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Annual Report 2010

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welcome on board.

AIRASIA BERHAD
ANNUAL REPORT 2010

AirAsia.com



A PROMISE MADE, A PLEDGE KEPT

+ WHEN AIRASIA STARTED OUT AS A LOW-COST AIRLINE IN 2002, WE PLEDGED TO MAKE AIR TRAVEL AFFORDABLE FOR EVERYBODY. TODAY, NINE YEARS DOWN OUR CORPORATE JOURNEY, WE KNOW WE HAVE KEPT TO OUR INITIAL PROMISE

In October 2010, we flew our 100 millionth guest, a young, newly married Indonesian housewife who was going to visit her husband working in India. Just as we made her travel dream come true, we are delighted to have done the same for more than 100 million guests.

We have kept our fares down thanks to our disciplined focus on keeping our operating costs the lowest among the world's airlines. We offer a million free tickets every year. While enabling everyone to fly, we are also connecting people to places that were never connected by air before. We have achieved our Vision of being the largest low-cost airline in Asia, serving those who previously had no access nor the means to enjoy air travel. We have done this by staying close to our Mission of:

- being the best company to work for, treating each Allstar as a member of our extended AirAsia family
- creating a globally recognised ASEAN brand
- maintaining the highest quality product, embracing technology to reduce costs and enhance service levels

Central to our promise is our great team of Allstars who have proven time and again that hard work, creativity, passion and a commitment to excellence are what it takes to be not just good, but great. These traits of our Allstars, combined with our five core values of Safety, Passion, Integrity, Caring and Fun, have kept AirAsia growing from strength to strength. They have made us the World's Best Low Cost Airline, as vouchsafed by 18 million travellers polled by London-based consultancy Skytrax.

This is an award that is close to our heart because it validates the value of our promise. Now everyone can fly.

FACTS AT A GLANCE

>
Group Revenue

RM 3.95 bil

>
Profit After Tax

RM 1.06 bil

>
Total Assets

RM 13.24 bil



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THE
PASSENGER
CHOICE



“ This is a fantastic achievement for AirAsia to be here collecting the award as the World’s Best Airline for the second year running. They are clearly meeting and exceeding their customers’ expectations to have been named winner of this outstanding global recognition. ”

Mr Edward Plaisted
Skytrax Chairman



The World’s Best Low Cost Airline 2010

now everyone can fly

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eighteenth Annual General Meeting of AirAsia Berhad (284669-W) (“AirAsia” or “the Company”) will be held at AirAsia Academy, Lot PT25B, Jalan KLIA S5, Southern Support Zone, Kuala Lumpur International Airport, 64000 Sepang, Selangor Darul Ehsan, Malaysia on Monday, 20 June 2011 at 10.00 a.m. for the following purposes:-

AS ORDINARY BUSINESS

1. To receive and consider the Audited Financial Statements together with the Reports of the Directors and Auditors thereon for the financial year ended 31 December 2010. **(Resolution 1)**
2. To declare a First and Final Dividend of 30% or 3 sen per ordinary share of RM0.10 for the financial year ended 31 December 2010 comprising as follows:-
 - (i) Gross Dividend of 9.1% per ordinary share of RM0.10 less Malaysian Income Tax at 25%;
 - (ii) Tax Exempt Dividend of 0.2% per ordinary share of RM0.10; and
 - (iii) Single Tier Dividend of 20.7% per ordinary share of RM0.10.**(Resolution 2)**
3. To approve Directors’ Fees of RM2,203,000 for the financial year ended 31 December 2010. **(Resolution 3)**
4. To re-elect the following Director who retires pursuant to Article 124 of the Company’s Articles of Association:
 - a) Dato’ Abdel Aziz @ Abdul Aziz bin Abu Bakar **(Resolution 4)**
5. To re-elect the following Director who retires pursuant to Article 130 of the Company’s Articles of Association:
 - a) En. Mohd Omar bin Mustapha **(Resolution 5)**
6. To consider and, if thought fit, pass the following resolution pursuant to Section 129 of the Companies Act, 1965:

“**THAT** Dato’ Leong Sonny @ Leong Khee Seong, retiring in accordance with Section 129 of the Companies Act, 1965, be and is hereby re-appointed as a Director of the Company to hold office until the next Annual General Meeting.” **(Resolution 6)**
7. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

AS SPECIAL BUSINESS

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

8. **ORDINARY RESOLUTION**
AUTHORITY TO ALLOT SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

“**THAT** pursuant to Section 132D of the Companies Act, 1965 and subject to the approval of relevant authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and also empowered to obtain approval for the listing of and quotation for the additional shares so issued on the Main Market of Bursa Malaysia Securities Berhad AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company.” **(Resolution 8)**

OTHER ORDINARY BUSINESS

9. To transact any other business of which due notice shall have been given.

NOTICE OF DIVIDEND PAYMENT AND DIVIDEND ENTITLEMENT DATE

NOTICE IS ALSO HEREBY GIVEN THAT, subject to the approval of the shareholders at the Eighteenth Annual General Meeting of the Company to be held on Monday, 20 June 2011, a First and Final Dividend of 30% of 3 sen per ordinary share of RM0.10 for the financial year ended 31 December 2010 will be paid on Tuesday, 19 July 2011 to depositors whose names appear in the Record of Depositors on Monday, 20 June 2011. A depositor shall qualify for entitlement to the dividend only in respect of:-

- (a) shares transferred into the Depositor's Securities Account before 4.00 p.m. on Monday, 20 June 2011, in respect of ordinary transfers; and
- (b) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

JASMINDAR KAUR A/P SARBAN SINGH

(MAICSA 7002687)

Company Secretary

Selangor Darul Ehsan

27 May 2011

NOTES ON APPOINTMENT OF PROXY

- a. Pursuant to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 and Article 43(1) of the Company's Articles of Association, only those Foreigners (as defined in the Articles) who hold shares up to the current prescribed foreign ownership limit of 45.0% of the total issued and paid-up capital, on a first-in-time basis based on the Record of Depositors to be used for the forthcoming Annual General Meeting, shall be entitled to vote. A proxy appointed by a Foreigner not entitled to vote, will similarly not be entitled to vote. Consequently, all such disenfranchised voting rights shall be automatically vested in the Chairman of the forthcoming Annual General Meeting.
- b. A member entitled to attend and vote is entitled to appoint a proxy (or in the case of a corporation, to appoint a representative), to attend and vote in his stead. A proxy need not be a member of the Company.
- c. The Proxy Form in the case of an individual shall be signed by the appointor or his attorney, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
- d. Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
- e. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one but not more than two (2) proxies in respect of each securities account it holds to which ordinary shares in the Company are credited.
- f. The Proxy Form or other instruments of appointment shall not be treated as valid unless deposited at the Registered Office of the Company at 25-5, Block H, Jalan PJU 1/37, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time set for holding the meeting. **Faxed copies of the duly executed form of proxy are not acceptable.**

EXPLANATORY NOTES:

1. Authority to allot shares pursuant to Section 132D of the Companies Act, 1965 (Resolution 8)

Ordinary Resolution 8 has been proposed for the purpose of renewing the general mandate for issuance of shares by the Company under Section 132D of the Companies Act, 1965 (hereinafter referred to as the "General Mandate"). Ordinary Resolution 8, if passed, will give the Directors of the Company authority to issue ordinary shares in the Company at their discretion without having to first convene another General Meeting. The General Mandate will, unless revoked or varied by the Company in a General Meeting, expire at the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is earlier.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the Seventeenth Annual General Meeting held on 24 June 2010 which will lapse at the conclusion of the Eighteenth Annual General Meeting.

The General Mandate, if granted, will enable the Company to fulfill its obligations under the Company's Employees' Share Option Scheme in an expedient manner as well as provide flexibility to the Company for any future fund raising activities, including but not limited to further placing of shares for the purposes of funding future investment project(s), repayment of bank borrowing, working capital and/or acquisition(s) and thereby reducing administrative time and costs associated with the convening of additional shareholders meeting(s).

- 2. Datuk Alias bin Ali who retires pursuant to Article 124 of the Company's Articles of Association, will not be seeking for re-election at the forthcoming Annual General Meeting of the Company and therefore shall retire at the conclusion of the said Annual General Meeting.

STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

FOR THE YEAR ENDED 31 DECEMBER 2010

DIRECTOR STANDING FOR RE-APPOINTMENT AT THE EIGHTEENTH ANNUAL GENERAL MEETING OF THE COMPANY

The Independent Non-Executive Director who is standing for re-appointment at the Eighteenth Annual General Meeting is as follow:

- a) Pursuant to Section 129 of the Companies Act, 1965:
 - i) Dato' Leong Sonny @ Leong Khee Seong

The details of the above Director standing for re-appointment are set out in the Profile of Directors from pages 42 to 47 of this Annual Report.

CREDIT SUISSE 



Over 150 Years
of Looking to the Future.
Your Future.

Credit Suisse. Helping you to take the next step.
credit-suisse.com



Growth can happen
anywhere. You just have
to know where to look.

Today, growth can be found in new, and often unexpected, places. Opportunities will prevail around the globe today, tomorrow and the days after tomorrow. Now, more than ever, you can be confident that we at BNP Paribas Corporate & Investment Banking remain committed to providing you with solutions that support your interests, your projects and your business. Wherever the opportunities exist, we will work together to help you prosper.

FINANCIAL & INVESTOR CALENDAR

≥ **25-27 January 2010**
AirAsia's participation in BNP Paribas Securities Asia – ASEAN Conference, Singapore

≥ **4 February 2010**
AirAsia's participation in Raymond James Growth Airline Conference, New York

≥ **25 February 2010**
Announcement of the unaudited results for the 4th quarter and full year ended 31 December 2009

≥ **23 March 2010**
AirAsia's participation in Credit Suisse Asian Investment Conference, Hong Kong

≥ **27 March 2010**
AirAsia's participation in Invest Malaysia, Kuala Lumpur

≥ **31 May 2010**
Announcement of the unaudited results for the 1st quarter ended 31 March 2010

≥ **24 June 2010**
17th Annual General Meeting of the Company

≥ **30 June - 2 July 2010**
AirAsia's participation in Invest Malaysia, Europe (London, Paris, Edinburgh)

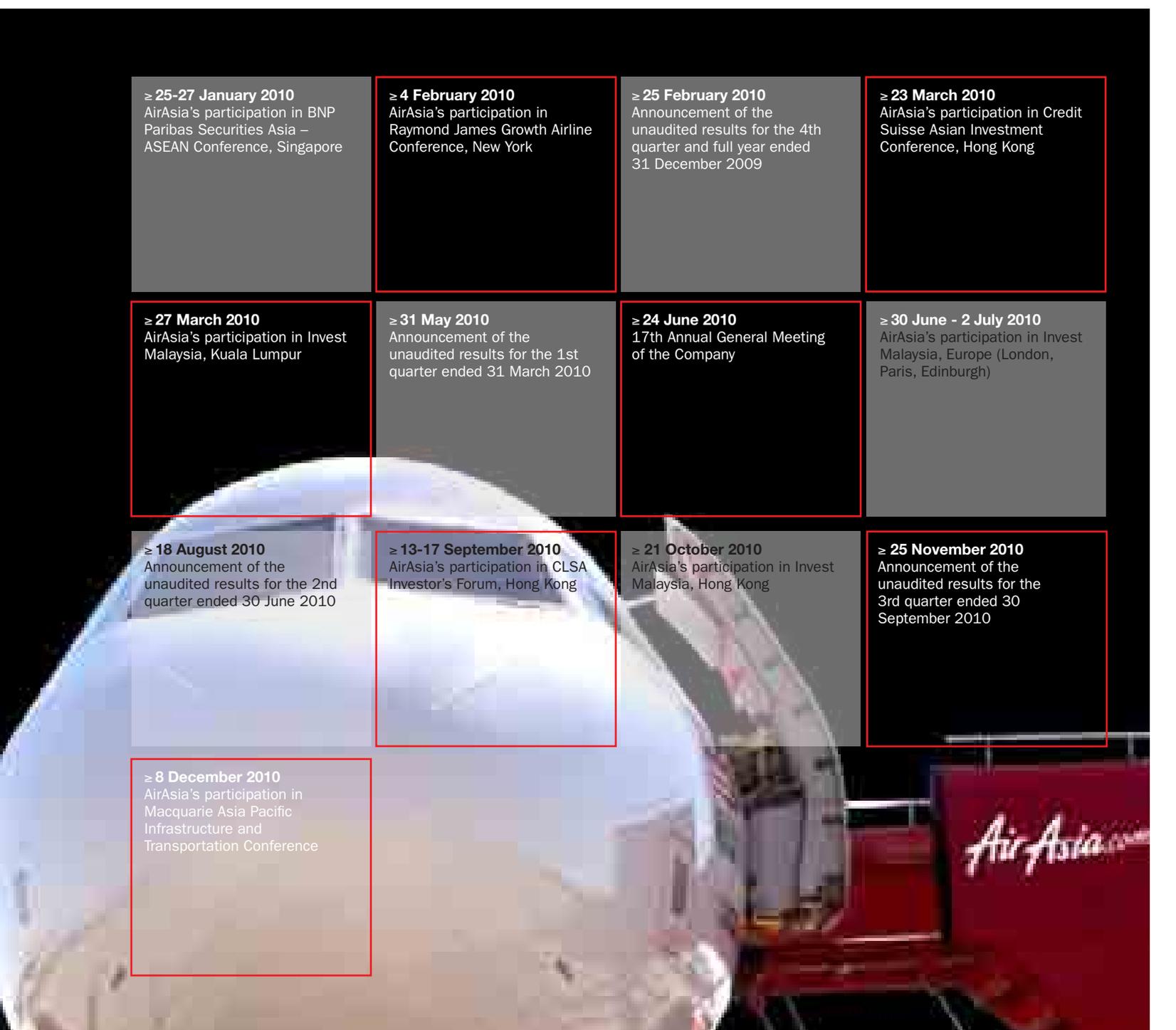
≥ **18 August 2010**
Announcement of the unaudited results for the 2nd quarter ended 30 June 2010

≥ **13-17 September 2010**
AirAsia's participation in CLSA Investor's Forum, Hong Kong

≥ **21 October 2010**
AirAsia's participation in Invest Malaysia, Hong Kong

≥ **25 November 2010**
Announcement of the unaudited results for the 3rd quarter ended 30 September 2010

≥ **8 December 2010**
AirAsia's participation in Macquarie Asia Pacific Infrastructure and Transportation Conference



CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar
Non-Independent Non-Executive Chairman

Dato' Sri Dr. Anthony Francis Fernandes
(commonly known as
Dato' Sri Dr. Tony Fernandes)
Group Chief Executive Officer

Dato' Kamarudin bin Meranun
Deputy Group Chief Executive Officer

Conor Mc Carthy
Non-Independent Non-Executive Director

Dato' Leong Sonny @ Leong Khee Seong
Independent Non-Executive Director

Dato' Fam Lee Ee
Independent Non-Executive Director

Datuk Alias bin Ali
Independent Non-Executive Director

Dato' Mohamed Khadar bin Merican
Independent Non-Executive Director

En. Mohd Omar bin Mustapha
Independent Non-Executive Director

AUDIT COMMITTEE

Dato' Leong Sonny @ Leong Khee Seong
Dato' Fam Lee Ee
Datuk Alias bin Ali
Dato' Mohamed Khadar bin Merican

REMUNERATION COMMITTEE

Datuk Alias bin Ali
Dato' Leong Sonny @ Leong Khee Seong
Dato' Fam Lee Ee

NOMINATION COMMITTEE

Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar
Datuk Alias bin Ali
Dato' Fam Lee Ee

SAFETY REVIEW BOARD

Conor Mc Carthy
Dato' Mohamed Khadar bin Merican

COMPANY SECRETARY

Jasmindar Kaur A/P Sarban Singh
(Maicsa 7002687)

AUDITORS

PricewaterhouseCoopers
Level 10, 1 Sentral
Jalan Travers, Kuala Lumpur Sentral
50706 Kuala Lumpur, Wilayah Persekutuan
Malaysia
Tel : (603) - 21731188
Fax: (603) - 21731288

REGISTERED OFFICE

AirAsia Berhad (Company No. 284669-W)
25-5, Block H, Jalan PJU 1/37
Dataran Prima, 47301 Petaling Jaya,
Selangor Darul Ehsan, Malaysia
Tel : (603) - 78809318
Fax: (603) - 78806318
E-mail : investorrelations@airasia.com
Website : www.airasia.com

HEAD OFFICE

LCC Terminal, Jalan KLIA S3
Southern Support Zone, KLIA
64000 Sepang,
Selangor Darul Ehsan, Malaysia
Tel : (603) - 86604333
Fax: (603) - 87751100

SHARE REGISTRAR

Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46, 47301 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : (603) - 78418000
Fax: (603) - 78418008

SOLICITORS

Messrs Logan Sabapathy & Co.

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
(Listed since 22 November 2004)
(Stock code: 5099)





100 KAHANDAMAN DI
GUNTING BIN LAGADAN
- MUNCIAH MANA-MANUD
DI MUNCIAH KINABALU
1888 - 1988

TAMAN KINABALU
EOW'S PEAK
(4095.2 M)

“ The AirAsia route map has so many exciting destinations that it is almost impossible to choose a favourite. I’ve seen some of the world’s greatest temples, beaches, historical and cultural sites. I’ve met some of the most beautiful people imaginable along the way which is always a travel highlight in itself. ”



David
Australia

Exploring ASEAN

now everyone can fly

HOW WE'VE CONQUERED THE ASEAN SKY

+ FACTS AT A GLANCE

>
Incorporated in

2001

>
No. of Destinations

65

in 18 countries

>
No. of Employees

8119



AIRASIA NEEDS NO INTRODUCTION IN ASEAN, WHERE IT IS THE LEADING LOW-COST CARRIER, CONNECTING PEOPLE AND PLACES ACROSS 132 ROUTES, 40 OF WHICH ARE OFFERED BY NO OTHER AIRLINE. IN 2010, THE GROUP, WHICH INCLUDES AFFILIATES AIRASIA THAILAND AND AIRASIA INDONESIA, REINFORCED ITS LEADERSHIP POSITION WITH TWO REMARKABLE MILESTONES: FLYING ITS 100 MILLIONTH GUEST AND BREAKING THE RM1 BILLION PROFIT BARRIER.

From an airline with two aircraft plying six routes in Malaysia in January 2002, AirAsia has soared in the last nine years to cover 65 destinations in 18 countries. Today, employing more than 8,000 staff and with a market capitalisation of just over RM7.06 billion (as at 31 December 2010), it is the only Truly ASEAN airline, serving the region's 600 million population from 10 hubs in three countries - Kuala Lumpur, Kuching, Penang and Kota Kinabalu in Malaysia; Bangkok and Phuket in Thailand; and Jakarta, Bali, Bandung and Surabaya in Indonesia.

In 2011, we introduced two hubs, Chiang Mai for AirAsia Thailand and Medan for AirAsia Indonesia.

Singapore functions as a virtual hub where AirAsia features among the top 10 airlines in terms of contribution to passenger traffic. Further strengthening its ASEAN network, the Group in December 2010 signed an agreement to establish a Philippine-based low-cost affiliate, which is expected to be operational by end 2011.

The quest to democratise air travel began when Tune Air Sdn. Bhd. – founded in 2001 by Dato' Sri Dr. Tony Fernandes, Dato' Pahamin Ab. Rajab, Dato' Kamarudin Meranun and Dato' Aziz Bakar - bought over the loss-making, debt-riddled AirAsia from HICOM Holdings Berhad (now DRB-HICOM Berhad) for a token sum of RM1. The enterprising

group quickly settled the airline's debts and set about rebranding and relaunching AirAsia as a low-fare carrier.

The Group's entire business model centres around a low-cost philosophy which requires its operations to be lean, simple and efficient. Several key strategies have been employed towards this effect, including:

- **High Aircraft Utilisation**
AirAsia focuses on high frequency and high turnaround of flights, both of which add to customer convenience and greater cost efficiencies. Its turnaround of 25 minutes is the fastest in the region.



- **Low Fare, No Frills** - This means no frequent flyer miles or airport lounges in exchange for lower fares. Guests have the choice of paying for in-flight meals, snacks and drinks.
- **Point to Point Network** All short-haul AirAsia flights (four-hour flight radius or less) and medium- to long-haul AirAsia X flights are non-stop, doing away with the need for human resources, physical infrastructure and facilities at transit locations.

In addition, a decision was made in December 2004 to convert the existing fleet of ageing Boeing B737s with the higher capacity yet more fuel-efficient, reliable and cost-efficient Airbus A320s. As a result, today, the Group boasts the largest and newest A320 fleet in the region. Of its 90 aircraft, 86 are A320s, and the Group has in its order book an additional 89 A320s to be delivered. The four remaining B737s in AirAsia Indonesia are to be phased out by 2012, following which there will be less duplication of manpower requirements and reduced need to stock maintenance parts.

Collectively, these strategies have established AirAsia as the lowest-cost airline in the world, with a cost/ASK (available seat kilometre) of US\$3.67c. This has been achieved without compromising safety. The highest priority is given to

safe operations, and AirAsia complies with conditions as set by regulators in all the countries where it operates. The Group also partners with the most renowned maintenance providers to ensure its fleet is always in the best condition.

Innovative use of technology has played a key role in AirAsia's success story, beginning with online booking. It was the first airline in Asia to go ticketless - in March 2002 - allowing guests to pay for their bookings by credit card over the phone. Over the years, it has built on its IT platform to increase the ease of customer transactions as well as provide greater savings to the Group. In 2010, AirAsia unveiled its latest IT booking innovation in the form of New Skies, which allows customers to better manage their online bookings. With the advent of the social media, tools such as Facebook, Twitter and blogs have become integral to the Group's customer relationship initiatives. AirAsia is, in fact, recognised as the most popular airline in the region on Facebook in terms of fan base.

The spirit of innovation is also reflected in AirAsia's financial strategies. The company's spectacular turnaround within 18 months of operations sealed the stamp of financial wizardry that has continued to help the airline grow and win accolades such as the 2010 Asiamoney's Best Managed Company.

While known for its no-frills approach, AirAsia is also synonymous with youthful energy and a cheeky sense of fun, as captured in its campaigns and branding strategies. The airline regularly sponsors sporting and entertainment events, and in 2010 launched AirAsiaRedTix.com, an online gateway to world-class performances.

AirAsia is ultimately a people's airline. This is mirrored in numerous acts of generosity that show the management truly cares. In January 2010, the Group joined hands with UNICEF to raise RM438 million (US\$128 million) for relief efforts targeted at Haitians affected by the earthquake. The airline also runs an on-going *Donate Your Loose Change* campaign to help needy heart patients receive treatment at the National Heart Institute in Kuala Lumpur.

The Group's adherence to best practices has been recognised via numerous awards over the years. Perhaps most notably AirAsia has been voted the World's Best Low Cost Airline for two consecutive years, in 2009 and 2010. This award, from Skytrax, reflects the opinions of about 18 million travellers worldwide who were polled by the London-based aviation consultant. AirAsia feels proud of such endorsement and is committed to living up to guests' expectations by continuing to keep costs down while providing the highest levels of service and efficiency as it spreads its wings further and wider across the skies.

MILESTONES OVER A DECADE

2001

8 September Tune Air Sdn. Bhd. signs a Sales & Purchase Agreement with DRB-Hicom for the takeover of AirAsia.

8 December Tune Air Sdn. Bhd. officially takes over AirAsia.

2002

January AirAsia is re-branded and re-launched as Asia's first low-cost carrier.

1 March AirAsia goes ticketless, in line with its Easy to Call, Easy to Pay and Easy to Fly approach, which allows guests to pay for their bookings by credit card over the telephone.

13 July AirAsia launches a new destination to Miri in Sarawak.

17 August AirAsia introduces direct flights between Kuala Lumpur and Tawau in Sabah.

2003

19 August AirAsia launches the world's first airline SMS booking.

31 October AirAsia announces the setting up of a new hub in Senai, Johor Bahru, with direct flights to Kota Kinabalu, Kuching, Langkawi and Penang.

12 November AirAsia partners with domestic entrepreneurs in Thailand to establish AirAsia Thailand.

8 December AirAsia launches its first regional flight to Phuket.

18 December First AirAsia flight takes off from Senai, Johor Bahru, heading for Miri in Sarawak.

2004

16 February AirAsia Thailand launches its first international flight, linking Bangkok and Singapore.

27 February AirAsia enters into a strategic partnership with Pos Malaysia to enable guests to remit payments through any Pos Malaysia branch nationwide.

11 April AirAsia launches its service to Soekarno-Hatta Airport, Jakarta, from the airline's hub in Senai, Johor Bahru. It is the airline's first flight to an Indonesian destination.

31 May AirAsia announces the launch of the long-awaited direct flight to Jakarta from Kuala Lumpur International Airport.

6 June AirAsia Thailand starts services between Penang and Bangkok.

2 July AirAsia's direct flight connecting Kuala Lumpur and Jakarta gets off to a flying start, with a full passenger load.

8 July AirAsia expands its presence in Indonesia, linking Malaysia to several key Indonesian tourist destinations, including Bali and Medan.

19 October AirAsia launches its IPO Prospectus for the airline's proposed listing on the Main Board of Bursa Malaysia.

2005

19 January AirAsia commences service between Singapore and Jakarta through its sister airline AWAIR (now AirAsia Indonesia). AirAsia has a 49% stake in AWAIR, a privately owned airline in Indonesia, which was relaunched as a low-fare, no-frills airline to serve domestic and international routes out of its hub at the Soekarno-Hatta International Airport, Jakarta.

7 March AirAsia receives the prestigious Market Leadership Award at the 2005 Airline Achievement Awards by Air Transport World Magazine in Washington, DC, USA.

22 July AirAsia announces a one-year deal with Manchester United under which it became the football club's Official Low Fare Airline.





MILESTONES
OVER A DECADE
2005 - 2007



23 August AirAsia becomes the first airline in the world to offer a total, comprehensive booking system targeting mobile phones and wireless devices.

1 November AirAsia commences daily flights from Kuala Lumpur to Phnom Penh, Cambodia.

2 December AirAsia offers two million free seats in conjunction with its 4th anniversary celebrations. The ground-breaking campaign was promoted in seven countries.

8 December AirAsia's first Airbus A320 arrives at Kuala Lumpur International Airport from Toulouse, France.

27 December AirAsia introduces direct flights from Kuala Lumpur to Siem Reap, Cambodia.

2006

18 January AirAsia and Galileo sign a global agreement for exclusive access to low fares, enabling AirAsia to reach and serve an even larger and wider network of markets.

22 April DYMM Seri Paduka Baginda Yang Dipertuan Agong XII, Tuanku Syed Sirajuddin (King of Malaysia) visits AirAsia's new home at the LCC Terminal, Kuala Lumpur International Airport, and presents certificates to graduates from the AirAsia cadet pilot training programme.

31 May AirAsia dispatches an extra flight from Kuala Lumpur to Solo in Indonesia to aid humanitarian and relief work in Yogyakarta, Central Java, following an earthquake in the Indonesian city.

20 June AirAsia partners with AIG S.E. Asia Pte. Ltd. to become the first low-fare airline in Asia to offer a web-integrated travel protection sales platform.

4 July AXN, a leading international action and adventure cable channel, announces AirAsia's participation as the Official Airline Partner for the Asian edition of the three-time Emmy award-winning *Amazing Race* reality series.

6 July AirAsia announces Kota Kinabalu as its latest hub in Malaysia.

20 July AirAsia establishes another hub in East Malaysia in Kuching, Sarawak.

14 August Airbus launches its state-of-the-art Airbus A320 full flight simulators at the new AirAsia Academy.

8 September AirAsia and Manchester United extend their partnership and bring in Tourism Malaysia as a new co-sponsor.

4 October AirAsia makes its entry into Vietnam with the launch of daily flights from Kuala Lumpur to Hanoi.

14 November AirAsia and Amadeus, a global leader in technology and distribution solutions for the travel and tourism industry, announce an agreement under which the airline aims to reach a wider international market by distributing and selling its seats through the Amadeus system.

2007

5 April AirAsia announces its partnership as Official Airline of the AT&T Williams' F1 team for three years with effect from the 2007 Formula One World Championship.

15 May AirAsia introduces a new service, Xpress Boarding, offering guests the opportunity to be among the first to board and have the greatest choice of seats.

4 August AirAsia announces the enhancement of its amenities to accommodate the needs of disabled guests.

15 August AirAsia launches its in-flight magazine, *Travel3Sixty*.

5 December AirAsia places the world's largest order for the Airbus A320, totaling 225 aircraft, making it the biggest operator of the aircraft in the world.



MILESTONES
OVER A DECADE

2008 - 2009



2008

11 January AirAsia launches its *Donate Your Loose Change* campaign jointly with the National Heart Institute (IJN) to raise funds for needy heart patients.

16 January AirAsia launches its maiden flight from Kuala Lumpur to Guangzhou, China.

1 February AirAsia starts two daily flights from Kuala Lumpur to Singapore.

20 March AirAsia unveils the world's first commercial A320 aircraft with a Formula One team livery, that of the AT&T Williams team, to mark the airline's extended three-year partnership with the Formula One team.

9 May AirAsia extends assistance to victims of Cyclone Nargis in Myanmar by sponsoring flights for aid workers and transporting aid materials.

10 June AirAsia celebrates another proud achievement by officially launching its final domestic destination to Kuantan, thus completing the airline's domestic expansion.

17 June The airline introduces AirAsia On-Time Guarantee (OTG) entitling guests whose flights are delayed for more than three hours to a RM200 AirAsia e-gift voucher.

25 June AirAsia celebrates an amazing achievement by hitting the 50 million guests mark after just six years in operation.

14 August AirAsia launches a new route linking Pekanbaru in Indonesia with Singapore.

26 September AirAsia announces four additional daily direct flights from Kuala Lumpur to Singapore.

7 October AirAsia becomes all-Airbus, with a ceremony to mark the retirement of its final Boeing B737-300 aircraft from its Malaysian operations.

23 October AirAsia announces that beginning 1 November 2008, its On-Time Guarantee (OTG) waiting time will be reduced from three to two hours, an indication of the airline's confidence that an all-Airbus fleet would improve reliability.

1 November AirAsia celebrates its inaugural flight from Kota Kinabalu to Singapore.

11 November AirAsia becomes the first airline in the world to completely eliminate fuel surcharges, despite the rising price of oil.

14 November AirAsia receives the PIKOM ICT Organisation Excellence Award based on its fast growing passenger volume and use of ICT.

1 December AirAsia launches its first route to India, to Tiruchirapalli (Trichy) in the southern Indian state of Tamil Nadu.

16 December AirAsia launches a massive regional marketing campaign as part of its initiative to help revive Thailand's tourism industry following political disturbances in the Land of Smiles.

2009

12 January AirAsia implements a simpler and convenient new baggage policy dubbed 'Supersize', allowing guests to choose from three tiers of baggage sizes when purchasing their flight seats online.

12 February AirAsia introduces Pick A Seat, allowing guests to designate their seat preference on board the aircraft.

17 February AirAsia introduces web check-in, a self check-in facility across the entire AirAsia Group network. With the new innovation, guests are able to save time on pre-departure procedures.

2 March Over 50,000 seats on AirAsia's new routes between Singapore and the Indonesian cities of Jakarta, Bandung, Yogyakarta and Bali were snapped up by travellers at the end of a six-day promotion in conjunction with the routes' maiden sale.



1 April AirAsia is named the World's Best Low Cost Airline by London-based aviation consultancy Skytrax based on its Annual World Airline Survey, which polled more than 16 million air travellers.

28 April AirAsia partners with Scicom (MSC) Berhad to establish a world-class, state-of-the-art contact centre to service the low-cost carrier's guests from all around the world.

12 May AirAsia gives away one million free seats, setting yet another benchmark in corporate social responsibility.

1 June AirAsia officially celebrates its newest international route from Penang, the Pearl of the Orient, to Singapore, the Lion City.

24 June AirAsia abolishes the administration fee from its fare structure to further stimulate travel and tourism in Malaysia and the region.

2 July AirAsia launches another international route from Kota Kinabalu to Brunei to boost its East Malaysia connectivity. The new service is the airline's 6th international service from Kota Kinabalu.

6 July AirAsia expands its route network from its Penang hub with flights to Hong Kong, AirAsia's 6th international service from Penang after Singapore, Bangkok, Medan, Jakarta and Macau.

9 July AirAsia launches Redbox (now known as AirAsia Courier), the world's first low-cost courier service, offering the best value-for-money shipment option in Malaysia.

17 July AirAsia Indonesia announces the launch of a new route linking Bali to Perth, Australia. The route proves so popular that the airline subsequently increases its frequency to four daily flights.

8 August AirAsia marks the 42nd ASEAN Day with a celebration that involved an AirAsia aircraft bearing a 'Truly ASEAN' livery transporting more than 100 officials, media, academics and NGO representatives led by ASEAN Secretary-General Dr Surin Pitsuwan to three cities in one day – Jakarta, Kuala Lumpur and Bangkok.

19 August AirAsia continues to strengthen its ASEAN connectivity by increasing its flight frequency to Vietnam through AirAsia Indonesia with a new flight linking Jakarta and Ho Chi Minh City.

9 October AirAsia signs up as the official airline partner of the fledgling ASEAN Basketball League.

12 October AirAsia launches a regional effort to position the world's best low-cost airline as a high quality, sleek and cool brand with a *Have You Flown AirAsia?* campaign.

13 November AirAsia sets a new world record with its *1 Million Free Seats Campaign* launched on 11 November, and breaks it the very next day. Navitaire, its host reservation provider that powers booking engines to many airlines around the world, announces that AirAsia set a new international sales record with 402,222 seats snapped up in the 24-hour period after the campaign was launched.

7 December AirAsia caps its 8th anniversary celebrations by becoming the most popular airline in the world on giant social networking site Facebook, surpassing all other airlines – even all other transport companies – in terms of fan numbers.



MILESTONES
OVER A DECADE

2010



2010

20 January AirAsia introduces its Self Check-In service, providing guests with a quicker and more convenient way of checking in.

22 January AirAsia joins hands with UNICEF and helps channel RM438 million (US\$128 million) towards helping children and families in Haiti as part of UNICEF's 2010 Haiti Earthquake Children's Appeal.

26 January AirAsia and AirAsia X launch direct flights to six new destinations in India in the first quarter of 2010. Five of the flights were from Kuala Lumpur to key metro cities of Chennai, Bangalore, Hyderabad, Mumbai and New Delhi and one from Penang to Chennai.

10 February AirAsia becomes the title sponsor of the 2010 AirAsia British Grand Prix at Silverstone.

8 March AirAsiaRedTix.com is launched, providing a smart and convenient way to discover and book tickets to a line-up of international world-class concerts and more.

8 April AirAsia officially signs a strategic partnership agreement between VietJet Aviation Joint Stock Company (VietJet Air) and AirAsia Berhad in Hanoi.

8 April AirAsia collaborates with Sepang International Circuit (SIC) to field a Malaysian team at the 2010 MotoGP World Championship led by Muhammad Zulfahmi Khairuddin.

28 April AirAsia launches the AirAsia ASEAN Driver Development Program, expanding its presence in motor-sports in the region and stepping up its efforts to help nurture a world-class Formula One driver from ASEAN.

24 September AirAsia and Lotus Racing unveil an AirAsia Airbus A320 aircraft adorned in the legendary classic colours of Lotus Racing.

13 October AirAsia celebrates flying its 100 millionth guest, Irma Dewi, a 23-year-old housewife from Indonesia who is presented with 100 free seats.

25 November AirAsia Thailand becomes an all-Airbus A320 fleet.

16 December AirAsia, through its fully owned subsidiary AA International Ltd, enters into a partnership agreement with Antonio Cojuangco Jr., Michael Romero and Marianne Hontiveros to establish a low-cost airline in the Philippines, AirAsia Philippines.

16 December AirAsia extends its association with the ASEAN Basketball League (ABL) by sponsoring the 2009-2010 Grand Finals Champions, Philippine Patriots.

20 May For a second year running, Skytrax announces AirAsia as the World's Best Low Cost Airline. The annual global survey by the respected London-based aviation consultancy polled 18 million air travellers worldwide in its annual survey.

11 July AirAsia unveils New Skies, its state-of-the-art booking system, placing it ahead of competitors in offering high-tech user-friendly booking features.

27 July I Wayan Arya Sila Arsadhana, a four-year-old from Bali, Indonesia, undergoes a successful heart correction surgery at the National Heart Institute (IJN). He is the latest beneficiary of AirAsia's *Donate Your Loose Change* campaign, started in 2008 to raise funds for needy heart patients to undergo treatment at the Institute.

2 September AirAsia becomes the new title sponsor for the ASEAN Basketball League's (ABL) 2010/2011 season.

WE'VE BEEN WITH YOU ALL THE WAY

In 1909 Louis Blériot used Shell Spirit to make the first Channel crossing
100 years later, Shell has played a crucial part in almost every landmark event in aviation history, from the record breaking non stop flight of a Boeing 747 from London to Australia in the 1980's, to more recently flying the Airbus A380 with a mixture of fuel containing Shell synthetic jet fuel made from natural gas (GTL).

Delivering Innovation to your Advantage

In 2009 Shell Aviation celebrated one hundred years of innovation and intends to continue with technology firsts far into the future. shell.com/aviation



AIRASIA GROUP

+ AS AT 31 DECEMBER 2010



AirAsia.com

AIRASIA BERHAD
284669-W



100%

AA International Ltd



49%

Thai AirAsia Co. Ltd

49%
AirAsia Go Holiday Co. Ltd



100%

Crunchtime Culinary
Services Sdn. Bhd.

100%
Asia Air Limited

50%
Asian Contact Centres Sdn. Bhd.



100%

Koolred Sdn. Bhd.

100%
AirAsia (B) Sdn. Bhd.

39.9%
AirAsia Philippines Inc

Legend:

- Subsidiary Company
- Associate Company

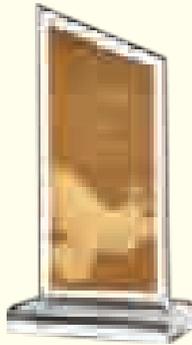
AWARDS & ACCOLADES 2010



>> JANUARY
AirAsia won **The Budgie World Low Cost Airlines Asia Pacific's Best Marketing Campaign of the Year 2010**

>> FEBRUARY
AirAsia was awarded for its **Contribution to Taiwan Tourism** category at the Taiwan Tourism Award

>> MARCH
Putra Brand Award 2010 – AirAsia Gold – AirAsia Transportation, Travel and Tourism



>> MARCH
AirAsia Group CEO Dato' Sri Dr. Tony Fernandes was conferred an **Honorary Doctorate of Business Innovation** by Universiti Teknologi Malaysia



>> APRIL
AirAsia Group CEO Dato' Sri Dr. Tony Fernandes was honoured with the title of **Officer of the Legion d' Honneur** by the Government of France in April 2010 for outstanding contributions to the French aviation industry



>> MAY
AirAsia Group CEO Dato' Sri Dr. Tony Fernandes was the proud recipient of the **Masterclass Global CEO of the Year Award** at the 2nd Malaysia Business Leadership Award (MBLA) 2010 ceremony for his immense contributions to the country's economy



>> MAY
AirAsia received the **Global ICT Award for 2010** in the private sector category from the World Information Technology and Service Alliance (WITSA) in Amsterdam



>> MAY
AirAsia Group CEO Dato' Sri Dr. Tony Fernandes received the prestigious **Nikkei Asia Prize 2010** in Tokyo for his contributions in the Asia Pacific region





>> MAY
World Information Technology and Services Alliance (WITSA)
– Excellence awards 2010 for Private Sector Excellence – AirAsia Berhad



>> JUNE
AirAsia was chosen as the **World's Best Low Cost Airline 2010** for the second consecutive year by Skytrax

AirAsia bagged the **Air Cargo Industry Newcomer of the Year Award 2010** at ACW World Air Cargo Awards in Shanghai

>> JULY
CMO Asia Awards for **Excellence in Branding & Marketing and Entrepreneur excellence awards**



>> JULY
AirAsia was named **one of the top 10 airlines** in the passenger carriage category by Changi Airport Group (CAG)



>> OCTOBER
AirAsia was named the **Best Asian Low Cost Carrier for 2010** by TTG at the 21st Annual TTG Travel Awards 2010 Ceremony & Gala Dinner in Bangkok



>> NOVEMBER
AirAsia was awarded the **2010 Aircraft Debt Deal of the Year for Asia** for the purchase of 16 new Airbus A320-200 through the export credit loan financing provided by BNP Paribas

>> DECEMBER
AirAsia Group CEO Dato' Sri Dr. Tony Fernandes received the **SME Overseas Platinum Award 2010**



>> DECEMBER
Gold Malaysian Media Awards – Best use of digital search – AirAsia

>> DECEMBER
AirAsia Group CEO Dato' Sri Dr. Tony Fernandes was named **Forbes Asia's Businessman of the Year for 2010**

PAST AWARDS

>> 2009

- AirAsia Group CEO Dato' Sri Dr. Tony Fernandes was recognised with a **Laureate Award in the Commercial Air Transport** category at the Annual Laureate Awards by Aviation Week in Washington DC, USA
- AirAsia was bestowed the coveted **Brand of the Year Award at Media's Agency of the Year (AOY) Awards** held at the St. Regis in Singapore
- AirAsia Group CEO Dato' Sri Dr. Tony Fernandes was named the **TTG Travel Personality of the Year** in the 20th Annual TTG Travel Awards 2009 Ceremony & Gala Dinner
- AirAsia was chosen as **Brand of the Year at the Agency of the Year Awards for 2009** by Media Magazine
- AirAsia Group CEO Dato' Sri Dr. Tony Fernandes was given the **2009 Frost & Sullivan Excellence in Leadership Award for Exemplary Leadership Skills** in driving excellence within his organisation
- AirAsia and AirAsia X were joint winners of the prestigious **Centre for Asia Pacific Aviation (CAPA) Airline of the Year Award for 2009** at the CAPA Aviation Awards for Excellence
- AirAsia Group CEO Dato' Sri Dr. Tony Fernandes received the **CAPA Legend Award and entered the CAPA's Aviation Hall of Fame**

- AirAsia received the **World's Best Low Cost Airline Award** from Skytrax
- AirAsia was named the **Best Asian Low Cost Carrier** by TTG

>> 2008

- **Low Cost Carrier of the Year** awarded by Kuala Lumpur International Airport (KLIA)
- Commendations of **Prestige Award from Macau Special Administrative Region**
- AirAsia recognised as one of the **50 Most Innovative Companies in the World** by FastCompany.com
- **Airline Market Penetration Leadership of the Year** by Frost & Sullivan
- **Rising Leaders – The Next 10 Years** by Singapore Institute of International Affairs (SIIA) in collaboration with AXN Asia
- AirAsia was voted the **Best Budget Airline in Asia** in the SmartTravelAsia.com 2008 Best in Travel Poll
- AirAsia Group CEO Dato' Sri Dr. Tony Fernandes was presented the inaugural **Malaysian Global Brand Icon of the Year Award** by Deputy Prime Minister Dato' Sri Najib Tun Razak
- Winner of the **Best Newcomer Award** at the prestigious 2008 Budgie World Low Cost Airline Awards

- AirAsia Group CEO Dato' Sri Dr. Tony Fernandes was named the **Tourism Personality of the Year** at the Libur Tourism Awards 2008
- AirAsia and AirAsia Indonesia reaped honours at the prestigious **Friends of Thailand Awards 2008**
- AirAsia bagged the **Best Asia Low Cost Carrier Award** from TTG for the second time
- AirAsia emerged **Top 5 among the most recognised and admired airlines in the Asia-Pacific region** in the Asia Pacific Top 1,000 Brands survey
- AirAsia Group CEO Dato' Sri Dr. Tony Fernandes was **appointed to the Board of Directors of Malaysia Tourism Promotion Board**
- AirAsia was awarded the **PIKOM ICT Organisation Excellence Award** at the PIKOM ICT Leadership Awards

>> 2007

- AirAsia Group CEO Dato' Sri Dr. Tony Fernandes was named the **Brand Laureate Brand Personality Asia Pacific**
- AirAsia ranked as one of **Asia's Best Emerging Companies with regards to Corporate Governance** by The Asset magazine



- AirAsia Group CEO Dato' Sri Dr. Tony Fernandes was awarded the **Minister's Special Recognition Award** by Sabah Tourism Awards 2007
- AirAsia was placed as the **Best Low Cost Airline in Asia** by Skytrax Research of London
- **Airline of the Year 2007** by Centre for Asia Pacific Aviation
- **Airline Human Capital Development Strategy Award** by Frost & Sullivan

>> 2006

- AirAsia Group CEO Dato' Sri Dr. Tony Fernandes was named the **Master Entrepreneur of the Ernst & Young Entrepreneur of the Year – Malaysia 2006**
- **Asia's Best Budget Airline** by SmartTravelAsia.com under the Best in Travel 2006 list
- **Asia's Top 100 Brand** by Media Magazine, Hong Kong

>> 2005

- AirAsia received the **Transport Company of Excellence Award** from Ports World Sdn. Bhd. and the Chartered Institute of Logistics and Transport Malaysia

- Asia's **Best Under a Billion** by Forbes
- AirAsia Group CEO Dato' Sri Dr. Tony Fernandes was named the **Asia Pacific Aviation Executive of the Year 2005**
- **Regional/Low Cost Leadership Award in Airline Business Strategy Awards 2005** by Airline Business

>> 2004

- AirAsia Group CEO Dato' Sri Dr. Tony Fernandes was named the **CAPA Asia Pacific Aviation Executive of the Year 2004**
- AirAsia was named the **Asia Pacific Low Cost Airline of the Year 2004** by the Centre for Asia Pacific Aviation (CAPA)
- AirAsia Group CEO Dato' Sri Dr. Tony Fernandes was one of the **25 Stars of Asia Honorees** listing by Business Week
- AirAsia was named the **Best Managed Company in the Airlines and Aviation Sector** by Euromoney
- AirAsia was named the **Best Newly Listed Company (3rd Place)** by Euromoney
- **Triple A Regional Award for Best Airline IPO for 2004** by The Asset magazine

- **Best IPO of the Year** by The Edge Singapore
- **Market Leadership Award** by Air Transport World

>> 2003

- AirAsia Group CEO Dato' Sri Dr. Tony Fernandes was named the **CEO of the Year** by Business Times and American Express
- AirAsia was named the **Asia Pacific Airline of the Year 2003** by the Centre for Asia Pacific Aviation (CAPA)
- **Developing Airline of the Year 2003** by Airfinance Journal
- **CIO Top 100 Honoree** for excellence in strategic IT deployment
- Given **Malaysian Superbrands** status by Superbrands International
- **airasia.com** voted as the most popular website for online shopping in the 11th Malaysia Internet User Survey conducted by ACNielsen Consult

MEDIA HIGHLIGHTS IN 2010

AirAsia sponsors British MotoGP



AirAsia brings back a free seats promotion

Two to Go dilancar



AirAsia eyes direct Perang-Asian flights

AirAsia world's best low-cost airline – Skytrax



AirAsia launches RP unit, eyes hub in either Subic or Clark



AirAsia launches 'Malaysian's Favourite Airline' campaign with fares from RM53

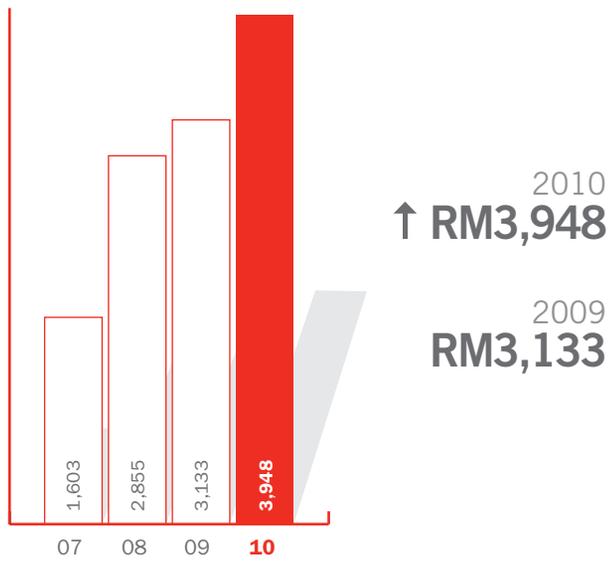


GROUP FINANCIAL HIGHLIGHTS

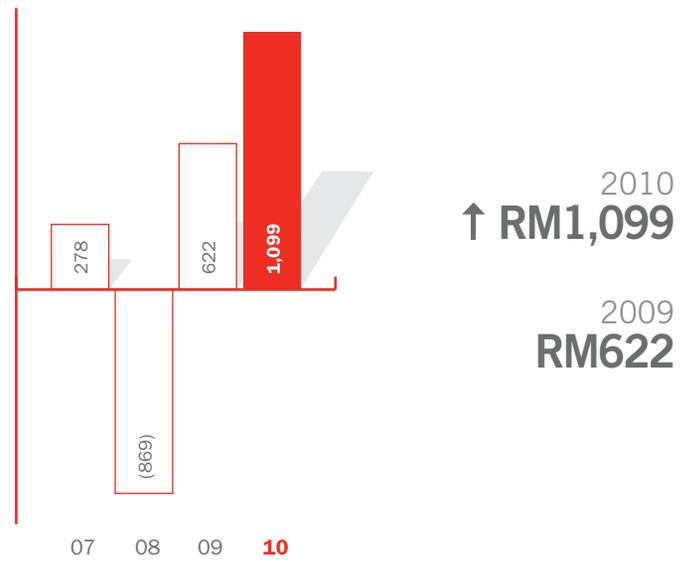
(RM MILLION, UNLESS OTHERWISE STATED)	For the year ended 30 June	For the 6 months ended 31 December	For the year ended 31 December		
	2007	2007	2008	2009	2010
Revenue	1,603	1,094	2,855	3,133	3,948
Total expenses	1,341	875	3,207	2,220	2,881
EBIT	262	219	(352)	913	1,067
Associates contributions	(4)	–	–	–	–
Profit before tax	278	277	(869)	622	1,099
Tax	220	149	373	(116)	(38)
Net income	498	426	(496)	506	1,061
BALANCE SHEET					
Cash & cash equivalents	595	425	154	746	1,505
Total Assets	4,779	6,430	9,406	11,398	13,240
Net Debt (Total Debt - Total Cash)	1,959	3,272	6,453	6,862	6,352
Shareholders' Equity	1,662	2,099	1,606	2,621	3,641
CASH FLOW STATEMENTS					
Net cash from operating activities	595	256	(416)	784	1,619
Cash flow from investing activities	(1,943)	(1,581)	(2,602)	(1,777)	(1,868)
Cash flow from financing activities	1,509	1,141	2,749	1,591	1,006
Net Cash Flow	161	(184)	(269)	598	757
CONSOLIDATED FINANCIAL PERFORMANCE (%)					
Return on total assets	10.4	6.6	–	4.4	8.0
Return on shareholders' equity	30.0	20.3	–	19.3	29.1
R.O.C.E. (EBIT/(Net Debt + Equity))	7.2	4.1	–	9.6	10.7
EBIT Profit Margin	16.3	20.0	–	29.1	27.0
Net Income Margin	31.1	38.9	–	16.2	26.9
CONSOLIDATED OPERATING STATISTICS					
Passengers carried	8,737,939	5,197,567	11,808,058	14,253,244	16,054,738
Capacity	11,140,764	6,621,276	15,660,228	19,016,280	20,616,120
Load factor (%)	78	78	75	75	78
RPK (million)	9,863	5,930	14,439	16,890	18,499
ASK (million)	12,391	7,919	19,217	22,159	24,362
Aircraft utilisation (hours per day)	12.0	11.9	11.8	12.0	12.2
Average fare (RM)	171	195	204	168	177
Yield Revenue per ASK (sen)	12.9	13.8	14.9	14.1	16.2
Cost per ASK (sen)	10.8	11.0	16.7	10.0	11.8
Cost per ASK - excluding fuel (sen)	5.2	5.4	9.5	5.8	6.9
Yield Revenue per ASK (USc)	3.65	4.04	4.45	4.02	5.03
Cost per ASK (USc)	3.06	3.23	5.00	2.85	3.67
Cost per ASK - excluding fuel (USc)	1.46	1.59	2.83	1.66	2.13
Number of stages	68,195	38,507	89,118	105,646	114,534
Average stage length (km)	1,088	1,183	1,207	1,166	1,184
Size of fleet at year end (Malaysia)	34	39	44	48	53
Size of fleet at year end (Group)	54	65	78	84	90
Number of employees at year end	2,924	3,474	3,799	4,597	4,702
Percentage revenue via internet (%)	65	65	70	76	77
RM-USD average exchange rate	3.54	3.42	3.34	3.52	3.22

Refer to page 226 for glossary.

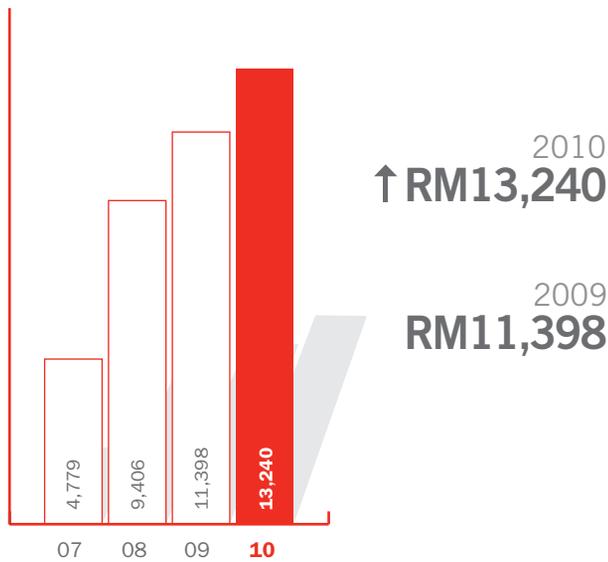
Revenue
RM Million



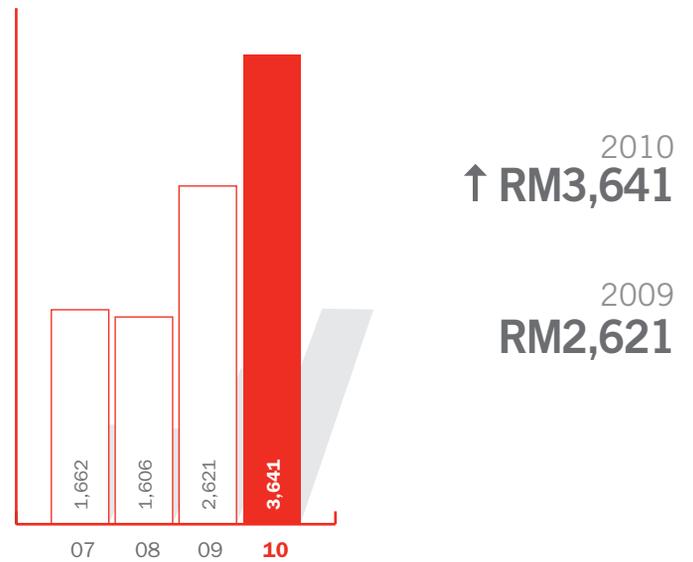
Profit Before Taxation
RM Million



Total Assets
RM Million

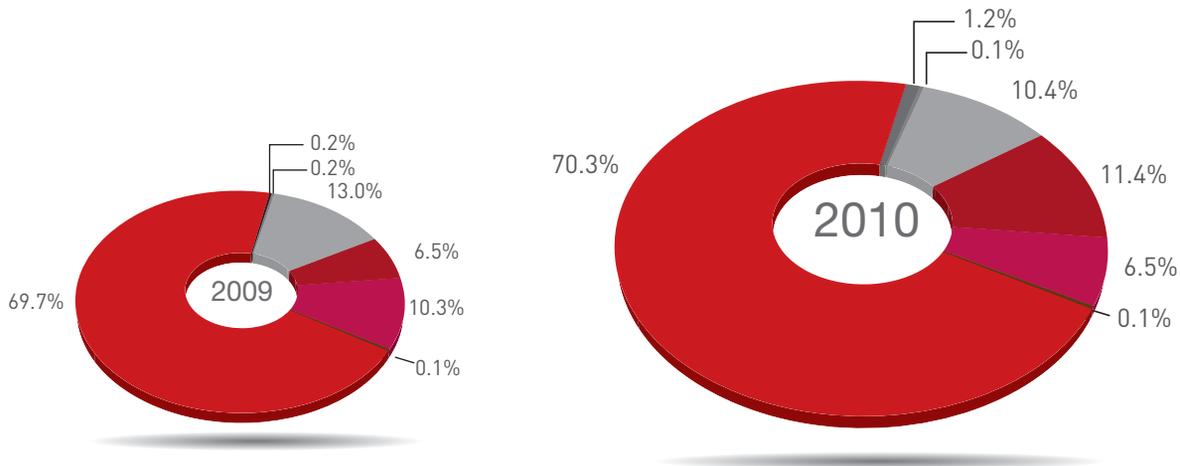


Shareholders' Equity
RM Million



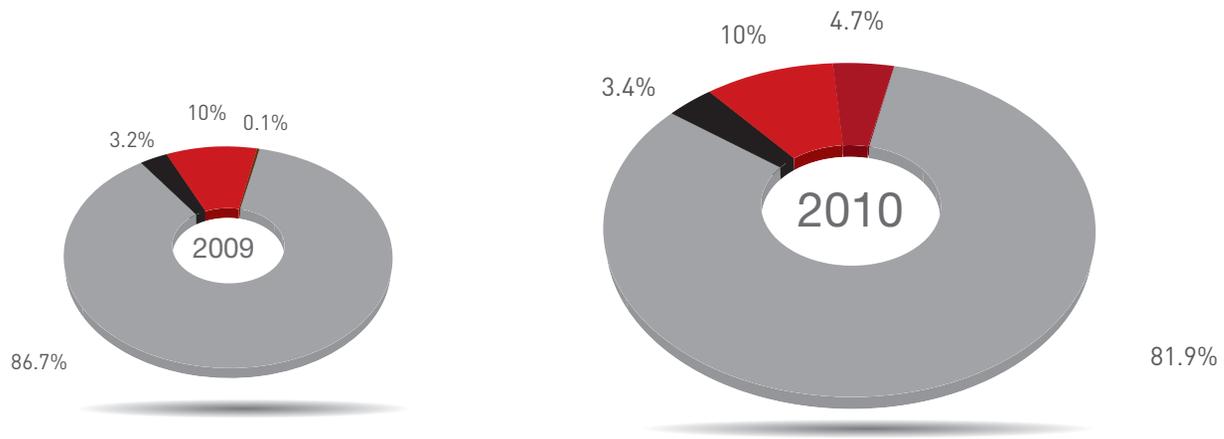
BALANCE SHEETS

TOTAL ASSETS



Available-for-sale Financial Assets ● Deposits, Cash and Bank Balances
 Other Investments ● Other Assets
 Inventories ● Goodwill
 Receivables & Prepayments ● Property Plant and Equipment

TOTAL LIABILITIES & SHAREHOLDERS' EQUITY

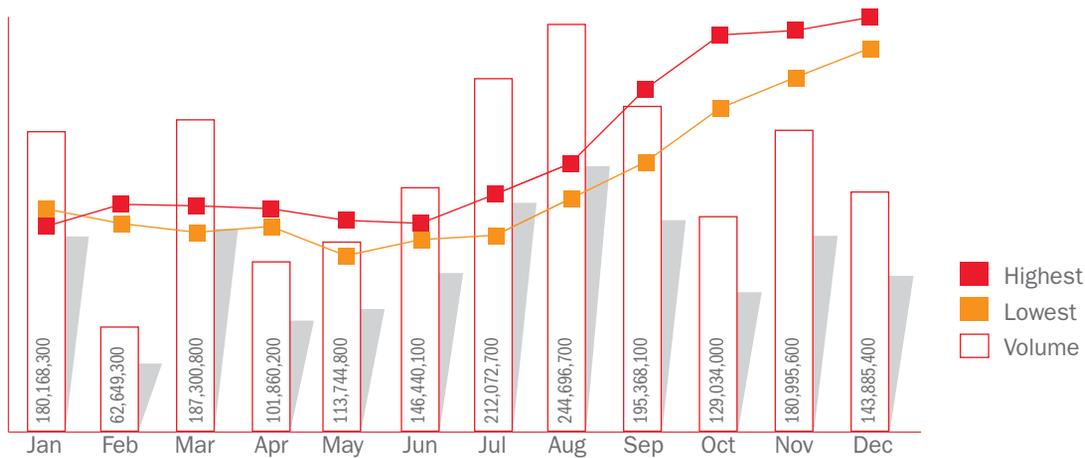


Borrowings ● Derivative Financial Instruments
 Sales in Advance ● Current Tax Liabilities
 Trade & Other Payables ●

SHARE PERFORMANCE

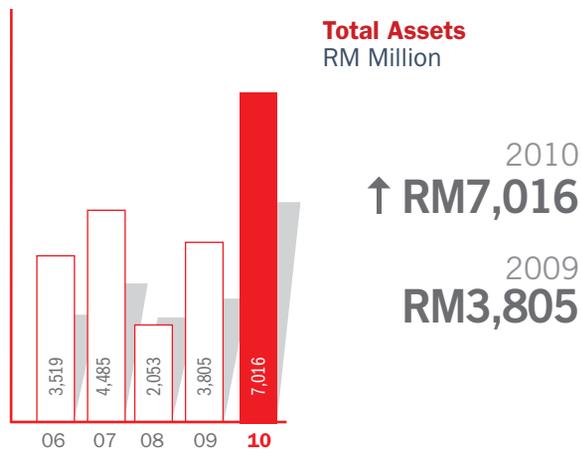
SHARE PRICE & VOLUME TRADED

2010 Monthly Trading Volume & Highest-Lowest Share Price



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Total Volume ('000)	180,168,300	62,649,300	187,300,800	101,860,200	113,744,800	146,440,100	212,072,700	244,696,700	195,368,100	129,034,000	180,995,600	143,885,400
Highest (RM)	1.31	1.46	1.45	1.43	1.35	1.33	1.53	1.74	2.25	2.62	2.65	2.74
Lowest (RM)	1.43	1.33	1.27	1.31	1.11	1.22	1.25	1.50	1.75	2.12	2.33	2.53

MARKET CAPITALISATION as at 31 December 2010





“ At AirAsia, we are all treated as equals. There’s no such thing as a male or female pilot. Only good or great pilots. It’s thanks to people like Dato’ Sri Dr. Tony Fernandes who advocate equal rights. ”



Nadira Ramli
AirAsia Pilot

AirAsia's flying woman

now everyone can fly

UNITING AROUND ONE GOAL: YOUR SUCCESS.



At Barclays Capital, your dedicated team is our entire company. Every relationship begins with a single point of contact. Then we build a unique team around your challenges, share knowledge among all our disciplines, and reach out across geographies to find the best ideas. So we can seamlessly deliver comprehensive solutions to even the largest and most complex problems. Our approach to teamwork is simply based on the way our clients see the world: find the best solutions for the challenge. At Barclays Capital, we know world-class solutions don't come from departments – they come from talented people who share a collective goal, your success.

Earn Success Every Day



Connecting Asia's capital markets with global investors.

Bank of the Year
IFR Awards 2010

Bond House of the Year
IFR Asia Awards 2009 & 2010

Best International Bond House
FinanceAsia Achievement Awards 2010

Passion to Perform



BOARD OF DIRECTORS

A photograph of four men in business suits walking on an airfield. They are walking from left to right. In the background, the tail section of a large white airplane is visible against a clear blue sky. The ground is a light-colored, reflective surface.

DATO' LEONG
KHEE SEONG

DATO' ABDEL AZIZ @
ABDUL AZIZ BIN ABU BAKAR

DATO' SRI DR.
TONY FERNANDES

DATO' KAMARUDIN
BIN MERANUN



MOHD OMAR BIN MUSTAPHA

CONOR MC CARTHY

DATO' FAM LEE EE

DATUK ALIAS BIN ALI

DATO' MOHAMED KHADAR
BIN MERICAN

DIRECTORS' PROFILE

DATO' ABDEL AZIZ @
ABDUL AZIZ BIN ABU BAKAR
Non-Executive Chairman



DATO' ABDEL AZIZ @ ABDUL AZIZ BIN ABU BAKAR, Malaysian, aged 58, was appointed as Non-Executive Director of the Company on 20 April 2005 and on 16 June 2008, he was re-designated to Non-Executive Chairman. He is also the Chairman of the Nomination Committee. Prior to this, he served as an Alternate Director of the Company to Dato' Pahamin Ab. Rajab since 11 October 2004. He also served earlier as a Director of the Company from 12 December 2001 to 11 October 2004. He is currently the Non-Executive Chairman of VDSL Network Sdn. Bhd. He is also the Chairman of PAIMM (Academy of Malaysian Music Industry Association) and PRISM (Performance and Artists Rights Malaysia Sdn. Bhd.), performers of recorded music collection society. From 1981 to 1983 he was Executive Director of Showmasters (M) Sdn. Bhd., an artiste management and concert promotion company. He subsequently joined BMG Music and was General Manager from 1989 to 1997 and Managing Director from 1997 to 1999. He received a Diploma in Agriculture from Universiti Pertanian Malaysia in 1975, his BSc in Agriculture Business from Louisiana State University, USA in 1978, and an MBA from the University of Dallas, USA in 1980.



DATO' SRI DR. TONY FERNANDES
Group Chief Executive Officer

DATO' SRI DR. TONY FERNANDES, Malaysian, aged 47, was appointed Group Chief Executive Officer of the company in December 2001. He is also a member of the Employees' Share Option Scheme Committee of the Board.

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

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

In 1999, DYMM Sultan Selangor Sultan Salahuddin Abdul Aziz Shah bestowed him the title 'Setia Mahkota Selangor' for his contributions to the Malaysian music industry. He was the recipient of the 'Recording Industry Person of the Year 1997' by the Recording Industry Association of Malaysia.

With AirAsia, he received accolades from international press and industry observers such as 'Airline Business Strategy Award 2005 and Low Cost Leadership' by Airline Business and 'Asia Pacific Aviation Executive' by the Centre for Asia Pacific Aviation (CAPA) for the year 2004 and 2005.

In July 2005, he was conferred the Darjah Datuk Paduka Tuanku Ja'afar (DPTJ) which carries the title Dato' by the Negeri Sembilan's Yang DiPertuan Besar Tuanku Ja'afar Tuanku Abdul, for his services rendered to the betterment of the nation and community. In 2006 and 2007, he bagged 'The Brand Laureate' Brand Personality for his exemplary performance, dedication and contribution towards the aviation industry in Malaysia.

In 2007, he was bestowed the Darjah Sultan Ahmad Shah Pahang (DSAP) which carries the title Dato' by the Pahang's KDYMM Sultan Haji Ahmad Shah ibni Almarhum Sultan Sir Abu Bakar Riayatuddin Al-Muadzam Shah for his services rendered to the betterment of the nation and community. In 2008, he was again

honoured by the Sultan with the Darjah Kebesaran Sultan Ahmad Shah Pahang Yang Amat Di Mulia which carries the title Dato' Sri.

The 'CAPA Legend Award 2009 (Aviation Hall of Fame)' recognised his influential actions for directly shaping the way the aviation industry has evolved, and the 'Airline CEO of the Year Award for 2009' from Jane's Transport Finance was for his success in leading and growing AirAsia into the world's best low-cost airline and Asia's largest.

In March 2010, he received an Honorary Doctorate of Business Innovation from Universiti Teknologi Malaysia (UTM) for his role in changing the face of aviation and in benefitting travelers and economies locally and in the region.

In April 2010, he was honoured with the title of 'Officer of the Legion d' Honneur' by the government of France for outstanding contributions to the French aviation industry. It is the highest rank of honour that the government of France can award to a non-French citizen.

The following month, he received the prestigious Nikkei Asia Prize in Tokyo for his contributions to the growth of Asia. The prize, given by leading Japanese newspaper publisher Nikkei Inc., recognised his role in democratising travel in Asia.

Fernandes also received the prestigious Forbes Asia Businessman of the Year 2010 award. He is the first Malaysian and Southeast Asian to receive the award.

In February 2011, he was awarded the Commander of the Order of the British Empire (CBE) honour by Her Majesty Queen Elizabeth II. The award was conferred on him for services in promoting commercial and educational links between the United Kingdom and Malaysia.

In April 2011, Tony was conferred Darjah Seri Paduka Mahkota Perak (S.P.M.P) which carries the title Dato' Seri at the Istana Iskandariah in Kuala Kangsar.



DATO' KAMARUDIN
BIN MERANUN
Group Deputy
Chief Executive Officer

DATO' KAMARUDIN BIN MERANUN, Malaysian, aged 49, was appointed Director of the Company on 12 December 2001. In January 2004, he was appointed Executive Director and on 8 December 2005, he was re-designated to Group Deputy Chief Executive Officer. He is also the Chairman of the Employees' Share Option Scheme Committee of the Board.

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

Dato' Kamarudin received a Diploma in Actuarial Science from University Technology MARA (UiTM) and was named the "Best Actuarial Student" by the Life Insurance Institute of Malaysia in 1983. He received a B.Sc. degree with Distinction (magna cum laude) majoring in Finance in 1986, and an MBA in 1987 from Central Michigan University.



CONOR MC CARTHY



DATO' LEONG KHEE SEONG

CONOR MC CARTHY, Irish, aged 49, was appointed Non-Executive Director of the Company on 21 June 2004. He heads the Safety Review Board of the Company. He is Managing Director of PlaneConsult, a leading aviation business solutions provider which he set up in 2000 which specialises in advising and establishing Low Cost Carriers.

Prior to establishing PlaneConsult, Conor was the Director of Group Operations at Ryanair from 1996 to 2000. Before joining Ryanair, he was the CEO of Aer Lingus Commuter. Prior to that, he was General Manager/SVP for Aer Lingus in the Marketing and Strategic Planning divisions.

He spent 18 years with Aer Lingus in all areas of the airline business from Engineering, Operations and Maintenance to Commercial Planning, Marketing and Route Economics to Finance, Strategic Management, Fleet Planning and General Management. He is a qualified Avionics Engineer and holds a First Class Honours degree in Engineering from Trinity College Dublin.

Mr. Mc Carthy is currently the Chairman of Dublin Aerospace, an MRO based in Ireland, and also serves as a Director on the Board of Pegasus Airlines in Turkey.

DATO' LEONG KHEE SEONG, Malaysian, aged 72, was appointed Independent Non-Executive Director of the Company on 8 October 2004. He is Chairman of the Audit Committee and a member of the Remuneration Committee of the Board. He was Deputy Minister of Primary Industries from 1974 to 1978, Minister of Primary Industries from 1978 to 1986 and a Member of Parliament from 1974 to 1990. Prior to this, he was a substantial shareholder of his family's private limited companies, which were principally involved in general trading. He was the Chairman of the General Agreement on Tariffs and Trade's Negotiating Committee on Tropical Products (1986 to 1990) and was the Chairman of the Group of 14 on ASEAN Economic Cooperation and Integration (1986 to 1987). He graduated with a degree in Chemical Engineering in 1964 from University of New South Wales, Australia. He is an Independent Non-Executive Director of TSH Resources Berhad and Industrial and Commercial Bank of China (Malaysia) Berhad.



DATO' FAM LEE EE

DATO' FAM LEE EE, Malaysian, aged 50, was appointed Independent Non-Executive Director of the Company on 8 October 2004. He is also a member of the Audit, Remuneration and Nomination Committees of the Board. He received his BA (Hons) from the University of Malaya in 1986 and an LLB (Hons) from the University of Liverpool, England in 1989. He obtained his Certificate of Legal Practice in 1990 and has been practising law since 1991 and currently is a senior partner at Messrs YF Chun, Fam & Yeo. He also serves as a Director of M-Mode Berhad.

DATO' MOHAMED KHADAR
BIN MERICAN

DATO' MOHAMED KHADAR BIN MERICAN, Malaysian, aged 55, was appointed Independent Non-Executive Director of the Company on 10 September 2007. He is also a member of the Safety Review Board and Audit Committee of the Board. He has had more than 25 years' experience in financial and general management. He has been an auditor and a management consultant with an international accounting firm, before joining a financial services group in 1986. Between 1988 and April, 2003, Dato' Khadar held several senior management positions in Pemas International Holdings Berhad (now known as Tradewinds Corporation Berhad), a company listed on the Main Market of Bursa Malaysia Securities Berhad, including as President and Chief Operating Officer. He is a member of both the Institute of Chartered Accountants in England and Wales and the Malaysian Institute of Accountants. He is also presently a Director of Rashid Hussain Berhad, RHB Capital Berhad, RHB Investment Bank Berhad (formerly known as RHB Sakura Merchant Bankers Berhad) and ASTRO All Asia Networks PLC.



DATUK ALIAS BIN ALI



MOHD OMAR BIN MUSTAPHA

DATUK ALIAS BIN ALI, Malaysian, aged 63, was appointed Independent Non-Executive Director of the Company on 23 September 2005. He is also the Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees of the Board.

Prior to this, he had a long and distinguished career with the Government which began soon after his graduation from the University of Malaya in 1970. He started as an Administration Trainee Officer in the Statistics Department. He subsequently joined the Prime Minister's Department as Administration Development Officer. Whilst still with the department, he completed his Master in Business Management and assumed the position of Head of Department (Consultancy) at the National Institute of Public Administration (INTAN) in 1975.

Over the next 15 years with the Government, he held various senior positions in several Ministries and Department including as Deputy Director of Training (Operations) in the Public Services Department, Under Secretary (Establishment and Services) in the Ministry of Works and Director of Industrial Development Division in the Ministry of Trade and Industry. He moved back to the Prime Minister's Department in 1990 as Cabinet Under Secretary. In June 2000, he was appointed Secretary General of the Ministry of Health, a post he held until his retirement in March 2004.

Datuk Alias received a Master in Business Management from the Asian Institute of Management, Philippines in 1975 and a Bachelor of Economics (Honours) from the University of Malaya in 1970. He is also presently a Director of FIMA Corporation Berhad, CCM Duopharma Biotech Bhd. and Melati Ehsan Holdings Bhd.

Notes:

Family Relationship – None of the Directors has any family relationship with any director and/or major shareholder of AirAsia.

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

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

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

MOHD OMAR BIN MUSTAPHA, Malaysian, aged 39, was appointed as Independent Non-Executive Director of the Company on 16 March 2011.

He co-founded Ethos & Company in June 2002. He led Ethos as Managing Partner from 2002 to 2010, and became Chairman of the firm in January 2011.

As Managing Partner he provided the overall stewardship for the partnership group and associates, and guides the thought leadership and client development agenda of the firm. In 2004, he took a sabbatical from Ethos to serve as Special Assistant to Deputy Prime Minister Dato' Sri Najib Tun Razak for economic, corporate sector and foreign policy issues. He re-joined Ethos as Managing Partner in 2006 upon the untimely passing of his partner and co-founder Dr. Liew Boon Horng. In 2007, he co-founded Ethos Capital, a Malaysian based private equity firm focused on providing equity capital and management support to growth companies in Southeast Asia. Ethos Capital's maiden fund is in excess of RM200 million.

He has significant experience in the Malaysian and international corporate and government sectors, where he has engaged with and advised top level decision makers on issues of business strategy, public policy and regulatory engagement, corporate governance and leadership, performance and talent management. Prior to establishing Ethos, he was a consultant with McKinsey & Company based in Kuala Lumpur and London. He has served multinational clients in the telecoms, energy, media, retail, banking and government sectors in Southeast Asia, the Middle East and Western Europe. He started his career as a Corporate Planning Manager with Petronas and subsequently as a Vice President with the Multimedia Development Corporation.

He is a member of the National Economic Council chaired by the Prime Minister. He was elected by the World Economic Forum as a 2007 Young Global Leader and is a 2008 Eisenhower Fellow. He is a founder of the Young Leaders Programme of the World Islamic Economic Forum.

He graduated from Oxford University where he obtained his BA (Hons) and MA degrees in Politics, Philosophy and Economics. He has attended advanced leadership studies at the Harvard Kennedy School of Government.

He also serves as an independent non-executive director on the boards of Petroliaam Nasional Berhad and Symphony House Berhad.

SENIOR MANAGEMENT



From left to right: Bo Lingam, Dato' Kamarudin bin Meranun, Dato' Sri Dr. Tony Fernandes, Tassapon Bijleveld, Captain Dharmadi

Dato' Sri Dr. Tony Fernandes
Group Chief Executive Officer

Details of Dato' Sri Dr. Tony Fernandes are disclosed in the Directors' Profile on page 43 of this Annual Report.

Dato' Kamarudin bin Meranun
Deputy Group Chief Executive Officer

Details of Dato' Kamarudin Meranun are disclosed in the Directors' Profile on page 44 of this Annual Report.

Tassapon Bijleveld
Chief Executive Officer
AirAsia Thailand

Tassapon joined AirAsia Thailand in 2003 as Chief Executive Officer and is entrusted with the responsibility of overseeing all aspects of the airline's operations as well as driving growth in Thailand. Tassapon has more than 12 years' experience in the consumer products industry, having worked in various countries in Southeast Asia and Indochina for two Fortune 500 companies – Adams (Thailand) Co. Ltd. (a division of Warner Lambert) and Monsanto (Thailand) Co. Ltd. Prior to joining AirAsia he was Managing Director of Warner Music (Thailand) Co. Ltd. for five years.

Captain Dharmadi
Chief Executive Officer
AirAsia Indonesia

Dharmadi joined AirAsia Indonesia in 2007 as Chief Executive Officer. He has more than 32 years' working experience in Garuda Indonesia Airlines, holding several managerial positions such as Flight Crew Training Manager, Training Centre Director, Senior Vice President-Procurement, and Executive Vice President-Operations. He also served as a Captain Pilot B747-400 Flight Crew in Asiana Airlines, Korea from 2005-2007. He holds a Bachelor of Technical Engineering degree from Indonesia, and a Master of Management (International Marketing Management) degree from PPM Business School, Indonesia.

Bo Lingam
Chief of Operations and Planning

Bo has worked extensively in the publication and music industry at various production houses. He joined AirAsia in 2001 as Ground Operations Manager. Prior to his current appointment as Regional Head of Operations, Bo held several other key roles at AirAsia including as Regional Director – Guest Services and Senior Manager – Purchasing and Supplies before he was seconded to AirAsia Thailand to oversee and assist in the initial set-up of AirAsia Thailand operations in Bangkok.



From left to right: Johan Aris Ibrahim, Aireen Omar, Rozman bin Omar, Kathleen Tan, Andrew Littledale, Mazliana binti Mohamad

Rozman bin Omar

Regional Head – Finance

Rozman Omar FCCA is our Regional Head, Finance. He was part of the team tasked with the flotation of AirAsia Berhad on Bursa Malaysia in 2004 and was also involved in the formation of AirAsia's joint ventures in Thailand and Indonesia. He was previously Chief Financial Officer of AirAsia Indonesia until 2006. He has over 22 years of corporate finance experience with various financial institutions prior to joining the Group.

Kathleen Tan

Regional Head – Commercial

Listed by 4 Hoteliers, a leading hotel and travel news portal in the industry, as one of Asia's top 10 most influential women in the travel industry, Kathleen helped AirAsia grow from a young airline to a global and powerful brand in the aviation industry. An opportunist marketer and strong advocate of social media, Kathleen was one of the first group of marketers to embrace digital, social media and mobile marketing as tool to engage with AirAsia guests. At AirAsia, Kathleen oversees a huge portfolio that includes Revenue Management, Marketing, Branding, Social Media, Sales & Media, Communications, Social Media, Mobile and AirAsiaGo.

Andrew Littledale

Group Financial Controller

Andrew has had nearly 22 years' experience in the banking and industry sectors, having worked in various countries such as Chile, Egypt and the United Kingdom. Prior to joining AirAsia, he was the Chief Financial Officer for AirAsia X since its inception in 2007. Andrew's other appointments include Group Reporting Manager of Cookson plc, Group Management Accountant of FKI plc in London and Group Financial Accountant with Blue Circle Industries plc, London. He holds a bachelor's degree in Zoology from the University of London and is an ACMA qualified accountant. Andrew is also a holder of a JAA Private Pilot's License.

Aireen Omar

Regional Head

Corporate Finance & Treasury

Aireen joined AirAsia in 2006 and is currently in charge of corporate finance, treasury, investor relations and fuel procurement. She started her career with Deutsche Bank Securities in New York. She moved back to Malaysia in 2001 to join the Maybank Group where she originated, structured and executed debt securities, including Islamic securities. In 2003, she joined Bumiwerks Capital Management where she executed asset securitisation, structured finance and project finance securities, including the issue of Malaysia's first residential mortgage-backed securities. Aireen graduated with a B.Sc. in Economics from London School of Economics and Political Science and an MA in Economics from New York University.

Johan Aris Ibrahim

Regional Head

Financial Services & Loyalty

Johan Manages Regional non flight ancillary products/services portfolio which includes Financial Products which includes Insurance, Co brand credit cards, savings account, e Gift Voucher and Payment, Loyalty Programme, Online entertainment ticket – airasiaredtix.com and Merchandise – in-flight and online-airasiamegastore.com

Johan has varied consumer marketing experience with specialisation in customer loyalty management and database marketing. He has been involved in various industries ranging from oil and gas, banking, and airlines, to name a few.

He started his career with Shell Malaysia in various capacities including development and launch of new products to the market. One of his specific involvements in Shell was in the set up and launch of Bonuslink, the first multi party loyalty programme in Malaysia. He then moved on to set up RealRewards, another multiparty loyalty programme, adding a touch of vibrancy and competition to the industry which was still nascent, at that point in time, in Malaysia. He then moved to banking and spent three years with Maybank. While in Maybank he was instrumental in purchasing the AMEX franchise in Malaysia and establishing the TreatsPoints programme, amongst other things. He enjoys new and "unexpected" challenges. He holds

an Actuarial Science degree from the London School of Economics and Political Science.

Mazliana binti Mohamad

Regional Head – Audit and Consulting Service

Mazliana Mohamad was appointed the Regional Head of Audit and Consulting Services in 2010. Her main responsibilities include providing independent and objective assurance and consulting services designed to improve the effectiveness and efficiency of AirAsia's operations and integrity of the financial reporting and to ensure compliance with applicable laws and regulations.

She has over 14 years of experience in diverse fields that include auditing, management consulting, corporate governance and accounting. She began her career with a financial institution in 1997, gaining banking experience in accounting, Basel II, internal auditing, project management and EWRM. She had also assisted development banks in the implementation of their respective ERM frameworks. Before joining AirAsia, she was with a government-owned company where she was responsible for establishing internal audit function and independently reviewing the national-level ICT strategic initiatives/projects. She holds an honours degree in accounting and is Certified Internal Auditor (USA). She is a Chartered Member of Institute Internal Auditor and Chartered Accountant (Malaysia).



From left to right: Ashok Kumar, Captain Chin Nyok San, Dato' Abdul Nasser Abu Kassim, Captain Adrian Jenkins, Azhari bin Mohd Dahlan, Kamarulzaman bin Ahmad

Kamarulzaman bin Ahmad
Regional Head – Strategy, Innovation and Customer Experience

Kamarulzaman Ahmad joined AirAsia the regional low-cost airline carrier, in September 2010 after serving PETRONAS for 13 years. Among Zaman's achievements there was his five year involvement from 2000 – 2005 as Electronic Systems Engineer for Team Sauber PETRONAS F1 race team based in Hinwil, Switzerland, and as Senior Manager of the Frontier Technology Unit, Research & Technology Division of PETRONAS. His last position was as Head of Technical Services at PETRONAS Ammonia in Terengganu, Malaysia. Zaman graduated with a Bachelor of Engineering degree in Electrical and Electronics from Imperial College, London, United Kingdom. Apart from English and Bahasa Malaysia, Zaman also speaks German.

Captain Adrian Jenkins
Regional Head – Flight Operations

Captain Adrian joined AirAsia in 1996, when the airline was under HICOM Holdings Berhad. Prior to his appointment as Regional Head for Flight Operations in September 2006, he served AirAsia in various positions including as an Instructor and Company Check Airman, Assistant Chief Pilot – Training and

Standards and Assistant Chief Pilot – Operations. He also helped in the setting up of AirAsia Thailand's flight operations and pilot training. His current portfolio includes operations, training standard, flight crew and network management.

Azhari bin Mohd Dahlan
Regional Head – Engineering

Azhari joined AirAsia in 2004, overseeing the Group's airline engineering functions in Malaysia, Indonesia, Thailand and the new regional joint venture Airlines. Prior to that, Azhari was Manager, Planning and Logistics for AirAsia Berhad. His current Regional portfolio includes Maintenance and Engineering Technical Services, Contract and Warranty, Quality Assurance, Projects Unit, Data Management, Engineering Purchasing and Logistics Departments. Azhari is a Licensed Aircraft Engineer.

Captain Chin Nyok San
Regional Head – Business Development

Captain Chin Nyok San was one of the pioneers of AirAsia, then under HICOM Holdings Berhad. Captain Chin has been the Head of Business Development since January 2005. His current portfolio includes joint venture and business development.

His team established the AirAsia Thailand aircraft operating certificate as well as reactivating AirAsia Indonesia's aircraft operating certificate and revitalising the business unit. He has over 30 years of experience in the airline industry. He is a licensed pilot for multiple types of aircraft, a training Captain, an authorised examiner, and has also served as flight operations manager.

Dato' Abdul Nasser Abu Kassim
Regional Head – Government & Middle East Business Development

Dato' Nasser served as Regional Director, In-flight Services, Charter and Cargo for AirAsia before focusing his efforts on the large business as Regional Head of Cargo on the cargo business unit. Appointed to his current position in July 2009, his portfolio includes business development for the government and the Middle East. His prior appointments at AirAsia include that of Country Director of AirAsia Indonesia and Executive Director, Business Development managing AirAsia's Haj operations, cargo, charter and in-flight services. Dato' Nasser had an illustrious 18-year career at Warner Music Malaysia Sdn. Bhd. where he held various key positions. As one of the pioneers in the Malaysian music industry, he managed some of the biggest selling artists in Malaysia and was responsible for marketing these talents across Asia.

Ashok Kumar
Regional Head – Strategy, Airport and Planning

Ashok Kumar has been Regional Head of Strategy, Airport and Planning of AirAsia since January 2005. Prior to that, Ashok was Regional Director, Government and Business Relations. His current portfolio includes negotiating airport charges; developing, scheduling and planning of routes; fleet management and obtaining regulatory approvals; coordination of AirAsia's infrastructure developments and coordination with relevant authorities on the Group's needs for airport infrastructure. He has had more than 40 years experience in the airline industry, having worked at Malaysia-Singapore Airlines as Management Trainee/Marketing Executive from 1970 to 1972 and Malaysia Airlines from 1972 to 2003, where he held various key positions, including Assistant General Manager, Operations Planning, before joining the Company in 2003 as Senior Manager, Commercial Planning and Strategy. Ashok received a Bachelor of Applied Economics (Hons) degree from the University of Malaya in 1970.



From left to right: Adzhar Ibrahim, Amir Faezal bin Zakaria, Evelyn Koh, Lau Kin Choy, V. Raman Narayanan

Lau Kin Choy
**Regional Head – Innovation,
Commercial & Technology**

Lau Kin Choy has been Regional Head of Innovation, Commercial and Technology since 2009. From 2004 to 2008, he was the Regional Head of Information Technology & E-Commerce and prior to that the Chief Information Officer from August 2002. His current portfolio includes airline system, IT operations, intranet, networking, data relationship management, business intelligence, new media and payment channel. Prior to joining the Company, Lau was the General Manager of WEB Distribution Services Sdn. Bhd., a joint venture music distribution and logistic center for Warner Music, EMI Malaysia and BMG Music, from 1998 to 2002. Lau was a finalist for Pikom's 2006 CIO Recognition Award.

Evelyn Koh
**Regional Head of Legal –
Commercial and Compliance**

Evelyn came on board AirAsia as General Counsel at the end of 2006. Her legal career spans over 22 years of legal practice including acting as in-house Legal Counsel for Carlsberg, Channel 9 and Uniphone Telecommunications, where she also served all companies within the Sapura Group. Her experience covers a diversity of

businesses and industries which include manufacturing, property investment, telecommunications, IT, education, automotive, broadcast and multimedia. Evelyn holds an LL.B (External), from the University of London, UK and is currently the Regional Head - Legal, Commercial & Compliance of AirAsia Berhad.

Amir Faezal bin Zakaria
**Regional Head of Legal – Financial
& Strategic Services and
Operations**

Amir has a wide range of legal experience in areas of commercial laws, corporate finance, banking and transport. Prior to joining AirAsia, Amir had 13 years of experience as a legal practitioner in a number of Malaysian legal firms including Rashid & Lee (now Shahrizat Rashid & Lee) and Zaid Ibrahim where he specialised in corporate law, banking and finance as well as infrastructure projects. His current portfolio is to provide legal support to the group for aircraft financing, leases, joint ventures, engineering contracts as well as contracts relating to operations. He also manages litigation matters for the group.

Amir graduated with LLB (Hons) from Leeds Metropolitan University, is a member of the Honourable Society of Lincoln's Inn since 1992 and was called to the Malaysian Bar in 1993.

Adzhar Ibrahim
Regional Head – People

Adzhar has 29 years of working experience in human resources/people function, 24 of which at head level, in various companies involved in many sectors, such as semiconductor, healthcare, telecommunications, banking and a huge local conglomerate. He also has many experiences in start-ups, and was part of the start-up management team for Baxter Healthcare (Malaysian Operations) and Maxis. Prior to joining AirAsia as Regional Head People in January 2010, he was with DiGi Telecommunications Sdn. Bhd. His current portfolio are rewards and people services, industrial relations and compliance, corporate culture, resourcing and talent management, training and staffing.

V. Raman Narayanan
Regional Head – ASEAN Affairs

Raman joined AirAsia as Regional Head, Communications in 2009. An award-winning journalist, he began his career with The New Straits Times in 1973 before moving to The Star in 1977. He was named "Reporter of the Year" in the inaugural Malaysian Press Institute's awards in 1982. In 1988, he left for the United States, joining The Atlanta-Journal Constitution, where he served as Opinion Page Editor. During his tenure, the AJC

won several national awards for the section. In 1999, he became an editor at CNN International. In 2002, he moved back to the AJC as International Editor. He returned to Malaysia in 2007, serving as a media consultant to AirAsia before joining the airline full-time. In late 2010, Raman moved to the Group CEO's Office to assume the newly created position of Regional Head, ASEAN Affairs.

THAILAND

FROM LEFT TO RIGHT

Pornanan Gerdpraset – Chief Financial Controller
Bovornovadep Devakula – Director – Business Development
Preechaya Rasametanin – Director – Engineering
Tanapat Ngamplang – Director – Operations
Santisuk Klongchaiya – Director – Commercial





FROM LEFT TO RIGHT

Soeratman Doerachman – Advisor to Chief Executive Officer

H. Jafrie Arief – Director – Strategy, Airport & Planning

Perbowoadi – Director – Maintenance & Engineering

Widijastoro Nugroho – Director – Commercial

Capt. Poedjiono – Director – Flight Operations

Capt. Sonny Sasono – Director – Safety and Security

INDONESIA



“ The cabin crew made a very out-of-the-ordinary announcement: ‘Ladies & Gentlemen, for your information, AirAsia is all about making everyone’s dream come true. Today, AirAsia is going to make someone’s dream come true.’ I then proposed to my future wife. ”



Mr Lau Wei Lian
Kuching, Sarawak

A high-flying proposal

now everyone can fly

Congratulations to AirAsia. It all adds up.



100 million guests

10 years of success

1 leading low cost airline in Asia



Fueling Relationships Around the World™
at more than 6,000 locations in 200 countries and territories

World Fuel Services Corporation is a global leader in fuel logistics. We specialize in the marketing, sale and distribution of aviation, marine and land fuel products and related services. A proud supplier to AirAsia.

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CHAIRMAN'S STATEMENT

- + WHAT IS TRULY HEARTENING IS THAT WHILE WE STAY TRUE TO OUR BUSINESS MODEL OF KEEPING COSTS LOW, WE HAVE NOT DETRACTED FROM PROVIDING THE HIGH-QUALITY SERVICE THAT WE PROMISE OUR GUESTS – AS EXEMPLIFIED BY OUR WINNING THE WORLD'S BEST LOW COST AIRLINE AWARD FOR THE SECOND YEAR IN A ROW.



DATO' ABDUL AZIZ BIN ABU BAKAR
Chairman



DEAR FRIENDS,

IN MY STATEMENT IN THE 2009 ANNUAL REPORT, I CONCLUDED WITH THESE REMARKS: "...I PLEDGE THAT THERE WILL BE NO COMPLACENCY IN OUR FOCUS ON ALWAYS EXCEEDING THE EXPECTATIONS OF OUR GUESTS AND OUR STAKEHOLDERS."

IT IS WITH GREAT PRIDE AND IMMENSE SATISFACTION THAT I CAN SAY TODAY THAT WE HAVE KEPT OUR WORD. FOR 2010 WAS A STELLAR YEAR FOR THE GROUP – ONE THAT SAW THE TINY AND LOSS-MAKING CONCERN THAT WAS AIRASIA WHEN WE TOOK OVER IN DECEMBER 2001 ESTABLISH ITSELF AS THE UNDOUBTED FAVOURITE OF THE PEOPLE AND A MEMBER OF A VERY SPECIAL CORPORATE CIRCLE.

Why do I say so? Just three statistics, among many, should suffice: In 2010, just under nine years since we re-launched as a low-cost carrier, AirAsia flew our 100 millionth guest. That's 100 million people who may not have taken to the skies if not for our low fares, our route connectivity and our determination to fulfil our "Now Everyone Can Fly" promise. In 2010, also, AirAsia recorded profits of more than RM1 billion. Let me repeat that: RM1 BILLION. We made a higher profit than many corporations that have been listed on Bursa Malaysia for much, much longer than we have. For our shareholders, the year is historic as it's the first time the company is paying out dividends, of 3 sen per ordinary share of RM0.10. This is an additional reflection of the company's strong financial performance. I could go on about these achievements, but words are superfluous when the facts speak for themselves.

Of course, it has not always been smooth cruising. We have hit several turbulent patches along the way. Yet, with the commitment of our people, and their ability to innovate, we have always been able to overcome the challenges thrown our way. It is not without reason that we call members of the simply amazing AirAsia family our Allstars.



FACTS AT A GLANCE

>
No. of Passengers

25.7
million for the group



What is truly heartening is that while we stay true to our business model of keeping costs low, we have not detracted from providing the high-quality service that we promise our guests – as exemplified by our winning the World’s Best Low Cost Airline award for the second year in a row. The award is presented by the respected London aviation consultancy Skytrax, based on the votes of nearly 18 million air travellers worldwide. It proves that our guests truly enjoy travelling with us. Part of that, I believe, comes from the fact that we consistently seek to make their travel experience hassle-free through the creative use of technology. We are constantly improving on our IT systems to make travel as convenient and pleasant as possible. In 2010, we introduced the concept of self check-in as well as check-in through the web, kiosk and mobile. We also revamped our reservation system to increase its capacity and make it more efficient for guests’ booking and travel planning purposes.

Other than innovative IT, we also offer our guests an exceptional level of service. Our Allstars are fired with a passion that’s hard to find in any other organisation. We continuously receive comments, either via email or our live chat,

webmail or Twitter, on how our people have gone beyond the call of duty to iron out a problem. The social media is, in fact, a great channel through which we are able to obtain candid feedback from our guests; and here again we have proven to be beyond compare among our peers. We have more fans following us on Facebook than any other airline or transport company in the region for that matter.

There’s yet another reason why 2010 was a year to cheer. In 2010, we established a partnership to set up a venture in the Philippines – further expanding our network in ASEAN and enabling us to better serve this region many of us call home. We believe the potential is enormous for our latest affiliate. At the same time, we added several new routes connecting the ASEAN region with the wider global community. We have grown organically from a Malaysian to an ASEAN airline with 10 hubs in three countries in 2010, adding two more hubs in 2011. We have 132 routes – our “sky bridges” – that closely link the diverse communities and cultures of this 600 million-strong region. Based on the simple premise of

democratising air travel, we have helped promote local, regional and international tourism that has served to boost revenues in ASEAN. AirAsia has brought in more visitors to Malaysia than any other airline, and now we are doing the same for other countries in the region. Our route connectivity and flight frequency, coupled with our low fares, also serve as catalysts for economic growth in other industries, hence helping develop local economies.

I would like to take this opportunity to thank our more than 100 million guests for placing their faith in AirAsia and choosing us as their airline of choice. Let me assure you that your safety and comfort are always our top priority. I would also like to express deep appreciation to my fellow Board members for their contributions. A heartfelt thank you as well to our hard-working, creative and passionate team of AirAsia Allstars, under the exemplary leadership of Group CEO Dato’ Sri Dr. Tony Fernandes and Deputy Group CEO Dato’ Kamarudin Meranun. We are who we are today because of your commitment and your dedication.

As we near the end of our first decade and prepare to enter the next decade as a low-cost carrier, I’m confident that we are very well positioned to face the challenges ahead. Let me conclude, once again, with a pledge from our Board of Directors and the management: AirAsia will continue to do our utmost to exceed the expectations of all our guests and stakeholders.

Dato’ Abdul Aziz bin Abu Bakar
Non-Executive Chairman



AIRASIA HAS BROUGHT IN MORE VISITORS TO MALAYSIA THAN ANY OTHER AIRLINE, AND NOW WE ARE DOING THE SAME FOR OTHER COUNTRIES IN THE REGION. OUR ROUTE CONNECTIVITY AND FLIGHT FREQUENCY, COUPLED WITH OUR LOW FARES, ALSO SERVE AS CATALYSTS FOR ECONOMIC GROWTH IN OTHER INDUSTRIES, HENCE HELPING DEVELOP LOCAL ECONOMIES.



“ I’m so happy to be the 100 millionth guest to fly AirAsia! Now Dato’ Sri Dr. Tony Fernandes has even given me 100 flights for the next 100 years! This is truly wonderful as I fly frequently to India to visit my husband who is working there. ”

Irma Dewi
Indonesia



Our 100 millionth guest

now everyone can fly



GROUP CEO'S REPORT

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IN 2002, OUR FIRST YEAR OF OPERATION AS AN LCC, WE FLEW SOME 250,000 GUESTS. WE REACHED THE 50 MILLION MARK IN 2008. JUST TWO YEARS LATER, WE DOUBLED THE FIGURE TO 100 MILLION. THAT, IN A NUTSHELL, ENCAPSULATES OUR PHENOMENAL GROWTH THIS LAST YEAR.





+ WHAT MAKES THE ACHIEVEMENT EVEN MORE SATISFYING IS THAT OUR FINANCIAL PERFORMANCE IS KEEPING PACE WITH OUR AIRLINE'S GROWTH TRAJECTORY.... WE MADE A PROFIT OF MORE THAN RM1 BILLION IN 2010, THEREBY JOINING AN EXCLUSIVE CLUB IN THE CORPORATE WORLD.

DATO' SRI DR. TONY FERNANDES
Group Chief Executive Officer

FACTS AT A GLANCE

>
No. of Aircraft

90

>
No. of Airbus A320s

86

+

A MAJOR CONTRIBUTOR TOWARDS THE GROUP'S SIGNIFICANT INCREASE IN THE BOTTOM LINE WAS THE CONVERSION OF THE FLEETS IN THAILAND AND INDONESIA FROM BOEING B737 TO THE MORE FUEL-EFFICIENT AIRBUS A320.



October 2010 will always have a special place in the hearts of all AirAsia Allstars. That month, we got to meet Irma Dewi from Jakarta. What's so special about Irma Dewi? Well, she just happened to be the 100 millionth guest ferried by AirAsia since we relaunched the airline as a low-cost carrier (LCC) in January 2002. Mull on that a moment: in just under a decade, our once little airline has carried more than 100 million guests – that's three and a half times the population of Malaysia, and a sixth the entire population of ASEAN. It's 100 million people who may not have taken to the air if not for our low fares, the connectivity of our routes and the ease of travel we offer as part of our high-quality service.

The low fares are self-explanatory. But AirAsia's connectivity is fast becoming our signature trademark – going boldly where other airlines rarely, if ever, venture. Irma demonstrates this perfectly. She lives in Jakarta, her husband works in Tiruchirappalli (Trichy) in India. No ASEAN airline flew to Trichy until we decided to do so from Kuala Lumpur. With our low fare, we provided Irma the

opportunity to spend quality time with her husband, flying from Jakarta to Kuala Lumpur on one of our many flights between the two ASEAN capitals and connecting to Trichy.

Thinking back, it almost seems surreal what we've achieved. In 2002, our first year of operation as an LCC, we flew some 250,000 guests. We reached the 50 million mark in 2008. Just two years later, we doubled the figure to 100 million. That, in a nutshell, encapsulates our phenomenal growth this last year.

What makes the achievement even more satisfying is that our financial performance is keeping pace with our airline's growth trajectory. As outlined in detail below, we made a profit of more than RM1 billion in 2010, thereby joining an exclusive club in the corporate world. AirAsia was a loss-making concern owned by a government-linked company when we took it over in December 2001. Now, in just under a decade, we're a company that made RM1 billion in 2010. Again, take a moment to savour that fact.

Our growth has been possible because we are single-minded in our pursuit of the short-haul, point-to-point, high-turnaround model that allows us to keep costs low while pushing the boundaries of efficiency and productivity. Because of our determination not to stray from this course, we made the strategic decision in 2010 to let our sister airline AirAsia X, which has grown its own very successful model for long-haul travel, leave the nest. While we will still share the same website and branding, and feed off each other's routes for the benefit of our guests, AirAsia X will operate its own fleet, with its own crew, under its own management who are now based in their own corporate premises.

AirAsia continues to hold the distinction of having the lowest-cost operations in the world, enabling us to offer our guests the lowest fares. Our emphasis on keeping costs low does not, however, detract from our commitment to the highest levels of safety and service. We have an excellent safety record and an on-time performance that's improved significantly since we began converting our

Boeing B737 fleet to Airbus A320s. Incidentally, our fleet of 90 aircraft is the largest among LCCs in Asia and second largest among all ASEAN carriers, behind only Singapore Airlines. What's more, we're not just the best airline for people looking at affordable air travel; we're also one of the best airlines to invest in.

To think we've come this far in the relatively short space of nine years is, to be honest, something that's difficult for me to put into words. As I've emphasised in all our previous annual reports, we would not be where we are today if not for the outstanding group of people who make AirAsia work. Our more than 8,000 Allstars have proven time and again that with determination, passion, creativity and courage, we can achieve anything. Our dream has always been to serve the underserved. Our 100 millionth guest proves we've achieved that. Now, truly, everyone can fly.



+ AIRASIA'S REVENUE INCREASED FROM RM3.13 BILLION IN 2009 TO RM3.95 BILLION IN 2010. OUR PROFIT BEFORE TAX (PBT) RECORDED A 77% GROWTH FROM RM622.23 MILLION TO RM1.10 BILLION. THESE RESULTS ARE ALL THE MORE MEANINGFUL GIVEN THAT THE PRICE OF OIL AVERAGED US\$91.8 PER BARREL IN 2010 AS COMPARED TO US\$70.4 PER BARREL IN 2009, AND WE HAD GROWN OUR FLEET FROM 84 TO 90 AIRCRAFT.



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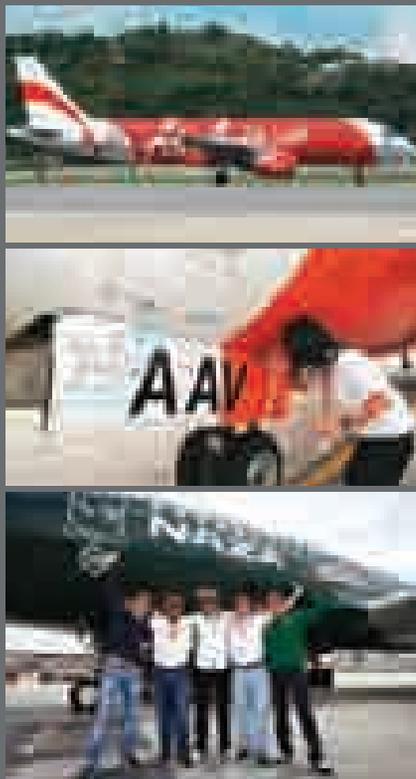
OUR MORE THAN 8,000 ALLSTARS HAVE PROVEN TIME AND AGAIN THAT WITH DETERMINATION, PASSION, CREATIVITY AND COURAGE, WE CAN ACHIEVE ANYTHING. OUR DREAM HAS ALWAYS BEEN TO SERVE THE UNDERSERVED. OUR 100 MILLIONTH GUEST PROVES WE'VE ACHIEVED THAT. NOW, TRULY, EVERYONE CAN FLY.

>
No. of Hubs

10
in 3 countries
(2 added in 2011)

>
No. of Routes

132



FINANCIAL PERFORMANCE

After two painful years experienced by the aviation industry, the recovering economy in 2010 revived flagging performances in general. Thanks to our strong fundamentals and unique business model, we were very well positioned to take advantage of the economic turnaround, allowing us to really soar.

AirAsia's revenue increased from RM3.13 billion in 2009 to RM3.95 billion in 2010. Our profit before tax (PBT) recorded a 77% growth from RM622.23 million to RM1.10 billion. These results are all the more meaningful given that the price of oil averaged US\$91.8 per barrel in 2010 as compared to US\$70.4 per barrel in 2009, and we had grown our fleet from 84 to 90 aircraft.

The fleet conversion in Thailand and Indonesia from Boeing B737s to the more fuel-efficient Airbus A320s contributed towards our profits. It also meant the two operations turned profitable for the first time. We celebrated AirAsia Thailand's full conversion in November 2010, and hope to do the same for our Indonesian affiliate by 2012, upon completion of the runway upgrade in Bandung. As of end 2010, AirAsia Indonesia had four remaining Boeing B737s.

AirAsia's performance was also boosted by increased revenue from our ancillary services. We managed to increase the average spend per guest with an expanded range of services and enhanced product offerings. Cargo and courier services also grew

substantially, posting a revenue of RM121.35 million in 2010 as compared to RM79.79 million in 2009. I am also pleased to see a stronger take-up in our inflight meals and beverage, which defines the quality of products that we provide. As most of the ancillary initiatives come at minimal cost, the revenue generated could easily be passed through to our bottom line.

In terms of our financial fundamentals, 2010 was notable in that the Group managed to decrease our gearing from 2.61 times in 2009 to 1.74 times, further endearing us in the eyes of analysts. At the same time, our Thai and Indonesian affiliates continued to repay the amount due to AirAsia, reducing by more than half their combined debt from RM823 million to RM376 million.

HIGHLIGHTS OF THE YEAR

Internally, in 2010, we improved on the design of our booking system to make it more convenient for use of guests. New Skies, as the state-of-the-art navigation system is called, literally takes our reservation capabilities to new heights. It is able to cope with up to a million online reservations a day and allows passengers to search for the lowest fare available for their trips, while also enabling them to book seats for multi-cities in one transaction. Operational savings accrued from this system will be passed on to guests in terms of attractive promotions and discounts. What is most impressive about New Skies is

the time it took to implement. Working round the clock, and with an uncommon zeal so typical of AirAsia, our Allstars managed to get the system up and going within nine months. In other major airlines, I'm told, the same process would have taken 18 to 24 months. Once again, kudos to our Allstars.

The system upgrade paid almost immediate dividends. A month after New Skies was operational, we launched a *Mind Blowing Fare* campaign, offering international and domestic flights for only RM1. During the previous free ticket campaign, in November 2009, we achieved record sales of 390,000 bookings on the first day, but also had to contend with the system repeatedly crashing. This time, we sold 538,000 tickets the first day of the campaign. And the system didn't register even a blip. We also set a new record of 36,871 seats sold in an hour, 47.5% more than the previous one-hour sales record of 25,000 seats.

Further improving the customer experience, we introduced self check-in kiosks at some of our airports, as well as the ability to check in via the web or internet-enabled mobile phones to minimise the hassle of queuing at check-in counters. We also expanded our menu so that it now offers healthier options including vegetarian meals, taking into account the cultural and religious mores of the diverse Asian communities.



EVERY YEAR, ALSO, WE HAVE MANAGED TO INCREASE THE AMOUNT EACH GUEST SPENDS ON ITEMS LIKE EXCESS BAGGAGE, PICKING THEIR SEAT, FOOD AND BEVERAGE ON FLIGHTS AND TRAVEL INSURANCE. IN 2010, ANCILLARY INCOME PER GUEST INCREASED TO RM44.

MAINSTREAMING OUR ANCILLARY INCOME

Ancillary income is important to AirAsia as it acts as a natural hedge against fluctuations in the price of oil. Every RM1 spent by a guest on ancillary items effectively acts as a buffer against a US\$1 per barrel increase in the price of oil. Needless to say, the more guests we carry, and the more they spend, the higher our ancillary income. Every year, we have managed to carry an increasing number of guests, as reflected in our passenger load. In 2010, the Group's combined passenger load increased to 78% from 75% in 2009, or to 25.68 million guests from 22.70 million guests. Every year, also, we have managed to increase the amount each guest spends on items like excess baggage, picking their seat, food and beverage on flights and travel insurance. In 2010, ancillary income per guest increased to RM44.

In true AirAsia style, we have been very strategic in developing our ancillary initiatives, making as much use as possible of our existing IT or aircraft infrastructure to ensure a steady and significant income stream

at low, or no, cost to us. For example, in 2010, we made use of our IT expertise to launch two online initiatives - AirAsiaRedTix.com and AirAsiaMegastore.com. AirAsiaRedTix.com, which made its debut on 8 March 2010, provides guests and fans access to some of the best music, sports and entertainment events around the world. The AirAsiaMegastore.com, as its name implies, is an online portal where the public can buy AirAsia collectibles as well as items from merchant partners, ranging from fashion and lifestyle products to travel paraphernalia, computers, IT gadgets, books, CDs and even home décor and appliances.

We also made better use of our aircraft belly space to carry more cargo. We have a natural advantage over other cargo operators given that our operational cost is the lowest in the world and we can therefore offer cheaper cargo rates. We also fly extensively and frequently around the region and therefore can deliver more quickly. To service markets we don't as yet cover, our enterprising team formed agreements with other airlines. As a result of these initiatives, our cargo services grew significantly in 2010, and we

were even named the Air Cargo Industry Newcomer of the Year 2010 at the ACW World Air Cargo Awards in Shanghai. AirAsia is the first low-cost carrier to win this award.

EXPANSION & THE ASEAN CONNECTION

A consistent focus at AirAsia has been to grow our network of routes and to increase the frequency of flights on the more popular ones, i.e. those with passenger loads of more than 80%. We managed to do both in 2010.

Last year, AirAsia Indonesia's target was to further expand its international network. Accordingly, it launched new routes such as Bali-Darwin, Medan-Kuala Lumpur, Surabaya-Bangkok and Surabaya-Penang. AirAsia Thailand, meanwhile, launched a first by linking two paradise destinations, Phuket and Bali, allowing sun-and-sea-seekers to hop from one beach paradise to another on a convenient, affordable AirAsia flight. Our Thai affiliate also launched the first Phuket-Ubon Ratchatani route, and strengthened its links with

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for the Aviation category



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Photo by Paul Ng on AirAsia

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STEPHENSON HARWOOD

India via flights from Bangkok to Kolkata and Delhi. India was, in fact, one of our hot zones in 2010; we launched five new routes to Bangalore, Chennai and Kolkata from Kuala Lumpur, Penang and Bangkok, offering a total of 134 weekly flights to this emerging economic powerhouse. India is an attractive destination for us not least because of its population of over 1.1 billion, many of whom are desirous to travel.

In total, we added 18 new routes in 2010, most of which further enriched our intra-ASEAN network, the others connecting our 10 ASEAN hubs with popular destinations such as Hong Kong, Taipei, Darwin and China.

In keeping with our promise to be Truly ASEAN, AirAsia is in the process of setting up a new affiliate in the Philippines. Through our fully-owned subsidiary AA International Ltd, we've formed a partnership with a group of individuals in the Philippines - Antonio Cojuangco Jr., Dr. Michael Romero and Marianne Hontiveros - to establish a low-cost airline in which we will own 40% equity. We are looking forward to this new venture, targeted to start at end 2011, as we believe the

Philippine market is ripe for a low-cost carrier serving both domestic and international routes. In fact, we believe the ASEAN region as a whole presents great potential for further expansion of the AirAsia franchise. The establishment of more regional affiliates will be an overarching theme to guide our onward journey in the years to come as we strive to serve the 600 million-strong region we all call home.

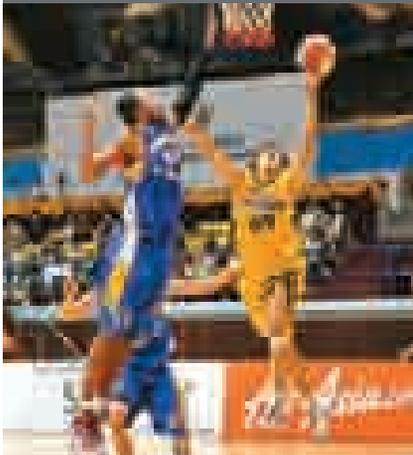
BRANDING OR BUILDING LOCAL HEROES

AirAsia has successfully increased our visibility and built a world-renowned brand by association with high-profile sports such as football, motor racing and basketball. In 2010, we further strengthened our branding initiatives by assuming two key title sponsorships - for the 2010 AirAsia British Grand Prix at Silverstone and for the ASEAN Basketball League's 2010/2011 season. Towards the end of the year, we signed up an exclusive three-year sponsorship deal with the champions of the previous season - the Philippine Patriots - who will act as towering ambassadors for the AirAsia brand.

Collaborating with the Sepang International Circuit (SIC), we put a Malaysian team - the Team AirAsia-Sepang International Circuit - in the 2010 MotoGP World Championships. Of the two riders, Muhammad Zulfahmi Khairuddin is Malaysian, and we are providing all the support possible to develop his racing finesse. Our objective, in addition to the mileage we get from these sporting events, is to groom local ASEAN sports heroes. With this in mind, in 2010, we also established the AirAsia-Team Lotus Driver Development Program under which we have recruited seven young aspiring racers from ASEAN as well as the UK, USA and Denmark. These racers will be given the best training in the hope of our uncovering some future stars.

IN TOTAL, WE ADDED 18 NEW ROUTES IN 2010, MOST OF WHICH FURTHER ENRICHED OUR INTRA-ASEAN NETWORK, THE OTHERS CONNECTING OUR 10 ASEAN HUBS WITH POPULAR DESTINATIONS SUCH AS HONG KONG, TAIPEI, DARWIN AND CHINA.





AIRASIA HAS SUCCESSFULLY INCREASED OUR VISIBILITY AND BUILT A WORLD-RENOWNED BRAND BY ASSOCIATION WITH HIGH-PROFILE SPORTS SUCH AS FOOTBALL, MOTOR RACING AND BASKETBALL.

ENTER THE NEW DECADE

After a year in which the global airline industry picked up pace again, the forecast for 2011 in general is good, with an element of caution. The global economy is anticipated to continue to improve; however political uncertainties in the Middle East, and the concomitant increase in oil price, could put a damper on the industry. IATA expects rising oil prices to offset the increase in demand for air travel, halving global airline net profits to 1.4% as compared to 2.9% in 2010. In addition, airlines face the possibility, as always, of weakened demand for air travel in the event of any natural disasters.

At AirAsia, we have always demonstrated a capability to cope successfully with any challenge that comes our way. We do not whinge and moan about the externalities we cannot control; instead, we focus on improving ourselves from within so as to transcend the perils of the moment and emerge stronger. Hence, we are closely monitoring the volatility in oil prices, but we are also taking proactive measures that minimise the impact on our costs (and, thus, our low fares for guests). We were the first airline to remove the fuel surcharge in November 2008, and even

while others maintained, or even increased, this surcharge with rising oil prices, we were loath to follow suit. Reluctantly, however, we acknowledge that it would be irresponsible in our management of the company if we continue to avoid doing so. Thus, we have re-imposed the fuel surcharge, but on a graduated scale depending on the length of the flight and in a manner that still helps to keep our fares lower than other airlines.

We have been through so many turbulent phases in the past that we now have a stress-tested senior management team in place – one that is exceptionally capable of leading our Allstars in overcoming the challenges we face. Every stormy period we have survived has strengthened the foundation on which we are built and will serve us well in our management of AirAsia. Indeed, we are confident enough of our fundamentals that we are going ahead with plans to acquire eight new aircraft in 2011, the financing for which has already been secured. If anything, we look forward to further expansion into ASEAN, aided by further liberalisation of regional routes under the ASEAN Open Skies Agreement. In short, we are optimists here at AirAsia – but it's an optimism tempered by reality.

As always, I thank our Allstars for their dedication, hard work and enthusiasm, which have kept the AirAsia flag, and planes, flying. We have over 8,000 creative minds from all over ASEAN and beyond working with us, inspiring the management with fresh ideas and challenging us continuously to reinvent ourselves. To our Allstars, a heartfelt thank you for all that you do. I would also like to thank our Board of Directors, and especially our Chairman, for continued guidance and wisdom. And, of course, a heartfelt thanks to our shareholders, our suppliers and all our other stakeholders for their support.

I believe we have built a phenomenal brand here together with the whole Allstar team in our first decade of operations. Having laid such a solid foundation, we are quietly confident of the potential and possibilities of the Group in our next decade of operations, which I am truly excited to be a part of.



Dato' Sri Dr. Tony Fernandes
Group Chief Executive Officer





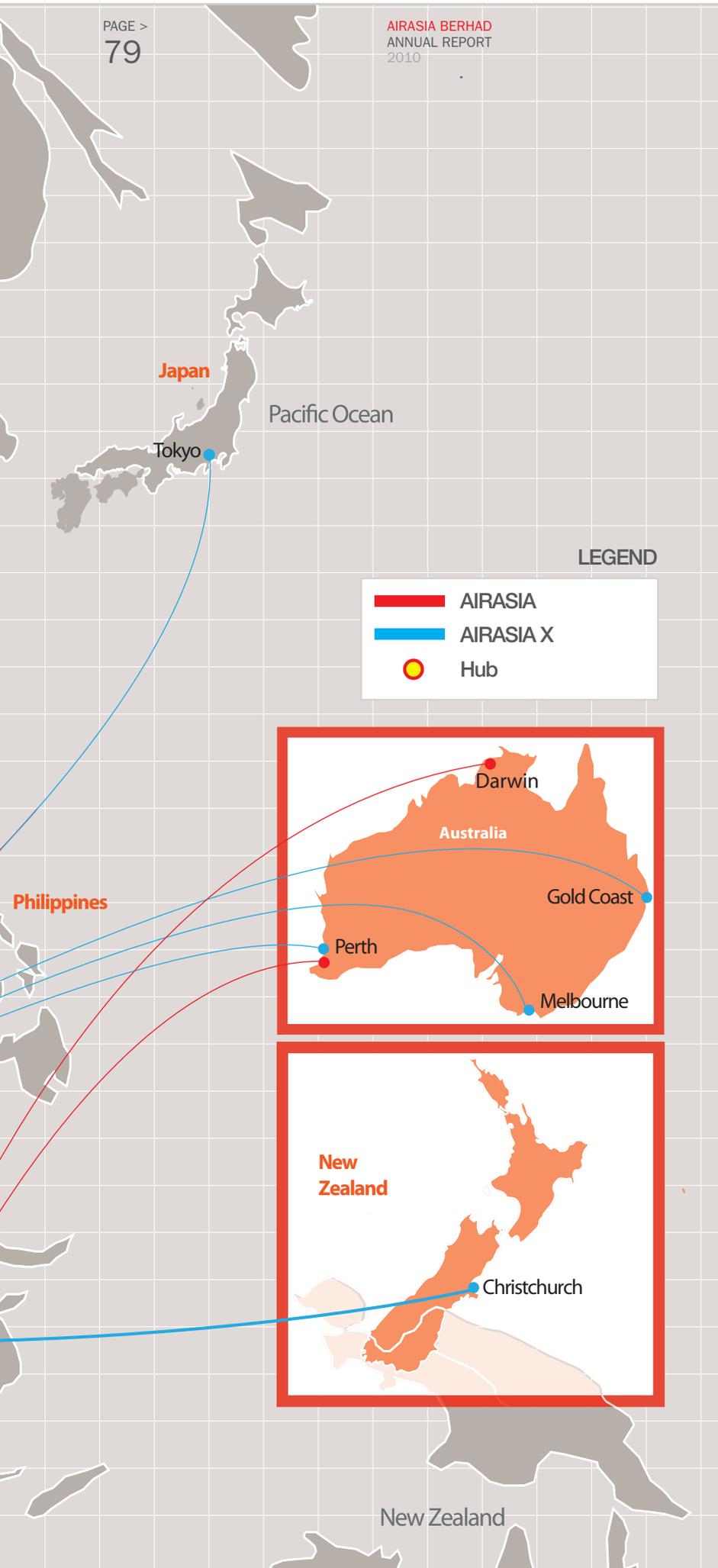
We received accolades for being the largest low-cost airline operating into Changi. In fact, Singapore's Changi Airport serves as a major virtual hub for AirAsia Group's flights to destinations in Malaysia, Thailand and Indonesia.



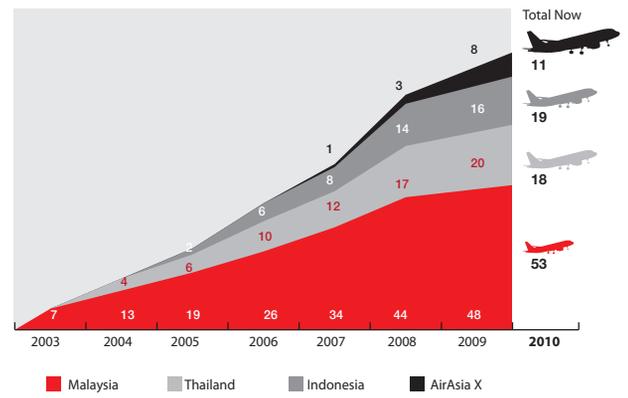
Merlion Park, Singapore



CONNECTING ASEAN AND BEYOND



Number of Aircraft for AirAsia Group and AirAsia X



No. of Routes Served by AirAsia Group and AirAsia X



+ NOW EVERYONE CAN FLY TO MORE THAN 65 DESTINATIONS ACROSS 3 CONTINENTS

AirAsia is not only the world's best low-cost airline, it is also the world's only truly ASEAN (Association of Southeast Asian Nations) airline. No other carrier - either low-cost or legacy - offers the kind of connectivity in ASEAN that we do, opening up avenues for the region's 600 million people, and linking them in ways that were not possible before.

We have built what we call sky bridges, connecting communities from each of the 10 ASEAN nations, namely Malaysia, Thailand, Indonesia, Vietnam, the Philippines, Laos, Cambodia, Myanmar, Brunei and Singapore. Among these sky bridges are some that are unique to AirAsia, creating new connections and opening new possibilities for local communities.

Of the 25.7 million guests flown in 2010, close to 65% were from ASEAN. It comes as little surprise that our 100 millionth guest, whom we celebrated in October 2010, was a young lady from the region. Irma Dewi is Indonesian.

AirAsia is the only airline with hubs in three countries, all in ASEAN. We have operational bases in Kuala Lumpur, Kuching,

Penang and Kota Kinabalu in Malaysia; Bangkok and Phuket in Thailand; and Jakarta, Bali, Bandung and Surabaya in Indonesia. In 2011, we have added Chiang Mai and Medan as new hubs in Thailand and Indonesia, respectively, and will be opening a new hub in Clark, the Philippines, towards year end.

Singapore, meanwhile, has grown into a virtual hub in just two years since we were given the rights to fly to the island republic in 2008, following the ASEAN Open Skies agreement. Previously served out of Bangkok by AirAsia Thailand, Singapore is now connected to four destinations in Indonesia, six in Malaysia and three in Thailand. The AirAsia Group is the largest low-cost carrier operating in Singapore in terms of flight frequency,

with more than 203 flights a week departing from Changi Airport. AirAsia's contribution to passenger traffic at Changi was recognised when it was named one of the top airlines in the passenger carriage category by the Changi Airport Group.

Why ASEAN? Quite simply, because it's our home. And it's a home base that offers huge potential in terms of growth. The region comprises one of the fastest growing middle-income populations in the world, with a combined GDP of US\$1.5 trillion. It is also a region ripe for air travel given that most of the countries are separated by vast bodies of water.

While AirAsia promotes intra-ASEAN travel like no other airline, we are also connecting the region and its people to the rest of the world. In 2010,





AirAsia added 23 new routes, both within ASEAN as well as between ASEAN and key cities in the Asia Pacific. In the process, we are promoting tourism and trade and helping develop local economies in other ways.

The setting up of affiliates in Thailand in 2003 and Indonesia in 2004 provided a veritable boost to the local economies of these countries.

AirAsia's various sports sponsorships reinforce our branding as an ASEAN airline, while promoting regional sporting events and contributing to the development of local sports heroes. We have promoted Asians in the MotoGP, in basketball and in Formula 1 racing. We also support the arts and culture of the region, highlighting events in our monthly inflight magazine

Travel3Sixty and promoting local artistes in any way we can. In February 2010, we launched the AirAsia Limited Edition Truly ASEAN Collection of postcards, coasters and notebooks with distinctive designs by artists from all 10 ASEAN countries.

Within AirAsia itself, we have actively recruited staff from across ASEAN. These Allstars serve as a continuous reminder to our guests and to us at AirAsia that we all belong to one huge family - that vibrant, colourful, diverse family called ASEAN.







In 2010, AirAsia Thailand increased its capacity by taking delivery of eight new A320 aircraft to become a full-fledged Airbus carrier with a fleet size of 19 aircraft. Which means the airline helped over 5.7 million guests from Thailand to reach new destinations such as India, China and other unchartered ASEAN destinations.



THAILAND >>

CELEBRATING A NEW ALL-A320 FLEET

- +** THE YEAR SAW AIRASIA THAILAND ADD SIX NEW ROUTES TO ITS EXISTING 26, INCREASING ITS NETWORK CONNECTIVITY TO 32 DESTINATIONS.



>
Revenue

THB **12.39** bil

>
Net Profit

THB **2.85** bil

The year 2010 was a turning point for AirAsia Thailand. It was the year in which the airline completed its conversion to an all-Airbus A320 fleet and when the six-year-old company turned profitable.

AirAsia Thailand increased its revenue 33% to THB12.39 billion, while improved operational efficiencies led to a net profit of THB2.85 billion, representing growth of 452% from 2009. The results point to superior management and performance, especially impressive given the political unrest in the country as well as devastating floods that brought Thailand to a standstill in October. AirAsia Thailand also

continued to record strong load factors, which it attributes to abiding by its promise to always put its guests first.

An in-depth documentary aired on Thai TV following a media trip to Toulouse went a long way towards boosting the image of AirAsia Thailand. Passengers now equate the airline with brand-new, quality aircraft and realise that they are getting real value for money by flying the low-cost carrier. A total of 5.7 million guests flew on the airline in 2010, marking an increase of 14% year-on-year, and contributing to an average load factor of 78%, up from 76% in 2009.





>
No. of Guests
5,704,832

>
No. of Destinations
32

>
No. of Hubs
2
(1 added in 2011)

Greater operational efficiencies derived from the fleet conversion led to significantly fewer flight delays, while the fuel-efficient aircraft also reduced costs to a considerable degree, adding to the company's bottom line. At the same time, AirAsia Thailand upgraded its online systems to facilitate guest bookings, and created greater passenger convenience by introducing self check-in kiosks as well as web check-in facilities. These customer-centric innovations were supplemented by attractive promotions. Although its average fare increased 9% from THB1,656 to THB1,804, this was primarily due to more international flights. Taken as a whole, AirAsia Thailand succeeded in keeping its fares low. All these changes were appreciated by guests, as reflected in the numbers.

In 2010, the airline enhanced its customer relationship management by launching the AirAsia Thailand Facebook fan

page which enables news of promotions and other exciting updates to spread very quickly. Allstars are encouraged to use the social media to create a stronger AirAsia brand throughout Thailand; even CEO Tassapon Bijleveld contributes to this via his personal Twitter account.

The year saw AirAsia Thailand add six new routes to its existing 26, increasing its network connectivity to 32 destinations. Notably, the airline has started tapping into the Indian market by opening routes to Kolkata and New Delhi which proved so popular that within two weeks of their launch, the flight frequencies were increased to daily. The airline also created a first by linking two popular ASEAN tourist destinations, Phuket and Bali, while adding to the travel convenience of Thais and visitors to Thailand by linking for the first time Phuket with Ubon Ratchathani and by introducing flights between Phuket and Udon Thani.

Having strengthened its network and increased its passenger load, AirAsia Thailand managed to further increase its market share in terms of LCC passengers carried at Suvarnabhumi Airport to 56% in 2010.

Prospects

In 2011, AirAsia Thailand will concentrate on building both its domestic and international networks, with a particular focus on China. To support its route expansion, the airline is increasing its fleet and is to receive three more A320s in 2011, the first of which was delivered in January. The other two will be delivered in the third and fourth quarters.

At the same time, the airline plans to build its brand via more strategic corporate responsibility initiatives, focusing on giving back to society using its key strengths in air transport and connectivity. The airline aims

to connect people, goods, knowledge and aid supplies when needed. It also plans to be more actively involved in local communities and festivities as well as in sports and concert sponsorships.

Tassapon Bijleveld
Chief Executive Officer
AirAsia Thailand

Congratulations

We are proud to be a part of your success



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THAILAND



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With four hubs in Indonesia and adding new destinations in other ASEAN countries, AirAsia Indonesia is poised to increase passenger traffic throughout the region. In fact, by striking the right balance between domestic and international routes, which is key to increasing yield and load factor, the airline flew close to four million guests in 2010.



Borobudur, Java, Indonesia

- ✦ AS PART OF AN AGGRESSIVE INTERNATIONAL ROUTE EXPANSION PLAN, IT LAUNCHED THREE NEW INTERNATIONAL ROUTES, SURABAYA-BANGKOK, SURABAYA-PENANG AND BALI-DARWIN, AND ALSO ADDED ONE MORE DAILY FLIGHT FOR HIGH-YIELD INTERNATIONAL ROUTES SUCH AS SURABAYA-KUALA LUMPUR, BALI-KUALA LUMPUR AND BALI-PERTH.



In 2010, AirAsia Indonesia had a fleet of 18 aircraft operating out of four hubs in Jakarta, Bali, Bandung and Surabaya. It added a fifth hub - Medan - in 2011. While serving key domestic routes, the airline has been focusing on developing its international network which now reaches out to Singapore, Malaysia, Australia and Vietnam.

As part of an aggressive international route expansion plan, it launched three new international routes, Surabaya-Bangkok, Surabaya-Penang and Bali-Darwin, and also added one more daily flight for high-yield international routes such as Surabaya-Kuala Lumpur, Bali-Kuala Lumpur and Bali-Perth. Bali has been a phenomenal hit among Australians as it is seen as an affordable paradise destination for the middle class,

and this has contributed to the four daily flights from Perth. These initiatives contributed to an increase in the number of passengers flown, 70% of whom were international guests.

A positive development in its vision to spread its wings internationally was recognition by the European Union of AirAsia Indonesia's compliance with international safety standards and practices. This led to the EU officially lifting a ban on AirAsia Indonesia in July 2010, and opening the European market to this ambitious airline.

In addition to its international expansion, AirAsia Indonesia connected Surabaya with Medan and increased the frequency of the popular Jakarta-Bali route during weekends and the holiday seasons.

AirAsia Indonesia recorded a revenue of IDR2,764 billion in 2010, up by 37% from IDR2,016 billion achieved in 2009. Despite a hike of 15% in average base fares, the number of passengers carried increased 13% year-on-year to 3,921,039, while its load factor rose 3 percentage points to 77%. The airline grabbed a 41.19% market share in international travel, making it the leading international airline in the country. Ancillary income revenue contributed significantly to the airline's bottom line, growing 81% year-on-year, with an average spend per passenger of IDR123,308. For the full year, AirAsia Indonesia generated IDR474.41 billion in net profit, recording growth 351% year-on-year.





INDONESIA >> TRULY INTERNATIONAL AIRLINE

>
Revenue

IDR **2,764**bil

>
Net Profit

IDR **474.41**bil





No. of Aircraft <

18

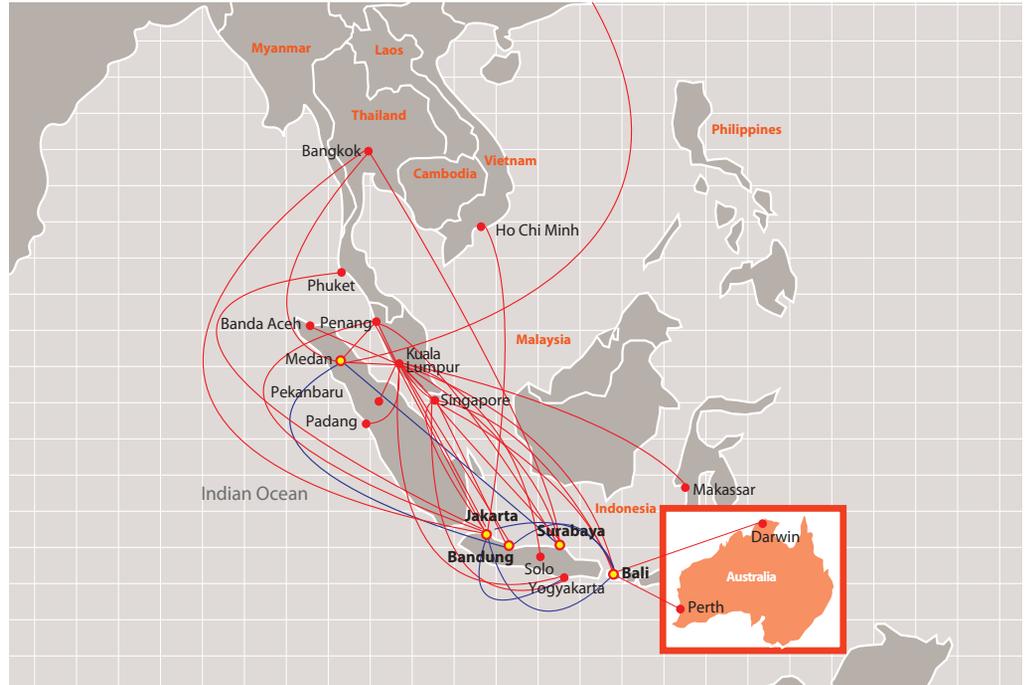
No. of Hubs <

4

(1 added in 2011)

No. of Passengers <

3,921,039



The airline focused largely on innovation to improve its performance. Among the customer-centric innovations introduced in the year were applications that enable guests to book their flights on their smart phones as well as to self check-in using mobile phones or at self check-in kiosks in the airport. AirAsia Indonesia also connected more positively and effectively with passengers via the social media. In 2010, it launched Facebook and Twitter accounts, both of which have proven to be very popular.

To promote both its international and domestic routes, the airline organised two travel fairs in 2010 - in Jakarta and Surabaya - which attracted over 20,000 visitors and 18,000 visitors, respectively. Motivated by the success of these, the airline has plans for road shows in Jakarta, Bandung and Surabaya in 2011.

AirAsia Indonesia was named Best Low Cost Airline at the 2010 Indonesia Tourism Award on 2 December 2010. The airline attributes the award, and its many other successes, to its people and its culture of open communication.

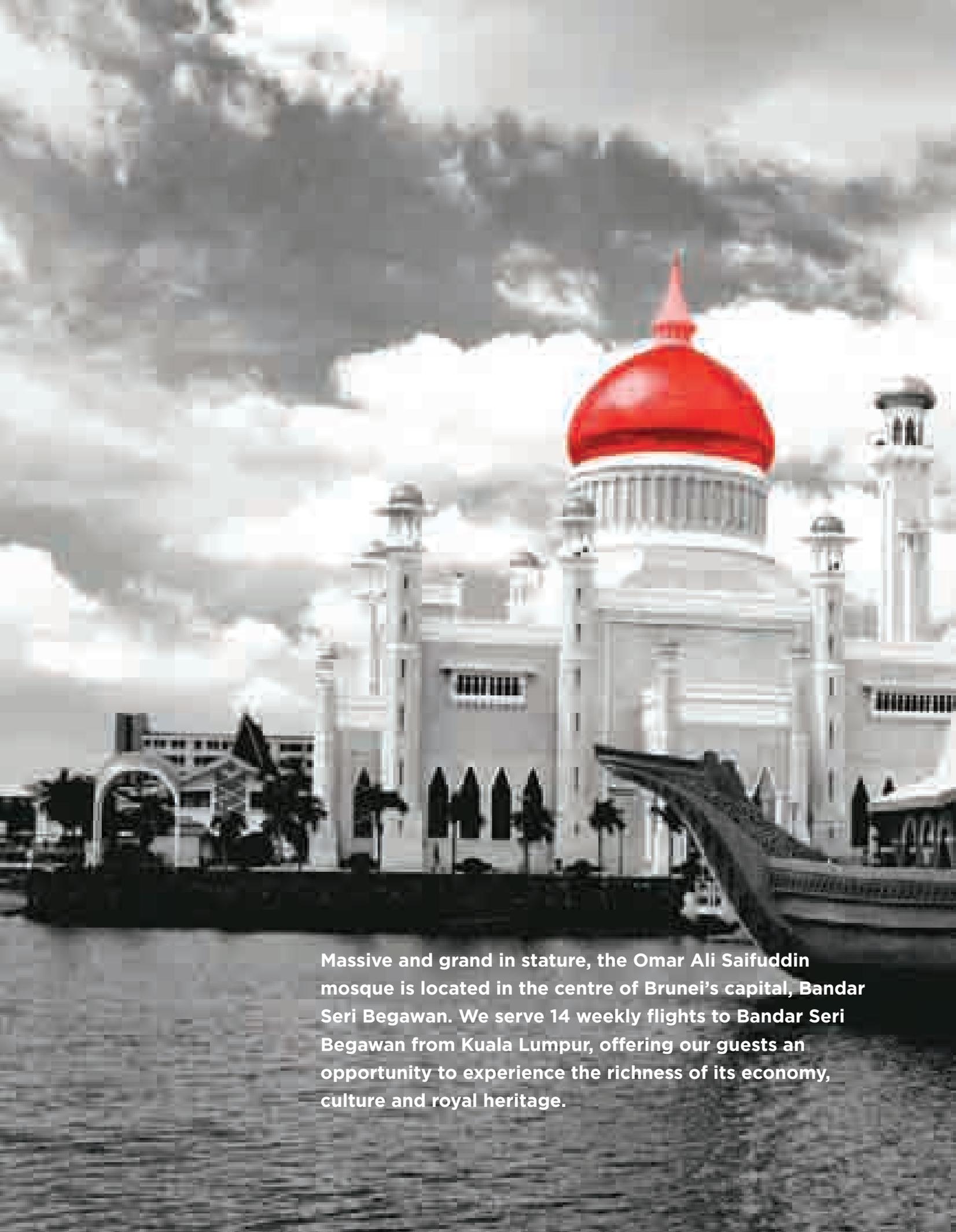
Prospects

As of 1 January 2011 the Indonesian Government has removed the requirement for Indonesians to either pay *fiscal* (income tax prepayment) or produce their tax registration at the airport prior to leaving the country. This has resulted in an increase in international travel, as reflected in AirAsia Indonesia's sales and will contribute significantly to continued expansion of the airline's international network.

In 2011, AirAsia Indonesia intends to strengthen all its hubs, especially Bali and Bandung, while fortifying its position as a 'first-class low-cost airline'. As part of a brand enhancement campaign, the airline is creating greater awareness of its predominantly Airbus A320 fleet.

AirAsia Indonesia will also strengthen its ancillary business, and plans to install a new cargo reservation system. The Indonesian travel market, with a population density of 330 million people, is still largely untapped. And while its priority lies in the international sphere, there is also vast potential for growth in the domestic market in the near term. These factors together mean we are very optimistic about what lies ahead for AirAsia Indonesia and look forward to serving more guests in these exciting times.

Captain Dharmadi
Chief Executive Officer
AirAsia Indonesia



Massive and grand in stature, the Omar Ali Saifuddin mosque is located in the centre of Brunei's capital, Bandar Seri Begawan. We serve 14 weekly flights to Bandar Seri Begawan from Kuala Lumpur, offering our guests an opportunity to experience the richness of its economy, culture and royal heritage.



Omar Ali Saifuddin Mosque, Brunei Darussalam



AIRASIA X >> THE SKY'S THE LIMIT

- +** AIRASIA X FLEW 1.92 MILLION PASSENGERS, UP 86%. AIRASIA X ALSO BROKE THROUGH THE 10 BILLION REVENUE-PASSENGER-KM VOLUME GROWTH (UP 74% FROM 2009), MAKING IT THE SECOND-LARGEST LOW-COST CARRIER IN ASEAN IN RPK VOLUME, AFTER AIRASIA, AND THE FASTEST GROWING AIRLINE. LOAD FACTORS WERE KEPT CONSISTENT AT 77%.



AirAsia X completed its third full year of operations in 2010 and broke through the RM1 billion revenue barrier with a RM1.3 billion top-line achievement, a 77% growth from 2009.

It flew 1.92 million passengers, up 86%. AirAsia X also broke through the 10 billion revenue-passenger-km volume growth (up 74% from 2009), making it the second-largest low-cost carrier in ASEAN in RPK volume, after AirAsia, and the fastest growing airline. Load factors were kept consistent at 77%.

AirAsia X also continues to achieve record-breaking unit operating cost levels through its pioneering low-cost long-haul model, with a US2.9c/available-seat-km unit cost. Non-fuel costs have further improved to US1.6c/ASK. A key factor in this feat is maximising asset utilisation of its young Airbus A330-300 fleet, with AirAsia X having continued to secure funding to take delivery of three new aircraft in 2010, bringing its fleet total to 11 (nine A330-300s and two A340-300s). It was still able to achieve an industry-

leading technical reliability rate of 99.51% for its A330 fleet, validating the quality of its operating model.

With the new aircraft capacity, AirAsia X expanded its route network aggressively in 2010, adding five new routes: Mumbai, New Delhi, Tehran, Seoul and Tokyo. And with the recent additions of Paris and Christchurch in early 2011, AirAsia X now serves 15 destinations, connecting AirAsia's extensive ASEAN network to the large growth markets across Asia Pacific and Europe. AirAsia X intends to continue its expansion strategy to focus on its priority markets in Australia/New Zealand, Korea, Japan, China and India over the next year.

Passenger base fares achieved were RM519, and passenger-related ancillary income added another RM119 per passenger, a growth of 73% from 2009. Cargo revenue grew by 113% over 2009, contributing 4% of total revenue. With 22% of revenue coming from these ancillary income sources, AirAsia X continues to seek ways to

expand its ancillary income streams, including improving duty-free and merchandising sales, and introducing a fly-thru connecting transfer service. AirAsia X also expects to see growth from the newly-launched AirAsia-Expedia joint venture.

In 2010, AirAsia X achieved an EBITDAR margin of 18% and EBIT margin of 4%. Final net income for 2010 was RM111 million, excluding a RM53 million deferred tax asset. This represents a net income margin of 9% and a return on equity of 18%. Its gearing ratio has come down from 3.55 in 2009 to 1.44 in 2010. Operating cash flow grew by 37%, increasing its cash balance to RM356 million.

Having achieved sufficient economies of scale from its operations, AirAsia X embarked on a new organisational strategy to position itself as a stand-alone airline while continuing to share the AirAsia brand.

Azran Osman-Rani
Chief Executive Officer
AirAsia X



From the ruins of Angkor Wat in Siem Reap to the bustling nightlife of Phnom Penh, AirAsia provides a great link to Cambodia for our guests. Something we have been doing since 2005.



Angkor Wat, Cambodia

THE SOCIAL NETWORK

FACTS AT A GLANCE

>
No. of Twitter Fans

>**150,000**

>
No. of Facebook Fans

>**1.3 million**



A man from Kuala Lumpur who didn't believe in long-distance relationships has been dating a woman in Singapore for three years - because AirAsia allows them to meet regularly. A family of 26 that hadn't travelled together because it was too expensive got to enjoy some quality bonding time away from home - thanks to AirAsia. A couple who never had the time nor money to romance each other finally found their wings and flew away for a few days - because they can, with AirAsia.

These are just some of the heart-warming stories AirAsia received when we ran our *Real People, Real Stories* campaign from 23 August - 4 October 2010, in the run-up to celebrating our 100 millionth guest. We had asked guests to send in their stories, pictures or videos via any one of the following AirAsia social media - YouTube, blog, Twitter or Flickr. The entries came pouring in. A hundred of the best were rewarded with free tickets. AirAsia, meanwhile, was rewarded by the stories, which reaffirmed our belief that we are not just in any business; we are in the business of changing lives.



+ SOCIAL MEDIA HAVE BECOME AN INTEGRAL PART OF AIRASIA'S BUSINESS MODEL, FORMING A NEW DIMENSION OF OUR EXTENSIVE USE OF TECHNOLOGY FOR GREATER EFFICIENCIES.

The campaign would not have been as impactful if not for the social media, which truly bring us closer to our guests and fans. Whereas at AirAsia our core business is to connect people in the real world, using social media, we are able to enrich this connection by taking it to the virtual realm. Combining the two, we create a holistic and very rich relationship with our guests in which we are able to get to know them better - know their life stories, their hopes, their aspirations and, more practically, know what they expect of us.

Social media represent effective tools for real-time interaction with our guests. On our part, we are able to use social media to make announcements, inform guests of schedule changes, and launch new destinations through contests and other viral means. We also use the media in crisis management. For example, in 2010, when Mt Merapi in Yogyakarta, Indonesia, erupted, we announced the airport closure on the social media. When the floods in Alor Star, Malaysia, caused travel delays, guests were kept posted of updates. The advantage of social media over the SMS, email or phone is that one post has the ability to reach out to the masses, allowing for important information to be disseminated to a targeted audience quickly and efficiently.

Social media also represent an incredibly powerful and cost-effective marketing tool. We are able to use it to advertise our *1 Million Free Seats Campaigns*, saving us millions in ad spend. In fact, social media have become an integral part of AirAsia's business model, forming a new dimension of our extensive use of technology for greater efficiencies. They have also enabled us to keep a pulse on what our fans are feeling. Via social media, fans and guests who travel with the airline can express their views on anything related to AirAsia – the level of service, the food on board, the range of in-flight entertainment – and be assured that their 'voice' will be heard by the relevant decision makers. The management highly values such feedback and takes action wherever necessary to rectify loopholes or to further improve the guest experience.

Our foray into the social media grew humbly enough, with a corporate blog, *Plane Thoughts*, in 2008. Then, we got into Facebook. Before long, we were hooked into the entire social media game. We started our own Twitter and Sina, the Chinese version; Koolred, offering travel and lifestyle social networking; Flickr and Instagram, where we post photos; and even YouTube.

When we launched AirAsia Facebook in April 2009, the management expected to garner a fan base of perhaps 50,000 by year end. We achieved double that figure. By April 2010, our Facebook had acquired a following of 250,000 fans, a milestone which we celebrated with an exclusive low-fare campaign for our staunch friends. Meanwhile, we began to localise our network of Facebook accounts by setting up different pages in different countries. We now have 11 Facebook pages for different locations. In China, where there are restrictions on Facebook, we use RenRen, the local equivalent. By November 2010, the AirAsia Group had more than 1 million Facebook fans.

AirAsia handles all social media efforts internally. We even built our own infrastructure, benefiting from the learning experience. Needless to say, we've had to increase the human resources required to manage our growing social media. From just one person in the interactive division, we now have an entire dedicated team of Allstar social media buffs operating out of Malaysia, Thailand, Indonesia, Hong Kong and London. Most of our social media are online 24/7, allowing us to respond promptly to queries sent by guests and fans.

The company's phenomenal success with the social media is indicative of a youthful, tech-savvy culture which starts from the top. Everyone on the management team has a blog or tweets, including AirAsia Group CEO Dato' Dr Tony Fernandes and AirAsia X CEO Azran Osman-Rani, whose blogs are among the most-followed of Malaysian CEOs. AirAsia Thailand CEO Tassapon Bijleveld and AirAsia Indonesia CEO Captain Dharmadi, meanwhile, are active tweeters in their own markets, carrying the overall global branding of AirAsia. AirAsia ensures that every employee is part of our social media conversation to enable them to act as brand evangelists and to humanise our airline. Our pilots especially are encouraged to engage in social media so that passengers can relate to them as people rather than as disembodied voices.

AirAsia has always been the people's airline. We are there to serve the underserved, and to cater to their particular needs. Today, with social media, we have found a new channel of getting closer to our communities. We are able to hear them and assist them in any way possible. And that just adds to the AirAsia magic.

A LIFESTYLE BRAND

< Ancillary income per guest

RM44
per pax in Malaysia

THB310
per pax in Thailand

IDR123,308
per pax in Indonesia

AirAsia today is not just an airline, but a lifestyle brand. Via the Group, consumers from around the world can purchase branded merchandise, buy tickets to top concerts and international sporting events, and plan entire holidays, from making hotel reservations to arranging for car rentals and booking tours.

Having built its core business of selling air travel online, AirAsia is now capitalising on its e-commerce expertise to expand to other lifestyle products and services. The year 2010 saw a number of online initiatives introduced, beginning on 8 March with AirAsiaRedTix.com, an exciting gateway to international sporting, music and theatre events. AirAsia entices entertainment seekers to this portal by collating all events and offering attractive discounts on ticket prices plus other exclusive benefits. Two months later, on 26 May, it launched AirAsiaGo.com, a revamped one-stop online travel portal where holiday-makers can book their flights and tours (if desired), make hotel reservations, arrange for car hire and transfers - all at one go and in one sitting. The travel portal offers a choice of more than 70,000 hotels and over 5,000 tours and activities. We believe AirAsiaGo has huge potential, especially as we intend to partner Expedia Inc, the largest online travel agency in the world. With the synergies that can be expected, AirAsia will have the capability to reach farther than the ASEAN region through new distribution channels which will be made available to global audiences.

>

18%

of total income from ancillary business

Next, the virtual world was enriched by AirAsiaMegastore.com, offering over 15,000 items from travel related products to books, fashion apparel and even home décor, and allowing a global market to shop at its convenience. This online portal was preceded by the opening of the first AirAsia Megastore outside of the LCC Terminal in Kuala Lumpur.

These facilities are offered under the banner of AirAsia's ancillary business, which represents a significant source of income to the Group, accounting for 18% of its total revenue in 2010. This income stream has been developed, in typical AirAsia style, to be as cost-effective as possible, the individual initiatives being either no-cost or low-cost. Ancillary income not only boosts the airline's revenue but also provides a natural hedge against any increase in the price of oil.

Other than the online-based lifestyle initiatives mentioned above, AirAsia also earns commission-based income from its co-branded credit cards with Citibank, as well as for every CIMB AirAsia Savers Account opened. In addition, it derives some revenue from sales of its e-Gift vouchers and from the activities of its recently launched Junior Jet Club.

A major source of its ancillary income is, however, flight-related. Guests themselves contribute significantly to AirAsia's ancillary income by taking advantage of the little extras offered to make their travel more enjoyable and hassle-free, such as travel insurance, choosing their seats in advance, ordering meals on their flights and extra baggage.





In May 2010, AirAsia introduced a win-win Pre-booked Baggage Supersize deal in which guests who pre-book their baggage pay 50% less than those who pay at the counter. Even with this discount, in 2010, guests spent a total of RM290 million for baggage supersize and excess baggage. Food and beverage on board is another source of healthy revenue for the airline, as AirAsia Café has become known for offering 'legendary' local fare, such as Pak Nasser's Nasi Lemak and Uncle Chin's Chicken Rice. To keep growing this source of income, continuous efforts are made to maintain or even improve on the quality of the food, and to expand the menu. In 2010, AirAsia introduced healthier dining options, including vegetarian meals. It also entered into a partnership with Fraser & Neave Holdings Bhd on 26 January to sell 100PLUS and Coke on all AirAsia flights departing from Malaysia beginning 1 February.

Passenger spend on ancillary services increased across all AirAsia operations in 2010 - up 39% to RM44 per passenger in Malaysia, 62% to THB310 per pax in Thailand, and 60% to

IDR123,308 per pax in Indonesia. The average spend per passenger was RM44.9 and is targeted to grow to RM60 per pax in 2011.

Also growing is AirAsia's income from its Cargo & Courier Services. Capitalising on the belly space of its aircraft, an extensive flight network and high flight frequencies, AirAsia is not only able to carry cargo but can also offer clients considerably lower rates than other cargo carriers, as well as faster delivery times. To further strengthen its Cargo & Courier business, it has tied up with more cargo agents and large export-import firms in the markets that it flies to, while reaching markets beyond its route network - in South Asia, Africa, the Middle East and Europe - through special pro-rate agreements with other airlines. AirAsia's Cargo & Courier Services not only delighted the airline with revenue of around RM130 million in 2010, but also earned the airline the Air Cargo Industry Newcomer of the Year Award 2010 at the ACW World Air Cargo Awards.

In addition, AirAsia earns ancillary income from airspace advertising, namely advertising in

its *Travel3Sixty* inflight magazine, in and on the aircraft, as well as on its website, and from chartered flights. As the airline increases the number of its flights, and further expands its network, various ancillary businesses will be boosted, adding to AirAsia's revenue and net profit.

In 2011, we expect our ancillary business to continue to grow, driven by passenger growth, which has traditionally increased every year, as well as capacity additions in terms of new aircraft. Guests can also look forward to new initiatives in 2011, including AirAsia's loyalty programme and the AirAsia-Expedia JV. In addition, we will be introducing Counter Check-in fees which, together with all the other initiatives, will ensure that our ancillary offerings contribute even more to our overall revenue, reducing the gap with the traditionally strong passenger fare contribution. With ancillary income rushing out of its infancy, it will add to the quality brand experience that AirAsia religiously adheres to.

OUR ancillary SERVICES

Baggage Supersize
AirAsia Cargo
AirAsia Courier
AirAsia Cafe (in-flight F&B)

Government and Charter flight services
CIMB AirAsia Savers account
Junior Jet Club Membership
Merchandise and duty free (including AirAsiaMegastore)

AirAsia Insure (travel insurance)

AirAsiaGo.com (holiday-booking portal)

Pick A Seat
E-Gift Voucher
Charter flights

AirAsia Credit Card
Airspace advertising
AirAsia RedTix (ticket-booking portal for sporting events, concerts, musicals, theatre performances and more)





“ It was a memorable moment to have our wedding reception in the aircraft 30,000ft above sea level. What a wonderful moment and journey for us to realise this dream. ”

Iswara (*Allstar*) and Thanusya



**Love is in
the air**

now everyone can fly

OUR GUESTS ARE OUR PRIORITY



FACTS AT A GLANCE

> Launching soon
airasia.com/ask

.....
> Online sales
77%

Since 1 April 2010, AirAsia has deployed a comprehensive Microsoft-based Customer Relationship Management (CRM) system which integrates its various sales, service and marketing initiatives onto a single platform, allowing the Group to interact with guests on a more informed basis and to tailor its services to meet individual guest's needs.

The main focus of AirAsia's CRM is to enhance the guest's experience by improving the speed and efficiency of service at every interface between guests and the airline – from reservations and check-in, to baggage handling, boarding and in-flight service to the provision of rapid and effective responses to queries and feedback. At the airports, AirAsia stations supervisory staff at strategic locations to provide on-the-spot assistance to guests. There

are also Service Counters in the departure halls to handle enquiries. Meanwhile, as more than 80% of sales are achieved online, and guests rely heavily on the internet to manage their bookings, various initiatives were implemented over the year to enable guests to perform more functions using the AirAsia website so as to have the smoothest journey possible.

Web and Self Check-In facilities. In January, AirAsia introduced the concept of web and self check-in. Web check-in allows guests to check in from their laptop or PC days before their departure date. Self check-in, meanwhile, employs kiosks at the airport terminals where guests can quickly key in their flight details to obtain a boarding pass without having to queue up at a counter.

New Skies. This new reservation system, installed in July, uses next-generation IT architecture and software so it's more efficient and reliable. It provides more functionality, flexibility and friendly features that enrich the guests' booking experience. A particularly useful feature is the Low Fare Finder, which helps guests find the cheapest flight period for a given route. In terms of capacity, New Skies is designed to handle up to almost one million flights a day, double that of the Open Skies system used previously. This will be especially useful during AirAsia's zero-fare campaigns.

In 2010, AirAsia also introduced new mobile apps for smart phones which made booking-on-the-move more convenient.

AirAsia gains competitive advantage with unique FX currency solution



With our unique insight into currency and interest rate risk management, RBS expanded and tailored our leading FXmicropay solution to fit AirAsia's challenging, multiple-currency requirements.

With customer and company exposure to exchange rate uncertainty removed, AirAsia offers customers a much enhanced electronic ticket sales experience.

To discover more visit rbs.com/gbm



+ THE MAIN FOCUS OF AIRASIA'S CRM IS TO ENHANCE THE GUEST'S EXPERIENCE BY IMPROVING THE SPEED AND EFFICIENCY OF SERVICE AT EVERY INTERFACE BETWEEN GUESTS AND THE AIRLINE – FROM RESERVATIONS AND CHECK-IN, TO BAGGAGE HANDLING, BOARDING AND IN-FLIGHT SERVICE TO THE PROVISION OF RAPID AND EFFECTIVE RESPONSES TO QUERIES AND FEEDBACK.

Instant Foreign Exchange Calculator. In May, AirAsia introduced an automated small-value payment tool, RBS FXmicropay, which connects the airline's internet booking system with the currency trading desk of the Royal Bank of Scotland (RBS). This allows guests who make bookings online to know their exact transaction costs in any of the available currencies. A particularly attractive feature for guests is the convenience of being charged in the same currency in which they are billed in their monthly credit card statements. The service is currently available in five global currencies – Euro, Pound Sterling, New Zealand dollar, Singapore dollar and US dollar. In addition, the system saves guests from currency conversion fees.

Fly-Thru. This service allows guests on multiple flights to perform a single check-in for their original and connecting flights right through to their final airport of destination. To be implemented in January 2011, Fly-Thru will be available for

travel on selected short-haul AirAsia and all long-haul AirAsia X flights transiting through Kuala Lumpur in which the original and forward flights have a connecting time of between 90 minutes and six hours.

airasia.com/ask. This integrated service will allow guests to obtain real-time information and enjoy immediate solutions on AirAsia's suite of services. It will be available to anyone anywhere in the world, serving as a platform for guests to pose questions and engage with AirAsia via live chat, webmail and Twitter. As soon as a query is received, airasia.com/ask will provide specific, tailor-fitted answers in real time through the use of intelligent automated response technology.

At present, AirAsia measures the quality of Customer Care performance according to the Customer Care officers' timely response to guests' concerns. The target is a response time of less than three business days,

which is often met. As part of improvements, the airline is adding a dimension of quality to this purely quantitative measurement. More specifically, it would like to gauge the level of guest satisfaction with the service provided by Customer Care officers. Hence, responses to guests will be followed by a customer satisfaction survey that asks questions such as: 'Are you satisfied with the responses to your queries?' and 'Were your questions answered adequately and professionally?'

AirAsia's CRM initiatives have led to several awards, most notably being named the World's Best Low Cost Airline by passengers polled by Skytrax in 2009 and 2010. These are the results of the commitment and passion of its more than 8,000 Allstars and the innovative use of technology. AirAsia recognises the contributions of its people and technology, and will continue to invest in both so as to maintain its unbeatable combination of low-cost fares and highest quality service.





ALLSTARS, EVERY SINGLE ONE



EQUALLY IMPORTANT IS THE RIGHT ATTITUDE - AN OPENNESS TO NEW IDEAS, WILLINGNESS TO DO THINGS DIFFERENTLY AND THE ABILITY, WHEN THINGS GET TOUGH, TO TRY AND TRY AGAIN.

When we say we value our staff, we're not paying lip service. At AirAsia we recognise that our people have made us what we are today. They have stood by us, through good times and bad, and with their passion, dedication and sheer tenacity have kept the AirAsia brand flying. Because of who they are, and what AirAsia stands for, we do not refer to them as our 'employees'; they are our Allstars. And we treat them as such.

Our philosophy at AirAsia is to attract the best, train them and retain them. By the best, we do not just mean people with the most impressive paper qualifications. Equally important is the right attitude - an openness to new ideas, willingness to do things differently and the ability, when things get tough, to try and try again. We take pains to recruit people who are able to fit into our Allstar culture, which is about safety, being innovative and creative, working hard and having fun. A Corporate

Culture Department was set up in 2004 for the sole purpose of creating the same values and vision across the Group with an emphasis on 'ONE People, ONE Culture, ONE AirAsia, ONE Family'. Various fun activities are held, sometimes even involving Allstars' children, to reinforce the feeling of unity and belonging.

There is a great sense of empowerment at AirAsia, enhanced by an open office layout which encourages easy interaction between everyone, and a flat hierarchy that breaks down psychological and cultural barriers. There are no titles on name cards and everyone is on first name basis. Allstars can go up to any member of the management team to voice an opinion or share an idea. Two-way communication is highly valued and reinforced by informal interaction, face-to-face meetings, group meetings and town hall sessions. All top managers have blogs or send tweets to share experiences. For a few days every month, the Group CEO himself checks in guests at the counters, handles baggage on the ramp and even works the aisles to keep in touch with what's happening on the ground, and in the air.

Good ideas, proposed by anyone, can be implemented quickly because there is little bureaucracy. At the same time, bad ideas can be scrapped just as fast. This informal structure means not only that there are more than 8,000 brains (of Allstars) contributing to the company's performance - as opposed to just the 20 or so at management level - it also helps to keep costs down, an ever important consideration at AirAsia.

Human capital development at AirAsia is about providing opportunities to our Allstars that they would be hard-pressed to find in any other organisation. It has meant, for example, fulfilling the dreams of cabin crew and ground officers to become pilots. AirAsia runs a cadet pilot programme, through which we send up to 60 young recruits every year for a 15- to 18-month commercial pilot training programme at a recognised flying school in Malaysia or overseas, after which they train specifically to fly Airbus aircraft at the AirAsia Academy in Sepang. The academy, set up in 2005, also trains engineers, cabin crew and other operational staff. It is equipped with six simulators, and also takes in trainees from third-party airlines.





As part of our objective to nurture our Allstars, they are encouraged to apply for any vacancy advertised by AirAsia, either internally or externally. Wherever possible, Allstars are given preference over external candidates. Based on their performance, Allstars are also identified by their managers, or even higher level management, for further professional development. Every year, we spend about RM15 million on training our people. Loyalty and performance are highly valued and rewarded not only with the opportunity to fast-track careers but also by attractive bonuses and pay increments. Goals are set for each Allstar and performance measured against these goals at regular intervals. At year end, performance is linked to bonuses and increments as well as promotions. Given AirAsia's fast growth, there are endless opportunities for high-flyers to stretch their capabilities, and take on roles of greater responsibility.

Like the founders of the airline, who had a dream and who have been able to turn this dream into reality, we encourage our Allstars to dream the impossible. And we show them that, at AirAsia, everything is possible.

>
**ALL FOR ONE
ONE FOR ALL**

We are many things,
but together we are one AirAsia
unified by one dream

>
**WHAT AIRASIA
CULTURE
STANDS FOR**

caring
passionate
full of integrity
fun
safety conscious
hard working

>
**GO TEAM
GO ALLSTARS
GO AIRASIA**



Congratulations to AirAsia on your continued growth.

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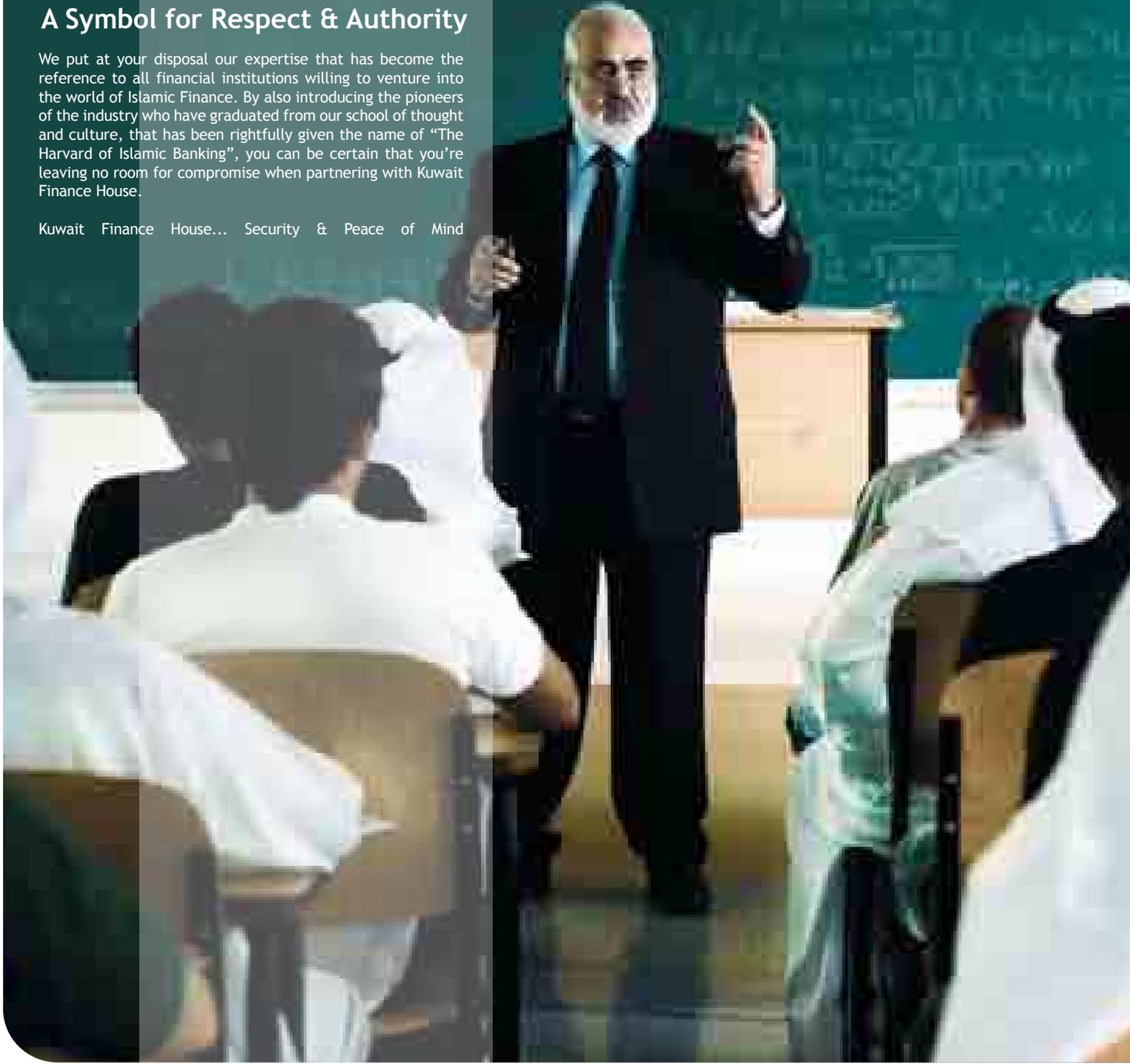


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OUR SAFETY COMMITMENT

+ CORPORATE SAFETY COMMITMENT

AirAsia has committed itself to a programme of reducing risks and hazards normally associated with our industry through a Safety Management System. This commitment is extended to ensure the full integration of a safety culture, safety policy and safety objectives in a proactive approach to aviation safety. In short, our Safety Management System is not just an add-on but a core part of our business process. It is the way we do business.

The critical safety functions of senior management are in the areas of strategy and leadership. Senior management will provide a vision for safety management and provide adequate resources to achieve this level of safety.

A Safety Management System relies on the development of a reporting culture by all employees. A just reporting system forms the framework around which the Safety Management System is built. It is a vehicle for ensuring that hazards and safety deficiencies are brought to the attention of those who have the authority to make changes. I pledge that no disciplinary action will be taken against any employee for reporting a safety hazard or concern to this company's management. I pledge also that no staff member will be asked to compromise our safety standards to 'get the job done'. The Safety Management System approach ensures that authority and accountability co-exist.

Training of employees to ensure they can perform their tasks in a safe and efficient manner is an essential ingredient of AirAsia's Safety Management System. It is management's responsibility to make available and carry out this training, and it is the employee's responsibility to follow safe working practices.

The ultimate responsibility for safety in the company rests with me as the Chief Executive Officer/Accountable Manager. Meanwhile, the responsibility for making our operations safer for everyone lies with each one of us – from heads of department and/or managers to front-line employees. Each head of department and/or manager is responsible for implementing the safety management system in his or her area of responsibility, and will be held accountable to ensure that all reasonable steps are taken to prevent incidents and accidents. Each of us will be concerned for the safety of others in our organisation.

Our business will be strengthened by making safety excellence an integral part of all our aviation activities. Safety is a core value of this company, and we believe in providing our employees and guests with a safe environment. All employees must comply with this policy.



+ SAFETY POLICY STATEMENT

Safety is given top priority in all of our activities. We are committed to developing, implementing, maintaining and improving our safety strategy, management systems and processes to ensure that all our aviation activities are undertaken with balanced resource allocation, aimed at achieving the highest level of safety performance and meeting the highest international safety standards.

All levels of management are accountable for the delivery of this highest level of safety performance, starting with the Chief Executive Officer.

Our commitment is to:

- a) Develop and embed a safety culture in all our aviation activities that recognises the importance and value of effective aviation safety management and acknowledges at all times that safety is paramount.
- b) Clearly define for all staff their accountabilities and responsibilities for the development and delivery of aviation safety strategy and performance.
- c) Ensure that all staff are provided with adequate and appropriate aviation safety information and training, are competent in safety matters and are only allocated tasks commensurate with their skills.
- d) Establish and implement a hazard identification and risk management process to minimise the risks associated with aircraft operations to a point that is as low as reasonably practicable/achievable, and conduct safety reviews to ensure that relevant action is taken.
- e) Ensure that sufficient skilled and trained resources are always available to implement safety strategy, policy and processes.
- f) Establish and measure our safety performance against realistic objectives and/or targets.
- g) Ensure that the externally supplied systems and services that impact upon the safety of our operations meet appropriate safety standards.
- h) Actively develop and improve our safety processes to conform to world class standards and comply with and, wherever possible, exceed legislative and regulatory requirements and standards.
- i) Foster and encourage the maximum level of reporting and transparency with non-punitive safety/hazard reporting and having a just culture in the airline.

Dato' Sri Dr. Tony Fernandes
Group Chief Executive Officer



“ Since I’ve known AirAsia three years ago, my family’s fate is changing. We travel overseas by AirAsia, twice a year or at least once a year, thanks to the generous never-ending promotions and low fares. ”



Nina
Singapore

**Amazing
Bargains**

now everyone can fly

AN AIRLINE WITH A GIANT HEART



THE FREE SEATS CAMPAIGN IS BUT ONE OF THE MYRIAD WAYS IN WHICH AIRASIA GIVES BACK TO THE COMMUNITY – ALBEIT BEING ONE OF OUR MORE SPECTACULAR AND UNIQUE CONTRIBUTIONS TO SOCIETY.

No corporation can live apart from the community it serves. That fundamental belief of our founders underpins the approach towards corporate responsibility throughout AirAsia. It informs and impacts every aspect of our business, making corporate responsibility an inherent characteristic of everything we do.

Which helps explain the mind-blowing *One Million Free Seats* campaign AirAsia holds every year since 2006 (actually, we gave away two million free seats that year). Quick: Which other company, be it in the ASEAN region or the world, gives away one million of its products for free every year? Why do we do it? Because we are dedicated to serving the underserved; because we are committed to sharing our success with the communities that allow us to operate in their midst; because it underlines the unwritten social contract neatly encapsulated in our tagline, 'Now Everyone Can Fly' – and, if you're lucky, do so for free!

The free seats campaign is but one of the myriad ways in which AirAsia gives back to the community – albeit being one of our more spectacular and unique contributions to society. But it isn't the only thing we do. In line with our philosophy towards corporate responsibility – which goes beyond philanthropy in making a positive difference in the lives of our community –



AirAsia is often also among the leaders in lending a helping hand – or an aircraft or two – when the community most needs it.

Here are a couple of examples: AirAsia was the first to offer to evacuate Malaysian students out of Cairo when political turmoil struck Egypt. As acknowledged by the Malaysian Prime Minister himself, we swiftly took the lead in arranging this rescue mission that ultimately saw eight AirAsia flights from Cairo and Alexandria to Jeddah and one from Jeddah to Kuala Lumpur – plucking 2,380 Malaysians from a danger zone and delivering them into the arms of their loved ones in Malaysia. On

a somewhat less dramatic note, but just as crucial an effort closer to our home in ASEAN, AirAsia Thailand swung into action to airlift provisions and other relief supplies to several areas in that country when it was inundated by the worst floods experienced in 50 years.

The Heart Of Asia

We have shown that we are an airline with heart in other ways too. We regularly run blood donation campaigns – in 2010, AirAsia Indonesia organised a massive campaign for victims of the tsunami in Mentawai and the eruption of Mt Merapi, following

this with another blood donation drive in collaboration with the Indonesian Red Cross Society. The airline also eased some of the financial burden of families struggling to rebuild their lives following the natural disasters by donating school supplies for their children. In Thailand, we sponsored children to participate in the Special Olympics in Singapore and organised a trip to the beach in Phuket for children from the private charity school Cheewit Boriboon House in the hill district of Kallayanivatana, Chiang Mai. The two-day trip was an experience the children will never forget, as they had never before been on a plane nor seen the ocean.

Since 2008, the AirAsia group has been running a *Donate Your Loose Change* campaign to raise funds to help needy patients from the region to undergo treatment at the National Heart Institute (IJN) in Kuala Lumpur. In July 2010, the programme benefitted four-year-old I Wayan Arya sila Arsadhana from Bali, Indonesia, who was cured of a congenital defect that reduced the oxygen-carrying capacity of his blood. While funds for his treatment came from generous guests on AirAsia flights, the airline paid for the airfare of I Wayan Arya and his parents.

We also partner the Children's Wish Society (CWS) to fulfil the wishes of children with life-threatening diseases. In 2010, we waved our magic wand in the direction of Miri, Sarawak, where a 10-year-old Duchenne Muscular

Dystrophy patient, Mohammad Nuraliff Omar, lives. Nuraliff wished to have happy memories with his parents and also to see as many animals as he could. Since there isn't a proper zoo in Sarawak, on 15 October 2010, AirAsia flew the beaming Nuraliff and his parents to Kuala Lumpur where they visited Zoo Negara and the Aquaria KLCC.

Our help is not restricted to Asia. AirAsia joined hands with the United Nations Children's Fund (UNICEF) to raise funds for victims of the earthquake that struck Haiti in January 2010. By quickly establishing a link on our website through which the public could donate money, AirAsia helped to channel millions to children and their families in the country that's acknowledged as the poorest in the Western hemisphere.

Our innovative approach to corporate responsibility – whether in the celestial sphere with our aircraft or in the terrestrial realm by our Allstars – is but another link that bonds AirAsia with the communities it serves.

Grooming Local Heroes

We don't just stop there. Realising that every community and society needs heroes, we decided that this was another avenue through which we can contribute. So, we've undertaken a mission to discover and nurture local heroes in ASEAN. And we are doing it in the sports arena. Why sports? Because it is a field where passions run high, and one that transcends the usual obstacles that tend to divide us in this region we all call home. There's our title sponsorship of

the ASEAN Basketball League – the region's only professional league in any sport. We've also signed a three-year deal with the Philippine Patriots basketball team, the inaugural champions of the ABL, to be their exclusive sponsor. Our focus is on grooming young basketball talents of ASEAN to become world-class – to demonstrate that there's nothing we cannot do as a people if we put our minds to it.

We have also turned our focus to motor sports, an area where we believe Asians can compete very effectively since what counts is not physical size but determination and determination. In 2010, we worked with the Sepang International Circuit (SIC) to field two riders, Malaysia's own Muhammad Zulfahmi Khairuddin (Fahmi) and Sturla Fagerhaug from Norway, in the 2010 MotoGP World Championship. The 19-year-old Fahmi is only the second Malaysian ever to participate in the MotoGP. In a stunning achievement, he broke into the top 20 in the Malaysian MotoGP in 2009, becoming one of the first two wildcard riders to achieve the feat that season – a spectacular achievement given that he only began racing professionally a year ago. Fahmi has since completed the first season, scoring four points, and began his second season of the MotoGP in March 2011. His performance vindicated our belief that Asians can succeed on the world motor stage if they are given the support, encouragement and opportunity.



In May 2010, AirAsia launched the AirAsia-Team Lotus Driver Development Program, capitalising on our relationship with the Formula 1 Team Lotus. Beginning with just two young recruits from ASEAN – Nabil Jeffri from Malaysia and Daim Hishammudin from Singapore - the programme has grown to include seven talented youngsters, four of whom are from the region. The objective is to use the expertise of Team Lotus to coach and support the aspiring drivers, and hopefully nurture them into future world champions.

At the individual level, AirAsia has identified a number of Malaysian sporting talents and sponsored their continued development. The list of our sports ambassadors includes tennis players, athletes and cricketers such as Arul Suppiah, the only Malaysian to have played first class cricket in England. Arul has played for Somerset County – one of England's top teams – for the last nine years as well as represented England at four different age levels. This 26-year-old Malaysian has done the country proud by being described as one of the best fielders in England.

Heroes all – making our community proud and earning ASEAN plaudits in a very competitive environment.

The Best To Our Guests

Corporate responsibility means being responsible to all our stakeholders, and this includes our guests. AirAsia has consistently striven to provide the best service at the best prices to our valued guests using the IT platform to increase



efficiencies and offer value-added innovations. From the time we began operations and were the first in Asia to go ticketless with online and phone bookings, we have added an increasing suite of technology-based offerings that make it more convenient for guests to book their flights and manage their travel. Some of our customer-related innovations have even been world firsts. We were the first to offer SMS bookings in 2003, followed by a comprehensive system for booking via the mobile and other wireless devices in 2004.

In our constant quest to provide the most affordable air travel option, we achieved another world first in November 2008, by abolishing the fuel surcharge from all AirAsia flights. This was all the more pronounced as the move came just four months after the global price of oil hit its historic high of US\$147.27 per barrel.

While achieving these milestones, we have not let up on performance and, aided by the steady replacement of our aircraft with the more efficient Airbus A320 planes, we have improved our on-time record. The Group achieved an average on time performance (OTP) for the year 2010 of 81%, and we are confident of improving this figure once our Indonesian affiliate fully converts to an all-A320 fleet. In 2010, its OTP lagged slightly behind the other two airlines, both operating all-A320 fleets, at an annual average of 73%.

See The World, Save The Planet

While we strive to do our best for the people of ASEAN, we are also keenly aware that our responsibility extends to the environment – especially given the alarms generated by climate change. Hence, our business model is centred on the most efficient use of resources, which results in minimum waste. Our

decision to switch to the more efficient Airbus A320 in phases beginning in 2005 has resulted in AirAsia having the youngest aircraft fleet in Asia. Our aircraft not only are cheaper to maintain – 35% less in maintenance costs – but they also burn less fuel. The A320 has a greater seat capacity, allowing us to carry 32 more passengers per flight, while achieving 15% greater fuel efficiency on an available seat kilometre (ASK) basis compared to a typical legacy carrier.

AirAsia also manages to reduce our carbon footprint by maintaining point-to-point flights, with no transits in between. To keep our aircraft weight low, we impose a tier of differential pricing for baggage according to weight, encouraging our guests to fly as light as possible. Together, these initiatives have led to a healthy fuel consumption of 169 barrels of fuel per million ASK in 2010. The fact that AirAsia is a ticketless airline also contributes



to a healthier environment by reducing unnecessary paper usage. Our offices, too, are as close to paperless as possible.

An Allstar Workplace

Of course, given our philosophy towards corporate responsibility, the same values that we practise in the community are extended to our workplace. Thus, we are a meritocracy. Staff are hired and promoted based on their capabilities and competency. Gender, creed, age, ethnicity – none of these enter into the calculation. We believe our guests expect us to be thoroughly professional in our duties – and we strive to exceed their expectations. We figure that as long as a person is good enough and qualified enough, he or she is welcome to join our Allstars team – even if the individual comes from outside the airline industry. Even our Group CEO and Deputy Group CEO are from the music industry. We believe that passion,

determination, dedication and a positive ‘can-do’ mindset are more important qualities than experience in the airline industry. It’s an approach that has helped AirAsia become the much-envied industry leader that it is today – and why we are the employer of choice of our creative and hard-working Allstars.

We provide career development opportunities no other airline – and very few other corporations – does. We have trained flight attendants, guest services officers and call centre operators to become pilots. In 2005, we set up our AirAsia Academy where we train not only pilots but also engineers, cabin crew and others. The academy is equipped with the most modern training equipment, including six simulators, and also serves as a quality training ground for third-party airlines.

In the workplace, we have a flat management structure and an open office layout which

contribute to greater interaction between our Allstars and the feeling that everybody counts.

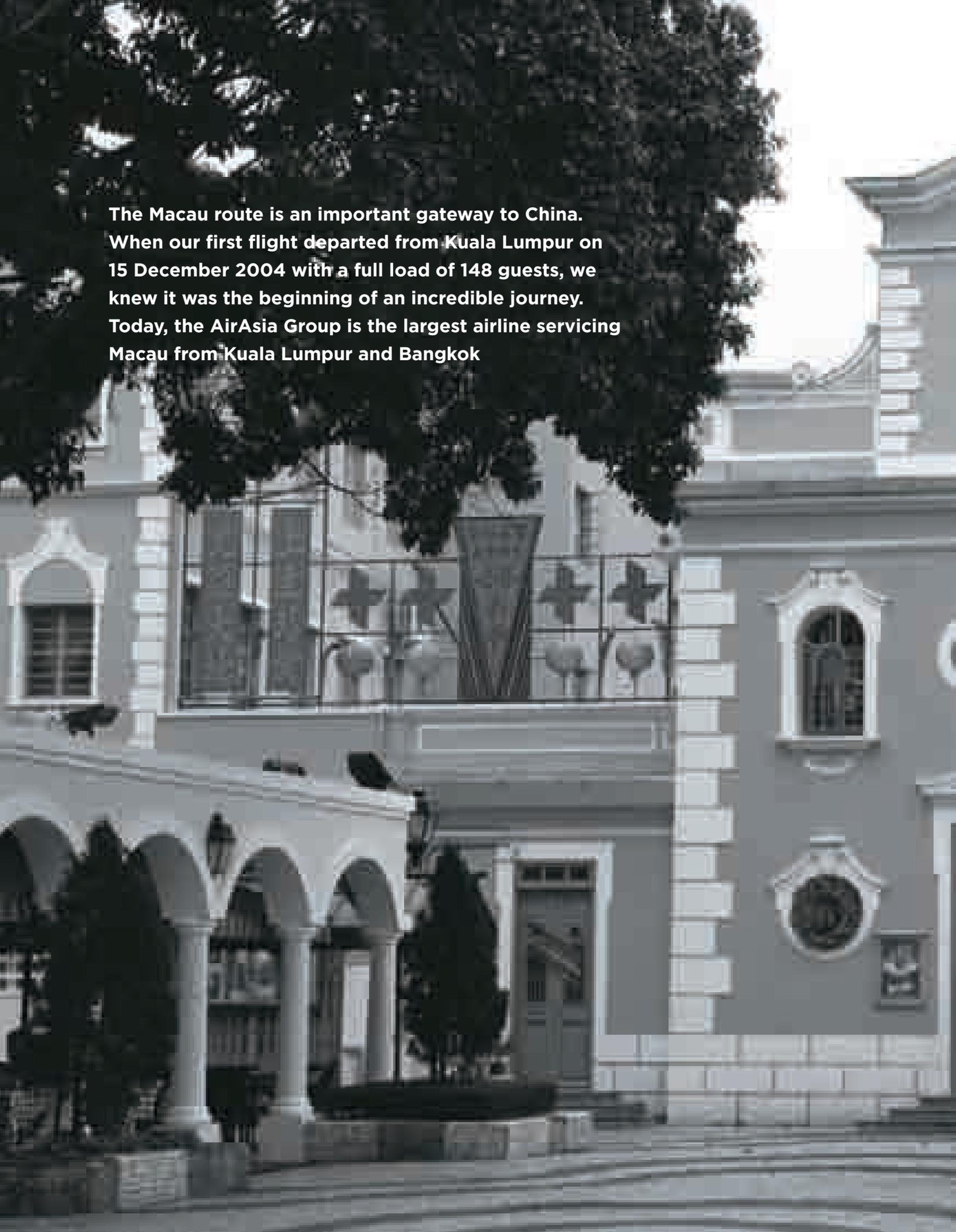
Safety First

Top priority is given to safety at all times. The Group provides safety training to all staff at the AirAsia Academy, and implements best practices in the maintenance and routine checks of our aircraft. These operations are regularly reviewed by internal and external safety experts. The Group has developed a quality assurance system to monitor ground and flight operations, and our quality assurance team ensures that all industry standards, especially DCA guidelines, are strictly adhered to. The DCA conducts audits on the Group twice a year.

The A320 fleet are checked every day. In addition there are weekly checks, 400 flight hour checks, E checks and C checks, all of which are monitored by the Group’s engineering department,

centralised in Kuala Lumpur. The engineering department has also initiated several maintenance and engineering initiatives to enhance flight data management, and increased the frequency of transit and hangar surveillance. Given the scale of growth of the Group’s fleet, the Group has subscribed to an Aircraft Management & Overhaul Maintenance System (AMOS), which includes information on maintenance, repairs and operations.

To further enhance the safety of our aircraft, AirAsia has teamed with Rockwell Collins to equip the A320s with a modern avionics package which includes a multi-scan hazard detection system to analyse weather hazards, and a GLU-925 multi-mode receiver, which enhances precision landing capabilities.

A black and white photograph of a grand, classical-style building. The building features a prominent balcony with a decorative metal railing and a large, ornate vase on it. Below the balcony is a covered walkway with a series of arches supported by columns. The building has multiple windows, some with arched tops and decorative frames. A large tree is visible in the foreground, partially obscuring the building. The overall scene is well-lit, suggesting a bright day.

**The Macau route is an important gateway to China.
When our first flight departed from Kuala Lumpur on
15 December 2004 with a full load of 148 guests, we
knew it was the beginning of an incredible journey.
Today, the AirAsia Group is the largest airline servicing
Macau from Kuala Lumpur and Bangkok**



St. Francis, Macau

STATEMENT ON CORPORATE GOVERNANCE



THE BOARD OF DIRECTORS OF AIRASIA IS COMMITTED IN ENSURING THE HIGHEST STANDARDS OF CORPORATE GOVERNANCE ARE APPLIED THROUGHOUT THE GROUP. THE BOARD CONSIDERS THAT IT HAS COMPLIED THROUGHOUT THE YEAR UNDER REVIEW WITH THE PRINCIPLES AND BEST PRACTICES AS SET OUT IN THE MALAYSIAN CODE ON CORPORATE GOVERNANCE ("THE CODE"). THE FOLLOWING SECTIONS EXPLAIN HOW THE COMPANY APPLIES THE PRINCIPLES AND SUPPORTING PRINCIPLES OF THE CODE.

A. DIRECTORS

Roles and Responsibilities of the Board

The Board retains full and effective control over the affairs of the Company and the Group and has assumed the following to ensure the effectiveness of the Board and to discharge its duties and responsibilities:-

- Reviewing and adopting a strategic plan for the Company;
- Approves the Company's annual budget and carries out periodic review of the achievements against business targets;
- Identifying principal risks and to ensure implementation of appropriate system to manage these risks;
- Overseeing and evaluating the conduct of the Company's business;
- Succession planning;
- Developing and implementing an investor relations program; and
- Reviewing adequacy and integrity of the Company's internal controls.

Board Balance and Meetings

The Board of Directors consists of nine (9) Members, the details are given on pages 42 to 47. One (1) of the Board Member is the Non-Executive Chairman, two (2) are Executive Directors and six (6) are Non-Executive Directors. Five (5) of the Non-Executive Directors fulfil the criteria of independence as defined in the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The high proportion of Independent Non-Executive Directors (more than one-third) provides for effective check and balance in the functioning of the Board.

The Board is of the opinion that the appointment of Senior Independent Non-Executive Director to whom concerns may be conveyed, is not necessary as the Chairman fully encourages Board members to actively participate in Board meetings.

The roles of Chairman and Group Chief Executive Officer ("Group CEO") and the Group Deputy Chief Executive Officer are separate with a clear division of responsibility between them.

The size, balance and composition of the Board supports the Board's role, which is to determine the long term direction and strategy of the Group, create value for shareholders, monitor the achievement of business objectives, ensure that good corporate governance is practised and to ensure that the Group meets its other responsibilities to its shareholders, other stakeholders and guests.

The Non-Executive Directors are persons of high caliber and integrity, and they collectively possess rich experience primarily in finance, in Government and private sector enterprises and bring wide and varied commercial experience to Board and Committee deliberations. The Non-Executive Directors devote sufficient time and attention as necessary in order to perform their duties. Other professional commitments of the Non-Executive Directors are provided in their biographies on pages 42 to 47. The Board requires that all Non-Executive Directors are independent in character and judgment who do not participate in the day-to-day management of the Company and do not involve themselves in business transactions or relationships with the Group, in order not to compromise their objectivity.

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

During the financial year ended 31 December, 2010, the Board of Directors held a total of five (5) meetings and the details of Directors' attendances are set out below:

Name:	No. of Meetings Attended
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	5
Dato' Sri Dr. Anthony Francis Fernandes	5
Dato' Kamarudin bin Meranun	4
Conor Mc Carthy	3
Dato' Leong Sonny @ Leong Khee Seong	5
Dato' Fam Lee Ee	5
Datuk Alias bin Ali	4
Dato' Mohamed Khadar bin Merican	4
En. Mohd Omar bin Mustapha ¹	N/A ^{Note 1}

Note 1: En. Mohd Omar bin Mustapha was only appointed on 16 March 2011

Supply of Information

Five (5) days prior to the Board Meetings, all Directors will receive the agenda and a set of Board papers containing information for deliberation at the Board Meetings. This is to accord sufficient time for the Directors to review the Board papers and seek clarifications that they may require from the Management or the Company Secretary. Urgent papers may be presented and tabled at the Board meetings under supplemental agenda. The Board meeting papers are presented in a concise and comprehensive format. Board meeting papers tabled to Directors include progress reports on business operations by GCEO; detailed information on business propositions; quarterly and annual financial statements, corporate proposals including where relevant, supporting documents such as risk evaluations and professional advice from solicitors or advisers and report on the directors' dealings in securities, if any. In order to maintain confidentiality, meeting papers on issues or corporate proposals which are deemed material and price-sensitive would be handed out to Directors at the Board meeting. The Company Secretary ensures that all Board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are recorded and maintained in the statutory register at the registered office of the Company.

As a Group practice, any Director who wishes to seek independent professional advice in the furtherance of his duties may do so at the Group's expense. Directors have access to all information and records of the Group and also the advice and services of the Company Secretary, who also serve in that capacity in the various Board Committees. The Company Secretary also serves notice to Directors on the closed period for trading in AirAsia Berhad shares, in accordance with the black-out periods stated in Chapter 14 on Dealings in Securities of the MMLR of Bursa Malaysia.

Appointments to the Board

The Group has implemented procedures for the nomination and election of Directors via the Nomination Committee. The Company Secretary will ensure that all appointments are properly made, that all information necessary is obtained, as well as all legal and regulatory obligations are met.

Directors' Training

All the Directors have attended the Mandatory Accreditation Program prescribed by Bursa Malaysia.

Directors are regularly updated on the Group's businesses and the competitive and regulatory environment in which they operate. Directors, especially newly appointed ones, are encouraged to visit the Company's operating centre to have an insight on the Company's operations which could assist the Board to make effective decisions.

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

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

Name:	Programmes
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	<ul style="list-style-type: none"> • IBM 2010 Global CEO Study • Evening Talks on Corporate Governance by Bursa Malaysia
Dato' Sri Dr. Anthony Francis Fernandes	<ul style="list-style-type: none"> • Y1 Malaysia roundtable discussion • Turner Asia Pacific Leadership • Invest Malaysia Roadshow with Bursa Malaysia • 2010 National Tax Conference • Asian Bloggers Social Media Conference • Y1 Malaysia Seminar • Pemandu CEO Forum • 1st Annual Credit Suisse Emerging Markets Leadership Forum • On-going private briefings on financial markets by AirAsia's key bankers
Dato' Kamarudin bin Meranun	<ul style="list-style-type: none"> • On-going private briefings on financial markets by AirAsia's key bankers
Dato' Leong Sonny @ Leong Khee Seong	<ul style="list-style-type: none"> • Forum on FRS 139 Financial Instruments: Recognition and Measurement • World Capital Markets Symposium 2010
Dato' Fam Lee Ee	<ul style="list-style-type: none"> • Forum of FRS 139 Financial Instruments by Bursa; and • SC-Bursa Corporate Governance week 29/10/10
Conor Mc Carthy	<ul style="list-style-type: none"> • Raymond James Growth Airlines Seminar
Datuk Alias bin Ali	<ul style="list-style-type: none"> • 6th World Islamic Economic Forum • Understanding related party and conflict of interest transactions reporting compliance and Statutory derivative action in Malaysia
Dato' Mohamed Khadar bin Merican	<ul style="list-style-type: none"> • Board High Performance Program – Leadership Best Practices by Harvard Business School, United States • Financial Institutions' Directors' Remuneration Programme by Bank Negara Malaysia • Briefing on Global Entertainment & Media Outlook 2010 by PricewaterhouseCoopers

All Directors were also updated by the Company Secretary on changes to the relevant guidelines on the regulatory and statutory requirements.

Re-election of Directors

The Articles of Association of the Company provide that at least one-third of the Directors are subject to retirement by rotation at each Annual General Meeting ("AGM") and that all Directors shall retire once in every three years, and are eligible to offer themselves for re-election. The Articles of Association also provide that a Director who is appointed by the Board in the course of the year shall be subject to re-election at the next AGM to be held following his appointment. Directors over seventy years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

Board Committees

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

The **Audit Committee** comprises four Independent Non-Executive Directors.

The Chairman of the Audit Committee would inform the Directors at Board meetings, of any salient matters raised at the Audit Committee meetings and which require the Board's notice or direction.

Further information on the composition, terms of reference and other information relating to the Audit Committee are set out on pages 131 to 134 of this Annual Report.

The **Nomination Committee** comprises three Non-Executive Directors, two of whom are independent namely:-

Chairman: Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar
(Non-Executive Director)

Members: Datuk Alias bin Ali
(Independent Non-Executive Director)
Dato' Fam Lee Ee
(Independent Non-Executive Director)

The primary responsibility of the Nomination Committee in accordance with its terms of reference is to assist the Board with the following functions:-

- To assess and recommend new nominees for appointment to the Board and Board Committees (the ultimate decision as to whom shall be nominated should be the responsibility of the full Board after considering the recommendations of such a Committee).
- To review the required mix skills and experience and other qualities, including core competencies which the Non-Executive Directors should bring to the Board.
- To assess the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual Director.

The **Remuneration Committee** comprises three Independent Non-Executive Directors namely:-

Chairman: Datuk Alias bin Ali
(Independent Non-Executive Director)

Members: Dato' Leong Sonny @ Leong Khee Seong
(Independent Non-Executive Director)
Dato' Fam Lee Ee
(Independent Non-Executive Director)

The primary responsibility of the Remuneration Committee in accordance with its terms of reference is to assist the Board with the following functions:-

- To review and to consider the remuneration of Executive Directors which is in accordance with the skill, experience and expertise they possess and make recommendation to the Board on the remuneration packages of Executive Directors.
- To provide an objective and independent assessment of the benefits granted to the Executive Directors.
- To conduct continued assessment of individual Executive Directors to ensure that remuneration is directly related to corporate and individual performance.
- Annual review of the overall remuneration policy for Directors for recommendation to the Board.

The **Safety Review Board** was established in August 2005 with the purpose of providing Board level oversight and input to the management of Safety within AirAsia's operations. The Board appoints the Chairman of the Committee and a meeting is held each quarter to review progress and trends in relation to Flight Safety & Airworthiness, Incident Reports, Investigations and recommendations and Flight Data Analysis and Recommendations. The Committee comprises two Non-Executive Directors, namely:-

Chairman: Mr. Conor Mc Carthy
(Non-Executive Director)

Member: Dato' Mohamed Khadar bin Merican
(Independent Non-Executive Director)

and the other members include relevant operations safety and security specialists from AirAsia and from our affiliates in Thailand and Indonesia. A report is provided to Board each Quarter.

The **Employee Share Option Scheme ("ESOS") Committee** comprises of the Group CEO, the Deputy Group Chief Executive Officer ("Deputy Group CEO"), the Group Regional Head Finance and the Company's External Legal Advisor. The ESOS Committee was established to administer the ESOS of the Group in accordance with the objectives and regulations thereof and to determine the participation eligibility, option offers and share allocations and to attend to such other matters as may be required.

B. DIRECTORS REMUNERATION

The remuneration package comprises the following elements:-

- 1. Fee**
The fees payable to each of the Non-Executive Directors for their services on the Board are recommended by the Board for final approval by shareholders of the Company at the AGM.
- 2. Basic salary**
The basic salary for each Executive Director is recommended by the Remuneration Committee and approved by the Board, taking into account the performance of the individual, the inflation price index and information from independent sources on the rates of salary for similar positions in other comparable companies internationally. Salaries are reviewed annually.

3. Bonus scheme

The Group operates a bonus scheme for all employees, including the Executive Directors. The criteria for the scheme are dependent on various performance measures of the Group, together with an assessment of each individual's performance during the period.

4. Benefits-in-kind

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

5. Service contract

Both the Group CEO and Deputy Group CEO, have a three-year service contract each with AirAsia.

6. Directors' share options

There was no movement in Directors' share options during the year ended 31 December 2010.

Details of the Directors' remuneration are set out in Note 5 of the Audited Financial Statements on pages 173 to 174 of this Annual Report. Whilst the Code has prescribed for individual disclosure packages, the Board is of the view that the transparency and accountability aspects of Corporate Governance in respect of the Directors' remuneration are appropriately and adequately addressed by the band disclosure as disclosed in the said Note 5.

C. SHAREHOLDERS**Investor Relations**

The Company is committed to maintaining good communications with shareholders and investors. Communication is facilitated by a number of formal channels used to inform shareholders about the performance of the Group. These include the Annual Report and Accounts and announcements made through Bursa Malaysia, as well as through the AGM.

Members of senior management are directly involved in investor relations through periodic roadshows and investor briefings in the country and abroad with financial analysts, institutional shareholders and fund managers.

Reports, announcements and presentations given at appropriate intervals to representatives of the investment community are also available for download at the Group's website at www.airasia.com. Shareholders may obtain the Company's announcements via the Bursa Malaysia's website at "<http://www.bursamalaysia.com>".

Any queries or concerns regarding the Group may be directed to the Investor Relations Department at investorrelations@airasia.com.

Annual General Meeting

Given the size and geographical diversity of our shareholder base, the AGM is another important forum for shareholder interaction. All shareholders are notified of the meeting together with a copy of the Group's Annual Report at least 21 days before the meeting is held.

At the AGM, the Group CEO will conduct a brief presentation on the Group's performance for the year and future prospects. The Chairman and all Board Committee chairmen where possible will be present at the AGM to answer shareholders' questions and hear their views during the meeting. Shareholders are encouraged to participate in the proceedings and engage with dialogue with the Board and Senior Management.

Corporate Disclosure Policy

AirAsia Berhad observed the continuing disclosure obligation imposed upon a listed issuer by Bursa Malaysia. A Corporate Disclosure Policy was approved by the Board, which provides accurate, balanced, clear, timely and complete disclosure of corporate information to enable informed and orderly market decisions by investors. In this respect, the Company follows the disclosure guidelines and regulation of Bursa Malaysia.

Material information will in all cases be disseminated via Bursa Malaysia and other means.

D. ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

Audit Committee and Internal Control

The Board's governance policies include a process for the Board, through the Audit Committee to review regularly the effectiveness of the system of internal control as required by the Code. A report on the Audit Committee and its terms of reference is presented on pages 131 to 134 of this Annual Report.

The Board has overall responsibility for the Group's system of internal control, which comprises a process for identifying, evaluating and managing the risks faced by the Group and for regularly reviewing its effectiveness in accordance with the Code.

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

The Statement of Internal Control is set out in pages 135 to 136.

Whistleblowing Program

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

All concerns should be addressed to the Chief Audit Executive (Audit & Consulting Services) who will then assess all concerns reported and recommend the appropriate action, and subsequently:

- Compile all reports received and submit to the Chairman of the Audit Committee; and
- Report to Management on behalf of the Audit Committee the results of the investigation for further action.

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

Relationship with the External Auditors

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

This statement is made in accordance with a resolution of the Board of Directors of AirAsia dated 19 April 2011.

AUDIT COMMITTEE REPORT

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

A. COMPOSITION

The Committee shall comprise at least three non-executive directors appointed by the Board of Directors. All the members of the Committee must be non-executive directors, with a majority of them being independent directors. All members of the Committee shall be financially literate and at least one member shall:

- (i) be a member of the Malaysian Institute of Accountants; or
- (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years of working experience and:-
 - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
- (iii) fulfils such other requirements as prescribed or approved by the Exchange.

The appointment terminates when a member ceases to be a Director. No alternate director can be appointed as a member of the Committee.

Members of the Committee shall elect an Independent Director on the Committee as Chairman.

If a member of the Committee resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced below three, the Board shall, within three months appoint such number of new members as may be required to make up the minimum of three members.

The terms of office and performance of the Committee and each of its members shall be reviewed by the Board at least once every three years.

B. ROLES AND RESPONSIBILITY

The primary roles and responsibilities of the Committee with regards to the AirAsia Group's Internal Audit function, external auditors, financial reporting, related party transactions, annual reporting and investigation are as follows:

Internal Audit

- Mandate the internal audit function to report directly to the Committee;
- Review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary independence and authority to carry out its work, which should be performed professionally and with impartiality and proficiency;
- Review the internal audit reports and to ensure that appropriate and prompt remedial action is taken by the Management on lapses in controls or procedures that are identified by internal audit;
- Review the appraisal or assessment of the performance of members of the internal audit function;
- Approve the appointment or termination of the Regional Head - Internal Audit and senior staff members of Internal Audit;
- Take cognisance of resignations of internal audit staff and the reason for resigning.

External Auditor

- To consider the appointment of the external auditor, the audit fees, any questions of resignation or dismissal of the external auditor;
- To submit a copy of written representation or submission of external auditors' resignation to the Exchange;
- Monitor the effectiveness of the external auditors' performance and their independence and objectivity;
- To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- Review major findings raised by the external auditors and Management's responses, including the status of the previous audit recommendations;
- To discuss problems and reservations arising from the interim and final audits, and any matter the external auditor may wish to discuss (in the absence of management where necessary); and
- To provide a line of communication between the Board and the external auditors.

Financial Reporting

To review the quarterly and year-end financial statements of the Group and Company, focusing particularly on:-

- any change in accounting policies and practices;
- significant adjustments arising from the audit;
- litigation that could affect the results materially;
- the going concern assumption; and
- compliance with accounting standards and other legal requirements.

Related Party Transactions

To review any related party transactions and conflict of interest situations that may arise within the Company or Group including transactions, procedures or courses of conduct that may raise questions of Management's integrity.

Annual Report

Report the Audit Committee's activities for the financial year.

Investigation

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

Other Matters

To consider any other matters as directed by the Board.

C. AUTHORITY AND POWERS OF THE AUDIT COMMITTEE

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

- have authority to investigate any matter within its terms of reference;
- have full, free and unrestricted access to the Group and Company's records, properties, personnel and other resources;
- have full and unrestricted access to any information regarding the Group and Company;
- have direct communication channels with the external auditors and person(s) carrying out the internal audit function;
- be able to obtain independent professional or other advice; and
- convene meetings with the external auditors, internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

Where the Committee is of the view that a matter reported by it to the Board of directors has not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements of Bursa Malaysia, the Committee is authorised to promptly report such matters to the Exchange.

D. MEETINGS

- a) The Committee shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide.
- b) The quorum for an Audit Committee Meeting shall be at least two (2) members. The majority present must be Independent Directors.
- c) The External Auditor has the right to appear and be heard at any meeting of the Committee and shall appear before the Committee when required to do so.
- d) The Group Regional Head of Finance and the Regional Head of Internal Audit of the Group and Company shall normally attend the meetings to assist in the deliberations and resolution of matters raised. However, at least twice a year, the Committee shall meet with the External Auditors without the presence of management.
- e) The Company Secretary shall act as Secretary of the Committee and shall be responsible, with the concurrence of the Chairman, for drawing up and circulating the agenda and the notice of meetings together with the supporting explanatory documentation to members prior to each meeting.
- f) The Secretary of the Committee shall be entrusted to record all proceedings and minutes of all meetings of the Committee.
- g) In addition to the availability of detailed minutes of the Audit Committee Meetings to all Board members, the Committee at each Board Meeting will report a summary of significant matters resolutions.

The above terms of reference were revised and approved by the Board of Directors of AirAsia Berhad on 27th day of February 2008.

ACTIVITIES OF THE AUDIT COMMITTEE DURING THE YEAR

A summary of the activities performed by the Committee during the financial year ended 31 December 2010 ("Financial Year") is set out below.

Composition of the Audit Committee and Attendance of meetings

A total of seven (7) meetings are held for the Financial Year. The members of the Committee together with the details of their attendance at the Committee meetings held during the year are as follows:

Name	Directorship	No. of Meetings attended
Datuk Leong Khee Seong (Chairman of the Committee)	Independent Non-Executive Director	7
Dato' Fam Lee Ee	Independent Non-Executive Director	7
Datuk Alias bin Ali	Independent Non-Executive Director	7
Dato' Mohamed Khadar bin Merican	Independent Non-Executive Director	6

The Committee meets on a scheduled basis at least once in every two months. The Group Chief Executive Officer (GCEO), the Regional Head – Finance, the Group Financial Controller (GFC) and the Regional Head - Internal Audit are invited to attend the meetings. The External Auditors are also invited to discuss their management letters, Audit Planning Memorandum and other matters deemed relevant.

Internal Audit

- Approved the Group's internal audit plan, scope and budget for the financial year.
- Reviewed the results of internal audit reports and monitor the implementation of management action plans in addressing and resolving issues.
- Reviewed the adequacy and competencies of internal audit function to execute the annual audit plan.

External Audit

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

Employee Share Option Scheme

- The Committee verified the allocation options pursuant to the criteria disclosed to the employees of the Group and established pursuant to the Employee Share Option Scheme for the Financial Year.

Financial Reporting

- Reviewed and deliberated on the Quarterly Financial Announcements and Annual Audited Financial Statements prior to submission to the Board of Directors for consideration and approval.

Related Party Transactions

- Reviewed the related party transactions entered into by AirAsia Berhad Group.

INTERNAL AUDIT FUNCTION

AirAsia Group has a well established in-house Internal Audit (IA) to assist the Board to oversee that Management has in place a sound risk management, internal control and governance system. The IA maintains its impartiality, proficiency and due professional care by having its plans and reports directly under the purview of the Committee. The function is also guided by its Audit Charter that provides for its independence and reflects the roles, responsibilities, accountability and scope of work of the department. The IA reports functionally to Audit Committee and administratively to the GCEO.

The principal responsibility of IA is to undertake regular and systematic reviews of the systems of internal controls, so as to provide reasonable assurance that the systems continue to operate efficiently and effectively. The IA implements risk based auditing in establishing the strategic and annual audit plan, being the main factor in determining the areas or units to be audited.

The audits cover the review of the adequacy of risk management, the strength and effectiveness of the internal controls, compliance to both internal and statutory requirement, governance and management efficiency, amongst others. Areas for improvement and audit recommendations are forwarded to the management for attention and further actions. The management is responsible to ensure that corrective actions are implemented within the required time frame. The audit reports which provide the results of the audit conducted are submitted to the Audit Committee for review. Key control issues and recommendations are highlighted to enable the Committee to execute its oversight function.

The Audit Committee reviews and approves the IA's human resource requirements to ensure that the function is adequately resourced with competent and proficient internal auditors. The total operational costs of the Internal Audit department for 2010 was RM1,543,376.83.

STATEMENT ON INTERNAL CONTROL

The Board remains committed to complying with the Malaysian Code of Corporate Governance which "... requires listed companies to maintain a sound system of internal control to safeguard shareholders' investment and the Company's assets" and Bursa Malaysia's MMLR Paragraph 15.26 (b) which requires the Board to make a statement about the state of internal control of the listed issuer as a group. The Board is pleased to issue the following statement of internal control for the financial year ended 31 December 2010.

Board Accountability

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

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

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

Integrating Risk Management with Internal Controls

The Board continues to rely on the enterprise-wide risk management framework to manage its risks and to form the basis of the internal audit plan. Effective risk management is particularly challenging as the Company operates in a rapidly changing environment. The process of risk management is ongoing where the coverage includes the Group's associated companies.

Risk profiling and assessments for all business divisions and associated companies have been performed during the development of the annual audit plan which was presented, deliberated and approved by the Audit Committee.

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

Key Internal Control Processes

The key elements of the Group's internal control system are described below:

The Board and Operational Committees

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

Internal Audit

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

Other Key Elements of Internal Control

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

The statement also caters for the state of internal controls in material joint ventures and associated companies. There was no material loss incurred as a result of internal control weaknesses.

ADDITIONAL COMPLIANCE INFORMATION

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

1. UTILISATION OF PROCEEDS FROM CORPORATE PROPOSAL

There were no proceeds raised by the Company from corporate proposals during the financial year ended 31 December 2010.

2. SHARE BUY-BACK

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

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES EXERCISED

The Company did not issue any warrants or convertible securities during the financial year ended 31 December, 2010. The AirAsia ESOS came into effect on 1 September 2004. The details of the ESOS exercised are disclosed in pages 201 to 202 of the financial statements.

4. AMERICAN DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR") PROGRAMME

The Company did not sponsor any ADR or GDR programme during the financial year ended 31 December 2010.

5. SANCTIONS AND/OR PENALTIES

There were no public sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies during the financial year ended 31 December 2010.

6. NON-AUDIT FEES

The amount of non-audit fees incurred for services rendered to the Company by the external auditors for the financial year ended 31 December 2010 were RM1,354,000.00 for Consultancy Services.

7. VARIATION IN RESULTS

There were no profit estimations, forecasts or projections made or released by the Company during the financial year ended 31 December 2010.

8. PROFIT GUARANTEE

During the financial year ended 31 December 2010, the Group and the Company did not give any profit guarantee.

9. MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS'

There were no material contracts entered into by the Company and its subsidiaries involving directors and major shareholders' interests still subsisting at the financial year ended 31 December 2010.





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DIRECTORS' REPORT

The Directors hereby submit their annual report to the members together with the audited financial statements of the Group and Company for the financial year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of providing air transportation services. The principal activities of the subsidiaries are described in Note 13 to the financial statements. There was no significant change in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year	1,061,411	1,055,075

DIVIDENDS

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

The Directors now recommend the payment of a first and final dividend in respect of the financial year ended 31 December 2010 as follows:

- (i) Dividend of 0.91 sen less 25% tax per ordinary share of 10 sen each amounting to RM19,026,493;
- (ii) Tax exempt dividend of 0.02 sen per ordinary share of 10 sen each amounting to RM527,627; and
- (iii) Single-tiered dividend of 2.07 sen per ordinary share of 10 sen amounting to RM57,306,798.

The first and final dividend which is subject to the approval of members at the forthcoming Annual General Meeting of the Company, will be paid to shareholders registered in the Register of Members at the close of business on 20 June 2011. Based on the issued and paid-up capital of the Company as at the date of this report, the final dividend would amount to RM76,860,918.

RESERVES AND PROVISIONS

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

ISSUANCE OF SHARES

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM275,774,458 to RM277,343,608 by way of issuance of 15,691,500 ordinary shares of RM0.10 each pursuant to the exercise of the Company's Employee Share Option Scheme ("ESOS") at an exercise price of RM1.08 per share. The premium arising from the exercise of ESOS of RM15,377,670, has been credited to the Share Premium account.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company. There were no other changes in the issued and paid-up share capital of the Company during the financial year.

EMPLOYEE SHARE OPTION SCHEME ("ESOS")

The Company implemented an ESOS on 1 September 2004. The ESOS is governed by the by-laws which were approved by the shareholders on 7 June 2004 and was effective for a period of 5 years from the date of approval. On 28 May 2009, the Company extended the duration of its ESOS which expired on 6 June 2009 by another 5 years to 6 June 2014. This was in accordance with the terms of the ESOS By-Laws. The ESOS extension was not subject to any regulatory or shareholders' approval.

Details of the ESOS are set out in Note 31 to the financial statements.

EMPLOYEE SHARE OPTION SCHEME (“ESOS”) (CONTINUED)

The Company has been granted an exemption by the Companies Commission of Malaysia, the information of which has been separately filed, from having to disclose the list of option holders and their holdings, except for eligible employees (inclusive of Executive Directors) with share options allocation of 320,000 and above. The employees who have been granted options of more than 320,000 shares are Dato’ Sri Dr. Anthony Francis Fernandes and Dato’ Kamarudin bin Meranun, details of which are disclosed in the section on Directors’ Interests in Shares below.

DIRECTORS

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

Dato’ Abdel Aziz @ Abdul Aziz bin Abu Bakar
Dato’ Sri Dr. Anthony Francis Fernandes
Dato’ Kamarudin bin Meranun
Conor Mc Carthy
Dato’ Leong Sonny @ Leong Khee Seong
Dato’ Fam Lee Ee
Datuk Alias bin Ali
Dato’ Mohamed Khadar bin Merican
Mohd Omar bin Mustapha

(Appointed on 16 March 2011)

DIRECTORS’ BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than the Company’s ESOS (see Note 5 to the financial statements).

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than Directors’ remuneration as disclosed in Note 5 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 37 to the financial statements.

DIRECTORS’ INTERESTS IN SHARES

According to the register of Directors’ shareholdings, particulars of interests of Directors who held office at the end of the financial year in shares and options over shares in the Company are as follows:

	Number of ordinary shares of RM0.10 each			
	At 1.1.2010	Acquired	Disposed	At 31.12.2010
The Company				
Direct interests				
Dato’ Sri Dr. Anthony Francis Fernandes	2,627,010	–	–	2,627,010
Dato’ Kamarudin bin Meranun	1,692,900	–	–	1,692,900
Conor Mc Carthy	20,882,903	–	5,530,500	15,352,403**
Dato’ Leong Sonny @ Leong Khee Seong	100,000	–	–	100,000
Dato’ Fam Lee Ee	200,000	–	100,000	100,000
Indirect interests				
Dato’ Sri Dr. Anthony Francis Fernandes *	729,458,382	–	–	729,458,382
Dato’ Kamarudin bin Meranun *	729,458,382	–	–	729,458,382

* By virtue of their interests in shares in the substantial shareholder of the Company, Tune Air Sdn. Bhd. (“TASB”), Dato’ Sri Dr. Anthony Francis Fernandes and Dato’ Kamarudin bin Meranun are deemed to have interests in the Company to the extent of TASB’s interest therein, in accordance with Section 6A of the Companies Act, 1965.

** 100,000 shares held in personal name and 15,252,403 shares held under HSBC Nominees (Asing) Sdn Bhd.

**DIRECTORS'
REPORT****DIRECTORS' INTERESTS IN SHARES (CONTINUED)**

	Number of options over ordinary shares of RM0.10 each			
	At 1.1.2010	Granted	Exercised	At 31.12.2010
The Company				
Dato' Sri Dr. Anthony Francis Fernandes	600,000	–	–	600,000
Dato' Kamarudin bin Meranun	600,000	–	–	600,000

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

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Group and the Company were made out, the Directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and Company had been written down to an amount which they might be expected so to realise.

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

- (a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and Company misleading or inappropriate.

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

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

In the opinion of the Directors:

- (a) the results of the Group's and Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than those arising from the changes in accounting policy disclosed in Note 2 to the financial statements; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and Company for the financial year in which this report is made.

AUDITORS

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

In accordance with a resolution of the Board of Directors dated 28 April 2011.



DATO' SRI DR. ANTHONY FRANCIS FERNANDES
DIRECTOR



DATO' KAMARUDIN BIN MERANUN
DIRECTOR

**INCOME
STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	Group		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Revenue	4	3,948,095	3,132,901	3,864,459	3,072,049
Operating expenses					
– Staff costs	5	(360,785)	(306,002)	(358,941)	(304,551)
– Depreciation of property, plant and equipment	12	(519,984)	(447,644)	(519,958)	(447,637)
– Aircraft fuel expenses		(1,210,108)	(927,795)	(1,210,108)	(927,795)
– Maintenance, overhaul, user charges and other related expenses		(476,077)	(410,583)	(476,077)	(410,583)
– Aircraft operating lease expenses		(65,692)	(107,251)	(65,692)	(107,251)
– Travel and tour operating expenses		(69,634)	(53,524)	–	–
– Gain on unwinding of derivatives		–	22,457	–	22,457
– Other operating expenses	6	(192,381)	(92,188)	(186,017)	(90,543)
Other losses – net	7	(22,416)	–	(22,416)	–
Other income	8	35,943	102,383	35,367	102,383
Operating profit		1,066,961	912,754	1,060,617	908,529
Finance income	9	808,033	84,505	808,023	84,462
Finance costs	9	(776,138)	(374,971)	(776,134)	(374,971)
Profit before taxation		1,098,856	622,288	1,092,506	618,020
Taxation					
– Current taxation	10	(5,431)	(11,186)	(5,417)	(11,186)
– Deferred taxation	10	(32,014)	(104,835)	(32,014)	(104,835)
		(37,445)	(116,021)	(37,431)	(116,021)
Net profit for the financial year		1,061,411	506,267	1,055,075	501,999
Earnings per share (sen)					
– Basic	11	38.4	20.6		
– Diluted	11	38.3	20.6		

The notes on pages 152 to 216 form part of these financial statements.

**STATEMENTS OF
COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	Group		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Profit for the financial year		1,061,411	506,267	1,055,075	501,999
Other comprehensive (loss)/income					
– Available-for-sale financial assets	16	4,279	–	4,279	–
– Cash flow hedges		(5,639)	–	(5,639)	–
– Foreign currency translation differences		(107)	–	–	–
Other comprehensive loss for the financial year, net of tax		(1,467)	–	(1,360)	–
Total comprehensive income for the financial year		1,059,944	506,267	1,053,715	501,999
Total comprehensive income attributable to:					
– Equity holders of the company		1,059,944	506,267		
– Minority interests		–	–		
		1,059,944	506,267		

The notes on pages 152 to 216 form part of these financial statements.

**BALANCE
SHEETS**

AS AT 31 DECEMBER 2010

	Note	Group		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	12	9,318,041	7,942,188	9,316,592	7,941,293
Investment in subsidiaries	13	–	–	25,384	22,194
Investment in associates	15	29	29	29	29
Available-for-sale financial assets	16	152,942	–	152,942	–
Other investments	17	25	26,704	25	26,704
Goodwill	18	8,738	8,738	–	–
Deferred tax assets	19	719,260	751,274	719,260	751,274
Receivables and prepayments	20	23,593	23,593	23,593	23,593
Amount due from a jointly controlled entity	21	–	171,885	–	171,885
Amount due from an associate	22	117,964	253,037	117,964	253,037
Derivative financial instruments	30	25,544	–	25,544	–
		10,366,136	9,177,448	10,381,333	9,190,009
CURRENT ASSETS					
Inventories	23	17,553	20,864	17,005	20,316
Receivables and prepayments	20	841,122	721,082	815,921	719,608
Deposits on aircraft purchase		248,684	330,978	248,684	330,978
Amounts due from subsidiaries	24	–	–	432,382	197,626
Amount due from a jointly controlled entity	21	99,802	194,503	–	–
Amounts due from associates	22	162,386	203,930	162,386	203,930
Amount due from a related party	24	–	3,303	–	3,303
Deposits, cash and bank balances	25	1,504,617	746,312	1,499,061	745,345
		2,874,164	2,220,972	3,175,439	2,221,106
LESS: CURRENT LIABILITIES					
Trade and other payables	26	912,943	872,990	884,344	861,847
Sales in advance		328,549	283,224	307,987	272,333
Amounts due to subsidiaries	27	–	–	44,251	29,055
Amount due to a jointly controlled entity	21	–	–	322,614	–
Amount due to an associate	22	5,223	3,382	5,223	3,382
Amount due to a related party	27	41,262	–	41,262	–
Hire-purchase payables	28	15	56	15	56
Borrowings	29	553,967	540,212	553,967	540,212
Current tax liabilities		1,632	9,824	955	9,824
		1,843,591	1,709,688	2,160,618	1,716,709
NET CURRENT ASSETS		1,030,573	511,284	1,014,821	504,397

	Note	Group		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
NON-CURRENT LIABILITIES					
Hire-purchase payables	28	–	16	–	16
Borrowings	29	7,302,884	7,067,696	7,302,884	7,067,696
Derivative financial instruments	30	452,865	–	452,865	–
		7,755,749	7,067,712	7,755,749	7,067,712
		3,640,960	2,621,020	3,640,405	2,626,694
CAPITAL AND RESERVES					
Share capital	31	277,344	275,774	277,344	275,774
Share premium		1,221,594	1,206,216	1,221,594	1,206,216
Foreign exchange reserve		485	592	–	–
Retained earnings	32	2,102,571	1,138,438	2,102,501	1,144,704
Other reserves		38,966	–	38,966	–
Shareholders' equity		3,640,960	2,621,020	3,640,405	2,626,694

The notes on pages 152 to 216 form part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Attributable to equity holders of the Company										
	Note	Issued and fully paid ordinary shares of RM0.10 each			Foreign exchange reserve RM'000	Cash flow hedge reserve RM'000	AFS reserve RM'000	Retained earnings RM'000	Total RM'000	Minority interests RM'000	Total equity RM'000
		Number of shares '000	Nominal value RM'000	Share premium RM'000							
Group											
At 1 January 2009		2,374,210	237,421	735,352	592	-	-	632,171	1,605,536	-	1,605,536
Net profit for the financial year		-	-	-	-	-	-	506,267	506,267	-	506,267
Issuance of ordinary shares											
- issue of shares	31	380,000	38,000	467,400	-	-	-	-	505,400	-	505,400
- pursuant to the Employee Share Option Scheme ('ESOS')	31	3,535	353	3,464	-	-	-	-	3,817	-	3,817
At 31 December 2009		<u>2,757,745</u>	<u>275,774</u>	<u>1,206,216</u>	<u>592</u>	<u>-</u>	<u>-</u>	<u>1,138,438</u>	<u>2,621,020</u>	<u>-</u>	<u>2,621,020</u>
At 1 January 2010		2,757,745	275,774	1,206,216	592	-	-	1,138,438	2,621,020	-	2,621,020
Effects of adoption of FRS 139	40	-	-	-	-	(65,670)	105,996	(97,278)	(56,952)	-	(56,952)
At 1 January 2010 (restated)		2,757,745	275,774	1,206,216	592	(66,670)	105,996	1,041,160	2,564,068	-	2,564,068
Net profit for the financial year		-	-	-	-	-	-	1,061,411	1,061,411	-	1,061,411
Other comprehensive income		-	-	-	(107)	(5,639)	4,279	-	(1,467)	-	(1,467)
Total comprehensive income		-	-	-	(107)	(5,639)	4,279	1,061,411	1,059,944	-	1,059,944
Issuance of ordinary shares - pursuant to the Employee Share Option Scheme ('ESOS')	31	15,692	1,570	15,378	-	-	-	-	16,948	-	16,948
At 31 December 2010		<u>2,773,437</u>	<u>277,344</u>	<u>1,221,594</u>	<u>485</u>	<u>(71,309)</u>	<u>110,275</u>	<u>2,102,571</u>	<u>3,640,960</u>	<u>-</u>	<u>3,640,960</u>

The notes on pages 152 to 216 form part of these financial statements.

	Note	Issued and fully paid ordinary shares of RM0.10 each		Cash flow hedge reserve RM'000	Non-distributable		Distributable	Total RM'000
		Number of shares '000	Nominal value RM'000		AFS reserve RM'000	Share premium RM'000	Retained earnings RM'000	
Company								
At 1 January 2009		2,374,210	237,421	–	–	735,352	642,705	1,615,478
Net loss for the financial year		–	–	–	–	–	501,999	501,999
Issuance of shares								
– issue of shares	31	380,000	38,000	–	–	467,400	–	505,400
– pursuant to the Employee Share Option Scheme ('ESOS')	31	3,535	353	–	–	3,464	–	3,817
At 31 December 2009		<u>2,757,745</u>	<u>275,774</u>	–	–	<u>1,206,216</u>	<u>1,144,704</u>	<u>2,626,694</u>
At 1 January 2010		2,757,745	275,774	–	–	1,206,216	1,144,704	2,626,694
Effects of adoption of FRS 139	40	–	–	(65,670)	105,996	–	(97,278)	(56,952)
At 1 January 2010 (restated)		<u>2,757,745</u>	<u>275,774</u>	<u>(65,670)</u>	<u>105,996</u>	<u>1,206,216</u>	<u>1,047,426</u>	<u>2,569,742</u>
Net profit for the financial year		–	–	–	–	–	1,055,075	1,055,075
Other comprehensive income		–	–	(5,639)	4,279	–	–	(1,360)
Total comprehensive income		–	–	<u>(5,639)</u>	<u>4,279</u>	–	<u>1,055,075</u>	<u>1,053,715</u>
Issuance of shares								
– pursuant to the Employee Share Option Scheme ('ESOS')	31	15,692	1,570	–	–	15,378	–	16,948
At 31 December 2010		<u>2,773,437</u>	<u>277,344</u>	<u>(71,309)</u>	<u>110,275</u>	<u>1,221,594</u>	<u>2,102,501</u>	<u>3,640,405</u>

The notes on pages 152 to 216 form part of these financial statements.

**CASH FLOW
STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	1,098,856	622,288	1,092,506	618,020
Adjustments:				
Property, plant and equipment				
– Depreciation	519,984	447,644	519,958	447,637
– Impairment	6,996	–	6,996	–
– Write off	–	388	–	388
– Gain on disposals	(1,311)	(30,696)	(1,311)	(30,696)
Amortisation of long term prepayments	24,741	9,645	24,741	9,645
Amortisation of other investments	12	11	12	11
Unwinding of discount on intercompany receivables	(9,647)	–	(9,647)	–
Fair value losses on derivative financial instruments	295,028	–	295,028	–
Net unrealised foreign exchange gain	(586,755)	(39,742)	(586,760)	(39,742)
Interest expense	374,364	371,153	374,364	371,153
Interest income	(66,699)	(6,300)	(66,689)	(6,257)
	1,655,569	1,374,391	1,649,198	1,370,159
Changes in working capital:				
Inventories	3,311	(180)	3,311	(179)
Receivables and prepayments	(162,883)	(28,438)	(139,046)	(28,869)
Trade and other payables	63,453	77,701	35,177	69,716
Intercompany balances	393,568	(166,457)	401,920	(155,435)
Cash generated from operations	1,953,018	1,257,017	1,950,560	1,255,392
Interest paid	(379,099)	(322,407)	(379,099)	(322,407)
Utilisation of provision for loss on unwinding of derivatives	–	(151,713)	–	(151,713)
Interest received	57,052	6,300	57,042	6,257
Tax paid	(11,808)	(5,578)	(11,319)	(5,578)
Net cash from operating activities	1,619,163	783,619	1,617,184	781,951

	Note	Group		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Property, plant and equipment					
– Additions		(1,902,833)	(1,947,763)	(1,902,253)	(1,947,746)
– Proceeds from disposals		–	182,538	–	182,538
Investment in a subsidiary company		–	–	(3,190)	–
Deposits on lease of aircraft		50,808	(12,243)	50,808	(12,243)
Purchases of available-for-sale financial assets		(16,000)	–	(16,000)	–
Net cash used in investing activities		(1,868,025)	(1,777,468)	(1,870,635)	(1,777,451)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from allotment of shares		16,948	509,217	16,948	509,217
Hire-purchase instalments paid		(57)	(77)	(57)	(77)
Proceeds from borrowings		1,562,856	1,670,390	1,562,856	1,670,390
Repayment of borrowings		(572,580)	(593,131)	(572,580)	(593,131)
Deposits (pledged)/released as securities		(942)	5,112	(942)	5,112
Net cash from financing activities		1,006,225	1,591,511	1,006,225	1,591,511
NET INCREASE FOR THE FINANCIAL YEAR		757,363	597,662	752,774	596,011
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		718,465	120,803	717,498	121,487
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	25	1,475,828	718,465	1,470,272	717,498

The notes on pages 152 to 216 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

– 31 DECEMBER 2010

1 GENERAL INFORMATION

The principal activity of the Company is that of providing air transportation services. The principal activities of the subsidiaries are described in Note 13 to the financial statements. There was no significant change in the nature of these activities during the financial year.

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

25-5, Block H
Jalan PJU1/37, Dataran Prima
47301 Petaling Jaya
Selangor Darul Ehsan

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

LCC Terminal
Jalan KLIA S3
Southern Support Zone
KL International Airport
64000 Sepang
Selangor Darul Ehsan

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 28 April 2011.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation of the financial statements

The financial statements of the Group and the Company have been prepared in accordance with Financial Reporting Standards ('FRSs'), the Malaysian Accounting Standards Board ('MASB') approved accounting standards in Malaysia for Entities Other than Private Entities, and comply with the provisions of the Companies Act, 1965.

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

The preparation of financial statements in conformity with FRSs and the provisions of the Companies Act, 1965 requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported financial year. It also requires Directors to exercise their judgment in the process of applying the Group'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 Group's and the Company's financial statements are disclosed in Note 3 to the financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation of the financial statements (continued)

Standards, amendments to published standards and interpretations that are effective

The new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Group and Company's financial year beginning on or after 1 January 2010 are as follows:

- FRS 4 "Insurance Contract"
- FRS 7 "Financial Instruments: Disclosures" and the related Amendments
- FRS 8 "Operating Segments"
- FRS 101 (revised) "Presentation of Financial Statements"
- FRS 123 "Borrowing Costs"
- FRS 139 "Financial Instruments: Recognition and Measurement" and the related Amendments
- Amendment to FRS 1 "First-time Adoption of Financial Reporting Standards" and FRS 127 "Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"
- Amendment to FRS 2 "Share-based Payment: Vesting Conditions and Cancellations"
- Amendments to FRS 132 "Financial Instruments: Presentation" and FRS 101 (revised) "Presentation of Financial Statements" - Puttable financial instruments and obligations arising on liquidation
- IC Interpretation 9 "Reassessment of Embedded Derivatives" and the related Amendments
- IC Interpretation 10 "Interim Financial Reporting and Impairment"
- IC Interpretation 11 "FRS 2 Group and Treasury Share Transactions"
- IC Interpretation 13 "Customer Loyalty Programmes"
- IC Interpretation 14 "FRS 119 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction"
- Improvements to FRSs (2009)

The adoption of these new FRSs, amendments and interpretations do not have any effect on the financial performance or financial position of the Group and Company except for those discussed below.

(i) Revised FRS 101 "Presentation of Financial Statements"

The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income which can be presented as a single statement or two statements (comprising the income statement and statement of comprehensive income). The Group has elected to present the statement of comprehensive income in two statements. As a result, the Group has presented all owner changes in equity in the consolidated statement of changes in equity whilst all non-owner changes in equity have been presented in the consolidated statement of comprehensive income. There is no impact on the earnings per share since these changes affect only the presentation of items of income and expenses.

(ii) FRS 7 "Financial Instruments : Disclosures"

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 "Financial Instruments : Disclosure and Presentation". FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group and the Company have applied FRS 7 prospectively in accordance with the transition provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's and the Company's financial statements for the financial year ended 31 December 2010. As the adoption of this new accounting standard only results in additional disclosures, there is no impact on earnings per share.

NOTES TO THE FINANCIAL STATEMENTS

– 31 DECEMBER 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation of the financial statements (continued)

(iii) FRS 8 “Operating Segments”

FRS 8 requires segment information to be presented on a similar basis to that used for internal reporting purposes. As a result, the Group's segmental reporting had been presented based on the internal reporting to the chief operating decision maker who makes decisions on the allocation of resources and assesses the performance of the reportable segments. This standard does not have any impact on the financial position and results of the Group. The required disclosures are shown in Note 36 to the financial statements.

(iv) FRS 139 “Financial Instruments: Recognition and Measurement”

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group and the Company have adopted FRS 139 prospectively on 1 January 2010 in accordance with the transitional provisions.

The adoption of FRS 139 has resulted in several changes to accounting policies relating to recognition and measurement of financial instruments. Comparatives for financial instruments have not been adjusted and therefore the corresponding balances are not comparable. Significant changes in accounting policies are as follows:

(i) Investments

Non-current investments, previously measured at cost and subject to impairment, are now classified as available-for-sale financial assets. These are initially measured (a) at fair value plus transaction costs and subsequently at fair value or (b) unless fair value cannot be reliably measured due to the variability in the range of reasonable fair value estimates is significant for that investment or the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value; in such case, they are measured at cost less impairment losses. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Changes in fair values of available-for-sale equity securities are recognised in other comprehensive income, together with the related currency translation differences. A significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the asset is impaired. If any such evidence exists, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in the income statement, is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are reversed through other comprehensive income and not through the income statement.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are included in the income statement. Refer to Note 40 for the impact of this change in accounting policy.

(ii) Derivatives

Prior to 1 January 2011, derivative financial instruments were not recognised in the financial statements on inception. With the adoption of FRS 139, derivative financial instruments are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured at their fair values.

The Group has applied the new policy according to the transitional provisions by recognising and measuring derivatives, as appropriate, and recording any adjustments to the previous carrying amounts to the opening retained earnings or, if appropriate, another category of equity, of the current financial year. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument (see accounting policy Note 2(l)). Refer to Note 40 for the impact of this change in accounting policy.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(a) Basis of preparation of the financial statements (continued)****(iv) FRS 139 “Financial Instruments: Recognition and Measurement” (continued)****(iii) Intercompany loans**

During the current and prior years, the Company granted interest-free loans and advances to its subsidiaries. Prior to 1 January 2010, these loans and advances were recorded at cost in the Company's financial statements. Upon the adoption of FRS 139, the interest-free loans or advances are recorded initially at a fair value that is lower than cost. The difference between the fair value and cost of the loan or advance is recognised as adjustments to the opening balance of retained earnings. Subsequent to initial recognition, the loans and advances are measured at amortised cost. Refer to Note 40 for the impact of this change in accounting policy.

(iv) Loans and receivables

Non-current receivables, previously measured at invoiced amount and subject to impairment, are now classified as loans and receivables and measured at fair value plus transaction costs initially and subsequently, at amortised cost using the effective interest method.

When loans and receivables are impaired, the carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. Impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate.

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

Prior to 1 January 2010, the Group also stated its other non-current financial liabilities at undiscounted amount payable. With the adoption of FRS 139, these financial liabilities are initially measured at fair value and subsequently at amortised cost using the effective interest rate method.

In accordance with the transitional provisions for the first time adoption of FRS 139, the above changes in accounting policy have been accounted for prospectively and the comparatives as at 31 December 2009 are not restated. Refer to Note 40 for the impact of this change in accounting policy.

NOTES TO THE FINANCIAL STATEMENTS

– 31 DECEMBER 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation of the financial statements (continued)

(iv) FRS 139 “Financial Instruments: Recognition and Measurement” (continued)

Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and Company but not yet effective and have not been early adopted

The following new and revised standards, interpretations and amendments to standards have been published and are mandatory for the Group’s accounting periods beginning on or after 1 January 2011 or later periods, but the Group has not early adopted them:

- The revised FRS 3 “Business combinations” (effective prospectively for accounting period beginning 1 July 2010) continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the minority interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets. All acquisition-related costs should be expensed. The Group will apply FRS 3 (revised) prospectively to all business combinations from 1 January 2011.
- The revised FRS 124 “Related party disclosures” (effective from 1 January 2012) removes the exemption to disclose transactions between government-related entities and the government, and all other government-related entities. The following new disclosures are now required for government related entities:
 - The name of the government and the nature of their relationship;
 - The nature and amount of each individually significant transactions; and
 - The extent of any collectively significant transactions, qualitatively or quantitatively.

This standard is not expected to have a material impact on the earnings per share since these changes only result in additional disclosures.

- The revised FRS 127 “Consolidated and separate financial statements” (applies prospectively to transactions with non-controlling interests from 1 July 2010) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. When this standard is effective, all earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders’ equity. Profit or loss attribution to non-controlling interests for prior years is not restated. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in the income statement. The Group will apply FRS 127 (revised) prospectively to transactions with minority interests from 1 January 2011. This standard is not expected to have a material impact on the Group’s financial statements.
- Amendments to FRS 7 “Financial instruments : Improving Disclosures” and FRS 1 “First-time adoption of financial reporting standards” (effective from 1 January 2011) requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The Group and Company will apply Amendments to FRS 7 from 1 January 2011. This standard is not expected to have a material impact on earnings per share since these changes only result in additional disclosures.
- Amendments to FRS 132 “Financial instruments : Presentation” on classification of rights issue (effective from 1 March 2010) addresses accounting for rights issues that are denominated in currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity instruments instead of as derivative liabilities, regardless of the currency in which the exercise price is denominated. The Group and Company will apply Amendments to FRS 132 “Classification of Rights Issues” prospectively from 1 January 2011. This standard is not expected to have a material impact on the Group’s and Company’s financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation of the financial statements (continued)

Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and Company but not yet effective and have not been early adopted (continued)

- IC Interpretation 15 “Agreements for construction of real estates” (effective from 1 January 2012) supersedes FRS 201 “Property development activities” and clarifies that property development activities are sale of goods, instead of construction contracts. IC Interpretation 15 will result in a change in accounting policy for revenue recognition for property development activities of the Group from percentage of completion method to completion method where revenue can only be recognised when the Group has transferred control and the significant risks and rewards of ownership of the completed properties to the buyer.
- IC Interpretation 16 “Hedges of a net investment in a foreign operation” (effective from 1 July 2010) clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency, not presentation currency, and hedging instruments may be held by any entity in the Group. The requirements of FRS 121 “The effects of changes in foreign exchange rates” do apply to the hedged item. This IC is not expected to have a material impact on the Group’s and Company’s financial statements.
- IC Interpretation 17 “Distribution of non-cash assets to owners” (effective from 1 July 2010) provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. FRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. This IC is not expected to have a material impact on the Group’s or Company’s financial statements.
- IC Interpretation 18 “Transfers of assets from customers” (effective prospectively for assets received on or after 1 January 2011) provides guidance where an entity receives from a customer an item of property, plant and equipment (or cash to acquire such an asset) that the entity must then use to connect the customer to a network or to provide the customer with services. Where the transferred item meets the definition of an asset, the asset is recognised as an item of property, plant and equipment at its fair value. Revenue is recognised for each separate service performed in accordance with the recognition criteria of FRS 118 “Revenue”. The Group and Company will apply this IC Interpretation prospectively from 1 January 2011. This IC is not expected to have a material impact on the Group’s or Company’s financial statements.
- IC Interpretation 19 “Extinguishing financial liabilities with equity instruments” (effective from 1 July 2011) provides clarification when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity’s shares or other equity instruments to settle the financial liability fully or partially. A gain or loss, being the difference between the carrying value of the financial liability and the fair value of the equity instruments issued, shall be recognised in the income statement. Entities are no longer permitted to reclassify the carrying value of the existing financial liability into equity with no gain or loss recognised in the income statement. This IC is not expected to have a material impact on the Group’s or Company’s financial statements.
- Amendments to IC Interpretation 14 “FRS 119 - The limit on a defined benefit assets, minimum funding requirements and their interaction” (effective from 1 July 2011) permits an entity to recognise the prepayments of contributions as an asset, rather than an expense in circumstances when the entity is subject to a minimum funding requirement and makes an early payment of contributions to meet those requirements. This IC is not expected to have a material impact on Group’s or Company’s financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation of the financial statements (continued)

The following amendments are part of the MASB's improvements project that are relevant and effective for annual periods beginning on or after 1 July 2010

Improvements to FRSs:

- FRS 2 (effective from 1 July 2010) clarifies that contributions of a business on formation of a joint venture and common control transactions are outside the scope of FRS 2.
- FRS 3 (effective from 1 January 2011)
 - Clarifies that the choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by FRS.
 - Clarifies that the amendments to FRS 7, FRS 132 and FRS 139 that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of FRS 3 (2010). Those contingent consideration arrangements are to be accounted for in accordance with the guidance in FRS 3 (2005).
- FRS 5 "Non-current asset held for sale and discontinued operations" (effective from 1 July 2010) clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met.
- FRS 101 "Presentation of financial statements" (effective from 1 January 2011) clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.
- FRS 138 "Intangible Assets" (effective from 1 July 2010) clarifies that a group of complementary intangible assets acquired in a business combination may be recognised as a single asset if each asset has similar useful lives.
- IC Interpretation 9 (effective from 1 July 2010) clarifies that this interpretation does not apply to embedded derivatives in contracts acquired in a business combination, businesses under common control or the formation of a joint venture.

The above mentioned Improvement to FRSs are not expected to have any material impact on the Group's and Company's financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Group accounting

(i) Subsidiaries

Subsidiaries are those corporations or other entities (including special purpose entities) in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated using the purchase method of accounting. Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are excluded from consolidation from the date that control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement (see Note 2(c) on goodwill).

Minority interests represent that portion of the profit or loss and net assets of subsidiaries attributable to equity interest that are not owned, directly or indirectly through the subsidiaries, by the parent. It is measured at the minorities' share of the fair values of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in subsidiaries' equity since that date. Separate disclosure is made of minority interests.

Intragroup transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

The gain or loss on disposal of a subsidiary is the difference between the net disposal proceeds and the Group's share of the subsidiary's net assets as of the date of disposal, including the cumulative amount of any exchange differences that relate to that subsidiary which were previously recognised in equity, and is recognised in the consolidated income statement.

(ii) Jointly controlled entities

Jointly controlled entities are corporations, partnerships or other entities over which there is contractually agreed sharing of control by the Group with one or more parties where the strategic financial and operation decisions relating to the entity requires unanimous consent of the parties sharing control.

The Group's interest in jointly controlled entities is accounted for in the consolidated financial statements using the equity method of accounting as described in Note 2(b)(iii).

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised within reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investments. When the Group's share of losses in jointly controlled entities equals or exceeds its interest in the jointly controlled entities, including any other long-term interests that, in substance, form part of the Group's net investment in those entities, the Group discontinues recognising its share of further losses.

NOTES TO THE FINANCIAL STATEMENTS

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Group accounting (continued)

(ii) Jointly controlled entities (continued)

After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entities. If the jointly controlled entities subsequently report profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, in applying the equity method, appropriate adjustments are made to the financial statements of the jointly controlled entities to ensure consistency of accounting policies with those of the Group.

(iii) Associates

Associates are corporations, partnerships or other entities in which the Group exercises significant influence but which it does not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Equity accounting is discontinued when the Group ceases to have significant influence over the associates. The Group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss (see Note 2(c)).

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised within reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investments. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other long-term interests that, in substance, form part of the Group's net investment in the associate, the Group discontinues recognising its share of further losses.

After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the Group 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 the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, in applying the equity method, appropriate adjustments are made to the financial statements of the associates to ensure consistency of accounting policies with those of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(c) Goodwill**

Goodwill represents the excess of the cost of acquisition of subsidiaries over the Group's share of the fair value of the identifiable net assets including contingent liabilities of subsidiaries at the date of acquisition.

Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested for impairment at least annually, or when events or circumstances occur indicating that an impairment may exist. Impairment of goodwill is charged to the consolidated income statement as and when it arises. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity disposed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each cash-generating unit or a group of cash-generating units represents the lowest level within the Group at which goodwill is monitored for internal management purposes and which are expected to benefit from the synergies of the combination.

Goodwill on acquisition of jointly controlled entities and associates is included in the investments in jointly controlled entities and associates respectively. Such goodwill is tested for impairment as part of the overall investment amount.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. 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	7 or 25 years
– airframe	7 or 25 years
– service potential	7 or 13 years
Aircraft spares	10 years
Aircraft fixtures and fittings	Useful life of aircraft or remaining lease term of aircraft, whichever is shorter
Buildings	
– simulator	28.75 years
– hangar	50 years
Motor vehicles	5 years
Office equipment, furniture and fittings	5 years
Office renovation	5 years
Simulator equipment	25 years
Operating plant and ground equipment	5 years
Kitchen equipment	5 years
In flight equipment	5 years
Training equipment	5 years

Assets not yet in operation are stated at cost and are not depreciated until the assets are ready for their intended use.

Residual values, where applicable, are reviewed annually against prevailing market rates at the balance sheet date for equivalent aged assets and depreciation rates are adjusted accordingly on a prospective basis. For the current financial year ended 31 December 2010, the estimated residual value for aircraft airframes and engines is 10% of their cost.

NOTES TO THE FINANCIAL STATEMENTS

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

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

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such an indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2(f) on impairment of assets.

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

Advance payments and option payments made in respect of aircraft purchase commitments and options to acquire aircraft where the balance is expected to be funded by mortgage financing are recorded at cost. On acquisition of the related aircraft, these payments are included as part of the cost of aircraft and are depreciated from that date.

(e) Investments

Investments in subsidiaries, jointly controlled entities and associates are stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount (see Note 2(f)).

(f) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually, or as and when events or circumstances occur indicating that an impairment may exist. Property, plant and equipment and other non-current assets, including intangible assets with definite useful lives, are reviewed for impairment losses 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 is separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal at each reporting date.

Any impairment loss arising is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

(g) Maintenance and overhaul

Owned aircraft

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

Leased aircraft

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leases

Finance leases

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

Finance leases are capitalised at the estimated present value of the underlying lease payments at the date of inception. Each lease payment is allocated between the liability and finance charges so as to achieve a periodic constant rate of interest on the balance outstanding. The corresponding rental obligations, net of finance charges, are included in payables. The interest element of the finance charge is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

Operating leases

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

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

(i) Inventories

Inventories comprising spares and consumables used internally for repairs and maintenance 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.

NOTES TO THE FINANCIAL STATEMENTS

– 31 DECEMBER 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial assets

(i) Classification

The Group has changed its accounting policy for recognition and measurement of financial assets upon the adoption of FRS 139 “Financial instruments: Recognition and Measurement” on 1 January 2010.

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives are also categorised as held for trading unless they are designated as hedges.

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(ii) Recognition and initial measurement

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial assets (continued)

(iii) Subsequent measurement – gains and losses

Available-for-sale financial assets and financial assets through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses (see accounting policy Note 2(j)(iv)) and foreign exchange gains and losses on monetary assets. The exchange differences on monetary assets are recognised in the income statement, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change.

Interest and dividend income on available-for-sale financial assets are recognised separately in profit or loss. Interest on available-for-sale debt securities calculated using the effective interest method is recognised in profit or loss. Dividend income on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payments is established.

(iv) Subsequent measurement – Impairment of financial assets

Assets carried at amortised cost

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

– 31 DECEMBER 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial assets (continued)

(iv) Subsequent measurement – Impairment of financial assets (continued)

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

Assets classified as available-for-sale

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

In the case of equity securities classified as available-for-sale, in addition to the criteria for 'assets carried at amortised cost' above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in the income statement. The amount of cumulative loss that is reclassified to the income statement is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

The Group has applied the policy according to the transitional provisions of FRS 139 by re-measuring all financial assets, as appropriate, and recording any adjustments to the previous carrying amounts to opening retained earnings or, if appropriate, another category of equity, of the current financial year. Comparatives for financial instruments have not been adjusted and therefore the corresponding balances are not comparable. Refer to Note 40 for the impact of this change in accounting policy.

(v) De-recognition

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

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

(k) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of 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.

(l) 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 if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- (a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- (b) 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 (CONTINUED)

(I) Derivative financial instruments and hedging activities (continued)

The Group documents 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 also documents its 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 fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 30. 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.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within 'finance costs'. The gain or loss relating to the ineffective portion is recognised in the income statement within 'other gains/(losses) – net'. Changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk are recognised in the income statement within 'finance costs'.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the income statement over the period to maturity.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'other gains/(losses) – net'.

Amounts accumulated in equity are reclassified to the income statement in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'revenue'.

However, 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 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 the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'other gains/(losses) – net'.

The Group has applied the policy according to the transitional provisions of FRS 139 by recognising and measuring derivatives, as appropriate, and recording any adjustments to the previous carrying amounts to the opening retained earnings or, if appropriate, another category of equity, of the current financial year. Comparatives for financial instruments have not been adjusted and therefore the corresponding balances are not comparable. Refer to Note 40 for the impact of this change in accounting policy.

NOTES TO THE FINANCIAL STATEMENTS

– 31 DECEMBER 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Trade receivables

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

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

(n) Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents comprise cash on hand, bank balances, demand deposits and other short term, highly liquid investments with original maturities of three months or less, less bank overdrafts. Deposits held as pledged securities for term loans granted are not included as cash and cash equivalents.

(o) Provisions

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

(p) 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. Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

(ii) Share issue costs

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

(iii) Dividends to shareholders of the Company

Dividends on ordinary shares 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.

(q) Borrowings

Borrowings are initially recognised based on the proceeds received, net of transaction costs incurred. The finance costs, which represent the difference between the net proceeds and the total amount of the payments of these borrowings, are allocated to periods over the term of the borrowings at a constant rate on the carrying amount and are charged to the income statement.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Income taxes

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and includes all taxes based upon the taxable profits, including withholding taxes payable by foreign subsidiaries, jointly controlled entities or associates.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

Deferred tax assets are recognised for the carry forward of unused tax losses and tax credits (including investment tax allowances) to the extent that it is probable that taxable profits will be available against which the unutilised tax losses and unused tax credits can be utilised.

Deferred tax is recognised on temporary differences arising on investments in subsidiaries, jointly controlled entities and associates except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group's share of income taxes of jointly controlled entities and associates are included in the Group's share of results of jointly controlled entities and associates.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

(s) Employee benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the financial year in which the associated services are rendered by the employees of the Group.

(ii) Defined contribution plan

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

(iii) Share based payments

FRS 2 – Share-based Payment requires recognition of share-based payment transactions including the value of share options in the financial statements. There is no impact on the financial statements of the Group following the prospective application of FRS 2 in 2006 as all the share options of the Company were fully vested prior to the effective date of the standard.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Revenue recognition

Scheduled passenger flight and chartered flight income are recognised upon the rendering of transportation services and where applicable, are stated net of discounts. The value of seats sold for which services have not been rendered is included in current liabilities as sales in advance. Revenue from aircraft rentals is recorded on a straight-line basis over the term of the lease.

Other revenue which includes fuel surcharge, insurance surcharge, administrative fees, excess baggage and baggage handling fees, are recognised upon the completion of services rendered and where applicable, are stated net of discounts. Freight and other related revenue are recognised upon the completion of services rendered and where applicable, are stated net of discounts. Income from the provision of tour operations (both inbound and outbound) and travel agency services is recognised upon services being rendered and where applicable, are stated net of discounts.

Rental income is recognised on an accrual basis.

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

(u) 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 consolidated 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. 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 the income statement.

(iii) Group companies

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

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Contingent liabilities

The Group does 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 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.

In the acquisition of subsidiaries by the Group under a business combination, the contingent liabilities assumed are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests.

The Group recognises 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 measures 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 FRS 137 'Provisions, Contingent Liabilities and Contingent Assets' and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with FRS 118 'Revenue'.

(w) 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 management committee that makes strategic decisions.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

The Group makes 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 results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are explained below.

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

The Group reviews annually the estimated useful lives and residual values of aircraft frames and engines based on factors such as business plans 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 in the estimated useful lives and residual values of aircraft frames and engines as disclosed in Note 2(d), would increase the recorded depreciation charge and decrease the carrying amount of property, plant and equipment.

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3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)**(ii) Deferred tax assets**

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Estimating the future taxable profits involves significant assumptions, especially in respect of 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. However, even where the actual taxable profits in the future are 5 percent lower than the anticipated taxable profits, the deferred tax assets can still be fully utilised.

(iii) Recoverability of intercompany balances

The Group has investments in Thai AirAsia Co. Ltd and PT Indonesia AirAsia, both of which provide air transportation services, as disclosed in Notes 14 and 15 to the financial statements respectively. As at the balance sheet date, the amounts owing by these related parties amounted to RM99.8 million (2009: RM366.4 million) and RM268.1 million (2009: RM445.8 million) respectively. No allowances for impairment have been provided for these balances as the Directors are of the view that these related parties would have sufficient future funds to repay these debts, based on the projected cash flows of these entities.

(iv) Valuation of available-for-sale equity investments

The Group has an investment in an unquoted corporation, AirAsia X Sdn Bhd, which was previously classified as other investments and is now categorised within available-for-sale financial assets upon the adoption of FRS 139. The Group follows the guidance of FRS 139 to determine when the valuation of an available-for-sale equity investment and if it is impaired. This determination requires a high degree of subjectivity and significant judgment. In making this judgment, the Group is dependent on the key bases and assumptions which include, among other factors, the prices of fuel, fares, load factor, currency movements; and the financial health of and short term business outlook for the investee, including factors such as industry and route performance, changes in technology and operational and financing cash flows.

4 REVENUE

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Passenger seat sales	2,830,920	2,138,011	2,830,920	2,138,011
Aircraft operating lease income	395,943	320,332	395,943	320,332
Surcharges and fees	13,938	261,193	13,938	261,193
Travel and tour operations	83,636	60,852	–	–
Other revenue	623,658	352,513	623,658	352,513
	3,948,095	3,132,901	3,864,459	3,072,049

Other revenue includes excess baggage, baggage handling fee, freight and cancellation, documentation and booking fees amounting to RM539.9 million (2009: RM304.0 million) for the Group and Company.

5 STAFF COSTS

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Wages, salaries, bonus and allowances	318,316	279,707	316,642	278,379
Defined contribution retirement plan	42,469	26,295	42,299	26,172
	360,785	306,002	358,941	304,551

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

	Group and Company	
	2010 RM'000	2009 RM'000
Executive Directors		
– basic salaries, bonus and allowances	14,400	8,640
– defined contribution plan	1,728	1,037
Non-executive Directors		
– fees	2,203	983
	18,331	10,660

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

	Executive		Non-executive	
	2010	2009	2010	2009
Range of remuneration				
RM100,001 to RM150,000	–	–	–	3
RM150,001 to RM200,000	–	–	–	3
RM300,001 to RM350,000	–	–	2	–
RM350,001 to RM400,000	–	–	3	–
RM450,001 to RM500,000	–	–	1	–
RM4,000,001 to RM5,000,000	–	1	–	–
RM5,000,001 to RM6,000,000	–	1	–	–
RM7,000,001 to RM8,000,000	1	–	–	–
RM8,000,001 to RM9,000,000	1	–	–	–

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5 STAFF COSTS (CONTINUED)

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

Grant date	Expiry date	Exercise price RM/share	At	Exercised '000	Lapsed '000	At	
			1.1.2010 '000			31.12.2010 '000	
1 September 2004	6 June 2014	1.08	1,200	–	–	1,200	
						2010 '000	2009 '000
Number of share options vested at balance sheet date						1,200	1,200

During the previous financial year, the exercise period of the ESOS which expired on 6 June 2009 was extended for a further 5 years to 6 June 2014.

6 OTHER OPERATING EXPENSES

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

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Property, plant and equipment				
– Write off	–	388	–	388
– Impairment	6,996	–	6,996	–
Rental of land and building	10,877	4,181	10,877	4,157
Auditors' remuneration				
– audit fees	586	467	556	438
– audit related fees	255	10	255	10
– non-audit fees	1,494	51	1,494	51
Rental of equipment	2,151	1,475	2,151	1,475
Advertising costs	28,993	33,702	26,008	33,387
Amortisation of long term prepayments	24,741	9,645	24,741	9,645
Amortisation of other investments	12	11	12	11
Net foreign exchange (gain)/loss				
– Realised	(7,125)	(49,020)	(7,489)	(49,968)
– Unrealised	64,601	36,168	64,596	36,168

7 OTHER LOSSES – NET

	Group and Company	
	2010 RM'000	2009 RM'000
Interest rate contracts – Held for trading	(42,585)	–
Forward foreign exchange contracts – Held for trading	25,391	–
Fuel contracts – Held for trading	832	–
Ineffectiveness on cash flow hedges (Note 30)	(6,054)	–
Total	(22,416)	–

8 OTHER INCOME

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Gain on disposals of property, plant and equipment	1,311	30,696	1,311	30,696
Others	34,632	71,687	34,056	71,687
	35,943	102,383	35,367	102,383

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9 FINANCE INCOME/(COSTS)

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Finance income:				
Foreign exchange gains on borrowings				
– Realised	–	2,295	–	2,295
– Unrealised	741,334	75,910	741,334	75,910
Interest income				
– deposits with licensed banks	826	1,009	826	1,009
– short term deposits with fund management companies	2,692	627	2,692	627
– interest income on amounts due from associates and jointly controlled entities	53,925	–	53,925	–
– other interest income	9,256	4,664	9,246	4,621
	808,033	84,505	808,023	84,462
Finance costs:				
Realised foreign exchange loss on borrowings	(29,208)	–	(29,208)	–
Unrealised foreign exchange loss on amounts due from associates and jointly controlled entities	(89,978)	–	(89,978)	–
Fair value losses on derivative financial instruments	(272,612)	–	(272,612)	–
Interest expense				
– bank borrowings	(374,364)	(371,141)	(374,364)	(371,141)
– amortisation of premiums for interest rate caps	(7,750)	–	(7,750)	–
– hire-purchase payables	(10)	(12)	(10)	(12)
Bank facilities and other charges	(2,216)	(3,818)	(2,212)	(3,818)
	(776,138)	(374,971)	(776,134)	(374,971)
Net finance income/(costs)	31,895	(290,466)	31,889	(290,509)

10 TAXATION

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Current taxation				
– Malaysian tax	13,240	12,301	13,226	12,301
– Foreign tax	2,967	1,805	2,967	1,805
Overprovision of income tax in prior years	(10,776)	(2,920)	(10,776)	(2,920)
Deferred taxation (Note 19)	32,014	104,835	32,014	104,835
	37,445	116,021	37,431	116,021
Current taxation				
– Current financial year	16,207	14,106	16,193	14,106
– Overprovision of income tax in prior years	(10,776)	(2,920)	(10,776)	(2,920)
Deferred taxation				
– Origination and reversal of temporary differences	197,852	121,581	197,852	121,581
– Tax incentives	(165,838)	(16,746)	(165,838)	(16,746)
	37,445	116,021	37,431	116,021

The current taxation charge is in respect of interest income which is assessed separately.

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

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Profit before taxation	1,098,856	622,288	1,092,506	618,020
Tax calculated at Malaysian tax rate of 25% (2009: 25%)	274,714	155,572	273,127	154,505
Tax effects of:				
– expenses not deductible for tax purposes	18,078	2,559	19,651	3,626
– income not subject to tax	(79,245)	(23,268)	(79,245)	(23,268)
– temporary differences not recognised within the pioneer period	512	824	512	824
– tax incentives	(165,838)	(16,746)	(165,838)	(16,746)
– over provision of income tax in prior years	(10,776)	(2,920)	(10,776)	(2,920)
Taxation	37,445	116,021	37,431	116,021

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11 EARNINGS PER SHARE**(a) Basic earnings per share**

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

	Group	
	2010	2009
Profit for the financial year (RM'000)	1,061,411	506,267
Weighted average number of ordinary shares in issue ('000)	2,761,637	2,456,443
Earnings per share (sen)	38.4	20.6

(b) Diluted earnings per share

For the diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

The Group has dilutive potential ordinary shares arising from the Company's share options granted to employees.

In assessing the dilution in earnings per share arising from the issue of share options, a computation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. This computation serves to determine the "bonus" element to the ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to net profit for the financial year in the calculation of the diluted earnings per share from the issue of the share options.

The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Group	
	2010	2009
Profit for the financial year (RM'000)	1,061,411	506,267
Weighted average number of ordinary shares in issue ('000)	2,761,637	2,456,443
Adjustment for ESOS ('000)	8,644	–
Weighted average number of ordinary shares for diluted earnings per share	2,770,281	2,456,443
Diluted earnings per share (sen)	38.3	20.6

12 PROPERTY, PLANT AND EQUIPMENT

	At 1 January 2010 RM'000	Additions RM'000	Reclassi- fications RM'000	Impairment RM'000	Depreciation charge RM'000	At 31 December 2010 RM'000
Group						
Net book value						
Aircraft engines, airframe and service potential	7,676,107	1,847,573	-	(6,996)	(471,060)	9,045,624
Aircraft spares	118,694	27,118	-	-	(20,031)	125,781
Aircraft fixtures and fittings	28,342	5,902	-	-	(11,481)	22,763
Buildings	37,990	842	-	-	(1,445)	37,387
Motor vehicles	4,961	4,282	-	-	(2,461)	6,782
Office equipment, furniture and fittings	11,208	11,990	-	-	(4,581)	18,617
Office renovation	2,870	1,458	-	-	(1,510)	2,818
Simulator equipment	47,670	58	-	-	(2,044)	45,684
Operating plant and ground equipment	10,989	2,419	566	-	(4,566)	9,408
Kitchen equipment	194	-	-	-	-	194
In flight equipment	423	826	-	-	(192)	1,057
Training equipment	2,174	365	-	-	(613)	1,926
Assets not yet in operation	566	-	(566)	-	-	-
	7,942,188	1,902,833	-	(6,996)	(519,984)	9,318,041

	Cost RM'000	Accumulated depreciation RM'000	Net book value RM'000
Group			
At 31 December 2010			
Aircraft engines, airframe and service potential	10,469,160	(1,423,536)	9,045,624
Aircraft spares	195,155	(69,374)	125,781
Aircraft fixtures and fittings	71,504	(48,741)	22,763
Buildings	41,204	(3,817)	37,387
Motor vehicles	18,619	(11,837)	6,782
Office equipment, furniture and fittings	49,116	(30,499)	18,617
Office renovation	10,655	(7,837)	2,818
Simulator equipment	55,988	(10,304)	45,684
Operating plant and ground equipment	28,121	(18,713)	9,408
Kitchen equipment	202	(8)	194
In flight equipment	1,385	(328)	1,057
Training equipment	3,098	(1,172)	1,926
	10,944,207	(1,626,166)	9,318,041

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12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	At 1 January 2009 RM'000	Additions RM'000	Reclassi- fications RM'000	Write off RM'000	Disposals RM'000	Depreciation charge RM'000	At 31 December 2009 RM'000
Net book value							
Aircraft engines, airframe and service potential	6,337,262	1,894,583	(102)	–	(151,810)	(403,826)	7,676,107
Aircraft spares	100,820	33,491	–	–	–	(15,617)	118,694
Aircraft fixtures and fittings	36,784	3,290	–	–	–	(11,732)	28,342
Buildings	13,982	–	24,528	–	–	(520)	37,990
Motor vehicles	5,194	2,149	–	–	–	(2,382)	4,961
Office equipment, furniture and fittings	10,208	5,662	83	–	–	(4,745)	11,208
Office renovation	2,814	1,609	–	–	–	(1,553)	2,870
Simulator equipment	49,740	168	–	–	–	(2,238)	47,670
Operating plant and ground equipment	11,772	3,998	102	(388)	(32)	(4,463)	10,989
Kitchen equipment	194	–	–	–	–	–	194
In flight equipment	308	216	–	–	–	(101)	423
Training equipment	620	2,021	–	–	–	(467)	2,174
Assets not yet in operation	24,601	576	(24,611)	–	–	–	566
	6,594,299	1,947,763	–	(388)	(151,842)	(447,644)	7,942,188

Group	Cost RM'000	Accumulated depreciation RM'000	Net book value RM'000
At 31 December 2009			
Aircraft engines, airframe and service potential	8,628,583	(952,476)	7,676,107
Aircraft spares	168,037	(49,343)	118,694
Aircraft fixtures and fittings	65,602	(37,260)	28,342
Buildings	40,362	(2,372)	37,990
Motor vehicles	14,337	(9,376)	4,961
Office equipment, furniture and fittings	37,126	(25,918)	11,208
Office renovation	9,197	(6,327)	2,870
Simulator equipment	55,930	(8,260)	47,670
Operating plant and ground equipment	25,136	(14,147)	10,989
Kitchen equipment	202	(8)	194
In flight equipment	559	(136)	423
Training equipment	2,733	(559)	2,174
Assets not yet in operation	566	–	566
	9,048,370	(1,106,182)	7,942,188

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	At 1 January 2010 RM'000	Additions RM'000	Reclassi- fications RM'000	Impairment RM'000	Depreciation charge RM'000	At 31 December 2010 RM'000
Company						
Net book value						
Aircraft engines, airframe and service potential	7,676,107	1,847,573	-	(6,996)	(471,060)	9,045,624
Aircraft spares	118,694	27,118	-	-	(20,031)	125,781
Aircraft fixtures and fittings	28,342	5,902	-	-	(11,481)	22,763
Buildings	37,990	842	-	-	(1,445)	37,387
Motor vehicles	4,356	4,282	-	-	(2,461)	6,177
Office equipment, furniture and fittings	11,112	11,431	-	-	(4,556)	17,987
Office renovation	2,870	1,437	-	-	(1,509)	2,798
Simulator equipment	47,670	58	-	-	(2,044)	45,684
Operating plant and ground equipment	10,989	2,419	566	-	(4,566)	9,408
In flight equipment	423	826	-	-	(192)	1,057
Training equipment	2,174	365	-	-	(613)	1,926
Assets not yet in operation	566	-	(566)	-	-	-
	7,941,293	1,902,253	-	(6,996)	(519,958)	9,316,592

	Cost RM'000	Accumulated depreciation RM'000	Net book value RM'000
Company			
At 31 December 2010			
Aircraft engines, airframe and service potential	10,469,160	(1,423,536)	9,045,624
Aircraft spares	195,155	(69,374)	125,781
Aircraft fixtures and fittings	71,504	(48,741)	22,763
Buildings	41,204	(3,817)	37,387
Motor vehicles	18,021	(11,844)	6,177
Office equipment, furniture and fittings	48,462	(30,475)	17,987
Office renovation	10,634	(7,836)	2,798
Simulator equipment	55,988	(10,304)	45,684
Operating plant and ground equipment	28,121	(18,713)	9,408
In flight equipment	1,385	(328)	1,057
Training equipment	3,098	(1,172)	1,926
	10,942,732	(1,626,140)	9,316,592

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12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	At 1 January 2009 RM'000	Additions RM'000	Reclassi- fications RM'000	Write off RM'000	Disposals RM'000	Depreciation charge RM'000	At 31 December 2009 RM'000
Company							
Net book value							
Aircraft engines, airframe and service potential	6,337,262	1,894,583	(102)	–	(151,810)	(403,826)	7,676,107
Aircraft spares	100,820	33,491	–	–	–	(15,617)	118,694
Aircraft fixtures and fittings	36,784	3,290	–	–	–	(11,732)	28,342
Buildings	13,982	–	24,528	–	–	(520)	37,990
Motor vehicles	4,589	2,149	–	–	–	(2,382)	4,356
Office equipment, furniture and fittings	10,122	5,645	83	–	–	(4,738)	11,112
Office renovation	2,814	1,609	–	–	–	(1,553)	2,870
Simulator equipment	49,740	168	–	–	–	(2,238)	47,670
Operating plant and ground equipment	11,772	3,998	102	(388)	(32)	(4,463)	10,989
In flight equipment	308	216	–	–	–	(101)	423
Training equipment	620	2,021	–	–	–	(467)	2,174
Assets not yet in operation	24,601	576	(24,611)	–	–	–	566
	6,593,414	1,947,746	–	(388)	(151,842)	(447,637)	7,941,293

	Cost RM'000	Accumulated depreciation RM'000	Net book value RM'000
Company			
At 31 December 2009			
Aircraft engines, airframe and service potential	8,628,583	(952,476)	7,676,107
Aircraft spares	168,037	(49,343)	118,694
Aircraft fixtures and fittings	65,602	(37,260)	28,342
Buildings	40,362	(2,372)	37,990
Motor vehicles	13,732	(9,376)	4,356
Office equipment, furniture and fittings	37,031	(25,919)	11,112
Office renovation	9,197	(6,327)	2,870
Simulator equipment	55,930	(8,260)	47,670
Operating plant and ground equipment	25,136	(14,147)	10,989
In flight equipment	559	(136)	423
Training equipment	2,733	(559)	2,174
Assets not yet in operation	566	–	566
	9,047,468	(1,106,175)	7,941,293

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Included in property, plant and equipment of the Group and the Company are assets with the following net book values:

	Group and Company	
	2010	2009
	RM'000	RM'000
Net book value of owned aircraft sub-leased out	3,445,485	2,458,972
Aircraft pledged as security for borrowings (Note 29)	9,030,028	7,643,739
Simulator pledged as security for borrowings (Note 29)	41,371	43,409
Motor vehicles on hire-purchase	16	76

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

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

13 INVESTMENT IN SUBSIDIARIES

	Company	
	2010	2009
	RM'000	RM'000
Unquoted investments, at cost	25,384	22,194

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13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows:

Name	Country of incorporation	Group's effective equity interest		Principal activities
		2010 %	2009 %	
Directly held by the Company				
Crunchtime Culinary Services Sdn Bhd ("Crunchtime")	Malaysia	100.0	100.0	Provision of in flight meals, currently dormant
AA International Ltd ("AAIL") *	Malaysia	100.0	100.0	Investment holding
AirAsia Go Holiday Sdn Bhd	Malaysia	100.0	100.0	Tour operating business
AirAsia (Mauritius) Limited ("AirAsia Mauritius") *	Mauritius	100.0	100.0	Providing aircraft leasing facilities to Thai AirAsia Co. Ltd
Airspace Communications Sdn Bhd ("Airspace")	Malaysia	100.0	100.0	Media owner with publishing division,
AirAsia (B) Sdn Bhd *	Negara Brunei Darussalam	100.0	100.0	Providing air transportation services, currently dormant
AirAsia Corporate Services Limited *	Malaysia	100.0	100.0	Facilitate business transactions for AirAsia Group with non-resident goods and service providers
Aras Sejagat Sdn Bhd	Malaysia	100.0	100.0	Special purpose vehicle for financing arrangements required by AirAsia
Koolred Sdn Bhd	Malaysia	100.0	–	Dormant
Asia Air Limited *	United Kingdom	100.0	100.0	To provide and promote AirAsia's in flight food to the European market
Held by AAIL				
AirAsia (Hong Kong) Limited ("AirAsia HK") *	Hong Kong	100.0	100.0	Dormant
AA Capital Ltd *	Malaysia	100.0	100.0	Dormant

* Not audited by PricewaterhouseCoopers, Malaysia

14 INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	Group	
	2010 RM'000	2009 RM'000
Represented by:		
Unquoted investment, at cost	12,054	12,054
Group's share of post acquisition reserves	(12,054)	(12,054)
	–	–

14 INVESTMENT IN A JOINTLY CONTROLLED ENTITY (CONTINUED)

The details of the jointly controlled entity are as follows:

Name	Country of incorporation	Group's effective equity interest		Principal activities
		2010 %	2009 %	
Held by AAIL				
Thai AirAsia Co. Ltd ("Thai AirAsia")	Thailand	48.9	48.9	Aerial transport of persons, things and posts

The Group's share of the results of the jointly controlled entity, which has not been equity accounted for, is as follows:

	2010 RM'000	2009 RM'000
Revenue	611,530	458,065
Expenses	(471,087)	(412,023)
Profit/(loss) before taxation	140,443	(46,042)
Taxation	-	-
Net profit/(loss) for the financial year	140,443	(46,042)

The Group's share of assets and liabilities of the jointly controlled entity is as follows:

	2010 RM'000	2009 RM'000
Non-current assets	14,597	14,242
Current assets	82,601	89,855
Current liabilities	(217,168)	(364,510)
Share of net liabilities of the jointly controlled entity	(119,970)	(260,413)

The Group discontinued recognition of its share of further losses made by Thai AirAsia as the Group's interest in the jointly controlled entity has been reduced to zero and the Group has not incurred any obligations or guaranteed any obligations in respect of the jointly controlled entity. As at 31 December 2010, the unrecognised amount of the Group's share of losses of Thai AirAsia which has not been equity accounted for amounted to RM127.8 million (2009: RM268.2 million).

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15 INVESTMENT IN ASSOCIATES

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Unquoted investment, at cost	4,141	4,141	29	29
Group's share of post acquisition losses	(4,112)	(4,112)	–	–
	29	29	29	29

The details of the associates are as follows:

Name	Country of incorporation	Group's effective equity interest		Principal activities
		2010 %	2009 %	
AirAsia Philippines Inc	Philippines	39.9	39.9	Providing air transportation Services, currently dormant
AirAsia Pte Ltd ("AAPL")	Singapore	48.9	48.9	Dormant
Asian Contact Centres Sdn. Bhd.	Malaysia	50.0	50.0	Providing end-to-end solutions for customers contact management and contact centre
Held by AAIL				
PT Indonesia AirAsia ("IAA")	Indonesia	48.9	48.9	Commercial air transport service
AirAsia Go Holiday Co. Ltd	Thailand	49.0	49.0	Tour operating business, currently dormant

The Group's share of the results of associates, which has not been equity accounted for, is as follows:

	2010 RM'000	2009 RM'000
Revenue	463,176	338,931
Expenses	(383,380)	(459,533)
Profit/(loss) before taxation	79,796	(120,602)
Taxation	–	–
Net profit/(loss) for the financial year	79,796	(120,602)

15 INVESTMENT IN ASSOCIATES (CONTINUED)

The Group's share of assets and liabilities of the associates is as follows:

	2010 RM'000	2009 RM'000
Non-current assets	17,705	18,222
Current assets	13,491	21,376
Current liabilities	(229,116)	(317,314)
Non-current liabilities	(23,354)	(23,354)
Share of net liabilities of associates	(221,274)	(301,070)

The Group discontinued recognition of its share of further losses made by IAA as the Group's interest in this associate has been reduced to zero and the Group has not incurred any obligations or guaranteed any obligations in respect of the associate. As at 31 December 2010, the unrecognised amounts of the Group's share of losses of IAA which have not been equity accounted for amounted to RM196.6 million (2009: RM276.4 million).

16 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group and Company	
	2010 RM'000	2009 RM'000
Non-current		
At 1 January – as previously stated	–	–
Effects of adoption of FRS 139 (Note 40)	132,663	–
At 1 January (restated)	132,663	–
Additions	16,000	–
Fair value gain – recognised in other comprehensive income	4,279	–
At 31 December	152,942	–

Investment in an unquoted corporation, AirAsia X Sdn Bhd, which was previously classified as other investment (Note 17) is categorised as available-for-sale financial assets upon the adoption of FRS 139.

During the financial year, the Group acquired a further of 16,000,000 redeemable convertible preference shares Series 1 ("RCPS") of RM1.00 each at par in AirAsia X Sdn Bhd.

The fair value of the investment is based on the price earnings ratio (PER) of listed comparable companies. The maximum exposure to credit risk at the reporting date is the carrying value of the security. This financial asset is neither past due nor impaired.

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17 OTHER INVESTMENTS

	Group and Company	
	2010 RM'000	2009 RM'000
Non-current:		
Recreational golf club membership	25	37
Investment in AirAsia X Sdn Bhd	–	26,667
	25	26,704

With the adoption of FRS 139 effective from 1 January 2010, other investments are now classified as available-for-sale financial assets (see Note 16).

	Group and Company	
	2010 RM'000	2009 RM'000
At 1 January – as previously stated	26,704	26,715
Effects of adoption of FRS 139	(26,667)	–
At 1 January (restated)	37	26,715
Amortisation of other investments	(12)	(11)
At 31 December	25	26,704

18 GOODWILL

	Group RM'000
Cost/net book value	
At 31 December 2009/31 December 2010	8,738

The Group undertakes an annual test for impairment of goodwill. The carrying amount of goodwill is allocated to the Group's cash generating unit, which primarily comprised the investment in a subsidiary, AAIL. No impairment loss was required for the carrying amount of goodwill assessed as at 31 December 2010 as the recoverable amount is in excess of the carrying amount.

Key assumptions used in the value-in-use calculations

The recoverable amount of the cash-generating unit including goodwill is determined based on the value-in-use calculation. This value-in-use calculation applies a discounted cash flow model using cash flow projections covering a five-year period for the subsidiary's business operations. The projections reflect the subsidiary's expectation of revenue growth, operating costs and margins of its investment based on past experience and current assessment of market share, expectation of market growth and industry growth.

For purposes of the value-in-use calculation, a discount rate of 10% per annum has been applied. The discount rate reflects an independent market rate applicable to the operations of the cash generating unit.

Impact of possible change in key assumptions

Sensitivity analysis shows that no impairment loss is required for the carrying amount of goodwill, including where realistic variations are applied to key assumptions.

19 DEFERRED TAXATION

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

	Group and Company	
	2010 RM'000	2009 RM'000
Deferred tax assets	719,260	751,274

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

	Group and Company	
	2010 RM'000	2009 RM'000
At start of financial year	751,274	856,109
(Charged)/credited to income statement (Note 10)		
– Property, plant and equipment	(197,852)	(58,874)
– Tax incentives	165,838	16,746
– Tax losses	–	(24,779)
– Provisions	–	(37,928)
	(32,014)	(104,835)
At end of financial year	719,260	751,274
Deferred tax assets (before offsetting)		
Tax incentives	991,735	825,897
Tax losses	9,171	9,171
Offsetting	1,000,906 (281,646)	835,068 (83,794)
Deferred tax assets (after offsetting)	719,260	751,274
Deferred tax liabilities (before offsetting)		
Property, plant and equipment	(281,646)	(83,794)
Offsetting	281,646	83,794
Deferred tax liabilities (after offsetting)	–	–

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19 DEFERRED TAXATION (CONTINUED)

As disclosed in Note 3 to the financial statements in respect of critical accounting estimates and judgments, the deferred tax assets are recognised on the basis of the Company's previous history of recording profits, and to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Estimating the future taxable profits involves significant assumptions, especially in respect of 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.

On 27 May 2010, the Ministry of Finance, granted approval to the Company under Section 127 of Income Tax Act, 1967 for income tax exemption in the form of an Investment Allowance ("IA") of 60% on qualifying expenditure incurred within a period of 5 years commencing 1 July 2009 to 30 June 2014, to be set off against 70% of statutory income for each year of assessment. In the previous financial year, management had not recognised any IA beyond 30 June 2009 as the likelihood of successfully renewing this incentive was not known at that juncture. IA in respect of four aircraft that were acquired between July and December 2009 has now been recognised in the deferred tax assets computation as at 31 December 2010.

20 RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Non-current:				
Long term prepayments	23,593	23,593	23,593	23,593
Current:				
Trade receivables	105,325	70,520	93,911	70,530
Less: Allowance for impairment	(1,994)	(1,994)	(1,994)	(1,994)
	103,331	68,526	91,917	68,536
Other receivables	124,045	114,161	110,815	113,870
Less: Allowance for impairment	(1,072)	(1,072)	(1,072)	(1,072)
	122,973	113,089	109,743	112,798
Prepayments	326,049	250,997	325,516	250,408
Deposits	288,769	288,470	288,745	287,866
	841,122	721,082	815,921	719,608

Credit terms of trade receivables range from 0 to 60 days.

20 RECEIVABLES AND PREPAYMENTS (CONTINUED)

As of 31 December 2010, the Group's trade receivables of RM103,331,000 consist of RM78,543,000 that is neither past due nor impaired and RM24,788,000 that is past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables that is past due but not impaired is as follows:

	Group
	2010
	RM'000
Up to 3 months	9,430
Over 3 months	15,358
	24,788

As of 31 December 2010, trade receivables of RM1,994,000 were impaired and provided for. The amount of the allowance was RM1,994,000 as of 31 December 2010.

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

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
RM	122,123	118,805	97,466	117,920
USD	353,417	343,374	353,417	343,374
Others	39,533	7,906	39,522	7,906
	515,073	470,085	490,405	469,200

Included in long term prepayments is prepaid lease rental, which is charged to the income statements over the term of the lease of the low cost carrier terminal building.

Included in deposits are cash collateral for derivatives and deposits to lessors for maintenance of aircraft amounting to RM215.8 million (2009: RM192.8 million) for the Group and Company.

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

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

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

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21 AMOUNTS DUE FROM/(TO) A JOINTLY CONTROLLED ENTITY

The amount due from Thai AirAsia Co. Ltd (“TAA”), the jointly controlled entity, is denominated in US Dollar, unsecured, has no fixed terms of repayment and is interest bearing at a rate equivalent to the Company’s borrowing rate. The amount due from TAA was charged interest at 6% per annum with effect from 1 January 2010.

The analysis of the movements in the amount due from a jointly controlled entity for the financial year ended 31 December 2010 is as follows:

	Group	
	2010 RM'000	2009 RM'000
Current		
At 1 January as previously stated	366,388	309,683
Effects of adoption of FRS 139	(15,462)	–
At 1 January (restated)	350,926	309,683
Recharges and other expenses	468,082	385,238
Receipts and settlements	(684,781)	(312,459)
Foreign exchange loss on translation	(39,424)	(16,074)
Unwinding of discount on receivables per FRS 139	4,999	–
At 31 December	99,802	366,388

The amount due to the jointly controlled entity at the Company level of RM322.6 million (2009: Nil) is interest free and offsets against amounts receivable from subsidiaries upon consolidation.

22 AMOUNTS DUE FROM/(TO) ASSOCIATES

The amounts due from associates are unsecured with no fixed terms of repayment and are interest bearing at a rate equivalent to the Company’s borrowing rate. An amount of RM117,964,000 (2009: RM253,037,000) is repayable after 12 months. An amount due from an associate company was charged interest at 6% per annum with effect from 1 January 2010.

The analysis of the movements in the amounts due from associates for the financial year ended 31 December 2010 is as follows:

	Group	
	2010 RM'000	2009 RM'000
Current		
At 1 January	456,967	387,647
Effects of adoption of FRS 139	(16,841)	–
At 1 January (restated)	440,126	387,647
Recharges and other expenses	520,800	490,403
Receipts and settlements	(618,226)	(404,639)
Foreign exchange loss on translation	(66,998)	(16,444)
Unwinding of discount on receivables per FRS 139	4,648	–
At 31 December	280,350	456,967

22 AMOUNTS DUE FROM/(TO) ASSOCIATES (CONTINUED)

The currency exposure profile of the amounts due from/(to) associates is as follows:

	Group and Company	
	2010 RM'000	2009 RM'000
Amounts due from associates		
– USD	268,058	445,776
– Philippines Peso (“PHP”)	12,292	11,191
	280,350	456,967
Amount due to an associate		
– Singapore Dollar (“SGD”)	(5,223)	(3,382)

23 INVENTORIES

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Spares and consumables	14,304	18,050	14,304	18,050
In flight merchandise and others	3,249	2,814	2,701	2,266
	17,553	20,864	17,005	20,316

24 AMOUNTS DUE FROM SUBSIDIARIES AND A RELATED PARTY

The amounts due from subsidiaries are unsecured, interest bearing and have no fixed terms of repayment.

The amount due from a related party in the previous financial year was denominated in Ringgit Malaysia, unsecured, interest free and had no fixed terms of repayment.

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25 CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Cash and bank balances	681,859	254,207	676,303	253,240
Deposits with licensed banks	719,439	391,478	719,439	391,478
Short-term deposits with fund management companies	103,319	100,627	103,319	100,627
	1,504,617	746,312	1,499,061	745,345
Deposits, cash and bank balances	(28,789)	(27,847)	(28,789)	(27,847)
Deposits pledged as securities				
	1,475,828	718,465	1,470,272	717,498

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

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Malaysian Ringgit	784,672	526,688	783,031	525,721
United States Dollar	211,677	121,107	207,851	121,107
Singapore Dollar	172,680	37,246	172,640	37,246
Australian Dollar	118,327	–	118,327	–
Chinese Yuan	63,898	21,143	63,898	21,143
Hong Kong Dollar	63,428	1,843	63,428	1,843
Indian Rupee	41,802	5,729	41,802	5,729
Thai Baht	17,403	20,591	17,361	20,591
Indonesian Rupiah	10,691	1,785	10,691	1,785
Brunei Dollar	9,288	8,047	9,288	8,047
Euro	397	778	392	778
Others	10,354	1,355	10,352	1,355
	1,504,617	746,312	1,499,061	745,345

The deposits with licensed banks are pledged as security for banking facilities granted to the Company.

25 CASH AND CASH EQUIVALENTS (CONTINUED)

The weighted average effective interest rates of deposits at the balance sheet dates are as follows:

	Group		Company	
	2010 %	2009 %	2010 %	2009 %
Deposits with licensed banks	2.62	2.95	2.62	2.95
Short-term deposits with fund management companies	2.64	2.54	2.64	2.54

26 TRADE AND OTHER PAYABLES

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Trade payables	53,178	90,433	31,710	81,545
Accrual for fuel	121,725	114,660	121,725	114,660
Aircraft maintenance accruals	254,036	261,448	254,036	261,448
Other payables and accruals	484,004	406,449	476,873	404,194
	912,943	872,990	884,344	861,847

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

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
RM	343,518	817,010	314,919	805,867
USD	553,608	44,415	553,608	44,415
Others	15,817	11,565	15,817	11,565
	912,943	872,990	884,344	861,847

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27 AMOUNTS DUE TO SUBSIDIARIES AND A RELATED PARTY

The amounts due to subsidiaries and a related party are denominated in Ringgit Malaysia, unsecured, interest free and have no fixed terms of repayment.

28 HIRE-PURCHASE PAYABLES

These amounts represent future instalments under hire-purchase agreements, repayable as follows:

	Group and Company	
	2010	2009
	RM'000	RM'000
Minimum payments:		
– Not later than 1 year	19	66
– Later than 1 year and not later than 5 years	–	19
	19	85
Less: Future finance charges	(4)	(13)
Present value of liabilities	15	72
Present value of liabilities:		
– Not later than 1 year	15	56
– Later than 1 year and not later than 5 years	–	16
	15	72

Liabilities under hire-purchase agreements are effectively secured as the rights to the assets revert to the financiers in the event of default.

As at 31 December 2010, the effective interest rate applicable to the hire-purchase liabilities was 3.75% (2009: 3.46%) per annum for the Group and Company. The entire balance is denominated in Ringgit Malaysia.

29 BORROWINGS

	Group and Company			
	2010 %	Weighted average rate of finance 2009 %	2010 RM'000	2009 RM'000
Current:				
Term loans	4.09	4.15	493,211	429,575
Revolving credit facilities	-	4.10	-	48,000
Finance lease liabilities	5.50	5.48	51,689	53,877
Commodity Murabaha Finance	4.46	3.99	9,067	8,760
			553,967	540,212
Non-current:				
Term loans	4.09	4.15	5,906,715	5,507,796
Finance lease liabilities	5.50	5.48	876,929	1,031,313
Commodity Murabaha Finance	4.46	3.99	99,240	108,587
Sukuk	4.85	4.85	420,000	420,000
			7,302,884	7,067,696
Total borrowings			7,856,851	7,607,908

The Group's long term borrowings are repayable as follows:

	Group and Company	
	2010 RM'000	2009 RM'000
Not later than 1 year	553,967	540,212
Later than 1 year and not later than 5 years	2,863,736	2,557,423
Later than 5 years	4,439,148	4,510,273
	7,856,851	7,607,908

The currency exposure profile of borrowings is as follows:

RM	528,307	585,347
USD	7,204,819	6,972,039
EURO	123,725	50,522
	7,856,851	7,607,908

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29 BORROWINGS (CONTINUED)

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

	Group and Company			
	2010		2009	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Term loans	5,906,715	4,743,235	5,507,796	4,230,803
Finance lease liabilities	876,929	617,939	1,031,313	769,815
Commodity Murabaha Finance	99,240	80,085	108,587	86,889
Sukuk	420,000	382,043	420,000	371,768
	7,302,884	5,823,302	7,067,696	5,459,275

The fair values of the current borrowings equal their carrying amounts, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 3.8%.

The above term loans, finance lease liabilities (Ijarah) and Commodity Murabaha Finance are for the purchase of aircraft, spare engines and simulators.

The repayment terms of term loans and finance lease liabilities are on a quarterly or semi-annually basis. These are secured by the following:

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

The Commodity Murabaha Finance is secured by a second priority charge over the aircraft.

The purpose of the Sukuk is to fund the Company's capital expenditure and working capital. The Sukuk is secured by the following:

- (i) An unconditional and irrevocable bank guarantee provided by financial institutions; and
- (ii) An assignment over the proceeds of the Ijarah Service Reserve Account opened by the Company pursuant to the exercise.

The Group has the following undrawn borrowing facilities:

	2010 RM'000	2009 RM'000
Fixed rate: – expiring within one year	48,000	–

30 DERIVATIVE FINANCIAL INSTRUMENTS

	Group and Company 2010	
	Assets RM'000	Liabilities RM'000
Non-current		
Interest rate swaps – cash flow hedges	–	(211,457)
Interest rate swaps – held for trading	23,306	(105,545)
Forward foreign exchange contracts – cash flow hedges	2,238	(132,656)
Forward foreign exchange contracts – held for trading	–	(3,207)
Total	25,544	(452,865)

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

The ineffective portion recognised in the income statement arising from cash flow hedges amounted to a loss of RM6.1 million (Note 7).

	2010	
	Notional amount RM'000	Fair value RM'000 equivalent
Interest rate caps	635,877	23,306
Interest rate swaps	2,684,830	(317,000)
Cross currency interest rate swaps	198,491	(11,357)
Forward foreign exchange contracts	3,522,199	(122,270)

The fair values of interest rate caps and interest rate swaps are calculated as the present value of the estimated future cash flows discounted at prevailing rates. The fair values of forward foreign exchange and fuel option contracts are determined using forward exchange rates or prices based on the relevant forward price curve on the balance sheet date. In assessing the fair values of the derivatives and financial instruments, the Group makes assumptions that are based on market conditions existing at each balance sheet date. These instruments are not recognised in the financial statements on inception. However, any gain or loss arising from each underlying transaction or settlement of the relevant contracts governing those underlying transactions or settlements are measured and recognised in the financial statements based on the current market rates at that date.

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30 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**(i) Forward foreign exchange contracts**

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2010 were RM3.721 million.

As at 31 December 2010, the Group has hedged approximately 41% of its USD liabilities pertaining to its aircraft, engine and simulator loans into Malaysian Ringgit (“RM”) by using long dated foreign exchange forward contracts. The calculation includes loans for aircraft deployed to Thai AirAsia and Indonesia AirAsia where the Company receives lease payments in USD. However, if the calculation is based on loans pertaining to aircraft being deployed to Malaysia, approximately 60% of the loans are hedged from USD into RM. The latest weighted average foreign forward exchange rate is at 3.2528 USD:RM. Gains and losses recognised in the hedging reserve in equity on forward foreign exchange contracts as of 31 December 2010 are recognised in the income statement in the period or periods during which the hedged forecast transaction affects the income statement.

(ii) Interest rate hedging

The notional principal amounts of the outstanding interest rate contracts at 31 December 2010 were RM3.321 billion.

The Group has entered into interest rate hedging transactions to hedge against fluctuations in the USD LIBOR on its existing aircraft financing for aircraft delivered from 2005 to 2010. As at 31 December 2010, the Group has hedged all its existing floating aircraft loans at strike rates between 3.25% per annum and 5.20% per annum via interest rate swaps, interest rate caps and cross-currency swaps. Gains and losses recognised in the hedging reserve in equity on interest rate swap contracts as of 31 December 2010 will be continuously released to the income statement within finance cost until the full repayment of the bank borrowings (Note 29).

(iii) Fuel hedging

As at 31 December 2010, the Group has no outstanding fuel hedging transactions.

31 SHARE CAPITAL

	Group and Company	
	2010	2009
	RM'000	RM'000
Authorised:		
Ordinary shares of RM0.10 each:		
At beginning and end of the financial year	500,000	500,000
Issued and fully paid up:		
Ordinary shares of RM0.10 each:		
At beginning of the financial year	275,774	237,421
Issued during the financial year	1,570	38,353
At end of the financial year	277,344	275,774

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM275,774,458 to RM277,343,608 by way of issuance of 15,691,500 ordinary shares of RM0.10 each pursuant to the exercise of the Employee Share Option Scheme (“ESOS”) at an exercise price of RM1.08 per share. The premium arising from the exercise of ESOS of RM15,377,670, has been credited to the Share Premium account.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company. There were no other changes in the issued and paid-up capital of the Company during the financial year.

31 SHARE CAPITAL (CONTINUED)

During the previous financial year, the Company increased its issued and paid-up ordinary share capital from RM237,420,958 to RM275,774,458 by way of issuance of 380,000,000 ordinary shares of RM0.10 each pursuant to the sale of shares at RM1.33 per share by way of book-building and the issuance of 3,535,000 ordinary shares of RM0.10 each pursuant to the exercise of the ESOS at an exercise price of RM1.08 per share. The premium arising from the book-building and exercise of ESOS of RM467,400,000 and RM3,464,300 respectively had been credited to the Share Premium account.

The new ordinary shares issued during the previous financial year ranked *pari passu* in all respects with the existing ordinary shares of the Company. There were no other changes in the issued and paid-up capital of the Company during previous the financial year.

EMPLOYEE SHARE OPTION SCHEME (“ESOS”)

The Company implemented an ESOS on 1 September 2004 (“the Scheme”). The ESOS is governed by the by-laws which were approved by the shareholders on 7 June 2004 and is effective for a period of 5 years from the date of approval.

The main features of the ESOS are as follows:

- (a) The maximum number of ordinary shares, which may be allotted pursuant to the exercise of options under the Scheme, shall not exceed ten per cent (10.0%) of the issued and paid-up share capital of the Company at any point in time during the duration of the Scheme.
- (b) The Option Committee may from time to time decide the conditions of eligibility to be fulfilled by an Eligible Person in order to participate in the Scheme.
- (c) The aggregate number of shares to be offered to any Eligible Person who has fulfilled the eligibility criteria for the time being by way of options in accordance with the Scheme shall be at the discretion of the Option Committee. The Option Committee may consider circumstances such as the Eligible Person’s scope of responsibilities, performance in the Group, rank or job grade, the number of years of service that the Eligible Person has rendered to the Group, the Group’s retention policy and whether the Eligible Person is serving under an employment contract for a fixed duration or otherwise. The Option Committee’s decision shall be final and binding.
- (d) The maximum number of shares allocated to Executive Directors, Non-Executive Directors and senior management by way of options shall in aggregate not exceed fifty per cent (50.0%) of the total number of shares (or such other percentage as may be permitted by the relevant regulatory authorities from time to time) available under the Scheme.
- (e) The subscription price, in respect of options granted prior to the date of listing in Bursa Malaysia, shall be RM1.08 per share.
- (f) The options granted are exercisable one year beginning from the date of grant.

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

The Company granted 93,240,000 options at an exercise price of RM1.08 per share under the ESOS scheme on 1 September 2004, which expired on 6 June 2009. During the previous financial year ended 31 December 2009, the validity of this ESOS scheme was extended to 6 June 2014.

At 31 December 2010, options to subscribe for 10,437,400 (2009: 26,460,900) ordinary shares of RM0.10 each at the exercise price of RM1.08 per share remain unexercised. These options granted do not confer any right to participate in any share issue of any other company.

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**31 SHARE CAPITAL (CONTINUED)
EMPLOYEE SHARE OPTION SCHEME (“ESOS”) (CONTINUED)**

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

Grant date	Expiry date	Exercise price RM/share	At 1.1.2010 '000	Granted '000	Exercised '000	Lapsed '000	At 31.12.2010 '000
1 Sep 2004	6 June 2014	1.08	26,461	–	15,692	332	10,437
						2010	2009
						'000	'000

Number of share options vested at balance sheet date	10,437	26,461
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Details relating to options exercised during the financial year are as follows:

Exercise date	Quoted price of shares at share issue date RM/share	Exercise price RM/share	Number of shares issued '000
January 2010 to March 2010	1.27–1.46	1.08	1,084
April 2010 to June 2010	1.11–1.43	1.08	604
July 2010 to September 2010	1.25–2.25	1.08	5,963
October 2010 to December 2010	2.12–2.74	1.08	8,041
			15,692

	2010 RM'000	2009 RM'000
Ordinary share capital at par	1,570	353
Share premium	15,378	3,464
Proceeds received on exercise of share options	16,948	3,817
Fair value at exercise date of shares issued	32,182	4,580

32 RETAINED EARNINGS

Under the single-tier tax system introduced by the Finance Act, 2007 which came into effect from the year of assessment 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders.

Companies with Section 108 credits as at 31 December 2007 may continue to pay franked dividends until the Section 108 credits are exhausted or 31 December 2013, whichever is earlier, unless they opt to disregard the Section 108 credits to pay single-tier dividends under the special transitional provisions of the Finance Act, 2007.

As at 31 December 2010, the Company has sufficient Section 108 tax credits to pay approximately RM19.0 million (2009: RM19.0 million) of its retained earnings as franked dividends. The extent of the retained earnings not covered at that date amounted to RM2.08 billion (2009: RM1.13 billion).

In addition, the Company has tax exempt income as at 31 December 2010 amounting to approximately RM0.5 million (2009: RM0.5 million) available for distribution as tax exempt dividends to shareholders.

33 DIVIDEND

A first and final dividend in respect of the financial year ended 31 December 2010 of 3 sen (2009: Nil) per share, amounting to a total dividend of RM76,860,918, is to be proposed at the forthcoming Annual General Meeting of the Company and will be paid to shareholders registered in the Register of Members at the close of business on 20 June 2011, as follows:

	2010		2009	
	Gross dividend per share Sen	Amount of dividend net of tax RM'000	Gross dividend per share Sen	Amount of dividend net of tax RM'000
First and final dividend for the financial year ended 31 December 2010:				
Gross dividend of 0.91 sen less 25% tax	0.91	19,026	–	–
Tax exempt dividend	0.02	528	–	–
Single-tiered dividend	2.07	57,307	–	–
	3.0	76,861	–	–

The financial statements do not reflect this dividend which will be accrued as a liability upon the approval by shareholders.

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34 COMMITMENTS

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

	Group and Company	
	2010 RM'000	2009 RM'000
Property, plant and equipment:		
Approved and contracted for	12,829,657	16,234,759
Approved but not contracted for	7,931,251	8,492,282
	20,760,908	24,727,041
Property, plant and equipment:		
Share of a jointly controlled entity's capital commitments	17,100	10,805
Share of an associate's capital commitments	8,626	8,505

The capital commitments for the Group and Company are in respect of aircraft purchase and options to purchase aircraft.

(b) Non-cancellable operating leases

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

	Group and Company			
	2010		2009	
	Future minimum lease payments RM'000	Future minimum sublease receipts RM'000	Future minimum lease payments RM'000	Future minimum sublease receipts RM'000
Not later than 1 year	49,469	422,224	100,389	350,835
Later than 1 year and not later than 5 years	172,266	768,539	203,491	640,280
Later than 5 years	194,136	–	260,486	–
	415,871	1,190,763	564,366	991,115

Sublease receipts include lease receipts from both owned and leased aircraft.

35 CONTINGENT LIABILITIES

Thai AirAsia Co. Ltd ("TAA"), a jointly controlled entity of the Group, has contingent liabilities relating to guarantees issued by banks in respect of the Company's pilot trainees' loans in accordance with the pilot professional course amounting to RM Nil million (31.12.2009: RM5.0 million) which will be terminated when the student pilot earns a commercial pilot license and is assigned as co-pilot, or whenever the pilot trainee can completely settle all outstanding debts with the bank. However, TAA can fully reclaim the said liabilities from the pilot trainees' guarantors as the guarantees have been pledged with TAA.

36 SEGMENTAL INFORMATION

Segmental information is as shown in the income statements, balance sheets and relevant notes as the Group's sole business segment is the provision of air transportation services.

The Group's operations are conducted predominantly in Malaysia.

37 SIGNIFICANT RELATED PARTY TRANSACTIONS

The related party transactions of the Company comprise mainly transactions between the Company and its subsidiaries, jointly controlled entity and associates. Details of these related companies are shown in Notes 13, 14 and 15 to the financial statements.

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

Key management personnel are categorised as head or senior management officers of key operating divisions within the Group and Company. The key management compensation is disclosed in Note 37(e) below.

Related party transactions also include transactions with entities that are controlled, jointly controlled or significantly influenced directly or indirectly by any key management personnel or their close family members, where applicable.

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
(a) Income:				
Aircraft operating lease income for owned and leased aircraft				
– Thai AirAsia Co. Ltd	223,553	175,035	223,553	175,035
– PT Indonesia AirAsia	172,390	145,297	172,390	145,297
Services charged to AirAsia X Sdn Bhd, a company with common Directors and shareholders	85,845	57,028	85,845	57,028

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37 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
(b) Recharges:				
Maintenance and overhaul charges				
– Thai AirAsia Co. Ltd	24,363	27,809	24,363	27,809
– PT Indonesia AirAsia	12,164	26,895	12,164	26,895
Loss on unwinding of derivatives				
– Thai AirAsia Co. Ltd	–	43,414	–	43,414
– PT Indonesia AirAsia	–	46,330	–	46,330
(c) Receivables:				
– AirAsia (Mauritius) Limited	–	–	422,415	194,503
– AirAsia International Limited	–	–	7,208	3,123
– Thai AirAsia Co. Ltd	99,802	366,388	–	171,885
– PT Indonesia AirAsia	268,058	445,776	268,058	445,776
– Crunchtime Culinary Services Sdn Bhd	–	–	2,757	–
– AirAsia Philippines Inc	12,292	11,191	12,292	11,191
– AirAsia X Sdn Bhd	–	3,303	–	3,303
(d) Payables:				
– AirAsia Go Holiday Sdn Bhd	–	–	44,251	27,922
– Thai AirAsia Co. Ltd	–	–	322,614	–
– Crunchtime Culinary Services Sdn Bhd	–	–	–	1,133
– AirAsia Pte Limited	–	3,382	5,223	3,382
– AirAsia X Sdn Bhd	41,262	–	41,262	–
(e) Key management compensation				
– basic salaries, bonus and allowances	24,774	13,617	24,774	13,617
– defined contribution plan	2,730	1,455	2,730	1,455
	27,504	15,072	27,504	15,072

Included in the key management compensation are Executive Directors' remuneration as disclosed in Note 5.

38 FINANCIAL RISK MANAGEMENT POLICIES

The Group's financial risk management policy seeks to ensure that the financial resources that are available for the development of the Group's businesses are constantly monitored and managed vis-a-vis its ongoing exposure to fuel price, interest rate, foreign currency, credit, liquidity and cash flow risks. The Group operates within defined guidelines that are approved and reviewed periodically by the Board to minimise the effects of such volatility on its financial performance.

The policies in respect of the major areas of treasury activities are as follows:

(a) Market risk

(i) Fuel price risk

The Group is exposed to jet fuel price risk arising from the fluctuations in the prices of jet fuel. It seeks to hedge its fuel requirements and implements various fuel management strategies in order to address the risk of rising fuel prices.

(ii) Interest rate risk

In view of the substantial borrowings taken to finance the acquisition of aircraft, the Group's income and operating cash flows are also influenced by changes in market interest rates. Interest rate exposure arises from the Group's borrowings and deposits and is managed by maintaining a prudent mix of fixed and floating rate debt and derivative financial instruments. Derivative financial instruments are used, as far as possible and where appropriate, to generate the desired fixed interest rate profile. Surplus funds are placed with reputable financial institutions at the most favourable interest rates.

The Group had previously entered into a number of immediate and forward starting interest rate swap contracts and cross currency swap contracts that effectively converted its existing and future long-term floating rate debt facilities into fixed rate debts. However, loans of approximately 3% of total long term debts are not currently covered by such swaps and have therefore remained at floating rates that are linked to the London Inter Bank Offer Rate ("LIBOR").

During the financial year, the Company has terminated a number of its interest rate swap contracts in view of the sharp decline in both short-term and long-term interest rates.

At the same time, the Group has re-entered into new hedges via interest rate swaps and interest rate caps at lower rates. Some of the interest rate swaps have been embedded into the relevant aircraft loans to provide fixed rate facilities.

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38 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)**(a) Market risk (continued)****(ii) Interest rate risk (continued)**

At 31 December 2010, 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 profit for the year and equity, as a result of an increase/decrease in the fair value of the interest rate derivative financial instruments under cash flow hedges are tabulated below:

	+60 basis points RM'000	-60 basis points RM'000
Impact on post tax profits	12,559	(48,396)
Impact on equity	58,222	(65,511)

The remaining terms of the outstanding interest rate derivative contracts of the Company at 31 December 2010, which are denominated in USD, are as follows:

	2010	2009
	RM'000 equivalent	RM'000 equivalent
Later than 5 years:		
Interest rate caps	635,877	768,188
Interest rate swaps	2,684,830	3,409,159
Cross currency interest rate swaps	198,491	213,413
	3,519,198	4,390,760

38 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)
(ii) Interest rate risk (continued)

The net exposure of financial assets and liabilities of the Group and Company to interest rate cash flow risk and the periods in which the borrowings mature are as follows:

Financial Instruments	Functional currency/ currency exposure	Effective interest at balance sheet date % per annum	Total carrying amount RM'000	Floating interest rate RM'000	Fixed interest rate					
					1 year or less RM'000	> 1-2 years RM'000	> 2-3 years RM'000	> 3-4 years RM'000	> 4-5 years RM'000	More than 5 years RM'000
Group and Company										
31 December 2010										
Deposits with licensed bank	RM/RM	2.62	719,439	-	719,439	-	-	-	-	-
Deposits with fund management companies	RM/RM	2.64	103,319	-	103,319	-	-	-	-	-
Term loans	RM/USD	4.09	(6,399,926)	(178,157)	(510,419)	(528,744)	(542,680)	(562,542)	(578,713)	(3,498,671)
Finance lease	RM/USD	5.50	(928,618)	-	(51,689)	(54,958)	(58,673)	(62,515)	(66,608)	(634,175)
Commodity Murabaha										
Finance	RM/USD	4.46	(108,307)	-	(9,067)	(9,566)	(10,094)	(10,650)	(11,237)	(57,693)
Sukuk	RM/RM	4.85	(420,000)	-	-	-	(420,000)	-	-	-
Hire-purchase payables	RM/RM	3.75	(15)	-	(15)	-	-	-	-	-
			(7,034,108)	(178,157)	251,568	(593,268)	(1,031,447)	(635,707)	(656,558)	(4,190,539)
31 December 2009										
Deposits with licensed bank	RM/RM	2.95	391,478	-	391,478	-	-	-	-	-
Deposits with fund management companies	RM/RM	2.54	100,627	-	100,627	-	-	-	-	-
Term loans	RM/USD	4.15	(5,937,371)	(105,393)	(422,690)	(432,527)	(447,997)	(458,119)	(474,759)	(3,595,886)
Finance lease	RM/USD	5.48	(1,085,190)	-	(53,877)	(57,405)	(61,036)	(65,161)	(69,428)	(778,283)
Commodity Murabaha										
Finance	RM/USD	3.99	(117,347)	-	(8,760)	(9,067)	(9,566)	(10,094)	(10,650)	(69,210)
Sukuk	RM/RM	4.85	(420,000)	-	-	-	-	(420,000)	-	-
Revolving credit	RM/USD	4.10	(48,000)	-	(48,000)	-	-	-	-	-
Hire-purchase payables	RM/RM	3.46	(72)	-	(56)	(16)	-	-	-	-
			(7,115,875)	(105,393)	(41,278)	(499,015)	(518,599)	(953,374)	(554,837)	(4,443,379)

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38 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(a) Market risk (continued)

(iii) Foreign currency risk

The Group has subsidiaries and associates operating in foreign countries which generate revenue and incur costs denominated in foreign currencies. The main currency exposures of the Group and Company are primarily in USD, Thai Baht and Indonesian Rupiah. The Group has a natural hedge to the extent that payments for foreign currency payables are matched against receivables denominated in the same foreign currency or whenever possible by intragroup arrangements and settlements.

The Company enters into forward foreign currency exchange contracts to limit its exposure on foreign currency receivables and payables.

At 31 December 2010, if the currency had weakened/strengthened by 5% against the USD with all other variables held constant, post-tax profit for the financial year would have been MYR201.4 million lower/higher, mainly as a result of foreign exchange losses/gains on translation of USD denominated receivables and borrowings (term loan & finance lease). Similarly, the impact on equity would have been RM3.7 million higher/lower due to the cash flow hedging in USD. The exposure to EUR currency risk of the Group is not material and hence, sensitivity analysis is not presented.

(b) Credit risk

The Group's exposure to credit risks or the risk of counterparties defaulting arises mainly from various deposits and bank balances, receivables and derivative financial instruments. The maximum exposure to credit risks is represented by the total carrying amount of these financial assets in the balance sheet.

Credit risks are controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised by monitoring receivables regularly. In addition, credit risks are also controlled as majority of the Group's deposits and bank balances and derivative financial instruments are placed or transacted with major financial institutions and reputable parties. The Directors are of the view that the possibility of non-performance by the majority of these financial institutions is remote on the basis of their financial strength and support of their respective governments.

The Group generally has no concentration of credit risk arising from trade receivables.

38 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(c) Liquidity and cash flow risks

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

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

At 31 December 2010

	Under 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	Over 5 years RM'000
Term loans	702,425	712,286	2,954,474	3,659,957
Finance lease liabilities	68,265	72,118	1,028,971	196,720
Commodity Murabaha finance	14,761	14,774	44,266	65,323
Sukuk	20,370	20,370	430,185	–
Trade and other payables	689,784	–	–	–
Derivative financial instruments				
Net-settled derivatives				
Trading	37,578	31,908	38,525	(891)
Hedging	72,865	64,260	75,806	2,892
Gross-settled derivatives				
Trading – outflow	10,149	9,649	17,780	–
Trading – inflow	(9,567)	(9,095)	(16,670)	–
Hedging – outflow	366,035	362,625	1,080,724	1,793,982
Hedging – inflow	(341,797)	(339,837)	(1,023,389)	(1,700,988)

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38 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)**(d) Capital risk management**

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

In order to optimise the capital structure, or the capital allocation amongst the Group's various businesses, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, take on new debts or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital utilisation on the basis of the gearing ratio. This ratio is calculated as total debts divided by total capital. Total debts are calculated as total borrowings (including "short term and long term borrowings" as shown in the balance sheets). Total capital is calculated as the sum of 'equity attributable to equity holders of the Company' as shown in the balance sheet and total debts.

The gearing ratio as at 31 December 2010 is as follows:

	Group
	2010
	RM'000
Total borrowings	7,856,851
Total equity attributable to equity holders of the Company	3,640,960
Total capital	11,497,811
Gearing ratio	68.3%

39 FINANCIAL INSTRUMENTS**(a) Financial instruments by category****31 December 2010**

	Loans and receivables RM'000	Assets at fair value through the profit and loss RM'000	Derivatives used for hedging RM'000	Available for sale RM'000	Total RM'000
<u>Assets as per balance sheet</u>					
Available for sale financial assets	–	–	–	152,942	152,942
Trade and other receivables excluding prepayments	606,456	–	–	–	606,456
Derivative financial instruments	–	23,306	2,238	–	25,544
Cash and cash equivalents	1,504,617	–	–	–	1,504,617
Total	2,111,073	23,306	2,238	152,942	2,289,559

39 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments by category (continued)

31 December 2010

	Liabilities at fair value through the profit and loss RM'000	Derivatives used for hedging RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
<u>Liabilities as per balance sheet</u>				
Borrowings (excluding finance lease liabilities)	-	-	6,928,233	6,928,233
Finance lease liabilities			928,618	928,618
Derivative financial instruments	108,752	344,113	-	452,865
Trade and other payables excluding statutory liabilities	-	-	959,428	959,428
Hire purchase payables	-	-	15	15
Total	108,752	344,113	8,816,294	9,269,159

- 1 Prepayments are excluded from the trade and other receivables balance, as this analysis is required only for financial instruments.
- 2 Statutory liabilities are excluded from the trade payables balance, as this analysis is required only for financial instruments.

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39 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Credit quality of financial assets

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

	2010 RM'000
<u>Counterparties without external credit rating</u>	
Group 1	15,774
Group 2	102,909
Total unimpaired trade receivables and others receivables	118,683
<u>Cash at bank and short-term bank deposits</u>	
AA2 to A-	1,398,674
BBB to B1	105,943
	1,504,617
<u>Derivative financial assets</u>	
AA+	23,306
A	2,238
	25,544
<u>Loans to related parties</u>	
Group 2	380,152
Group 1 – New customers/related parties (Less than 6 months)	
Group 2 – Existing customers/related parties (more than 6 months) with no defaults in the past.	
Group 3 – Existing customers/related parties (more than 6 months) with some defaults in the past.	

All defaults were fully recovered.

40 CHANGES IN ACCOUNTING POLICIES

- (i) The effects of the changes in accounting policies to each of the line items in the Group's and Company's balance sheets are as follows:

	Balances as at 1 January 2010		
	As previously stated RM'000	FRS 139 RM'000	As restated RM'000
Group			
Other investments	26,667	(26,667)	-
Available-for-sale financial assets	-	132,663	132,663
Derivative financial instruments	-	(130,645)	(130,645)
Amount due from a jointly controlled entity	366,388	(15,462)	350,926
Amounts due from associates	456,967	(16,841)	440,126
Retained earnings	(1,138,438)	97,278	(1,041,160)
Cash flow hedge reserve	-	65,670	65,670
Available-for-sale reserve	-	(105,996)	(105,996)
Company			
Other investments	26,667	(26,667)	-
Available-for-sale financial assets	-	132,663	132,663
Derivative financial instruments	-	(130,645)	(130,645)
Retained earnings	(1,138,438)	97,278	(1,041,160)
Cash flow hedge reserve	-	65,670	65,670
Available-for-sale reserve	-	(105,996)	(105,996)

- (ii) Impact on the Group's and the Company's statements of comprehensive income:

	Increase/(decrease) for the financial year ended 31 December 2010	
	FRS 139 RM'000	Total RM'000
Other comprehensive income:		
Available-for-sale financial assets	4,279	4,279
Cash flow hedges	(5,639)	(5,639)
Foreign currency translation differences	(107)	(107)

The adoption of FRS 139 has no significant effect on the results of the Company for the financial year ended 31 December 2010.

**NOTES TO THE
FINANCIAL
STATEMENTS**

– 31 DECEMBER 2010

41 SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES LISTING REQUIREMENT

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

	Group As at 31.12.2010 RM'000	Company As at 31.12.2010 RM'000
Total retained earnings of AirAsia Berhad and its subsidiaries:		
– Realised	997,581	981,345
– Unrealised	1,121,156	1,121,156
	2,118,737	2,102,501
Total share of accumulated losses from associated companies:		
– Realised	(4,112)	–
– Unrealised	–	–
Total share of accumulated losses from jointly controlled entities		
– Realised	(12,054)	–
– Unrealised	–	–
Total retained earnings as per consolidated financial statements	2,102,571	2,102,501

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

STATEMENT BY DIRECTORS

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

We, Dato' Sri Dr. Anthony Francis Fernandes and Dato' Kamarudin bin Meranun, being two of the Directors of AirAsia Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 140 to 216 are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at 31 December 2010 and of the results and the cash flows of the Group and Company for the financial year ended on that date in accordance with the provisions of the Companies Act, 1965 and the Financial Reporting Standards, the MASB approved accounting standards in Malaysia for Entities Other than Private Entities.

In accordance with a resolution of the Board of Directors dated 28 April 2011.



DATO' SRI DR. ANTHONY FRANCIS FERNANDES
DIRECTOR



DATO' KAMARUDIN BIN MERANUN
DIRECTOR

STATUTORY DECLARATION

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

I, Rozman bin Omar, the Officer primarily responsible for the financial management of AirAsia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 140 to 216 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.



Rozman bin Omar

Subscribed and solemnly declared by the abovenamed Rozman bin Omar at Petaling Jaya in Malaysia on 28 April 2011 before me.



COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AIRASIA BERHAD (Incorporated in Malaysia) (Company No. 284669-W)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of AirAsia Berhad on pages 140 to 215, which comprise the balance sheets as at 31 December 2010 of the Group and of the Company, and the statements of income, comprehensive income, changes in equity and cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 40.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with MASB approved accounting standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2010 and of their financial performance and cash flows for the financial year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 13 to the financial statements.
- c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 41 on page 216 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysia Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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



PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants



SRIDHARAN NAIR
(No. 2656/05/12 (J))
Chartered Accountant

Kuala Lumpur
28 April 2011

ANALYSIS OF SHAREHOLDINGS AS AT 21 APRIL 2011

DISTRIBUTION OF SHAREHOLDERS

Class of shares: Ordinary shares of RM0.10 each ("Shares")

Voting rights: One vote per ordinary shares

Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	87	0.48	1,749	0.00
100 – 1,000	5,615	30.92	5,032,755	0.18
1,001 – 10,000	10,112	55.68	41,522,944	1.50
10,001 – 100,000	1,720	9.47	51,047,740	1.84
100,001 to less than 5% of issued shares	624	3.43	1,882,438,015	67.82
5% and above of issued shares	3	0.02	795,480,877	28.66
	18,161	100.00	2,775,524,080	100.00

SUBSTANTIAL SHAREHOLDERS

The direct and indirect shareholdings of the shareholders holding more than 5% in AirAsia Berhad based on the Register of Substantial Shareholders are as follows:-

Name	DIRECT		INDIRECT	
	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
Tune Air Sdn. Bhd.	729,458,382 ⁽¹⁾	26.28	–	–
Dato' Sri Dr. Anthony Francis Fernandes	2,627,010 ⁽²⁾	0.09	729,458,382 ⁽³⁾	26.28
Dato' Kamarudin bin Meranun	1,692,900	0.06	729,458,382 ⁽³⁾	26.28
Employees Provident Fund Board	219,758,900 ⁽⁴⁾	7.92	30,392,500	1.09
Genesis Smaller Companies	150,635,581 ⁽⁵⁾	5.43	–	–
Wellington Management Company, LLP	153,265,415 ⁽⁶⁾	5.52	–	–

NOTES:

⁽¹⁾ Shares held under Cimsec Nominees (Tempatan) Sdn. Bhd., ECML Nominees (Tempatan) Sdn. Bhd., HSBC Nominees (Tempatan) Sdn. Bhd., and Mayban Nominees (Tempatan) Sdn. Bhd.

⁽²⁾ Shares held under Cimsec Nominees (Tempatan) Sdn. Bhd.

⁽³⁾ Deemed interested by virtue of Section 6A of the Companies Act, 1965 ("the Act") through a shareholding of more than 15% in Tune Air Sdn. Bhd.

⁽⁴⁾ Shares held under own name (1,500,000 shares) and Citigroup Nominees (Tempatan) Sdn. Bhd. (218,258,900 shares)

⁽⁵⁾ Shares held under HSBC Nominees (Asing) Sdn. Bhd.

⁽⁶⁾ Shares held under Cartaban Nominees (Asing) Sdn. Bhd., Citigroup Nominees (Asing) Sdn. Bhd., Goldman Sachs International, HSBC Nominees (Asing) Sdn. Bhd., JP Morgan Chase Bank N.A., Master Trust Bank of Japan Ltd., Mellon Bank N.A., and RBC Dexia Investor Services.

DIRECTORS' SHAREHOLDINGS

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

Name	←DIRECT→		←INDIRECT→	
	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
Dato' Sri Dr. Anthony Francis Fernandes	2,627,010 ⁽¹⁾	0.09	729,458,382 ⁽²⁾	26.28
Dato' Kamarudin bin Meranun	1,692,900	0.06	729,458,382 ⁽²⁾	26.28
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	–	–	–	–
Conor Mc Carthy	14,125,903 ⁽³⁾	0.51	–	–
Dato' Leong Sonny @ Leong Khee Seong	100,000	.*	–	–
Dato' Fam Lee Ee	100,000	.*	–	–
Datuk Alias bin Ali	–	–	–	–
Dato' Mohamed Khadar bin Merican	–	–	–	–
Mohd Omar bin Mustapha	–	–	–	–

NOTES:

* Negligible.

⁽¹⁾ Shares held under Cimsec Nominees (Tempatan) Sdn. Bhd.

⁽²⁾ Deemed interested by virtue of Section 6A of the Act, through a shareholding of more than 15% in TASB

⁽³⁾ Shares held under own name (100,000 shares) and HSBC Nominees (Asing) Sdn. Bhd. Exempt AN for Credit Suisse (SG BR-TST-Asing) (14,025,903 shares)

The interests of Directors in options over unissued ordinary shares of RM0.10 each of the Company:

Shareholdings	Price per option share	No. of Option Shares
Dato' Sri Dr. Anthony Francis Fernandes	RM1.08	600,000
Dato' Kamarudin bin Meranun	RM1.08	600,000

The options held over ordinary shares in the Company were granted on 1 September 2004 pursuant to the Company's Employee Share Option Scheme ("ESOS") approved by the shareholders on 7 June 2004. On 28 May 2009, the Company extended the duration of its ESOS which expired on 6 June 2009 for 5 years to 6 June 2014. This was in accordance with the terms of the ESOS By-Laws. The ESOS extension was not subject to any regulatory or shareholders approval.

None of the Directors have any interests in the shares or options of the subsidiaries of the Company other than as disclosed above.

LIST OF TOP 30 SHAREHOLDERS AS AT 21 APRIL 2011

No	Name Of Shareholders	No. Of Shares Held	% Of Issued Share Capital
1.	Tune Air Sdn. Bhd.	420,786,396	15.16
2.	Citigroup Nominees (Tempatan) Sdn. Bhd. <i>Employees Provident Fund Board</i>	224,058,900	8.07
3.	HSBC Nominees (Asing) Sdn. Bhd. <i>BBH (LUX) SCA for Genesis Smaller Companies</i>	150,635,581	5.43
4.	Cartaban Nominees (Asing) Sdn. Bhd. <i>SSBT Fund HG05 for the New Economy Fund</i>	135,334,000	4.88
5.	HSBC Nominees (Asing) Sdn. Bhd. <i>TNTC for The Nomad Investment Partnership LP Cayman</i>	115,000,000	4.14
6.	HSBC Nominees (Asing) Sdn. Bhd. <i>Exempt an for JPMorgan Chase Bank, National Association (U.S.A.)</i>	74,232,150	2.67
7.	Mayban Nominees (Tempatan) Sdn. Bhd. <i>Kuwait Finance House (Malaysia) Berhad for Tune Air Sdn. Bhd. (Tony Fernandes)</i>	71,000,000	2.56
8.	Cartaban Nominees (Asing) Sdn. Bhd. <i>SSBT Fund HG22 for Smallcap World Fund, Inc.</i>	64,000,000	2.31
9.	HSBC Nominees (Asing) Sdn. Bhd. <i>NTGS LDN for Skagen Kon-Tiki Verdipapirfond</i>	62,078,300	2.24
10.	ECML Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Tune Air Sdn. Bhd. (001)</i>	58,000,000	2.09
11.	ECML Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Tune Air Sdn. Bhd. (001)</i>	48,335,367	1.74
12.	HSBC Nominees (Tempatan) Sdn. Bhd. <i>Credit Suisse HK for Tune Air Sdn. Bhd.</i>	40,000,000	1.44
13.	Cartaban Nominees (Asing) Sdn. Bhd. <i>Exempt an for State Street Bank & Trust Company (West CLT OD67)</i>	39,255,800	1.41
14.	HSBC Nominees (Tempatan) Sdn. Bhd. <i>Six Sis for Tune Air Sdn. Bhd.</i>	35,000,000	1.26
15.	Valuecap Sdn. Bhd.	26,597,900	0.96
16.	HSBC Nominees (Asing) Sdn. Bhd. <i>Exempt an for Morgan Stanley & Co. Incorporated (Client)</i>	25,996,100	0.94
17.	Mayban Nominees (Tempatan) Sdn. Bhd. <i>Mayban Trustees Berhad for Public Ittikal Fund (N14011970240)</i>	24,429,800	0.88
18.	Citigroup Nominees (Asing) Sdn. Bhd. <i>CBLDN for Kuwait Investment Authority</i>	23,459,500	0.85
19.	ECML Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Tune Air Sdn. Bhd. (001)</i>	22,586,619	0.81
20.	Mayban Nominees (Tempatan) Sdn. Bhd. <i>Mayban Trustees Berhad for Public Regular Savings Fund (N14011940100)</i>	22,487,700	0.81
21.	HSBC Nominees (Asing) Sdn. Bhd. <i>BBH And Co Boston for Vanguard Emerging Markets Stock Index Fund</i>	21,550,848	0.78
22.	CIMSEC Nominees (Tempatan) Sdn. Bhd. <i>CIMB Bank for Tune Air Sdn. Bhd. (SFD)</i>	20,000,000	0.72
23.	Amanahraya Trustees Berhad <i>Public Islamic Optimal Growth Fund</i>	17,302,800	0.62
24.	Amanahraya Trustees Berhad <i>Public Islamic Sector Select Fund</i>	17,048,500	0.61
25.	HSBC Nominees (Asing) Sdn. Bhd. <i>Exempt an for The Bank of New York Mellon (Mellon Acct)</i>	16,309,723	0.59
26.	HSBC Nominees (Asing) Sdn. Bhd. <i>Exempt an for JPMorgan Chase Bank, National Association (U.K.)</i>	15,153,390	0.55
27.	HSBC Nominees (Asing) Sdn. Bhd. <i>Exempt an for Credit Suisse (SG BR-TST-Asing)</i>	14,990,603	0.54
28.	AMSEC Nominees (Tempatan) Sdn. Bhd. <i>AmTrustee Berhad for CIMB Islamic Dali Equity Growth Fund (UT-CIMB-Dali)</i>	14,715,400	0.53
29.	Cartaban Nominees (Asing) Sdn. Bhd. <i>BBH (LUX) SCA for Fidelity Funds ASEAN</i>	13,832,700	0.50
30.	ECML Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Tune Air Sdn. Bhd. (001)</i>	13,750,000	0.50

LIST OF PROPERTIES HELD

Save as disclosed below, as at 31 December 2010, neither the Company nor any of its subsidiaries owned any land or building:

Owner of building	Postal address/ location of building	Description/ existing use of building	Tenure/ date of expiry of lease	Build-up area	Approximate age of building	Audited net book value as at 31 December 2010 (RM'000)
AirAsia Berhad	Taxiway Charlie, KLIA (part of PT 39 KLIA, Sepang) See note 1	Non permanent structure/ aircraft maintenance hangar	See note 2	2,400 sqm	7 years and 5 months	1,802
AirAsia Berhad	AirAsia Academy, Lot PT 25B, Southern Support Zone, KLIA 64000 Sepang, Selangor	AirAsia Simulator Complex	30 years from 20 September 2004 to 19 September 2034	4,997 sqm	6 years	10,810
AirAsia Berhad	AirAsia Academy, Lot PT 25B, Southern Support Zone, KLIA 64000 Sepang, Selangor	AirAsia Academy, Engineering and In-Flight Warehouse	30 years from 1 May 2007 to 30 April 2037	6,225 sqm - Academy 5,255 sqm - Engineering/ In-Flight Warehouse	3 years	24,775

Notes:

- (1) On the fitness of occupation of the hangar, it is the subject of a year-to-year "Kelulusan Permit Bangunan Sementara" issued by the Majlis Daerah Sepang. The permit has been renewed and will expire on 31 December 2011.
- (2) The land area occupied is approximately 2,400 square meters. The land is owned by Malaysia Airports (Sepang) Sdn. Bhd. ("MAB") and the Company has an automatic renewal of tenancy on a month to month basis.

Revaluation of properties has not been carried out on any of the above properties to date.

GROUP DIRECTORY

CAMBODIA

PHNOM PENH
Phnom Penh Airport office
17 Mezzanine Floor of Arrival
Domestic Terminal,
Phnom Penh Airport, Phnom Penh

CHINA

MACAU
Office 20, Mezzanine Level
Passenger Terminal, Macau
International Airport Taipa,
Macau

SHENZHEN

Junting Hotel Shenzhen, XY-10,
Shenzhen Eastern Road,
Shenzhen

INDONESIA

ACEH
Bandara Sultan Iskandar Muda,
Blang Bintang, Aceh

BALI

Bandara I Gusti Ngurah Rai,
Terminal Keberangkatan
International Bali 80361

Jl. Legian Kaja No. 455 Kuta,
Bali

BANDUNG

Ruangan Nombor 34
Bandara Husein Sastranegara
Jalan Pajajaran No 156 Bandung
Jawa Barat

Lobby Grand Serela Hotel
Jl. L.L. R.E Martadinata (Riau)
No. 56 Telp. (022) 426 1636

BATAM

Jl. imam Bonjol,
Gedung Jamsotek/
Graha Nagoya Mas

JAKARTA

Terminal 3 & Terminal 2D
Departure hall Airlines Offices
Soekarno-Hatta International
Airport Cengkareng
Jl. Boulevard Raya, Blok LA 4,
No. 10 Kelapa Gading
Jakarta Utara

Jln. Panglima Polim,
No. 105B Blok M, Jakarta Selatan

MAKASSAR

Departure terminal,
Sultan Hasanuddin
International Airport,
Makassar – South Sulawesi
Indonesia

Mall Panakukang,
Carrefour Panakukang,
3rd Floor, Jl. Adyaksa Baru
No. 1, Makassar – South Sulawesi
Indonesia

MANADO

Sam Ratulangi International Airport
Jalan A.A. Maramis,
Manado 95374

MEDAN

Bandara Polonia Terminal
Keberangkatan Internasional,
Medan 20157 Sumatra

Garuda Plaza Hotel
Jl. Sisigamangaraja
NO.18 Medan - 20213

PADANG

Hotel Hangtuah,
Jl. Pemuda No. 1 Padang Sumatra Barat,
25117

PALEMBANG

Sultan Mahmud Badaruddin II
Airport Palembang, South Sumatra

PEKAN BARU

Sultan Syarif Kasim II International Airport,
Jalan Perhubungan Udara Simpang Tiga,
Pekanbaru

SOLO

Adi Sumarmo International Airport,
Surakarta 57108

SURABAYA

Lobby International Terminal
Juanda International Airport
Jalan Raya Juanda Surabaya
Jawa Timur

YOGYAKARTA

Adisutjipto International Airport
Jln. Solo km.9, Yogyakarta, 55282

Melia Purosani Hotel
Jl Suryotomo No. 31
Yogyakarta

MALAYSIA

JOHOR

Lot No. 162, Festive Street Mall,
Danga Bay, Jalan Skudai,
Johor Bahru

GL 13 Sultan Ismail Airport
81250 Johor Bahru, Johor

KEDAH

LOT 20, Lapangan Terbang Sultan Abdul
Halim, 06200 Kepala Batas, Alor Setar,
Kedah

Langkawi International Airport
07100 Padang Mat Sirat
Langkawi

KUALA LUMPUR

Unit 11, Level 1 Stesen Sentral
Kuala Lumpur, 50470

KELANTAN

Ground Floor,
Lapangan Terbang Sultan Ismail Petra
16100 Pengkalan Chepa
Kota Bharu, Kelantan Darul Naim

TERENGGANU

Lot No. 15 & 17, Terminal Building, Sultan
Mahmud Airport 21300 Kuala Terengganu,
Terengganu

LABUAN

Level 1, Labuan Airport Terminal
87008 Wilayah Persekutuan,
Labuan

PENANG

Lot 3, Departure Concourse,
Penang International Airport
11900 Bayan Lepas, Pulau Pinang

Ground Floor, Kim Mansion 332,
Chulia Street, 10200 Penang

GROUP DIRECTORY

SABAH

Lot 1& 2, 1st Floor, Terminal Building,
Sandakan Airport, 90719 Sandakan Sabah

FL4, 1st Floor, Tawau Airport Building,
Jalan Apas-Balung, 91100 Tawau,
Sabah

TB228, Lot 5, Ground Floor,
Jalan Bunga, Fajar Complex
91000 Tawau, Sabah

Lot G24, Ground Floor,
Wisma Sabah, Jln. Tun Razak,
88000, Kota Kinabalu, Sabah

T2: Ground Floor, Terminal 2
Kota Kinabalu Int. Airport
Old Airport Road, Tanjung Aru
88100, Kota Kinabalu, Sabah

SARAWAK

Lot GL.14, Public Concourse
Terminal Building, Bintulu Airport
97000 Bintulu Sarawak

1st Floor, Miri Airport,
98000 Bintulu, Sarawak

GF Lot 946, Block 9, Miri
Concession Land District,
98000 Miri, Sarawak

Ground Floor,
Kuching International Airport,
93756 Kuching, Sarawak

Wisma Ho Ho Lim, Ground Floor
No. 291, Sub Lot 4, Jalan Abell
93100 Kuching, Sarawak

1st Floor, Main Terminal Building
Sibu Airport,
96000 Sibu, Sarawak

SELANGOR

Ground Floor, Terminal 3,
Sultan Abdul Aziz Shah Airport
47200 Subang, Selangor

Jalan KLIA S3,
Southern Support Zone,
Kuala Lumpur International Airport,
64000 Sepang, Selangor

MYANMAR

YANGON
Yangon International Airport
Office Unit# 01-L, Parkroyal
Yangon, Myanmar

SINGAPORE

Row No:11, Departure level 2,
Singapore Changi Airport
Terminal 1, Singapore

111 North Bridge Road #01-36/37
Peninsula Plaza 179098, Singapore

THAILAND

BANGKOK
Suvarnabhumi International Airport
Room A1-062 Ground Floor,
Concourse A, Bangna-Trad Road,
Racha Teva, Bang Pli, Samutprakam 10540

127 Tanao Road, Phra Nakorn,
Bangkok 10200

CHIANG MAI SALES OFFICE
Chiang Mai International Airport
60, 1st Floor,
Tambol Sutep, Amphur Muang,
Chiang Mai 50200

416 Thaphae Road,
Chiang Mai

CHIANG RAI
Chiang Rai International Airport
2305/2 404 Moo 10, Tambol Bandu,
Amphur Muang, Chiang Rai 57100

HAT YAI
Hat Yai International Airport
125 Hadyai International Airport,
Moo 3 Klongla, Klonghoikong,
Songkhla 90115

KRABI

133 Moo 5 Petchkasem Road,
Tambol Nuakrong, Amphur
Nuakrong, Krabi 81130

NARATHIWAT

Narathiwat Airport
330 Moo 5, Tambol kok-Kian,
Amphur Muang, Narathiwat 96000

PHUKET

Phuket International Airport
312, 3rd Floor, Tambol Maikao,
Amphur Thalang, Phuket 83110

Unit 9, Laflora Patong Area,
No. 39, 39/1, Thaveewong Rd.,
Patong, Krato, Phuket

SURAT THANI

Surat Thani International Airport
73 Moo 3 Tambol Huatuey,
Amphur Punpin,
Suratthani 84130

UBON RATCHATHANI

Ubon Ratchathani Airport
224 Moo 1, Tambol Makkhang,
Amphur Muang, Udon Thani 41000

VIETNAM

Hanoi
Noibai International Airport
Lobby A, 3rd Floor,
Hanoi, Vietnam

No. 30 Le Thai To Str.,
Hoan Kiem Dist.,
Hanoi City

HO CHI MINH SALES OFFICE

Van Phong Ban Ve Tp Hcmc
254 De Tham,
PPham Ngu Lao,
District 1,
Ho Chi Minh City

GLOSSARY

AirAsia Berhad	“The Company” or “AirAsia”.
Aircraft at end of period	Number of aircraft owned or on lease arrangements of over one month’s duration at the end of the period.
Aircraft utilisation	Average number of block hours per day per aircraft operated.
Available Seat Kilometres (ASK)	Total seats flown multiplied by the number of kilometres flown.
Average fare	Passenger seat sales, surcharges and fees divided by number of passengers.
Block hours	Hours of service for aircraft, measured from the time that the aircraft leaves the terminal at the departure airport to the time that it arrives at the terminal at the destination airport.
Capacity	The number of seats flown.
Cost per ASK (CASK)	Revenue less operating profit divided by available seat kilometres.
Cost per ASK, excluding fuel (CASK ex fuel)	Revenue less operating profit and aircraft fuel expenses, divided by available seat kilometres.
Load factor	Number of passengers as a percentage of capacity.
Passengers carried	Number of earned seats flown. Earned seats comprises seats sold to passengers (including no-shows), seats provided for promotional purposes and seats provided to staff for business travel.
Revenue per ASK (RASK)	Revenue divided by available seat kilometres.
Revenue Passenger Kilometres (RPK)	Number of passengers multiplied by the number of kilometres those passengers have flown.
Stage	A one-way revenue flight.

FORM OF PROXY

AirAsia.com

AIRASIA BERHAD
284669-W
(INCORPORATED IN MALAYSIA)

I/We _____ NRIC No./Co No.: _____
(FULL NAME IN BLOCK LETTERS) (COMPULSORY)

of _____
(ADDRESS)

_____ being a
(ADDRESS)

member of **AIRASIA BERHAD** ("the Company") hereby appoint _____
(FULL NAME IN BLOCK LETTERS)

NRIC No.: _____ of _____
(COMPULSORY) (ADDRESS)

_____ (ADDRESS)

and/or _____ NRIC No.: _____ of
(FULL NAME IN BLOCK LETTERS) (COMPULSORY)

_____ as my/our proxy(ies) to
(ADDRESS)

vote in my/our name and on my/our behalf at the Eighteenth Annual General Meeting of the Company to be held on Monday, 20 June 2011 at 10.00 a.m. and at any adjournment of such meeting and to vote as indicated below:

ORDINARY RESOLUTION	DESCRIPTION	FOR	AGAINST
No. 1	Ordinary Business Receive the Audited Financial Statements and Reports		
No. 2	Declaration of First and Final Dividend		
No. 3	Approval of Directors' Fees		
No. 4	Re-election of Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar		
No. 5	Re-election of En. Mohd Omar bin Mustapha		
No. 6	Re-appointment of Dato' Leong Sonny @ Leong Khee Seong		
No. 7	Re-appointment of Auditors		
No. 8	Special Business Authority to allot shares pursuant to Section 132D of the Companies Act, 1965		

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

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

Signature of Shareholder/Common Seal

Notes to Form of Proxy

- Pursuant to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 and Article 43(1) of the Company's Articles of Association, only those Foreigners (as defined in the Articles) who hold shares up to the current prescribed foreign ownership limit of 45.0% of the total issued and paid-up capital, on a first-in-time basis based on the Record of Depositors to be used for the forthcoming Annual General Meeting, shall be entitled to vote. A proxy appointed by a Foreigner not entitled to vote, will similarly not be entitled to vote. Consequently, all such disenfranchised voting rights shall be automatically vested in the Chairman of the forthcoming Annual General Meeting.
- A member entitled to attend and vote is entitled to appoint a proxy (or in the case of a corporation, to appoint a representative), to attend and vote in his stead. A proxy need not be a member of the Company.
- The Proxy Form in the case of an individual shall be signed by the appointor or his attorney, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
- Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
- Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 it may appoint at least one but not more than two (2) proxies in respect of each securities account it holds to which ordinary shares in the Company are credited.
- The Proxy Form or other instruments of appointment shall not be treated as valid unless deposited at the Registered Office of the Company at 25-5, Block H, Jalan PJU 1/37, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time set for holding the meeting. **Faxed copies of the duly executed form of proxy are not acceptable.**

Fold here

Stamp

Company Secretary

AirAsia Berhad (Company No. 284669-W)

25-5, Block H, Jalan PJU 1/37

Dataran Prima

47301 Petaling Jaya

Selangor Darul Ehsan

Malaysia

Fold here

Speed & Innovation.



That's how we jet.

Like Team Lotus, we strive for quick plane turnaround times with speed, efficiency and accuracy. Get to where the action's at. Fast track your way to a GP experience with us as we connect you to the hottest races around Asia, Australia and Europe.

AirAsia



OFFICIAL
PARTNER



www.airasia.com

AirAsia Berhad (284669-W)

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