to stay all proceedings in the MASSB Claim pending the determination of the application for Proposed Debt Restructuring as well as the appeal in Section 7.4 of this Explanatory Statement, as some of which raise similar issues for the Court of Appeal's determination in relation to passenger service charges.

The application by AAX to stay all proceedings was subsequently withdrawn with no order to costs on 25 March 2021 pursuant to the agreement between the parties on the terms of the AAX Restraining Order. On 21 September 2021, the applications to intervene by BNP Paribas, Singapore Branch was heard and a Consent Order was recorded allowing BNP Paribas, Singapore Branch to intervene but only in respect of MASSB's prayers relating to the detention and sale of AAX's property. Further, the application to intervene by the 8 passengers was withdrawn with liberty to file afresh. There has yet to be a hearing date fixed for the MASSB Summary Judgment Application.

The solicitors of AAX are of the view that AAX has a fair chance of success in defending MASSB Claim and in AAX's counterclaim against MASSB.

Claim filed by Trip4Asia Sdn Bhd ("Trip4Asia") and MBI Marketing Sdn Bhd ("MBI Marketing") against AAX

On 5 July 2018, Trip4Asia together with MBI Marketing had initiated a civil suit against, amongst others, AAX for alleged breach of contract, fraud, misrepresentation and conspiracy to injure pertaining to a proposed charter flight to Gold Coast, Australia, of which the flight did not materialise, for an amount of RM1,353,550 in deposit refund and RM3,993,000 in loss of revenue. On 5 July 2019, the High Court had allowed the application made by AAX to strike out the claim made by Trip4Asia and MBI Marketing.

On 1 August 2019, Trip4Asia and MBI Marketing had appealed against the decision of the High Court to allow the striking out of the application by AAX.

The solicitors of AAX have confirmed that on 13 April 2021, Trip4Asia and MBI Marketing had discontinued their appeal with no order as to costs, and accordingly the matter has come to an end.

45. Other matters (cont'd.)

Claim filed by POS Aviation Sdn Bhd ("PASB")

On 16 March 2021, PASB commenced an action against AAX to recover the sum of RM5,249,915 in respect of the aircraft maintenance and engineering services it had provided to AAX pursuant to an agreement dated 1 March 2017.

AAX entered its Memorandum of Appearance on 31 March 2021 and informed PASB's solicitors of the AAX Restraining Order. On 20 April 2021, AAX informed the High Court that the matter was to be restrained and/or stayed in view of the extension of the AAX Restraining Order up to 17 March 2022. The High Court accordingly fixed the matter for further case management on 16 August 2021 for PASB to update the High Court on whether it is agreeable to have the matter withdrawn with liberty to file afresh.

At the case management on 16 August 2021, PASB withdrew the suit with liberty to file afresh and no order as to costs.

Claim filed by Safran Landing Systems Singapore Pte Ltd ("Safran") against AAX

On 15 March 2021, Safran had filed an originating summons against AAX and Minsheng Financial Co Ltd in the Kuala Lumpur High Court to, inter alia, take control of the aircraft to remove landing gears installed on the said aircraft. Safran's claim is premised on AAX failure to pay Safran the sum of USD1,305,066 for the landing gears and the overhaul services it provided.

On 21 June 2021, the solicitors of AAX informed the Honourable Court that the matter was to be restrained and/or stayed in view of the extension of the Restraining Order until 17 March 2022. In view of the above, the learned Judge has fixed the matter for a case management on 21 March 2022.

46. Turnaround plans

Given that the conditions or events, as disclosed in Note 2.1, indicate the existence of multiple material uncertainties that may cast significant doubt on the Group's and the Company's ability to continue as a going concern, the Group and the Company have initiated several measures as follows:

a. Proposed debt restructuring exercise

On 6 October 2020, the Group and the Company announced a proposed debt restructuring exercise amounting to RM64.15 billion which involves a debt settlement and waiver for the debts owing to the scheme creditors pursuant to Section 366 of the Companies Act 2016. On 22 February 2021, the Group and the Company obtained a court order to convene a creditor's meeting, within a period of 6 months and which was followed by an application for an extension of time, which was approved and extended the validity period to 17 March 2022. On 17 March 2021, the High Court of Malaya also granted a Restraining Order pursuant to Section 368 of the Companies Act 2016, which is valid until 16 March 2022. Under the proposed debt restructuring exercise, scheme creditors are classed into 3 categories that is Class A, the secured creditors; Class B, the unsecured creditors; and Class C, Airbus. As stated in Note 3(iv) and Note10, the provisional scheme amounts have been estimated at RM33.65 billion.

Upon the successful completion of the Court Convened Meeting ("CCM"), the settlement sum will be paid out on the first anniversary of the restructuring effective date, based on 0.5% of the shortfall between outstanding liabilities, as of 30 June 2020, and any exercisable securities. In addition, the Class A and Class B creditors will be entitled for an annual profit-sharing mechanism which will be computed based on pro-rating of the payout pool that equates to 20% of the excess over RM300 million of Earnings before interest, taxes, depreciation, amortisation and lease rentals ("EBITDAR") for 4 years from 2023 to 2026.

The Group and the Company require a majority of at least 75% of the total value of each class of scheme creditors at the meeting to pass a resolution on the proposed debt restructuring. Any amount owing in excess of the settlement sum shall be waived in its entirety. The management is in the midst of negotiating with each class of creditors to achieve the majority support in the CCM. The CCM has been called and will be held on 12 November 2021.

A court order sanctioning the scheme would need to be obtained and lodged with the Registrar of Companies of Malaysia in accordance with the Act before the scheme is effective.

46. Turnaround plans (cont'd.)

b. Corporate restructuring

In addition, on 6 October 2020, the Group and the Company also announced a corporate restructuring exercise which involves a share capital reduction of 99.9% and share capital consolidation of every 10 existing ordinary shares in AAX into 1 AAX share. The corporate restructuring exercise was approved by the shareholders at an Extraordinary General Meeting held on 1 June 2021. As of 29 October 2021, the corporate restructuring exercise has not been executed as it is dependent on the successful implementation of the proposed debt restructuring exercise.

c. Proposed fundraising exercise

On 14 December 2020, the Group and the Company announced that it would undertake a proposed fundraising exercise by way of the issuance of new AAX shares through a rights issue to raise funds of a minimum of RM100 million and a maximum up to RM300 million and the issuance and allotment of new AAX shares to raise funds of a minimum of RM50 million and a maximum up to RM200 million to be subscribed by potential investors. The proposed fundraising exercise was approved conditionally by the shareholders at an Extraordinary General Meeting held on 1 June 2021. The Group and the Company are in the midst of securing the underwriter(s) for the rights issue of RM100 million and to obtain a new share subscription agreement of RM50 million from the special purpose vehicle incorporated by Dato' Lim Kian Onn and/or its associates ("Special Purpose Vehicle"). The proposed fundraising exercise aims to raise the required funds to support the revised business plan and is dependent on the approval and completion of the proposed debt restructuring exercise and proposed corporate restructuring exercise as stated above.

d. Revised business plan

(i) Rationalisation of network

AAX will rationalise its network plan (by suspension and/or termination of unprofitable and/or immature routes), shifting its focus from market share to that of sustainability and yield and driving profitability, focusing on routes that have proven load and yield performance. The initial phase of the network recovery plan involves the resumption of operations to selected markets with historically proven performance. During the first 6 months of network resumption, the Group and the Company will gradually resume flights to destinations such as primary cities in Australia, China, Taiwan, Japan, Korea, the United States (via Japan) and India. The Group and the Company plan to resume operation to all destinations in selected markets by end of 2022. The key criteria of the market selection are driven by historical profitability and demand forecast as the Group and the Company will focus on business sustainability and profitability moving forward.

46. Turnaround plans (cont'd.)

d. Revised business plan (cont'd.)

(i) Rationalisation of network (contd'.)

Upon the full resumption of all targeted routes in the revised business plan, AAX will focus on rebuilding flight frequency to optimal levels and avoid deploying excess capacity in its markets. In view of the current uncertainty of the COVID-19 situation, AAX will continuously review its network resumption timeline, while adhering to the most recent travel restrictions, travel bubbles and border policies of individual countries. AAX also continues to engage with tourism and airport authorities, governments and other industry stakeholders to pave the way for the prospect of travel bubbles in green zone countries and reinstate the public's confidence to travel.

(ii) Leaner and more sustainable cost structure

AAX will continue its focus on medium to long haul flight operations within the 5 to 8-hour range and defer investment in new or immature routes while reopening, defending and building load and yield in its core routes. To streamline the Group's and the Company's cost base, it will aim to review and restructure all contracts, agreements and/or arrangements to better align with the Group's and the Company's future size and requirements and lowering costs significantly. In addition, the Group and the Company will undertake manpower consolidation and optimisation in tandem with the rationalised network ramp up plan. By significantly reducing the cost base, the Group and the Company seek to achieve a revised cost structure that matches the revenue generation trajectory and business recovery during / post COVID-19.

(iii) Optimisation of fleet

The Group and the Company remain engaged with all key business partners in respect of contracts, agreements and/or arrangements which are required to ensure the survival of the Group and the Company. These contracts, agreements and/or arrangements will be based on terms to be agreed upon that are reflective and supportive of the revised business plan. The Group and the Company will need the support and understanding of its business partners to execute the revised business plan. After the proposed debt restructuring exercise has been approved, AAX will enter into new contracts, agreements and/or arrangements, subject to, among others, requirements of AAX and terms offered by the scheme creditors (which shall be based on market rates), with relevant parties for necessary services and supplies to support the revised business plan.

Accordingly, the directors are of the opinion that the going concern basis used in the preparation of financial statements is appropriate and no adjustments was necessary to be made to the financial statements. Should the going concern basis for the preparation of the financial statements be no longer appropriate, adjustments will have to be made to state the assets at their realisable values and to provide for further liabilities which may arise.

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AirAsia X Berhad
(Incorporated in Malaysia)

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

We, Tan Sri Rafidah Aziz and Dato' Yusli Bin Mohamed Yusoff, being two of the Directors of AirAsia X Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 7 to 132 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia, so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2021 and of their financial performance and cash flows for the financial period then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 29 October 2021.

Tan Sri Rafidah Aziz
Director

Dato' Yusli Bin Mohamed Yusoff
Director

Kuala Lumpur, Malaysia

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

I, Andrew Littledale, the officer primarily responsible for the financial management of AirAsia X Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 7 to 132 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared
by the abovenamed Andrew Littledale
at Kuala Lumpur in the Federal Territory
on 29 October 2021

Andrew Littledale
1-KWQX

Before me,

PESURUHJAYA SUMPAH
W 761
HADINUR MOHD SYARIF
01/05/2019-31/12/2021
MALAYSIA
CHAMBERS TWENTY FIVE
NO 25, JALAN TUNGKU, BUKIT TUNKU
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Commissioner for Oaths
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200601014410 (734161-K)

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

Report on the audit of the financial statements

Disclaimer of Opinion

We were engaged to audit the financial statements of AirAsia X Berhad, which comprise the statements of financial position as at 30 June 2021, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Company for the period then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 7 to 132.

We do not express an opinion on the accompanying financial statements of the Group and of the Company. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we are unable to form an opinion on the financial statements due to the potential interaction of the uncertainties and their possible cumulative effects on the financial statements.

Basis for disclaimer of opinion

As disclosed in Note 2.1 and 46 to the financial statements, the global economy and in particular, the commercial airline industry, faces uncertainty over the expected timing of the recovery from the COVID-19 pandemic. The travel and border restrictions implemented by countries around the world have led to a significant fall in demand for international air travel which have impacted the Group's and the Company's financial position, financial performance and cash flows. The Group and the Company have reported a net loss of RM33.72 and RM33.79 billion respectively for the financial period ended 30 June 2021 and current liabilities exceeded current assets by RM34.21 billion and RM34.30 billion respectively. In addition, the Group and the Company also reported a shareholders' deficit of RM33.58 billion and RM33.66 billion respectively.

As a result of the pandemic, the Group and the Company have grounded most of the fleet since March 2020 and have deferred payment to creditors. Consequently, the Group and the Company have triggered events of default for various contracts and have made a provision for termination claims of RM25.16 billion, which is an integral part of the total provisional scheme amounts owing to scheme creditors of RM33.65 billion, as disclosed in Note 3(iv) and 10 to the financial statements.

These events or conditions indicate existence of material uncertainties that may cast significant doubt on the Group's and the Company's ability to continue as going concern.

Basis for disclaimer of opinion (cont'd.)

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

1. Implementation of proposed debt restructuring exercise

   The Group and the Company have grounded most of the fleet since March 2020 and has deferred payment to creditors. Consequently, the Group and the Company have triggered events of default for various contracts. On 6 October 2020, the Group and the Company announced a proposed debt restructuring exercise amounting to RM64.15 billion which involves a proposed debt settlement and waiver for the debts owing to the creditors pursuant to Section 366 of the Companies Act 2016 as further described in Note 46 to the financial statements.

   In conjunction with the proposed debt restructuring exercise, the scheme creditors submitted a proof of debt (including termination claims) amounted to RM65.14 billion. The scheme creditors are creditors of the Group and the Company whose debts are to be dealt with under the proposed debt restructuring exercise.

   Based on the relevant provisions in the applicable law of the relevant contracts, creditors are required to take action to mitigate their losses and to reduce their termination claims including offsetting against any deposits and prepayments wherever applicable. Accordingly, management had engaged an expert to assist in determining the provisional scheme amounts and applied significant judgement in assessing and estimating the provisional scheme amounts totalling to RM33.65 billion as further disclosed in Note 3 (iv) and 10 to the financial statements.

   On 18 October 2021, the Group and the Company have announced that the Court Convened Meeting of creditors ("CCM") will be held on 12 November 2021. The Group and the Company require at least 75% of each class of scheme creditors in the CCM to vote favourably for the proposed debt restructuring exercise.

   There is material uncertainty on the outcome of the CCM as the scheme creditors decisions are not within the Group's and the Company's control.

2. Implementation of the proposed fundraising exercise

   As disclosed in Note 46 to the financial statements, on the premise that the debt restructuring is successful, the Group and the Company intend to raise funds of a minimum of RM150 million up to a maximum of RM500 million as approved conditionally by the shareholders in an Extraordinary General Meeting held on 1 June 2021.

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

Basis for disclaimer of opinion (cont'd.)

2. Implementation of the proposed fundraising exercise (cont'd.)

In addition to the material uncertainty on the outcome of the CCM as disclosed above, there is also material uncertainty on the whether the Group and the Company would be able to raise the minimum funds required as the Group and the Company are still in the midst of securing the underwriter(s) for the rights issue of RM100 million and the Special Purpose Vehicle as defined in Note 46 to the financial statements has not signed the share subscription agreement of RM50 million as of to-date.

3. Implementation of the revised business plan

As disclosed in Note 46 to the financial statements, on the premise that the proposed debt restructuring exercise and proposed fundraising exercise are successfully implemented, the Group's and the Company's plan to return to profitability entails implementing a revised business plan that involves operating a leaner and more sustainable cost structure. This will involve negotiating and signing of new agreements with relevant vendors, including amongst others, aircraft manufacturer, lessors and aircraft maintenance service providers. The ability of the Group and the Company to return to profitability is dependent on the successful negotiation and continue support from all relevant vendors. The Group and the Company are currently in negotiation with the relevant vendors and have yet to finalise any arrangement as of the date of this report. Therefore, there is material uncertainty on the outcome of the negotiation with the relevant vendors.

4. Recovery of COVID-19 pandemic

As disclosed in Note 2.1 and 46 to the financial statements, the global economy, in particular the commercial airline industry, faces uncertainty over the expected timing of recovery from the COVID-19 pandemic. As at the date of this report, the Group's and the Company's fleet remains grounded apart from a limited number of cargo and charter flights and the Group and the Company will not be able to restart scheduled operations until there is an easing of travel restrictions and a gradual reopening of international borders. There is a material uncertainty on the timing of recovery of international travel.

In view of the multiple uncertainties described above, we are unable to form an opinion on the financial statements due to the potential interaction of the uncertainties and their possible cumulative effects on the financial statements.

200601014410 (734161-K)

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

Independence and other ethical responsibilities

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

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the directors' report but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the 2021 annual report, which is expected to be made available to us after the date of this auditors' report.

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

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

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

When we read the 2021 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate action.

Responsibilities of the Directors for the financial statements

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

200601014410 (734161-K)

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

Responsibilities of the Directors for the financial statements (cont'd.)

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that a subsidiary of which we have not acted as auditors, is disclosed in Note 19 to the financial statements.

Other matters

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

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

Lim Eng Hoe
No. 03403/12/2022 J
Chartered Accountant

Kuala Lumpur, Malaysia
29 October 2021