

AirAsia X Berhad (754161-K)

REALISING DREAMS

ANNUAL REPORT 2016



THE FOURTH ISSUE

*Air
Asia*



Go online to our website at:
www.airasiax.com

It's always been our dream to be the low-cost airline of choice in Asia and to serve the 3 billion people who are currently underserved with lack of connectivity and high fares. Today, we're realising our dreams in more ways than one. We've had a couple of challenging years but our turnaround initiatives marked a turning point for AirAsia X which has left us feeling optimistic and confident for the year ahead. Our achievements include new route launches, a record-high number of passengers choosing to fly with us and amazing new destinations.

It's also been a year of strong passenger recognition, as we won the renowned Skytrax awards for World's Best Low-Cost Premium Cabin and World's Best Low-Cost Airline Premium Seats for the fourth year running.

Together with the dedication and passion of our awesome team of Allstars, we are confident of AirAsia X continuing on an upward trend. Together, we'll keep reaching for the stars.



Realising Dreams

FULL YEAR 2016

Total Assets:

RM4,490

million

Total Revenue:

RM4,007

million

Revenue Per ASK (RASK):

RM13.68

sen

Cost Per ASK (CASK):

RM12.87

sen

Spirit of AirAsia



For Anaz



"Anaz was a very close friend. He was incredibly supportive of me when I joined AirAsia. He was the guy I would go to if ever I needed guidance on engineering matters. He's an example to many of us not to give up. He never took no for an answer... He inspired me to be a better person. I mean, he had to fight every battle there was in himself. I can't imagine how hard it must have been for him to do it."

Ben

PULL HERE

*Air
Asia*

In loving memory of a true Allstar
Anaz Ahmad Tajuddin

AirAsia Group Chief Operating Officer,
who sadly passed away on
13 January 2017,
after battling cancer.





"It's the reason I keep coming to work. The doctor gave me a six-month medical leave but I put it away. There are times I come in late, but I still come in to work because this is where I feel the energy."



"He was very professional, very meticulous and expected the best from everyone... because he gave the best. He knew his stuff very well, and was always someone you could depend on.

He was always there, a true friend, a brother who would go all the way. He would always be by your side in times of trouble. Someone I will find very difficult to replace. I can't get over the fact he's not here. Sometimes I still want to call him."

@Din

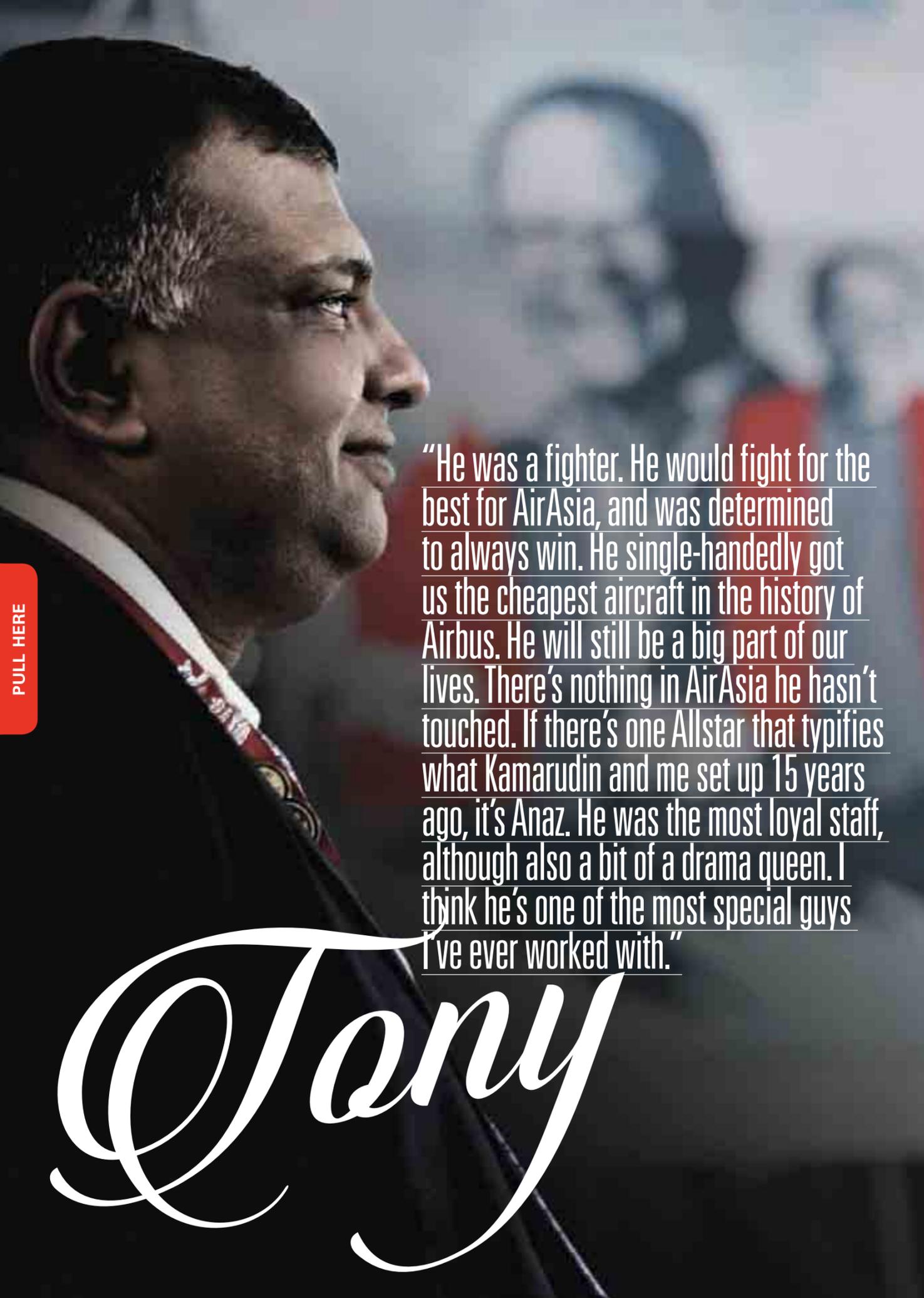
Anaz Tajuddin

"AirAsia is a beautiful family. You look at this office, there is an,

**ENERGY
HERE"**



PULL HERE



"He was a fighter. He would fight for the best for AirAsia, and was determined to always win. He single-handedly got us the cheapest aircraft in the history of Airbus. He will still be a big part of our lives. There's nothing in AirAsia he hasn't touched. If there's one Allstar that typifies what Kamarudin and me set up 15 years ago, it's Anaz. He was the most loyal staff, although also a bit of a drama queen. I think he's one of the most special guys I've ever worked with."

Tony



xcite

INFLIGHT ENTERTAINMENT

LET'S *xcite* YOUR FLIGHT EXPERIENCE TO NEW HEIGHTS!

Complimentary for Premium Flatbed guest

MAGAZINES

MUSIC

MENU

GAMES

MOVIES



OUR VERY OWN TRAILBLAZER

Name: **CAPTAIN NORASIKIN ONN**

Designation: **LINE PILOT (CAPTAIN)**

Joined AirAsia X: **2012**

She may be diminutive, but Capt Norasikin is big on firsts. The first female commercial pilot in Malaysia (1996); the first female flight commander/captain of a commercial airline in Malaysia (2001); first female flight commander/captain for wide-bodied aircraft for commercial airlines in Malaysia (2012)... She holds the record for these, and more.

WHY WE LOVE HER:

She's our trailblazing captain, the pride of our cabin, a role model to millions of young girls in the country (she's even included in the national curriculum, in one of the texts within a Standard 5 Bahasa Malaysia school book). Yet, Capt Sikin is incredibly modest, believing anyone can achieve what she has. "Just believe in yourself and go for it!" she says.

WHY SHE LOVES AIRASIA X:

Although she was already a pilot before joining AirAsia X (and even before she joined AirAsia in 2005), she credits our airline for giving her the opportunity to fly wide-bodied aircraft. This to her is the penultimate achievement to an already fantastic journey in aviation that began when she got her Commercial Pilot Licence from Fort Pierce Flying Academy in the US in 1990. It's even going to be recorded in the Malaysian Book of Records!"

SOME HIGHLIGHTS OF HER CAREER:

- Flying an all-women crew to Sydney.
- Landing in Saudi Arabia (where women are still not allowed to drive cars) with a female co-pilot and an all-female crew.

As AirAsia X is fast expanding, and with flights to US on the cards, Capt Sikin is excited about the prospects of flying to the country that gave her the wings to fly. But her dreams do not end here. She would like to finish the work of her inspirational icon, Amelia Earheart, by traversing the entire circumference of the planet and bring glory to women aviators.

"This journey has given me a lot of insight into different cultures. I've learnt so much more than just flying. But the biggest lesson of all is the importance of our roots, and how special it is to be part of a home-grown airline. Nothing beats home."

THE ENGINEER WHO DECIDED TO FLY

Name: **CAPTAIN PARAMJEET SINGH**

Designation: **CAPTAIN, INSTRUCTOR, EXAMINER**

Joined AirAsia X: **JUNE 2007**

Wanting to have a bird's eye view. That's what made Capt Paramjeet leave the relative prestige of being an avionics engineer to take up flying. "I liked the fact that pilots have a bigger picture of the company. They interact with heads of different departments like engineering, load control, customer service. They deal directly with customers. It's more of a management role as opposed to engineering which is just technical," he explains.

WHY WE LOVE HIM:

Capt Paramjeet was seconded to AirAsia X from AirAsia when our airline was just being established. With his 25 years' experience in aviation, he was instrumental in setting up our Pilot Operations and Training.

WHY HE LOVES AIRASIA X:

"I am currently an Authorised Examiner on the A330 and enjoy every moment of my duty whether flying, instructing, examining or conducting ground school as it gives me an opportunity to share and nurture future generation of technical and cabin crew to excel and perhaps take the company to greater heights."

SOME HIGHLIGHTS OF HIS CAREER:

Flying the return leg of our first ever flight - from Kuala Lumpur to the Gold Coast. "There were a lot of people at the airport there to see us off - people from the local council, from airlines, the airport authorities. There was a lot of media attention as well. It was quite a big thing for them too because our A330 was the first wide-bodied aircraft to land there."

Capt Paramjeet feels the culture at AirAsia X, indeed the entire AirAsia Group, is very empowering. To fellow Allstars, his note of advice is: "Do not give up on your dreams. Stay focused on your goals as challenges will come and go but sheer perseverance will take us there."

"People say that mine is a success story but I beg to add that it's very achievable. Just remember to thank our blessings, appreciate what we have, work on our limitations and give back more to AAX that has fed our very existence."



PEACE OF MIND STARTS WITH QUIET

ZONE



EXTEND THE HAPPINESS FOR YOUR TRIP WITH HOT SEAT



delight

delightful

QUIET ZONE

FLY IN PEACE WITH MINIMAL DISTURBANCE



QUIET ZONE



STANDARD SEAT

FROM

MYR

69

HOT SEAT

EXTRA LEGROOM, EXPRESS BOARDING



QUIET ZONE



HOT SEAT

FROM

MYR

149

*Seat configuration between A320 and A330 aircraft differs slightly.



QUIET ZONE & HOT SEAT



Live Life. Choose Adventure!

Sign up with AirAsia's award-winning Loyalty Programme now.

Join over 10 million AirAsia BIG members to enjoy exclusive benefits and redeem flights from just 500 AirAsia BIG Points!

Download the mobile app to explore a world of privileges and amazing destinations at your fingertips.

FINAL CALL SALE

Best value with AirAsia BIG Points worth up to RM0.60!

PRIORITY ACCESS

Be the first to enjoy AirAsia sales and promos!

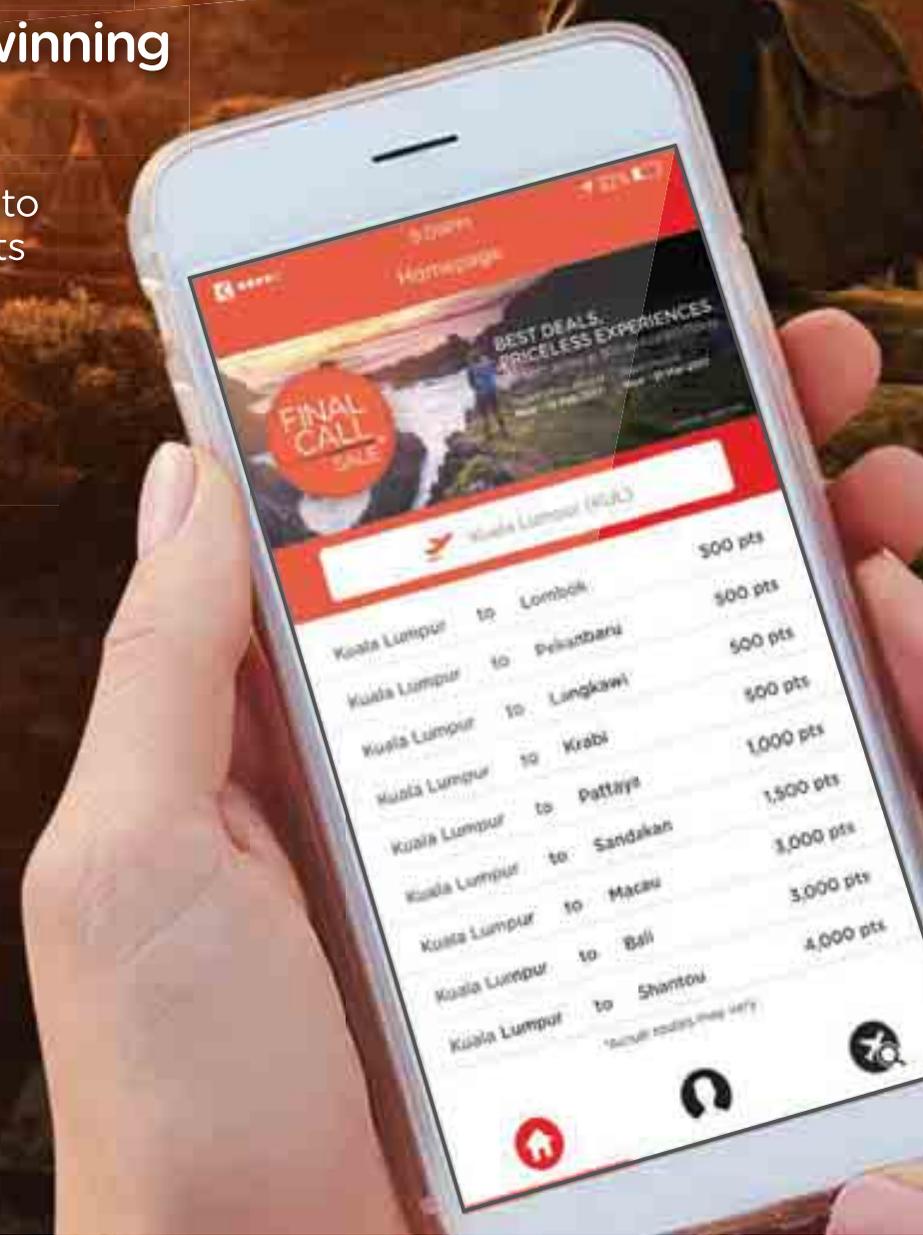
POINTS + CASH REDEMPTION

Short of points? Use 'AirAsia BIG Points + Cash' at checkout!



MARKETING THE LOYALTY & ENGAGEMENT AWARDS

Loyalty Programme of the Year 2016



Terms & Conditions apply.

Find out more www.airasiabig.com

Follow us on AirAsiaBIG

Download the AirAsia BIG mobile app



ATTRACTED BY CHALLENGE

Name: **MOSES DEVANAYAGAM**

Designation: **SENIOR DIRECTOR**

Joined AirAsia X: **JULY 2007**

At the age of 60, when most think of retiring, Moses was approached to be one of the pioneers at AirAsia X, to help set up our Operations function. It was an offer he simply could not resist, even if "my CEO was 20 years younger than me and most of the Allstars were in their 20s and 30s." Age has not been a barrier for Moses, who has an open and consultative approach to management, saying he learns as much from his Allstars as they do from him.

WHY WE LOVE HIM:

He always has a ready smile and a joke for everyone. Then, of course, he also has this immense store of knowledge, from 44 years in aviation, beginning as an apprentice with Malaysia-Singapore Airlines in 1971...

WHY HE LOVES US:

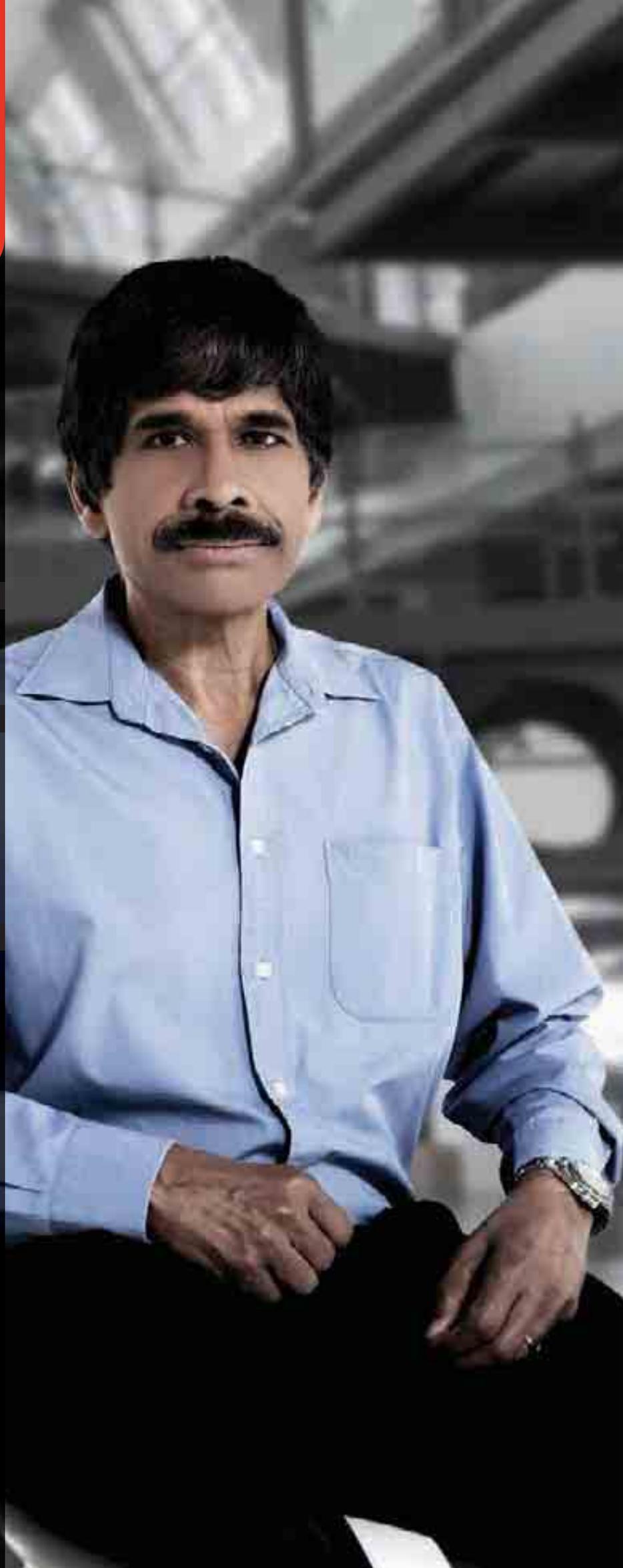
"There is something very attractive about developing something new. Before joining, when I was told AirAsia X was going to enter the mid to long-haul low-cost sector, I was intrigued. It had never been done before. Then, coming here in 2007 when there was nothing - no aeroplanes, no operations staff - and having built all of that from zero to having 2,000-3,000 people plus 30 aircraft, it's just great. It's wonderful to feel as if I planted some seeds that developed into what we are today."

AN UNFORGETTABLE EXPERIENCE:

When the Icelandic volcano Eyjafjallajokull erupted in May 2010, and he made the call to cancel our flight to London. "The other big carriers were not cancelling, but if our plane had to divert to another station, we had no other bases in Europe where they could land. Who would look after our crew and guests? There were 340 guests from KL to London and probably another 340 from London to KL. I remember telling the bosses that if I hadn't made the right call... But it turned out to be right. Within the next couple of hours, the whole of Europe was shut down for a few weeks. In all my career, that was my biggest, most dramatic call."

Less dramatically, he says, the job has given him an immense sense of satisfaction of having made a difference in the lives of others by nurturing them, and giving them a sense of ownership in their careers.

"Most of the people we have here are bristling with ideas and willing to take up challenges and play ball. We just have to nurture them, mentor them and put the plans in place."



A HOME OF OUR OWN!

Name: **RED QUARTERS AKA REDQ**

Designation: **OUR WORKING, MAKAN-ING, SOMETIMES SLEEPING GROUNDS, IE OUR HOME**

Joined AirAsia X: **NOVEMBER 2016**

A big highlight of the year was moving into our new home – the first we can truly call our own – a space that has been designed for us (2,000 Allstars) and with us in mind. Our 22,000m², three-storied RedQ is perfect for us to work together and bounce ideas off each other, while also providing workstations where we can concentrate undisturbed. There are also chill out zones where we can unwind... after many arduous hours of mental exertion, of course.

WHY WE LOVE REDQ:

Let us count the ways: 1) The atrium – the heart and soul of RedQ – is perfect for us to get together, chit chat over coffee (from T&Co), maybe even over lunch or tea or dinner. Oh, and in the evenings, this is where we Zumba! 2) The six meeting pods that kind of float over the atrium, each with its own destination theme – Manila, Hong Kong, Sydney, Jakarta, Kuala Lumpur, Seoul. The Sydney room is particularly cool, with a view of the Harbour Bridge and a surfboard-table that looks like it's been snapped by a shark. 3) The Millennium Falcon, or our boardroom, is really futuristic, inspired by the starship from Star Wars. 4) The bridges and metal stairways that criss-cross the atrium, linking floors and reminding us of how we build skybridges across Asia. 5) The cafeteria, salad bar and T&Co stand where we can get pretty decent fare at pretty decent prices. We do actually love T&Co coffees (just saying, but when you next fly with us, they're available on our planes...) 6) The gym, where we can work off those calories from the cafeteria, salad bar and T&Co stand. By the way, did we tell you T&Co also has some pretty decent cakes?

WHAT WE ARE LOOKING FORWARD TO:

RedQ is not 100% completed yet, and promises even more attractions. Coming soon will be a gigantic slide, floating globe and rooftop amenities such as a caged futsal court, badminton court and jogging track. We're also excited about a new clubhouse as well as crèche for Allstar babies.

REDQ IS JUST, WELL, FAB. WE ABSOLUTELY LOVE IT!





“At the core of our business is the software — our Allstars — and we wanted to make sure that they are provided the infrastructure to continue dreaming big and achieving the unimaginable.”

DATUK KAMARUDIN MERANUN





Wow!

NO OTHER WORD COULD DESCRIBE SO SUCCINCTLY THE WAY WE PERFORMED IN 2016.

We finally did it! After continuous losses since our IPO, we achieved a record-breaking year in every possible sense. A full year's net profit after tax of RM210.3 million; 31% increase in revenue (year-on-year); 30% increase in number of guests carried; 22% increase in capacity... The list goes on.

And they said a long-haul low-cost model just wouldn't work. But that's because 'they' did not have what we do - you. Yes, the market was more rational during the year. Yes, we did re-negotiate many contracts. Yes, we stopped some of our loss-making routes and made the most of low oil prices. We basically did everything we could to make ourselves leaner, fitter and better able to squeeze as much value from every Ringgit spent.

Yet, none of this would have worked if not for you.

You put into motion the countless initiatives we outlined for our massive turnaround. You put in the hours to make sure all our operations carried on smoothly despite many operational structures falling down (metaphorically) all around you, replaced by new ways, better ways of doing things. In fact, you contributed many ideas as to how we could rebuild ourselves as a more effective and efficient organisation.

It was certainly a very tough year. But because of your energy and enthusiasm; most of all, your passion and conviction - we were able to overcome numerous hurdles to get to where we are today. We are aware of the many little, and maybe not so little, personal sacrifices you made over the one year. And we would like to thank every single one of you, our 3,467 fantastic AirAsia X Allstars, most genuinely and sincerely, for all you have done.



We've reached new heights in 2016 and we're flying high in more ways than one. Our impressive list of achievements has left us feeling optimistic about the year ahead. We've had new routes launched, a record-high number of guests choosing to fly with us and amazing new destinations. Together, let us work towards realising our common dreams.

YOUR EXCELLENCE DRIVES OUR SUCCESS



DATUK KAMARUDIN MERANUN

It's also been a year of strong passenger recognition, as we won the renowned Skytrax awards for World's Best Low-Cost Premium Cabin and World's Best Low-Cost Airline Premium Seats for the fourth year running.

Together with the passion of our awesome team of Allstars, we are confident of AirAsia X continuing on an upward trend. Together we'll keep reaching for the stars.

TAN SRI DR. TONY FERNANDES

Thank you ALLSTARS





A NOTE TO ALLSTARS

Our turnaround happened because of you. We have the opportunity now to build on recent successes accelerating our momentum in 2017.

Well done... and thank you!



FROM US

Datuk Kamarudin Meranun, Tan Sri Dr. Tony Fernandes, Benyamin Ismail

AirAsia X Berhad 2016

KEY HIGHLIGHTS

Financial Highlights AirAsia X Berhad

Revenue RM **4** bil

Net Profit RM **210** mil

Operating Profit RM **285** mil

Cash RM **422** mil

Passengers Carried

6,275,984



NO. OF AIRCRAFT
30

AirAsia X Malaysia 22
AirAsia X Thailand 6
AirAsia X Indonesia 2

AirAsia X Malaysia
4,688,077

AirAsia X Thailand
1,377,832

AirAsia X Indonesia
210,075



79%
AirAsia X Malaysia

84%
AirAsia X Thailand

71%
AirAsia X Indonesia

Load Factor

CALL SIGNS

AirAsia X Malaysia

IATA : D7
ICAO : XAX
Callsign :

XANADU



AirAsia X Thailand

IATA : XJ
ICAO : TAX
Callsign :

EXPRESS WING

AirAsia X Indonesia

IATA : XT
ICAO : IDX
Callsign :

RED PHOENIX



Network

No. of Destinations

24

AirAsia X Malaysia = 24

AirAsia X Thailand = 5

AirAsia X Indonesia = 2

No. of Routes

28

23 AirAsia X Malaysia

4 AirAsia X Thailand

1 AirAsia X Indonesia

No. of Countries

AirAsia X Malaysia = 11

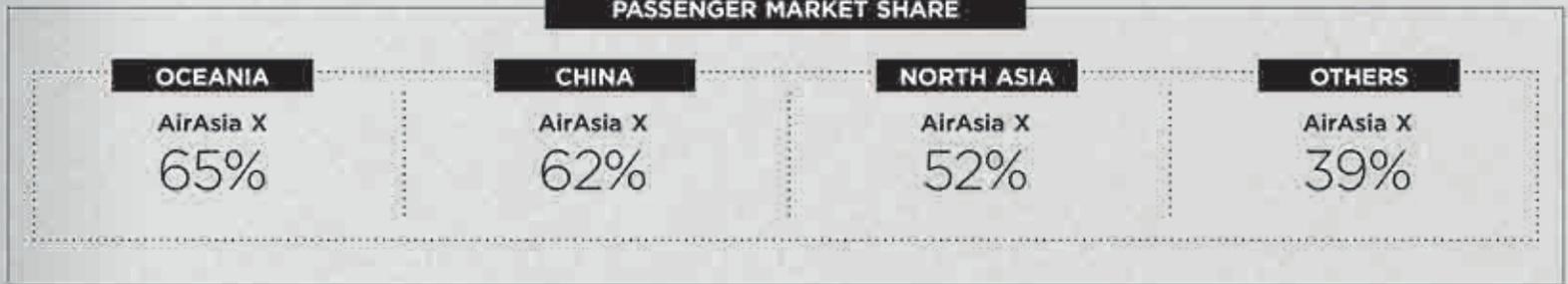
AirAsia X Thailand = 5

AirAsia X Indonesia = 2

AIRASIA X MARKET SHARE TO DESTINATIONS WE OPERATE INTO

AirAsia X Malaysia (Operates From Malaysia)

PASSENGER MARKET SHARE



No. of Flights Per Week-Average

209

AirAsia X Malaysia	AirAsia X Thailand	AirAsia X Indonesia
166	41	2

KEY MILESTONE

AirAsia X Group

World's Best Low-Cost Airline Premium Cabin and World's Best Low-Cost Airline Premium Seat by Skytrax



No. of Allstars (31 Dec 2016)

AirAsia X Malaysia	AirAsia X Thailand
2,621	640
AirAsia X Indonesia	TOTAL
176	3,467

Allstars nationalities

AAX GROUP
26

No. of Hubs

3

Unique Routes

AirAsia X Malaysia	AirAsia X Thailand	AirAsia X Indonesia
9	0	0

Routes Launched

AirAsia X Malaysia	AirAsia X Thailand	AirAsia X Indonesia
8	6	2

Social Media



Facebook 10.6 Million Fans	Pinterest 3.7K Followers	WeChat 176K Followers
Twitter 7.5 Million Fans	Instagram 730K Followers	Kakao Story 4.8 Million Fans
LinkedIn 122K Followers	Viber Public Chat 112 Million Fans	Line 29.8 Million Fans
Google+ 34,245 Subscribers	YouTube 91,616 Subscribers	

Note:

- All figures refer to AirAsia X Group unless stated otherwise.
- AirAsia X Group includes AirAsia X Malaysia, AirAsia X Thailand and AirAsia X Indonesia.
- Financials refers to AirAsia X Berhad's 2016 audited financial statements.
- All figures provided are as at 31 December 2016 for AirAsia X Malaysia and AirAsia X Thailand; while AirAsia X Indonesia is as of September 2016 unless stated otherwise.
- Source of Market Share: Paxis, based on number of passengers carried, January to December 2016.

AirAsia

AAX_AR/16

THE FOURTH ISSUE



- 001 Cover Rationale
- 002 Spirit of AirAsia for Anaz
- 005 Our Very Own Trailblazer – Captain Norasikin Onn
- 006 The Engineer Who Decided to Fly – Captain Paramjeet Singh
- 009 Attracted by Challenge – Moses Devanayagam
- 010 A Home of Our Own! – RedQ
- 012 A Note To Allstars

AIRASIA X AT A GLANCE

- 014 Key Highlights
- 016 Contents
- 021 Vision
- 023 Mission
- 025 Values

KEY MESSAGES

- 028 Chairman's Statement
- 030 Group CEO's Statement

WHO WE ARE AND WHAT WE DO

- 034 9th Anniversary
- 036 About Us
- 038 AirAsia X Group Destinations
- 040 AirAsia X Group Network
- 043 Corporate Structure
- 044 Organisation Structure
- 045 Corporate Information

LEADERSHIP

- 046 Board of Directors
- 048 Our Board at a Glance
- 049 Board of Directors' Profile
- 056 The Chief Executive Officers
- 058 Leadership Team
- 060 Profiles of the Leadership Team
- 070 AirAsia X Thailand Leadership Team
- 072 AirAsia X Indonesia Leadership Team

CEO'S MANAGEMENT DISCUSSION & ANALYSIS

- 074 CEO's Management Discussion & Analysis
- 084 Business Model

PERFORMANCE REVIEW

- 088 Five-Year Financial & Operational Highlights
- 089 Key Performance Indicators
- 090 Simplified Group Statement of Financial Position & Segmental Analysis
- 093 Group Quarterly Financial Performance
- 094 Investor Relations
- 097 Share Price Performance
- 098 Market Capitalisation
- 100 2016 Financial Calendar
- 101 2017 Quarterly Results Announcements

BUSINESS REVIEW

- 102 AirAsia X Thailand: Steadily Building Momentum
- 103 AirAsia X Indonesia: Building the Bali Connection



HIGHLIGHTS:

028

Chairman's Statement

030

Group CEO's Statement

049

Board of Directors' Profile

WHAT'S INSIDE



A I R A S I A X B E R H A D

11th



ANNUAL GENERAL MEETING
OF AIRASIA X BERHAD



WHERE

Asian Aviation Centre of Excellence, Lot PT25B, Jalan KLIA S5, Southern Support Zone, Kuala Lumpur International Airport, 64000 Sepang, Selangor Darul Ehsan, Malaysia



WHEN

Tuesday, 23 May 2017



TIME

10.00 a.m.

ACHIEVEMENTS

- 108** Corporate Milestones
- 112** 2016 Corporate Events
- 118** Media Highlights
 - press clippings
 - television
 - social media
- 122** AirAsia X Achievements

SUSTAINABILITY REPORT

- 128** SAFETY at work
- 130** INNOVATION for better guest experience
- 131** Celebrating TALENT in AirAsia X
- 132** Keeping our ENVIRONMENT green
- 134** Our COMMUNITY ties

CORPORATE GOVERNANCE

- 138** Statement on Corporate Governance
- 148** Statement of Risk Management & Internal Control
- 151** Audit Committee Report
- 153** Additional Compliance Information
- 158** Code of Business Conduct

FINANCIAL STATEMENTS

- 162** Directors' Report
- 165** Income Statements
- 166** Statements of Comprehensive Income
- 167** Balance Sheets
- 168** Consolidated Statement of Changes in Equity
- 169** Company Statement of Changes in Equity
- 170** Statements of Cash Flows
- 172** Notes to The Financial Statements
- 227** Supplementary Information
- 228** Statement by Directors
- 228** Statutory Declaration
- 229** Independent Auditors' Report

OTHER INFORMATION

- 234** Analysis of Shareholdings
- 235** List of Directors' Shareholdings
- 236** List of Top 30 Largest Shareholders
- 237** Analysis of Warrant Holdings
- 238** List of Directors' Warrant Holdings
- 239** List of Top 30 Largest Warrant Holders
- 241** Corporate Directory
- 242** Notice of Annual General Meeting
- 246** Glossary
 - Form of Proxy

060

Profiles of Leadership Team

074

CEO's Management Discussion & Analysis

242

Notice of Annual General Meeting



FLAT-OUT
COMFORTABLE.

play 120°

sleep 180°



work 90°

PREMIUM FLATBED

**MORE
COMFORT,
GREATER
BENEFITS**

STAY FLAT-OUT
COMFORTABLE
TO YOUR
FAVOURITE
DESTINATIONS



**PREMIUM
FLATBED**
More comfort, greater benefits

(Include all USPs in visual + "Recharge Your Devices")



PREMIUM FLATBED





Malaysia



*Air
Asia*

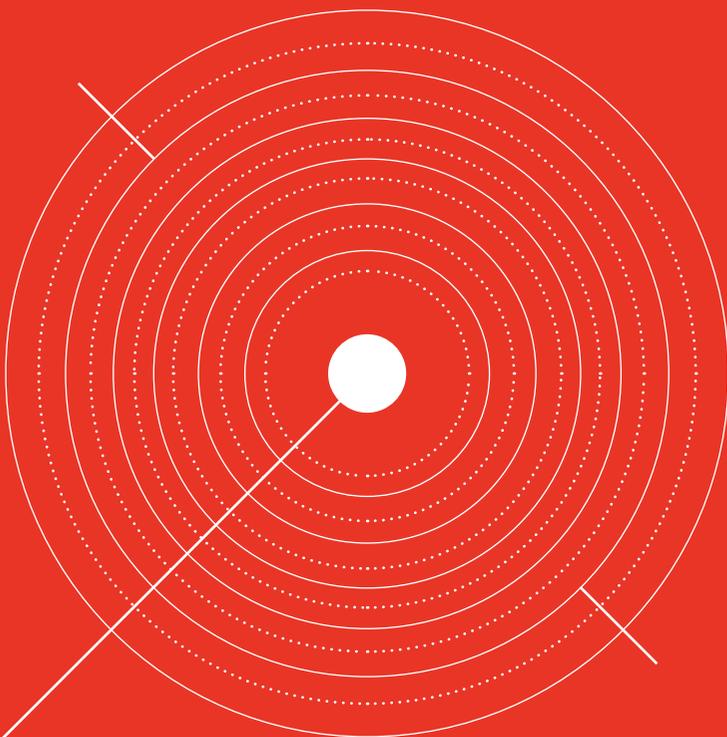
Name :

Address :

Country :

Phone :

**TO BE THE
LARGEST LOW
COST AIRLINE
IN ASIA AND
SERVING THE
3 BILLION
PEOPLE WHO
ARE CURRENTLY
UNDERSERVED
WITH POOR
CONNECTIVITY
AND HIGH FARES.**



*Air
Asia*





Indonesia





*Air
Asia*

Name :

Address :

Country :

Phone :

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

02 CREATE A GLOBALLY
RECOGNISED

*Asean
brand*

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

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



*Air
Asia*

Thailand





*Air
Asia*

Name :

Address :

Country :

Phone :

We are Allstars and we are...

01

SAFETY CONSCIOUS

A safe airline is a happy airline. Our guests' safety is our primary concern so we do our jobs with care. Because where safety is concerned, every little thing matters.

02

CARING

It's a warm and friendly feeling to have, so we take pleasure in caring for our guests in ways that make them feel at home.

03

PASSIONATE

Being passionate means going the extra mile to achieve a purpose much larger than ourselves. They say passionate people can change the world and that's something that's very close to our hearts.

04

FULL OF INTEGRITY

We believe everything that is worth doing, is worth doing right. It's about us doing the right things at all times.

05

HARDWORKING

It means one team, working together towards a common goal. Whether it's meeting our 90 minute turnaround time or making sure we keep you connected to the best destinations at the lowest prices, we do it as a team. All for one. One for all.

06

FUN

Fun means we celebrate life. It means we laugh louder, our smiles are wider, and we can be our own unique selves. We're a sociable bunch and we enjoy sharing ideas and solutions to make things even better. After all, fun is meant to be shared.

VALUES

Almost everything about the A330neo is **new**

new A350 generation engines

new wings with A350 sharklets

new A350 cabin

Flying further with less fuel



The Airbus Widebody Family
featuring the new Airspace cabin



AIRBUS

SHAREHOLDERS' BENEFIT PROGRAMME



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

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

	FOURTH YEAR ANNIVERSARY	10 July 2017 - 9 July 2018
	FIFTH YEAR ANNIVERSARY	10 July 2018 - 9 July 2019
	SIXTH YEAR ANNIVERSARY	10 July 2019 - 9 July 2020

The Benefit:

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

HOW TO CHECK ELIGIBILITY & REDEEM YOUR TICKET

Email us at aax_shareholder@airasia.com or contact us at **+603 8775 4680** (Monday - Friday, 9am to 6pm) to redeem and provide the following details:

Full Name as per your National Registration

Identity Card ("NRIC") number:

NRIC Number/Passport Number:

BIG Card Number (if applicable):

AirAsia Member User ID (if applicable):

Travel Destination:

Preferred Travel Date and Time:



Lowest fares@airasia.com

TERMS AND CONDITIONS

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

CHAIRMAN'S STATEMENT

TAN SRI RAFIDAH AZIZ

Chairman



Assalamualaikum Warahmatullahi Wabarakatuh,

Dear Shareholders,

AirAsia X has come a long way since its inception in 2007, and the year 2016 was a significant turning point. The Board has been pleased to see how, after four years of making losses, the airline has delivered a profit after tax, of RM210.3 million, on the back of RM4.0 billion in revenue.

This was achieved by the team working closely on a comprehensive turnaround plan that had been mapped out, which outlined various initiatives to cut costs, and create greater efficiencies, across every aspect of AirAsia X's operations. We already had a model that demanded a high level of efficiency, but as a low-cost long-haul carrier there was, and still is, a need to take efficiency to its extreme. This is by no means easy to accomplish, but with strategic planning, and dedicated team work, we have managed what many in the industry, as well as outside, thought was impossible. Well done to the team!

I am also very pleased to share that AirAsia X as a Group has made tremendous steps forward with its first foray into an entirely new market as we look beyond Asia-Pacific, namely the American continent. In January 2017, the United States of America's Federal Aviation Administration (FAA) granted AirAsia X the right to fly to the US, making us the first Asean low-cost carrier to receive such approval.

In another development, the FAA also announced in August 2016, that Indonesia complied with International Civil Aviation Organization (ICAO) safety standards, and has been granted a Category 1 rating. This means our associate, AirAsia X Indonesia, can now apply for new routes that were not permissible before the upgrade.

The Board takes the safety of each guest extremely seriously; and as the number of guests we fly increases, so does our sense of responsibility. In 2016, we flew 4.7 million guests, representing 30% growth over 2015. Every year, we can expect that number to increase. Our safety governance is reflected in the strong safety infrastructure we have in place. This includes a Safety Review Board, which meets once every quarter, and which I personally head. Safety is closely linked with Risk Management, and one of our goals at the Board is to see the Risk Management culture become more fully integrated into the company at all levels. We believe that if every Allstar is aware of the risks we face, and is properly equipped to manage these at his or her functional level, we will not only minimise our risks, but also avoid risks being triggered.

In 2017, we continue to witness political uncertainties and economic volatilities in the global environment. However, we are confident that the travel industry will continue to grow. By building on the momentum of growth achieved in 2016, we should enjoy another positive year ahead. The Board of Directors of AirAsia X is committed, and remains focused on exploring strategic initiatives to ensure sustainable growth, in order to continue to create long-term value for our shareholders.

Most of you will no doubt be aware that we are launching flights to Hawaii. Certainly, we won't stop just with Hawaii, but will continue to look at other destinations in the US, and elsewhere that we can serve, as this forms part of our overarching ambition to offer exciting destinations to our guests. We would like to assume a significant role in connecting Malaysia to the world, as well as in bringing the world to Malaysia, and to Asia. Malaysia, and the region, has so much to offer and I believe AirAsia X has what it takes, to enable more people to discover the many hidden natural wonders that we have at our doorstep.

Once again, I would like to say this has been a good year for AirAsia X. And we could not have achieved what we have done without everyone working together as a team towards our shared goal: to create our own success story.

I would like to thank my colleagues on the Board for their continued guidance and unstinting support of the Company. I would also like to highly commend the management of AirAsia X for their vision of what we can be, and their tenacity in making sure we get there. My heartfelt thanks also goes to all our Allstars who have worked very hard since the inception of AirAsia X. But this is just the beginning. Let us not sit on our laurels. My fervent wish is for us all to continue to work together as a Group and together with the AirAsia Group - to keep pushing boundaries, and keep building upon our strong foundation, so we can truly take to the skies and go global.

Most of all, allow me to close with a special thanks to our shareholders for your continued support. The initiatives that we have implemented are a long-term approach. Without your support, we would not be in the position of strength that we are in today.

Let us work together to realise our common dreams.

**Wabillahi taufiq walhidayah
wassalamualaikum warahmatullahi
wabarakatuh.**

Assalamualaikum Warahmatullahi Wabarakatuh,

For too many years, we have heard the sceptics say the long-haul low-cost carrier (LCC) model does not work. In 2016, we finally and decisively proved them wrong. Not only did we achieve a full-year of profit (the first since we went public in 2013), we earned a record revenue of RM4 billion.

What a year it has been, and what a great job our Allstars have done! It is thanks to their hard work and belief in our company that we have been able to achieve the commendable performance we did. A net operating profit of RM259.8 million, and 31% growth in revenue to RM4.0 billion may seem modest to some; to us, it is the beginning of a new chapter in our journey, one which we have already celebrated with the launch of flights to Honolulu.

As I reflect on the last nine years, I truly believe that we have come a long way. How did we do this? To be honest, with sheer grit and lots of determination... and the full support of our fantastic team of Allstars. The convergence of skills and knowledge is what makes us effective, especially in a challenging aviation industry. My heartfelt thanks goes to all of them.

Starting from early 2015, we went through a laborious, soul-searching exercise to determine where we had gone wrong and how we could set things right again. The result was a multi-pronged turnaround plan which we rolled out throughout 2015, and is still ongoing. Having completed the first phase – of ‘de-risking’ our operations; we are in the midst of our second phase – of ‘re-building’ the company; while also embarking on the third phase – of ‘re-creating’ ourselves with disciplined capacity expansion. ‘Disciplined’ here entails optimising our capital structure, improving our balance sheet and better managing our capital deployment.

We were fortunate in 2016 in that there were no major upheavals in the operating environment. Although the global economy continued to be soft, travel within Asia-Pacific as well as in and out of the region, was not in any way impeded.

Our associate in Thailand did experience a glitch in travel numbers in the fourth quarter following the passing of King Bhumibol Adulyadej in October, which was further compounded by the government clamping down on zero-dollar tours from China. However, for the year taken as a whole, key parameters continued to improve. AirAsia X Thailand carried 48.9% more guests in 2016 (1.37 million) compared to 2015 (0.92 million), and saw a three percentage point increase in passenger load factor to 84%. A more pressing concern are restrictions imposed on route expansion – for all Thai carriers – following a safety downgrade by the International Civil Aviation Organization (ICAO) of Thailand’s Department of Civil Aviation. This is being dealt with by the relevant authorities and we have reason to believe a resolution is imminent.

In Indonesia, we continued to face regulatory issues which led to a decision to temporarily suspend operations, allowing the team to completely restructure its network as well as operational efficiencies. However, we are confident that upon completion of its restructuring exercise, we will be able to recommence flights from this hub in the near future.

What a great year it has been, and what a great job our Allstars have done! It is thanks to their hard work and belief in our company that we have been able to achieve the spectacular performance we did.



Net Operating Profit
RM259.8
million

31%
GROWTH
in revenue to
RM4.0 billion

DATUK KAMARUDIN MERANUN

GCEO



GCEO'S STATEMENT



GCEO's Statement

Fuel expenses from
RM1.02 billion
 in 2015 to

RM1.12 billion

despite a 27.8% increase in consumption from operating more routes and incremental frequencies.

these best-in-class aircraft
 will make up no less than

90.4%
 of our fleet

The low oil price environment was a bonus for the airline industry in general. For us, it meant a 19.7% decrease in fuel price from USD76 per barrel in 2015 to USD61 per barrel, allowing us to better manage our fuel cost. This increased only minimally, from RM1.02 billion in 2015 to RM1.12 billion, despite a 27.8% increase in consumption from operating more routes and incremental frequencies. We have been the lowest unit cost long-haul airline in the world for many years, and in 2016 further entrenched our leading position.

I am pleased to share that once we start converting our fleet into the newer, even more fuel efficient and larger-capacity Airbus new engine option (neo) aircraft, we will further enhance our cost efficiencies. The A330neo will afford us additional fuel savings while also reducing our maintenance costs. We have placed orders for 66 A330neo aircraft till 2027, and will be taking delivery of our first

We are the manufacturer's biggest global customer, and our relationship has grown to such an extent over the years that both parties consider each other as strategic business partners.



two aircraft in 2018 (making up 6.5% of our fleet). By the time all 66 are delivered in 2027, these best-in-class aircraft will make up no less than 90.4% of our fleet.

Not many airlines in the world would be able to make such significant aircraft purchases, and I would like to stress how our association with our sister company, AirAsia, places us on a very strong footing to be able to negotiate incredibly attractive deals with Airbus. We are truly One AirAsia in brand and communication. We are the manufacturer's biggest global customer, and our relationship has grown to such an extent over the years that both parties consider each other as strategic business partners.

Procurement is not the only way in which we stand to benefit from being One AirAsia. AirAsia X both contributes to and benefits from the extensive AirAsia route network across the Asia-Pacific region, which gives our guests flight choices that no other airline in the region affords. While AirAsia X as a Group flies to 24 destinations, together with AirAsia, we offer guests more than 200 routes, of which eight are unique to us. In March 2016, we launched our first 'tag flight' (ie one-stop route) linking Kuala Lumpur-Gold Coast-Auckland, but in fact, with AirAsia, we offer our guests over 120 one-stop routes within Asia. And with Fly-Thru, we are making more and more of these connections easier.

On our own, we have established a strong presence in our key markets, ie North Asia and Australia, which we are continuing to build on. Although the year saw the launch of only one new route within these markets (that to

Auckland), we shored up flight frequencies to Taipei, Beijing, Shanghai, Osaka and Sapporo, as well as to Melbourne, Perth and Sydney in Australia. We also beefed up our sales and marketing teams in both regions and even sponsored a Korean Broadcasting System (KBS) TV drama series to strengthen our presence in Korea. Together with other offbeat marketing efforts and the appointment of popular celebrities from the region as AirAsia Group ambassadors, we are reinforcing our relationships, brand recognition and reputation in these markets.

Moving forward, we hope to build our network of hubs to facilitate even greater expansion. India and Japan are attractive possibilities as they would allow us to expand into Europe, Africa and North America. In February, we announced the launch of flights to Honolulu, to begin in June this year. We are not only very excited about this new route which will take us to the Americas for the first time, but are also proud of the achievement because of the stringent safety conditions we had to satisfy before being granted the US Federal Aviation Administration (FAA)'s approval to fly into the US. We are the only LCC from Asean to have been awarded this approval, and will make the most of the potential to spread our wings across the American continent.

Meanwhile, we are confident that our Thai associate will continue to grow steadily. While the zero-dollar tour ban may impact tour group arrivals from China, AirAsia is changing the way Chinese travel, as indicated by our being named the Most Influential Airline in China at the 2016 New Power of Travel Awards. If any airline can convince Chinese nationals to travel independently, we believe it will be us. We are also hopeful that ongoing actions prompted by the Thai Government will see the nation removed from ICAO's blacklist in the near future, perhaps even this year. Until ICAO's red flag is lifted, our associate is not able to launch new routes in its target markets. However, it can and will increase its frequencies of existing routes, especially to Korea, one of the most popular holiday destinations for Thai nationals.

In Indonesia, with the recent upgrade of its FAA rating from Category 2 to Category 1, local carriers now have

MOVING FORWARD

we hope to build our network of hubs to facilitate even greater expansion. India and Japan are attractive possibilities as they would allow us to expand into Europe, Africa and North America.

open access to any international market. This is excellent news for our associate, AirAsia X Indonesia, which has outlined its journey to start creating skybridges linking North Asia-India-Australasia. To begin with, it aims to re-start long-haul routes from Bali connecting with destinations in India and Japan, markets where it will enjoy an edge over competition from local support – such as distribution/payment channels and dedicated marketing teams – provided by our short-haul associates in those countries.

Among the major challenges we envisage going into the future is that of foreign exchange losses given the Ringgit's continued depreciation and the fact that a large proportion of our operating costs are denominated in USD. We will continue to look for avenues to mitigate our foreign exchange risk by hedging as well as intensifying sales from stronger currency markets.

We have just emerged from what has probably been one of the worst times for us, yet we have tidied up our house, and set ourselves up to go forward... leaner, more focused and resilient. The experience has at times been painful, but it has brought the team closer together. And this is a great strength for us. AirAsia X has always been about our people. With stronger teamwork, and the knowledge that we have what it takes to make long-haul low-cost travel work, we can truly soar. Right now, the future is in our hands. It is up to us to make it big. We have made a good start, Allstars. Let us now make our onward journey even better, In syaa Allah.

To our shareholders, I wish to record our appreciation of your continued support of our strategic initiatives to strengthen the AirAsia X Group and position us well for the future.

We celebrated nine great years of long-haul regional connectivity with special aircraft livery and cabin interior design dedicated to those who have been the X factor that made us the world's best – our awesome Allstars!



A true dedication in AirAsia X fashion - the names of all AirAsia X Allstars from all sectors and countries were included as part of the interior cabin design, printed and displayed in plain sight for all guests onboard.

As an airline that embraces diversity and appreciates talent, our Allstars will always be our strongest asset in serving our 24 million guests worldwide.

Anniversary





ABOUT US

AIRASIA X WAS INITIALLY KNOWN AS FLY ASIAN XPRESS (FAX) WHEN IT STARTED OPERATIONS IN 2006, SERVICING RURAL AREAS OF SARAWAK AND SABAH WITH TURBOPROP AIRCRAFT, BEFORE REBRANDING WAS DONE IN SEPTEMBER 2007 AND ITS FIRST FLIGHT WAS LAUNCHED TO GOLD COAST IN NOVEMBER 2006. TODAY, AIRASIA X OPERATES OUT OF THREE HUBS, KUALA LUMPUR, BANGKOK AND DENPASAR, BALI. WE CURRENTLY SERVE 24 DESTINATIONS ACROSS ASIA (SAPPORO, TOKYO, OSAKA, SEOUL, BUSAN, TAIPEI, XI'AN, BEIJING, HANGZHOU, CHENGDU, SHANGHAI, CHONGQING, WUHAN, NEW DELHI AND KATHMANDU), AUSTRALIA (SYDNEY, MELBOURNE, PERTH AND GOLD COAST), NEW ZEALAND (AUCKLAND), THE MIDDLE EAST (JEDDAH, MEDINA AND TEHRAN) AND THE UNITED STATES OF AMERICA (HAWAII). AIRASIA X IS THE FIRST LOW-COST AIRLINE IN ASEAN TO BE GIVEN APPROVAL BY THE FEDERAL AVIATION ADMINISTRATION TO OPERATE INTO USA.

As at 31 December 2016, we have a core fleet of 30 Airbus A330-300 aircraft including six for our affiliates AirAsia X Thailand and two for AirAsia X Indonesia.

AirAsia X Berhad is a leading long-haul, low-cost airline, operating primarily in the Asia-Pacific region. Based on our breakthrough business model, we believe that we have the lowest unit cost base of any long-haul airline in the world, with cost per available-seat kilometre (CASK) of US\$3.11 and CASK (excluding fuel) of US\$2.19 for the year ended 2016. This enables us to offer fares that are targeted, on average, to be 30% lower than full-service carriers and to stimulate new market demand.

AirAsia X was the first long-haul, low-cost carrier to introduce Premium Flatbed seats, which have standard business class specifications of 20" width, 60" pitch and stretch out to 77" in a full-recline position. The Premium flatbeds feature universal power sockets, adjustable headrests and built-in personal utilities such as tray tables, drink holders, reading lights and privacy screens. Premium seat guests also enjoy premium complimentary products and services including Pick-A-Seat, Priority Check-in, Priority Boarding, Priority Baggage, 40kg Baggage Allowance, complimentary meals and use of pillows and duvets, inflight entertainment and lounge.

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

AirAsia X was named the World's Best Low-Cost Airline Premium Seat and the World's Best Low-Cost Airline Premium Cabin for four consecutive years while the AirAsia Group was named World's Best Low-Cost Airline for eight consecutive years at the Skytrax World Airline Awards held during the Farnborough International Airshow.

Seven years and counting



March 29, 2010 was our first check for AirAsia X. Since then, the airline has gained much success as one of the leading low cost carriers in the world. As a partner MRO, we strive to match their momentum, with our commitment to provide safety, reliability, and support.

We are approaching our 50th layover for AirAsia X, a testament to the long-term partnership we have built and solidified over the past seven years.

Thank you for your continued trust!

Lufthansa Technik Philippines, sales@ltp.com.ph
Call us: +63-2-855-9315



Lufthansa Technik
Philippines

More mobility for the world

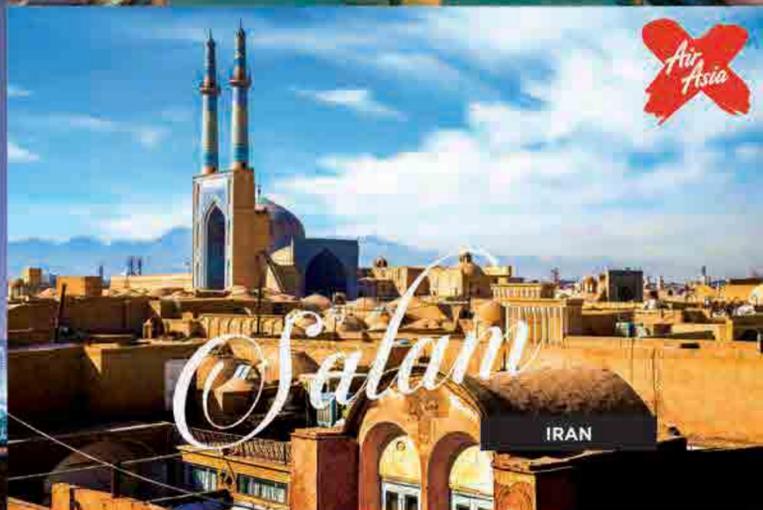
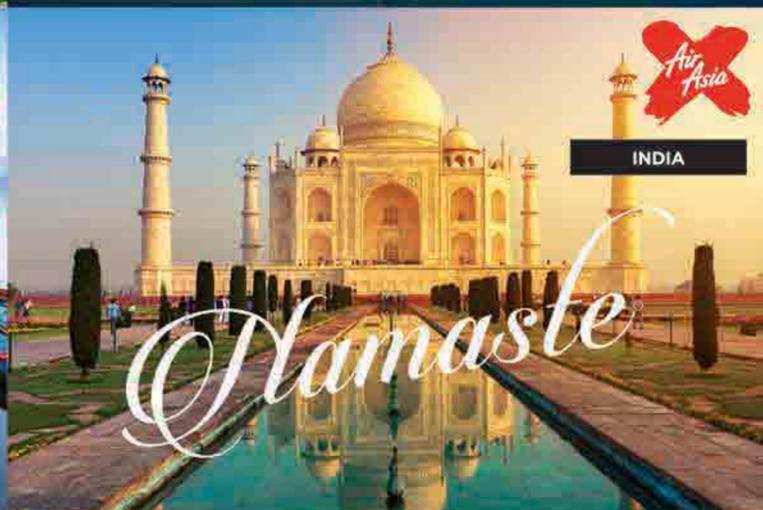
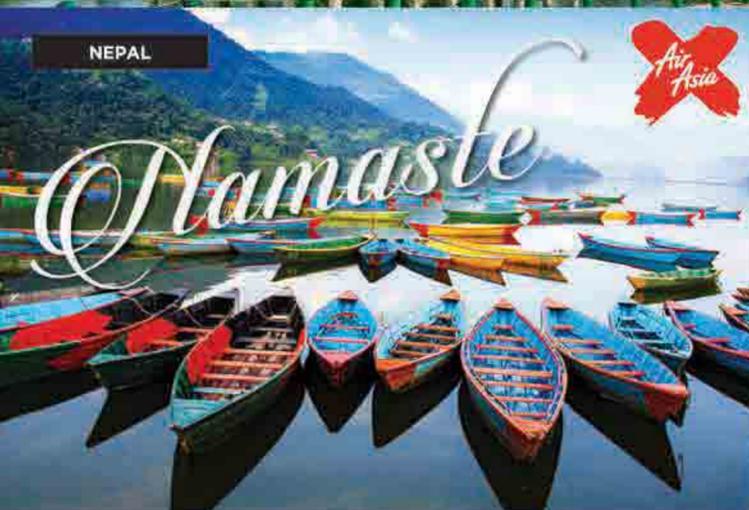
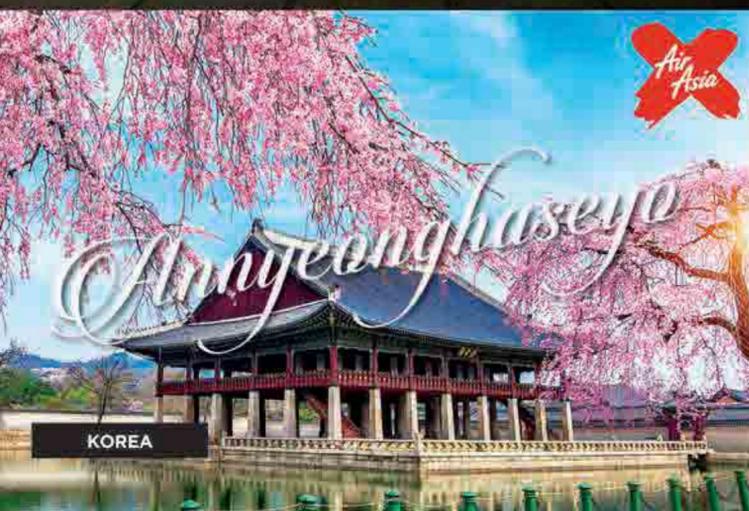
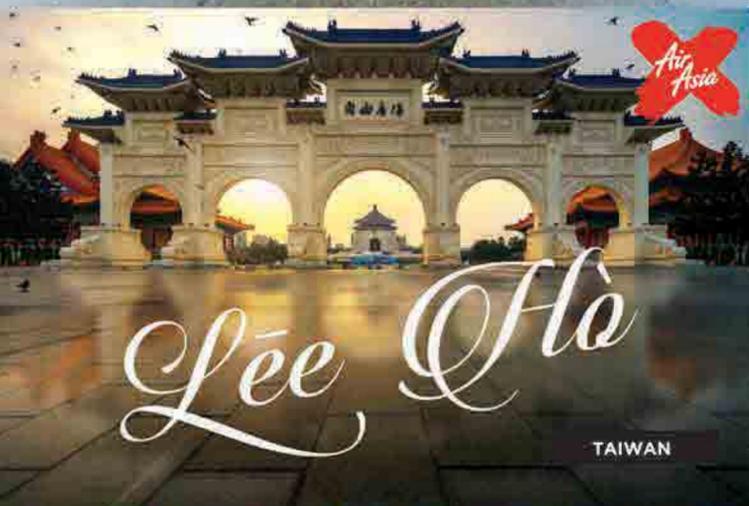
AIRASIA X GROUP

Destinations



Honolulu





Places to visit

- Kings Park & Botanic Garden
- National Gallery of Victoria
- Sydney Opera House
- Mermaid beach



Cities we fly to

- Perth
- Melbourne
- Sydney
- Gold Coast



Places to visit

- Hobbiton Movie Set
- Doubtful Sound



Cities we fly to

- Auckland



Places to visit

- Dazu Rock Carvings
- Shanghai Disneyland
- The Forbidden City
- Wuzhen Water Town
- Dujiangyan Panda Base



Cities we fly to

- Beijing
- ChongQing
- Shanghai
- Hangzhou
- Chengdu
- Xi'an
- Wuhan



Places to visit

- Yangmingshan National Park
- Beitou Hot Springs



Cities we fly to

- Taipei



Places to visit

- Disneyland Tokyo
- Shibuya Crossing
- Historic Village of Hokaido
- Universal Studio Japan
- Osaka Castle



Cities we fly to

- Tokyo
- Sapporo
- Osaka



Places to visit

- Haedong Yonggungsa
- Songdo Central Park



Cities we fly to

- Busan
- Seoul



Places to visit

- Qutub Minar
- Red Fort



Cities we fly to

- Delhi



Places to visit

- Nagarkot
- Boudhanath Stupa



Cities we fly to

- Kathmandu



Places to visit

- Azadi Tower
- Golestan Palace



Cities we fly to

- Tehran



Places to visit

- King Fahd's Fountain
- Nasseef House
- Al-Masjid an-Nabawi



Cities we fly to

- Jeddah
- Medina



Places to visit

- Wat Arun
- Floating market



Our hub

- Bangkok



Places to visit

- Tanah lot temple
- Tegallalang rice terraces



Our hub

- Denpasar (Bali)



Places to visit

- Petronas Twin Towers
- Mount Kinabalu
- Malacca City



Our hub

- Kuala Lumpur





AirAsia



AirAsia X
Malaysia



AirAsia X
Thailand



AirAsia X
Indonesia

AIRASIA X GROUP NETWORK

via Malaysia (as at 31 March 2017)

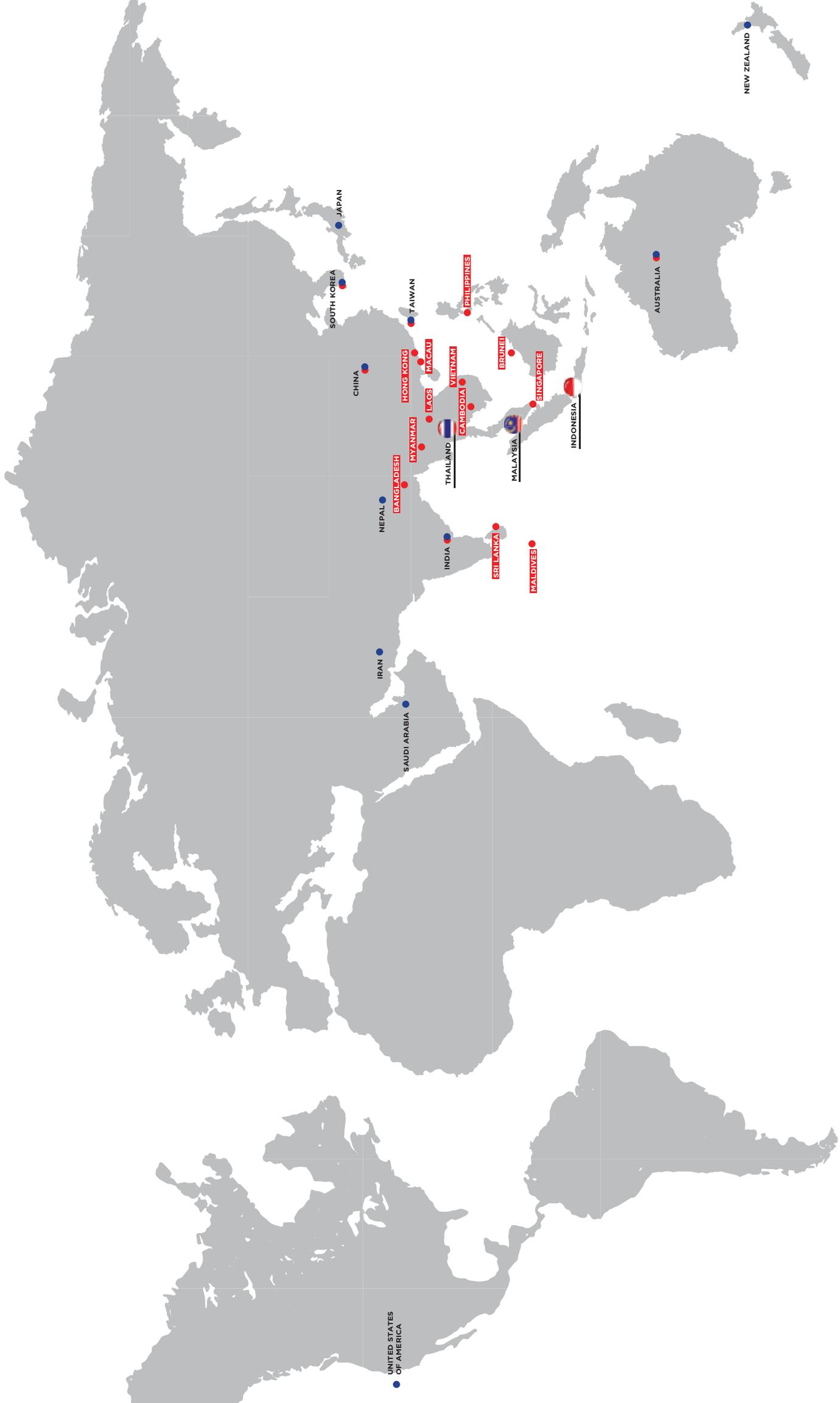
AIRASIA X ROUTES

- MALAYSIA
- AUSTRALIA
- NEW ZEALAND
- JAPAN
- TAIWAN
- SOUTH KOREA
- CHINA
- NEPAL
- INDIA
- SAUDI ARABIA
- IRAN
- UNITED STATES OF AMERICA
- THAILAND
- INDONESIA

AIRASIA ROUTES

- MALAYSIA
- INDONESIA
- SINGAPORE
- THAILAND
- BRUNEI
- PHILIPPINES
- CAMBODIA
- VIETNAM
- TAIWAN
- HONG KONG
- CHINA
- LAOS
- MYANMAR
- BANGLADESH
- INDIA
- SRI LANKA
- MALDIVES
- MACAU





● AIRASIA ROUTES ● AIRASIA X ROUTES

FLY-THRU FACTS

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

Connected **2,200,000** passengers in 2016 from **732,000** passengers in 2011

Connecting over **200** destinations





Creating opportunity through leasing



With 90 customers in 50 countries, Macquarie AirFinance has the breadth and expertise to help any airline seize opportunities. Let us discuss how we can help you.

Asia

Singapore
+65 6601 0051

Europe, the Middle East and Africa

Dublin
+353 1 238 3200

Americas

San Francisco
+1 415 829 6600

To learn more, contact us or visit www.macquarie.aero

macquarie.com

Except for Macquarie Bank Limited (Australian Credit Licence (ACL) 237502) ABN 46 008 583 542 (MBL), any Macquarie entity referred to on this page is not an authorised deposit-taking institution for the purposes of the Banking Act 1959 (Cth). That entity's obligations do not represent deposits or other liabilities of MBL. MBL does not guarantee or otherwise provide assurance in respect of the obligations of that entity, unless noted otherwise. Before making a decision about whether to acquire a credit or lending product, a person should obtain and review the terms and conditions relating to that product and also seek independent financial, legal and taxation advice.

Corporate Structure



A I R A S I A X B E R H A D

THAI AIRASIA X
CO., LTD

49%

PT. INDONESIA
AIRASIA EXTRA

49%

AAX CAPITAL
LIMITED

100%

AAX CAPITAL II
LIMITED

100%

AAX MAURITIUS
ONE LIMITED

100%

AAX LEASING I
LIMITED

100%

FLY X
LIMITED

100%

AIRASIA X
SERVICES PTY LTD

100%

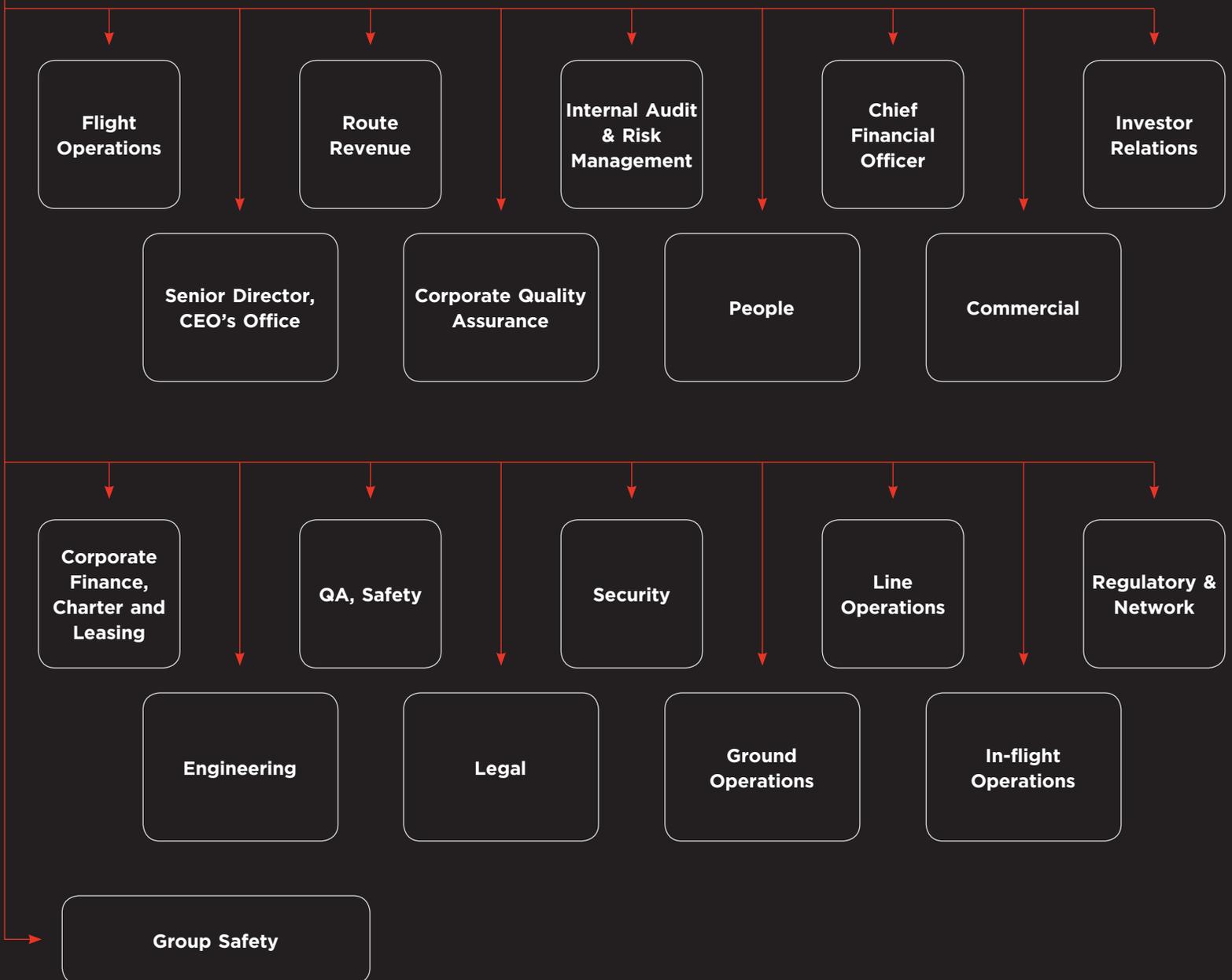
Organisation Structure

as 20 March 2017



DATUK KAMARUDIN MERANUN
Group CEO

BENYAMIN ISMAIL
CEO



Corporate Information

BOARD OF

DIRECTORS

TAN SRI RAFIDAH AZIZ

(also known as Tan Sri Rafidah)

Senior Independent
Non-Executive Chairman

DATUK KAMARUDIN BIN MERANUN

(also known as Datuk Kamarudin Meranun)

Non-Independent Executive Director
and Group Chief Executive Officer

TAN SRI DR. ANTHONY FRANCIS FERNANDES

(also known as Tan Sri Dr. Tony Fernandes)

Non-Independent
Non-Executive Director

DATO' FAM LEE EE

(also known as Dato' Fam)

Non-Independent
Non-Executive Director

LIM KIAN ONN

(also known as Mr. Lim)

Non-Independent
Non-Executive Director

TAN SRI ASMAT BIN KAMALUDIN

(also known as Tan Sri Asmat)

Independent Non-Executive Director

DATO' YUSLI BIN MOHAMED YUSOFF

(also known as Dato' Yusli)

Independent Non-Executive Director

AUDIT COMMITTEE

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

NOMINATION AND REMUNERATION COMMITTEE

Tan Sri Rafidah Aziz
Dato' Yusli Bin Mohamed Yusoff
Dato' Fam Lee Ee

EMPLOYEES' SHARE OPTION SCHEME COMMITTEE

Datuk Kamarudin Bin Meranun
Benyamin Bin Ismail
Varun Bhatia

SAFETY REVIEW BOARD

Tan Sri Rafidah Aziz
Datuk Kamarudin Bin Meranun
Dato' Fam Lee Ee
Benyamin Bin Ismail

COMPANY SECRETARIES

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

AUDITORS

PricewaterhouseCoopers (AF 1146)
Chartered Accountants
Level 10, 1 Sentral
Jalan Rakyat, Kuala Lumpur Sentral
P.O. Box 10192, 50706 Kuala Lumpur
Wilayah Persekutuan
Tel : +603 2173 1188
Fax : +603 2173 1288

REGISTERED OFFICE

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

HEAD OFFICE

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

SHARE REGISTRAR

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

SOLICITOR

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

STOCK EXCHANGE LISTING

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

BOARD OF



*Air
Asia*

STAIRS



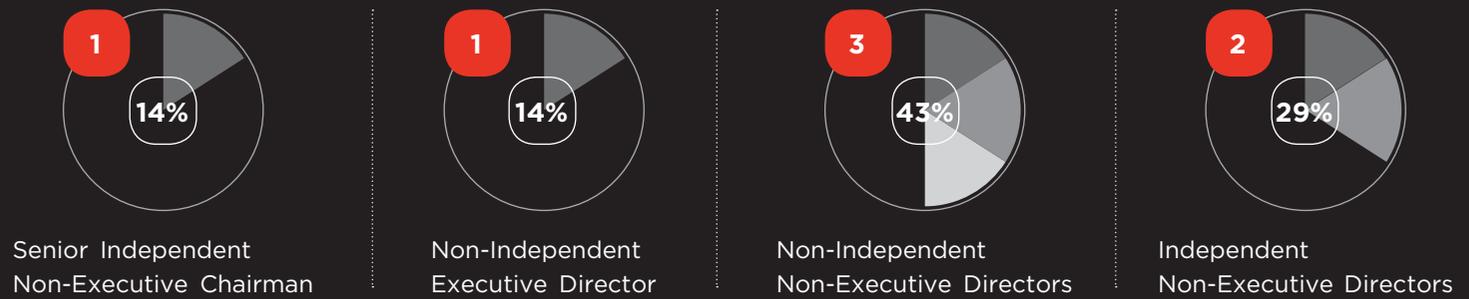
From left to right:

- Dato' Fam Lee Ee • Datuk Kamarudin Bin Meranun • Tan Sri Rafidah Aziz
- Tan Sri Dr. Tony Fernandes • Dato' Yusli Bin Mohamed Yusoff • Lim Kian Onn • Tan Sri Asmat Bin Kamaludin

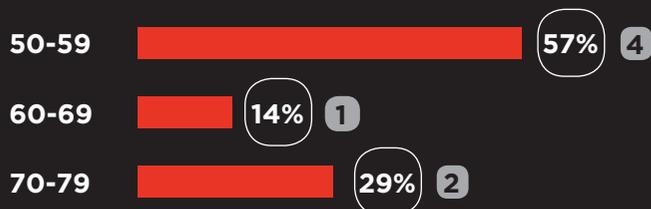
Our Board at a Glance



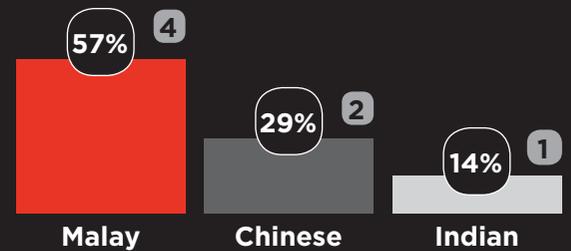
BOARD COMPOSITION



AGE GROUP



ETHNICITY



NATIONALITY : 100% Malaysian



GENDER



BOARD OF DIRECTORS - COMMITTEE MEMBERSHIP

Director Name	Position	Committee Memberships
TAN SRI RAFIDAH AZIZ	Senior Independent Non-Executive Chairman	Audit Committee, Safety Review Board of the Company, Nomination and Remuneration Committee, Employees' Share Option Scheme Committee
DATUK KAMARUDIN MERANUN	Non-Independent Executive Director and GCEO	Safety Review Board of the Company, Nomination and Remuneration Committee, Employees' Share Option Scheme Committee
TAN SRI DR. TONY FERNANDES	Non-Independent Non-Executive Director	Nomination and Remuneration Committee, Employees' Share Option Scheme Committee
DATO' FAM LEE EE	Non-Independent Non-Executive Director	Nomination and Remuneration Committee, Employees' Share Option Scheme Committee
LIM KIAN ONN	Non-Independent Non-Executive Director	Audit Committee, Safety Review Board of the Company, Nomination and Remuneration Committee, Employees' Share Option Scheme Committee
TAN SRI ASMAT KAMALUDIN	Independent Non-Executive Director	Audit Committee, Safety Review Board of the Company, Nomination and Remuneration Committee, Employees' Share Option Scheme Committee
DATO' YUSLI MOHAMED YUSOFF	Independent Non-Executive Director	Audit Committee, Safety Review Board of the Company, Nomination and Remuneration Committee, Employees' Share Option Scheme Committee

Board of Directors' Profile

TAN SRI RAFIDAH AZIZ

Senior Independent Non-Executive Chairman

Tan Sri Rafidah (Female), Malaysian, aged 73, was appointed as an Independent Non-Executive Director and Chairman of the Board on 3 March 2011 and re-designated as a Senior Independent Non-Executive Chairman upon listing of the Company on 10 July 2013. She is also Chairman of the Nomination and Remuneration Committee of the Board and Safety Review Board of the Company.

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

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

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

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

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

She also serves as Chairman of Megasteel Sdn Bhd, Supermax Corporation Berhad and Pinewood Iskandar Malaysia Studio and the patron of several NGOs.



Board of Directors' Profile

DATUK KAMARUDIN BIN MERANUN

Non-Independent Executive Director and
Group Chief Executive Officer

Datuk Kamarudin Meranun (Male), Malaysian, aged 55, was appointed as Non-Independent Non-Executive Director of the Company on 6 June 2006. He was appointed as Chairman of the Board on 3 February 2010 till 3 March 2011. Datuk Kamarudin was re-designated as Non-Independent Executive Director and Group Chief Executive Officer (GCEO) on 30 January 2015. He is one of the Company's co-founders, serves as Chairman of the Employees' Share Option Scheme Committee, and is a member of the Safety Review Board of the Company.

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

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

He received the Darjah Panglima Jasa Negara (PJN), which carries the title Datuk, from the Yang di-Pertuan Agong on 21 November 2013.

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



TAN SRI DR. TONY FERNANDES

Non-Independent Non-Executive Director

Tan Sri Dr. Tony Fernandes CBE (Male), Malaysian, aged 53, was appointed as Non-Independent Non-Executive Director of the Company on 18 July 2006 and is one of the Company's co-founders.

Tan Sri Dr. Tony Fernandes studied at Epsom College and the London School of Economics in Britain, and qualified as an Associate Member of the Association of Chartered Certified Accountants in 1991 and Fellow Member in 1996. An accountant by training, Tan Sri Dr. Tony Fernandes began his career in Richard Branson's Virgin Group before returning to Malaysia and becoming Warner Music Group's Vice President for Southeast Asia in 1999 and entering the airline business as CEO of AirAsia in 2001.

Tan Sri Dr. Tony Fernandes has received numerous awards and accolades over the course of his career. These include the Honor of the Commander of the Order of the British Empire, conferred by Her Majesty Queen Elizabeth II in 2011, and the Commander of the Legion d'Honneur, awarded by the French Government for his outstanding contributions towards the economy of France through the aviation industry. In 1999, Tan Sri Dr. Tony Fernandes received the title of Setia Mahkota Selangor by the Sultan of Selangor for his contributions to the Malaysian music industry. He was then awarded the title Dato' by the Sultan of Negeri Sembilan and Pahang, Dato' Seri by the Sultan of Perak and Tan Sri from a former Yang di-Pertuan Agong.

In 2010, Tan Sri Dr. Tony Fernandes was named Businessman of the Year by Forbes Asia – the first person from Malaysia and Asean to receive the honour – for democratising air travel and transforming AirAsia into a successful global brand, aside from being awarded the Nikkei Asia Prize in Tokyo and the Masterclass Global CEO of the Year at the 2nd Malaysia Business Leadership Award (MBLA). Tan Sri Dr. Tony Fernandes was named CEO of the Year at the Annual Budgies World Low Cost Airline Award held in London and CNBC Travel Business Leader, held in Singapore in 2011. In the following year, he was honoured with the Best CEO for IR – Mid Cap award by the Malaysia Investor Relations Association Berhad (MIRA), named as one of Malaysia's Outstanding CEOs by the Edge Billion Ringgit Club (BRC); and announced as GQ India's International Businessman of the Year 2012.

Tan Sri Dr. Tony Fernandes was named a Malaysia Brand Ambassador by Prime Minister Dato' Sri Mohd Najib Tun Haji Abdul Razak at the World Economic Forum in Davos, Switzerland in 2013. In 2013, he went on to win Corporate Governance Asia's Best CEO for Malaysia Award. He was named Airline Industry Leader of the Year at the 4th Aviation 100 Award, and Brand Builder of the Year at the 2014 World Branding Awards.

TIME Magazine included Tan Sri Dr. Tony Fernandes in the 2015 TIME 100 list, the magazine's annual list of the 100 most influential people in the world which included Chinese President Xi Jinping, Microsoft CEO Satya Nadella, Nobel Prize laureate Malala Yousafzai and hip-hop artist Kanye West. In February 2016, Tan Sri Dr. Tony Fernandes was recognised by the US-Asean Business Council with the Fourth Pillar Award for his extraordinary contribution towards the growth of Asean, the second recipient of the award after the Administration of US President Barack Obama. In October 2016, Tan Sri Dr. Tony Fernandes was named Airline Chief Executive Officer of the Year by the influential aviation consultancy CAPA Centre for Aviation for successfully steering AirAsia to increased profitability. Tan Sri Dr. Tony Fernandes also won the 2016 EY Asean Entrepreneurial Excellence Award. The accolade is awarded to Asean entrepreneurs who have demonstrated entrepreneurial spirit, financial performance, strategic direction, global or community impact, innovation and personal integrity or influence.

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

Board of Directors' Profile



DATO' FAM LEE EE

Non-Independent Non-Executive Director

Dato' Fam, Malaysian (Male), aged 56, was appointed Non-Independent Non-Executive Director of the Company on 24 March 2008. He is also a member of the Nomination and Remuneration Committee of the Board. Dato' Fam was appointed as a member of the Safety Review Board on 26 February 2016.

He received his BA (Hons) in Law from the University of Malaya in 1986 and an LLB (Hons) from the University of Liverpool, England in 1989. Upon obtaining a Certificate of Legal Practice in 1990, he has been practising law since 1991 and is currently a managing partner at Messrs Le Fam & Co.

Dato' Fam used to sit on the Board of Trustees of Yayasan PEJATI from 1996 to 2007. Since 2001, he has also served as a legal advisor to the Chinese Guilds and Association and charitable organisations such as Yayasan SSL Heamodialysis Centre in PJ.

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

LIM KIAN ONN

Non-Independent Non-Executive Director

Mr. Lim, Malaysian (Male), aged 60, was appointed as an Alternate Director to Dato' Seri Kalimullah Bin Masheerul Hassan on 11 June 2007. He ceased as an Alternate Director to Dato' Seri Kalimullah and was appointed as a Non-Independent Non-Executive Director of the Company on 10 July 2012. Mr. Lim was re-designated as Independent Non-Executive Director on 26 February 2016. On 24 May 2016, he was re-designated as Non-Independent Non-Executive Director. Mr. Lim is also a member of the Audit Committee of the Board.

He is a member of the Institute of Chartered Accountants in England & Wales and the Malaysian Institute of Accountants. He served his articleship with KMG Thomson McLintock in London and was a consultant with Andersen Consulting from 1981 to 1984. Between 1984 and 1993, he was with Hong Leong Group, Malaysia as an Executive Director in the stockbroking arm responsible for corporate finance, research and institutional sales. Mr. Lim founded the Libra Capital Group in 1994 and co-founded the ECM Libra Group in 2002.

He was appointed to the Board of ECM Libra Financial Group Berhad ("ECMLFG") on 16 June 2006 and re-designated as Managing Director with effect from 1 May 2007, a position he held till 5 August 2010. On 6 August 2010, he was re-designated as Non-Independent Non-Executive Director of ECMLFG. He was subsequently re-designated as Managing Director of ECMLFG with effect from 16 July 2015.

He also serves as the Non-Executive Non-Independent Chairman of Plato Capital Limited, a company listed on the Stock Exchange of Singapore and a trustee of ECM Libra Foundation.

Board of Directors' Profile

TAN SRI ASMAT BIN KAMALUDIN

Independent Non-Executive Director

Tan Sri Asmat (Male), Malaysian, aged 73, was appointed as an Independent Non-Executive Director of the Company on 13 May 2013. He is a member of the Audit Committee.

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

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

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



DATO' YUSLI BIN MOHAMED YUSOFF

Independent Non-Executive Director

Dato' Yusli, Malaysian (Male), aged 58, was appointed as an Independent Non-Executive Director of the Company on 13 May 2013. He is Chairman of the Audit Committee and a member of the Nomination and Remuneration Committee of the Board.

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

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

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

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

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

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

NOTES:**Family Relationship**

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

Conflict of Interest

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

Conviction for Offences

None of the Directors has been convicted for any public sanction or penalty imposed by the relevant regulatory bodies and offences within the past 5 years other than traffic offences, if any.

Attendance of Board Meetings

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



THE CHIEF EXEC

MALAYSIA • THAILAND • INDONESIA

NADDA BURANASIRI

Chief Executive Officer,
AirAsia X Thailand

BENYAMIN BIN ISMAIL

Chief Executive Officer,
AirAsia X Berhad



UTIVE OFFICERS

DATUK KAMARUDIN BIN MERANUN

Non-Independent Executive Director
and Group Chief Executive Officer
AirAsia X Berhad

CAPTAIN SULISTYO NUGROHO HANUNG

Acting Chief Executive Officer/Director of Flight Operations
AirAsia X Indonesia



LEADERSHIP TEAM

From left to right:

- Raymond Cheong • Hanif Idrose Mohamed • Yogesh Upadhyay • Sharmizan Abdul Ghani • Amos Aw Shing Chien
- Jurvena Lee Nian-Cheh • Moses Devanayagam • Captain Leslie Wu • Benyamin Ismail • Cheok Huei Shian
- Jaisharan Kaur Gill • Azahar Othman

BOARD

TEAM



From left to right:

- Eddie Tan Kim Hong • Fairuz Majid • Venggatarao Niadu
- Datuk Kamarudin Meranun • Captain Suresh Bangah • Arik De
- Muhammad Alif Soon • Yeoh Sai Yew • Abdullah Bin Hashim
- Pavenraj Singh • Aspa Linda Ahmad • Wong Ooi Ling • Daphne Tan

Profiles of the Leadership Team



DATUK KAMARUDIN MERANUN

Non-Independent Executive Director and Group Chief Executive Officer

Age: 55
Gender: Male
Nationality: Malaysian

Responsibilities:

- Spearheads AirAsia X Group's overall business growth and strategies in line with the vision and mission of AirAsia X as approved by the Board of Directors
- Drives operational excellence and strong governance to deliver long-term value for shareholders, customers, employees and all other stakeholders
- Entrusted to execute AirAsia X's turnaround plan

Experience:

- Portfolio Manager in Arab-Malaysian Merchant Bank, 1988-1993
- Executive Director of Innosabah Capital Management Sdn Bhd, a subsidiary of Innosabah Securities Sdn Bhd, 1994
- Acquired the shares of the joint venture partner of Innosabah Capital Management Sdn Bhd, which was later renamed Intrinsic Capital Management Sdn Bhd
- Co-founded AirAsia X and appointed Non-Independent Non-Executive Director of the Company on 6 June 2006
- Chairman of the Board, 3 February 2010 till 3 March 2011
- Re-designated as Non-Independent Executive Director and Group Chief Executive Officer on 30 January 2015

Qualifications and Professional Membership:

- Diploma in Actuarial Science, University Technology MARA (UiTM)
- BSc with Distinction (Magna Cum Laude) majoring in Finance, Central Michigan University, US, 1986
- MBA, Central Michigan University, US, 1987

Directorship of Public Listed Companies:

- AirAsia Berhad
- Tune Protect Group Berhad

Membership of Board Committees in AirAsia X:

- Employees' Share Option Scheme Committee (Chairman)
- Safety Review Board (Member)

Awards/Recognition:

- Best Actuarial Student by the Life Insurance Institute of Malaysia, 1983

Declaration:

- He is a substantial shareholder of AirAsia X Berhad
- He is the Executive Chairman of AirAsia Berhad and founder of Tune Group Sdn Bhd, which are substantial shareholders of AirAsia X Berhad
- No family relationship with any other Director and/or major shareholder of AirAsia X
- No conflict of interest with AirAsia X
- No conviction for any public sanction during the financial year ended 31 December, 2016 or penalty imposed by the relevant regulatory bodies and offences within the past 5 years other than traffic offences, if any



BENYAMIN ISMAIL

Chief Executive Officer

Age: 40
Gender: Male
Nationality: Malaysian

Responsibilities:

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

Experience:

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

Qualifications and Professional Membership:

- Bachelor of Commerce (Banking & Finance), Curtin University of Technology, Australia
- Master of Electric Commerce, Edith Cowan University, Australia

Membership of Board Committees in AirAsia X:

- Employees' Share Option Scheme Committee (Member)
- Safety Review Board (Member)

Awards/Recognition:

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

Declaration:

- No family relationship with any other Director and/or major shareholder of AirAsia X
- No conflict of interest with AirAsia X
- No conviction for any public sanction during the financial year ended 31 December, 2016 or penalty imposed by the relevant regulatory bodies and offences within the past 5 years other than traffic offences, if any
- He/She has no directorship in public companies



LEADERSHIP TEAM



CHEOK HUEI SHIAN

Chief Financial Officer

Age: 40
Gender: Female
Nationality: Malaysian

Responsibilities:

- Manages our financial, business risk and assurance, capital funding and treasury functions
- Develops and implements initiatives and strategies to improve the company's financial performance

Experience:

- Joined Ernst & Young as an auditor, 2000
- Joined AirAsia as a financial analyst, 2004
- Promoted to Management Reporting Manager, 2004
- Promoted to Financial Controller of AirAsia, 2008
- Chief Financial Officer (CFO) of PT Indonesia AirAsia, 2011-2014
- CFO of Philippines AirAsia, 2014-2015
- CFO of AirAsia X, as of 26 February 2015

Qualifications and Professional Membership:

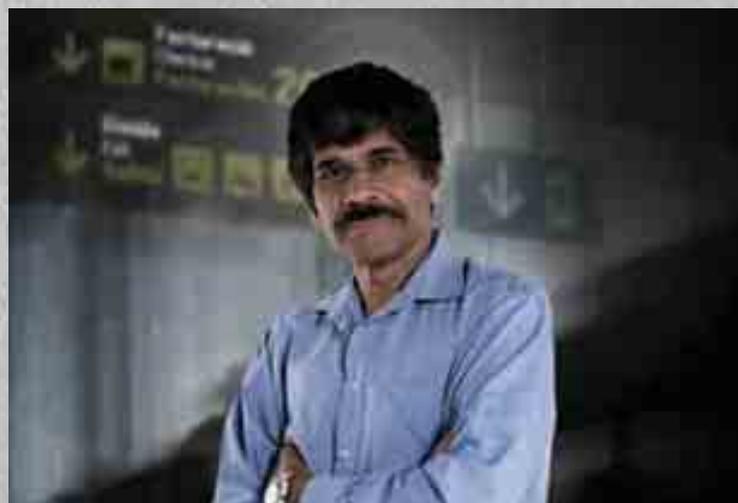
- Fellow member of the Association of Chartered Certified Accountants (ACCA)
- Member of the Malaysian Institute of Accountants (MIA)

Awards/Recognition:

- 10 Years Long-Service Award with AirAsia Group

Declaration:

- No family relationship with any other Director and/or major shareholder of AirAsia X
- No conflict of interest with AirAsia X
- No conviction for any public sanction during the financial year ended 31 December 2016 or penalty imposed by the relevant regulatory bodies and offences within the past 5 years other than traffic offences, if any
- He/She has no directorship in public companies



MOSES DEVANAYAGAM

Senior Director

Age: 66
Gender: Male
Nationality: Malaysian

Responsibilities:

- Leads the coordination of operational functions with AirAsia Group, airport authorities and government agencies including the Malaysian Aviation Commission
- Advises and mentors the Operations team
- Instrumental in setting up the Operations function, which includes Flight Operations, Engineering, Group Operations, In-Flight Operations, Safety and Security

Experience:

- Served Malaysia-Singapore Airlines, from 1971-1972
- Served Malaysia Airline System Berhad, holding various key positions including General Manager-Operations, Head of Contracts Management and Warranty and Contracts Manager, from 1972-2007
- Joined AirAsia X as Director of Operations, July 2007
- Appointed as Senior Director, 2013

Qualifications and Professional Membership:

- Associate Member of the Royal Aeronautical Institute United Kingdom (by award) since 1975
- Cadet/apprentice technical services in-house training with Malaysia-Singapore Airlines, 1972
- Type-rating licenses from Qantas and Air New Zealand, 1971

Awards/Recognition:

- 40-years Long-Service Award from Malaysia Airlines in 2007

Declaration:

- No family relationship with any other Director and/or major shareholder of AirAsia X
- No conflict of interest with AirAsia X
- No conviction for any public sanction during the financial year ended 31 December 2016 or penalty imposed by the relevant regulatory bodies and offences within the past 5 years other than traffic offences, if any
- He/She has no directorship in public companies

Profiles of the Leadership Team



ARIK DE

Chief Commercial Head

Age: 38
Gender: Male
Nationality: Canadian

Responsibilities:

- Responsible for the commercial functions of the airline which includes the Company's Network, Revenue, Marketing, Branding, Ancillary and Sales & Distribution

Experience:

- He has over 17 years of experience in aviation
- Started his career at the International Monetary Fund (IMF) as a young economist
- At WestJet in Canada was Manager of Network Planning from 2010 to 2013 where he led the network and fleet planning team to grow a primarily domestic airline into the largest non-US airline in the Caribbean, Hawaii and prime US leisure points of Las Vegas and Florida. He was also instrumental in evaluating the first code share partnerships, and was part of the core team that studied and introduced WestJet Encore, the regional arm of WestJet
- Served SH&E/ICF Aviation in 2008 and InterVistas in 2013 where he was engaged in over 100 consulting projects in commercial aviation including that at GOL Brasil, LAN Chile, Turkish Airlines, Aero Mexico, Japan Airlines, South African Airways, Virgin Atlantic, Singapore Airlines, Jeju, SpiceJet, Air India, Gulf Air and Kuwait Airways. At InterVistas, he went on to become Senior Vice President, and Head of the Airline Practice and was seconded to act as interim Chief Commercial Officer at TACV, the national airline of Cabo Verde
- Joined AirAsia X in January 2016 as Head of Commercial and subsequently designated as Chief Commercial Head in January 2017

Qualifications and Professional Membership:

- Bachelor of Arts in Economics, from Connecticut College
- Master of Finance and Public Policy, from the University of Chicago *Phi Beta Kappa* Honors Society

Awards/Recognition:

- "40 Under 40", Business Insider 2014; Airline Planner Award, 2013

Declaration:

- No family relationship with any other Director and/or major shareholder of AirAsia X
- No conflict of interest with AirAsia X
- No conviction for any public sanction during the financial year ended 31 December 2016 or penalty imposed by the relevant regulatory bodies and offences within the past 5 years other than traffic offences, if any
- He/She has no directorship in public companies



CAPTAIN SURESH BANGAH

Flight Operations Director

Age: 42
Gender: Male
Nationality: Malaysian

Responsibilities:

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

Experience:

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

Qualifications and Professional Membership:

- Air Transport Pilot License, 1999
- A320 Type Rating License, 2007
- A340 Type Rating License, 2009
- A330 Type Rating License, 2011

Awards/Recognition:

- 10 Years Long-Service Award, AirAsia Group

Declaration:

- No family relationship with any other Director and/or major shareholder of AirAsia X
- No conflict of interest with AirAsia X
- No conviction for any public sanction during the financial year ended 31 December 2016 or penalty imposed by the relevant regulatory bodies and offences within the past 5 years other than traffic offences, if any
- He/She has no directorship in public companies



FAIRUZ MAJID

Group Head of Communications

Age: 36
Gender: Male
Nationality: Malaysian

Responsibilities:

- Aligns messaging and coordinates communications across the Group to ensure AirAsia X Group and AirAsia Group continue to be seen as one brand

Experience:

- He brings over a decade of experience in the fields of marketing and communication
- Underwent an internship under the Pemuda Internship Programme (PINTAR) in the Naza Group of Companies, where he was subsequently offered a permanent job, 2005-2007
- Joined AirAsia Berhad in 2007 and later moved to AirAsia X as part of the pioneering team, focused on setting up the Commercial department
- Became Sponsorship and Events Manager in 2010, then Regional Marketing Manager in 2012, and Head of Marketing in 2013
- Promoted to Head of Marketing and Communications overseeing AirAsia X's marketing strategies and communication, public relations, events and sponsorship activities, 2014
- Appointed as Head of Communications of AirAsia X, 2015
- Promoted as Group Head of Communications for AirAsia X Group, February 2017

Qualifications and Professional Membership:

- Bachelor of Business Administration (Hons) in Marketing, Universiti Teknologi MARA, Malaysia
- Member of the Malaysia Australia Business Council (MABC)

Awards/Recognition:

- Asia's Best Marketer by CMO Asia, 2016

Declaration:

- No family relationship with any other Director and/or major shareholder of AirAsia X
- No conflict of interest with AirAsia X
- No conviction for any public sanction during the financial year ended 31 December 2016 or penalty imposed by the relevant regulatory bodies and offences within the past 5 years other than traffic offences, if any
- He/She has no directorship in public companies



LEADERSHIP TEAM



SHARMIZAN ABDUL GHANI

Head of Engineering

Age: 43
Gender: Male
Nationality: Malaysian

Responsibilities:

- Oversees the Engineering Department including Maintenance Planning, Warranty & Reliability, Technical Services, Technical Procurement, Projects, Communications and IT for Engineering

Experience:

- Started his career with Malaysia Airlines as a Trainee Aircraft Maintenance Engineer, 1995
- Became a Licensed Aircraft Engineer with a Boeing 737-400 rating in mid-1999, and later obtained a Boeing 777-200 rating
- Joined AirAsia as an Avionics Licensed Aircraft Engineer, 2001; promoted to Shift Duty Engineer and Maintenance Operations Controller, 2003
- Joined Jet Premier One Sdn Bhd as an Avionics Duty Engineer, 2007; promoted to Technical Services Manager, 2009
- Joined AirAsia X as Head of Engineering, 2015

Qualifications and Professional Membership:

- Aircraft Maintenance Engineer License (Civil Aviation Authority UK)
- Aircraft Maintenance Engineer License (Dept of Civil Aviation Malaysia)

Declaration:

- No family relationship with any other Director and/or major shareholder of AirAsia X
- No conflict of interest with AirAsia X
- No conviction for any public sanction during the financial year ended 31 December 2016 or penalty imposed by the relevant regulatory bodies and offences within the past 5 years other than traffic offences, if any
- He/She has no directorship in public companies



YEOH SAI YEW

Head of People

Age: 42
Gender: Male
Nationality: Malaysian

Responsibilities:

- Provides overall leadership in ensuring strategic and effective human capital management across the Group
- Manages the rewards structure for the whole AirAsia Group

Experience:

- 18 years in various disciplines in Human Resources (HR) in diverse industries, from telecommunications to IT, banking, hospitality, aviation and retail
- Started his career as an HR Executive with Super Komtar, 1999
- Worked with several companies such as DiGi, CSA, Scope International & Genting Resorts Berhad
- Joined AirAsia Group as Head of Rewards, 2010
- Appointed Head of People of AirAsia X, January 2016

Qualifications and Professional Membership:

- Bachelor of Science from Universiti Malaysia Sabah
- MBA from Universiti Utara Malaysia

Awards/Recognition:

- Featured in various HR magazines
- Invited speaker at several regional HR conferences
- Judge for several HR awards programmes

Declaration:

- No family relationship with any other Director and/or major shareholder of AirAsia X
- No conflict of interest with AirAsia X
- No conviction for any public sanction during the financial year ended 31 December 2016 or penalty imposed by the relevant regulatory bodies and offences within the past 5 years other than traffic offences, if any
- He/She has no directorship in public companies



CAPTAIN LESLIE WU

Safety Director

Age: 46
Gender: Male
Nationality: Malaysian

Responsibilities:

- Implements and maintains our Safety Management System
- Manages Operational Quality Assurance across AirAsia Group
- Manages the Document Control Management System across AirAsia Group

Experience:

- Started serving commercial airlines in 1992, becoming a commercial jet captain five years later
- Deputy Chief Pilot Training of AirAsia, end 2004
- Flew for Qatar for several years, based in the Middle East
- Joined AirAsia X as Chief Pilot Flight Safety, mid-2009
- Appointed as Safety Director, 2012

Qualifications and Professional Membership:

- Commercial pilot license from the US and Malaysia
- Diploma in Safety Management for Airlines, from IATA
- Diploma in Airline Quality System, from IATA

Awards/Recognition:

- King Scout Award, 1989

Declaration:

- No family relationship with any other Director and/or major shareholder of AirAsia X
- No conflict of interest with AirAsia X
- No conviction for any public sanction during the financial year ended 31 December 2016 or penalty imposed by the relevant regulatory bodies and offences within the past 5 years other than traffic offences, if any
- He/She has no directorship in public companies

Profiles of the Leadership Team



JURVENA LEE NIAN-CHEH

Head of Marketing

Age: 35
Gender: Female
Nationality: Malaysian

Responsibilities:

- Leads the team in stimulating travel demand for AirAsia X and working closely with partners and tourism bodies to achieve similar goals

Experience:

- Started her career as Promotions Assistant with Tesco Malaysia in 2004 where she spent seven years handling multiple roles including Advertising Executive, Local & Stores Marketing Executive, with her last post being Local & Stores Manager
- Joined AirAsia Berhad in 2011 as a Marketing Manager and quickly moved on to assume the position of Regional Marketing Manager a year later
- Assumed current role as Head of Marketing of AirAsia X in 2015

Qualifications and Professional Membership:

- Bachelor of Business, Auckland University of Technology, New Zealand

Declaration:

- No family relationship with any other Director and/or major shareholder of AirAsia X
- No conflict of interest with AirAsia X
- No conviction for any public sanction during the financial year ended 31 December 2016 or penalty imposed by the relevant regulatory bodies and offences within the past 5 years other than traffic offences, if any
- He/She has no directorship in public companies



RAYMOND CHEONG

Head of Sales

Age: 38
Gender: Male
Nationality: Malaysian

Responsibilities:

- Leads the sales and distribution team in growing revenue from various distribution channels
- Plays a key role in launching new routes including Hawaii, Mauritius, Adelaide, Chongqing, Xi'an, Busan and Tehran
- Set up new sales team and distribution channels in Australia, China, Taiwan, Japan, South Korea, Iran and Mauritius
- Played an instrumental role in the distribution set-up and market entry campaigns of Thai AAX in Japan and Korea, and Indonesia AAX in Australia
- Part of the AirAsia Group Regional Sales Team overseeing the Australia, Japan and Korea offline channel sales for all carriers within the AirAsia Group

Experience:

- He brings more than 10 years of management experience in global sales, international business development, regional distribution set-up and expansion and key account management in the aviation, telecommunications and fast moving consumer goods industries
 - Joined Yee Lee Marketing (P&G Strategic Distributor) as a Key Account Executive in 2004, responsible for formulating and executing tactical sales strategies, customer marketing strategies, delivering in-store fundamentals and trade merchandising
 - Moved to Motorola Malaysia as Regional Channel Manager in 2007, responsible for channels distribution management of mobile devices in the Northern & East Coast regions of Malaysia
 - Joined AirAsia as Sales Manager in 2010, responsible for growing corporate sales; and became the Regional Sales Manager in 2011, administering indirect channel sales for Indochina
 - Appointed as Head of Sales of AirAsia X in 2015

Qualifications and Professional Membership:

- BA (Hons) in Business Administration, University of Hertfordshire, UK

Declaration:

- No family relationship with any other Director and/or major shareholder of AirAsia X
- No conflict of interest with AirAsia X
- No conviction for any public sanction during the financial year ended 31 December 2016 or penalty imposed by the relevant regulatory bodies and offences within the past 5 years other than traffic offences, if any
- He/She has no directorship in public companies



ABDULLAH BIN HASHIM

Head of Internal Audit and Risk Management

Age: 45
Gender: Male
Nationality: Malaysian

Responsibilities:

- Oversees the management of internal control and reviews its effectiveness, adequacy and integrity

Experience:

- Internal Audit Department, PLUS Expressways Berhad, 2001-2008
- Group Internal Audit, TM Berhad, 2009-2010
- Chief Internal Auditor, Syarikat Prasarana Negara Berhad, 2010-2011
- Chief Internal Auditor, Petra Energy Berhad, 2011-2014
- Joined AirAsia X as Head of Internal Audit and Risk Management, September 2014

Qualifications and Professional Membership:

- Bachelor of Accounting (Hons), University of Malaya, Malaysia
- MBA, London South Bank University, UK
- Chartered Accountant (Malaysia)
- Certified Internal Control Auditor by the Institute of Internal Control (IIC)
- Associate member of the Institute of Internal Auditors (IIA) Malaysia

Awards/Recognition:

- Invited speaker at internal audit and risk management conferences in Malaysia and Singapore

Declaration:

- No family relationship with any other Director and/or major shareholder of AirAsia X
- No conflict of interest with AirAsia X
- No conviction for any public sanction during the financial year ended 31 December 2016 or penalty imposed by the relevant regulatory bodies and offences within the past 5 years other than traffic offences, if any
- He/She has no directorship in public companies



LEADERSHIP TEAM



DAPHNE TAN ZUI XIANG

Head of Legal

Age: 31
Gender: Female
Nationality: Malaysian

Responsibilities:

- Overlooks all legal matters of the airline
- Designated legal point of contact responsible for advising the airline on legal risks exposure and liabilities
- Handles litigation matters
- Assists with the administration of Company Secretarial matters

Experience:

- Started her career with Messrs Zaid Ibrahim & Co, Malaysia as an associate, 2010
- Seconded to Messrs SokSiphana & Associates, Cambodia as a Foreign Legal Counsel, 2015
- Appointed Head of Legal of AirAsia X, 2016

Qualifications and Professional Membership:

- Master of Laws, Northumbria University, UK
- Member of the Honourable Society of Lincolns Inn, UK

Declaration:

- No family relationship with any other Director and/or major shareholder of AirAsia X
- No conflict of interest with AirAsia X
- No conviction for any public sanction during the financial year ended 31 December 2016 or penalty imposed by the relevant regulatory bodies and offences within the past 5 years other than traffic offences, if any
- He/She has no directorship in public companies



YOGESH UPADHYAY

Head of Corporate Finance, Charter and Leasing

Age: 41
Gender: Male
Nationality: Indian

Responsibilities:

- Maximises airline revenue by deploying excess fleet on wet lease operations
- Manages negotiations for all charter and wet lease contracts
- Negotiates with banks, head lessors and airliners on any corporate exercise and aircraft related matters.

Experience:

- He brings 15 years of management experience in the aviation industry, focused mainly on the charter and leasing of aircraft.
 - Head of Operations at Eurostar Communications Llc in Dubai, 2001-2007
 - Head of Charters and Leasing, Air Charter International Arabia Ltd, Dubai, 2007-2014
 - Joined AirAsia X as Head of Charter and Leasing, 2014
 - Took an additional role as Head of Ancillary until early 2015
 - Appointed as Head of Corporate Finance, Charter and Leasing of AirAsia X, 2015

Qualifications and Professional Membership:

- Diploma in Hotel Management, Rizvi College of Hotel Management and Catering Technology, Mumbai, India

Awards/Recognition:

- Instrumental in AirAsia X's recognition as a Top 10 Global Airline for Ancillary Revenue per Passenger by IdeaWorksCompany in 2015

Declaration:

- No family relationship with any other Director and/or major shareholder of AirAsia X
- No conflict of interest with AirAsia X
- No conviction for any public sanction during the financial year ended 31 December 2016 or penalty imposed by the relevant regulatory bodies and offences within the past 5 years other than traffic offences, if any
- He/She has no directorship in public companies



MUHAMMAD ALIF SOON

Head of Ground Operations

Age: 41
Gender: Male
Nationality: Malaysian

Responsibilities:

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

Experience:

- Joined AirAsia in 2004 as a Guest Service Assistant
- Moved to AirAsia X Berhad in 2010 as Duty Executive
- Promoted as Airport Manager in 2013
- Appointed as Head of Ground Operations in April 2015

Qualifications and Professional Membership:

- Sijil Pelajaran Malaysia

Awards/Recognition:

- Recipient of the 10 Years Long-Service Award with AirAsia Group

Declaration:

- No family relationship with any other Director and/or major shareholder of AirAsia X
- No conflict of interest with AirAsia X
- No conviction for any public sanction during the financial year ended 31 December, 2016 or penalty imposed by the relevant regulatory bodies and offences within the past 5 years other than traffic offences, if any
- He/She has no directorship in public companies

Profiles of the Leadership Team



ASPA LINDA AHMAD

Head of Cabin Crew

Age: 40
Gender: Female
Nationality: Malaysian

Responsibilities:

- Leads and manages manpower planning for the entire AAX Cabin Crew Department
- Ensures high standards of operations management and safety compliance
- Ensures cabin crew deliver world-class customer service

Experience:

- More than 19 years of experience in the aviation industry:
 - Started her career with AirAsia as a Cabin Crew (2002) and was promoted to Senior Cabin Crew (2003), Purser (2005) and a Cabin Crew Executive (2009)
 - Moved to AirAsia X and served as an Assistant Cabin Crew Manager, 2010
 - Further enhanced her skills set by joining the Cabin Safety Department as a Safety Examiner, and was promoted to Cabin Safety Manager in 2012
 - Appointed as Head Cabin Crew of AirAsia X, leading more than 1,000 cabin crew, 2015

Qualifications and Professional Membership:

- Sijil Pelajaran Malaysia/O-Level

Declaration:

- No family relationship with any other Director and/or major shareholder of AirAsia X
- No conflict of interest with AirAsia X
- No conviction for any public sanction during the financial year ended 31 December 2016 or penalty imposed by the relevant regulatory bodies and offences within the past 5 years other than traffic offences, if any
- He/She has no directorship in public companies



AMOS AW SHING CHIEN

Head of Revenue Management

Age: 44
Gender: Male
Nationality: Malaysian

Responsibilities:

- Maximises revenue and profitability by developing/implementing revenue management strategies in Pricing, Inventory & Distribution
- Leads in managing fares across all markets, and developing pricing and revenue strategies on all routes and markets
- Applies demand forecasts across the network, and implements strategies to correct shortfalls as well as develop business opportunities for AAX
- Develops comprehensive revenue structures to incorporate cross networking between the short-haul and long-haul segments

Experience:

- Amos has 13 years of management experience in the aviation industry
 - Started his career with Malaysia Airlines Berhad as a Revenue Analyst, 2003
 - Moved to Virgin Australia as Senior Revenue Analyst, 2005
 - Served AirAsia as Senior Revenue Analyst, 2007
 - Appointed as Head of Revenue Management of AirAsia X, 2015

Qualifications and Professional Membership:

- Bachelor's Degree in Commerce, Deakin University, Australia

Declaration:

- No family relationship with any other Director and/or major shareholder of AirAsia X
- No conflict of interest with AirAsia X
- No conviction for any public sanction during the financial year ended 31 December 2016 or penalty imposed by the relevant regulatory bodies and offences within the past 5 years other than traffic offences, if any
- He/She has no directorship in public companies



PAVENRAJ SINGH

Head of Ancillary

Age: 32
Gender: Male
Nationality: Malaysian

Responsibilities:

- Drives product innovation, enhancement and strategic decisions to increase take-up rates, while ensuring continuous ancillary Revenue growth
- Works towards raising product awareness across the AirAsia X network to ensure ancillary growth

Experience:

- Started his career with Ernst & Young as an associate auditor in Business Advisory Services, 2009
- Moved to AirAsia X as an executive in 2010 & promoted to Ancillary Assistant Manager in 2014
- Appointed as Head of Ancillary of AirAsia X, 2015

Qualifications and Professional Membership:

- Bachelor's Degree in Accounting & Information Technology, Auckland University of Technology, New Zealand

Declaration:

- No family relationship with any other Director and/or major shareholder of AirAsia X
- No conflict of interest with AirAsia X
- No conviction for any public sanction during the financial year ended 31 December 2016 or penalty imposed by the relevant regulatory bodies and offences within the past 5 years other than traffic offences, if any
- He/She has no directorship in public companies



LEADERSHIP TEAM



JAISHARAN KAUR GILL

Head of In-Flight Operations

Age: 33
Gender: Female
Nationality: Malaysian

Responsibilities:

- Oversees the day-to-day in-flight operations including catering, cleaning and laundry services
- Develops the in-flight menu
- Negotiates contracts as well as procurement and vendor management

Experience:

- Supply Chain Manager at AirAsia X, 2013-2015
- Procurement Specialist as part of a Contracts and Procurement Team, ActewAGL Pty Ltd, 2011-2012
- Temporary Contract in the Procurement Department, Coles Group Ltd, 2011
- Temporary Contract in the Logistics Department, SMART Modular Technologies Malaysia, 2009-2010
- Test Engineer in Flash Memory Products, SMART Modular Technologies Malaysia, 2006-2008

Qualifications and Professional Membership:

- Degree in Electronics Engineering, RMIT University, Australia
- Master of Supply Chain Management, RMIT University, Australia

Declaration:

- No family relationship with any other Director and/or major shareholder of AirAsia X
- No conflict of interest with AirAsia X
- No conviction for any public sanction during the financial year ended 31 December 2016 or penalty imposed by the relevant regulatory bodies and offences within the past 5 years other than traffic offences, if any
- He/She has no directorship in public companies



VENGGATARAO NIADU

Head of Network and Regulatory

Age: 42
Gender: Male
Nationality: Malaysian

Responsibilities:

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

Experience:

- Venggatarao has more than 10 years of management experience in the aviation industry, in cross-functional roles across network and fleet planning
 - Started his career with SINGER Sdn Bhd as an internal auditor, 1996
 - Joined AirAsia Berhad as a Scheduling Executive, 2005
 - Moved to AirAsia X in 2006 as a Scheduling and Network Executive
 - Promoted to Manager of Network and Scheduling in 2010, while also overseeing the charter and leasing business
 - Appointed Head of Network Management in 2013 and subsequently Head of Network and Regulatory in 2015

Qualifications and Professional Membership:

- Diploma in Business Administration from Seremban's Negeri College

Awards/Recognition:

- Best Network Performance Award (Airline Category) by World Routes Award
- 10 Years Long-Service Award

Declaration:

- No family relationship with any other Director and/or major shareholder of AirAsia X
- No conflict of interest with AirAsia X
- No conviction for any public sanction during the financial year ended 31 December 2016 or penalty imposed by the relevant regulatory bodies and offences within the past 5 years other than traffic offences, if any
- He/She has no directorship in public companies



WONG OOI LING

Head of Corporate Quality and Assurance

Age: 46
Gender: Female
Nationality: Malaysian

Responsibilities:

- Ensures core business processes necessary for meeting business objectives are established, implemented and documented
- Provides support to business units in process development and continual improvement

Experience:

- Audit and Assurance, PricewaterhouseCoopers, 1995-2000
- Manager in Corporate Planning, EON Bank Berhad, 2000-2003
- Vice President of Group Management Services and PMO, EON Bank Berhad, 2003-2007
- Senior Manager in Planning, Broadcast and Operation Division, Measat Broadcast Network Systems Sdn Bhd (Astro), 2007-2013
- Senior Manager in GST PMO, DRB-HICOM Group, 2014-2016

Qualifications and Professional Membership:

- Bachelor of Business (Accounting), Monash University, Australia
- Member of the Malaysian Institute of Accountants (MIA)

Declaration:

- No family relationship with any other Director and/or major shareholder of AirAsia X
- No conflict of interest with AirAsia X
- No conviction for any public sanction during the financial year ended 31 December 2016 or penalty imposed by the relevant regulatory bodies and offences within the past 5 years other than traffic offences, if any
- He/She has no directorship in public companies

Profiles of the Leadership Team



EDDIE TAN

Line Operations Manager

Age: 44
Gender: Male
Nationality: Malaysian

Responsibilities:

- Oversees and manages all overseas stations including the set up of new stations
- Manages ground handling related contracts
- Ensures accurate and timely execution of all processes and procedures to maintain the highest level of quality

Experience:

- Eddie has more than 25 years of management experience handling operations in the aviation industry
 - Started his career with Singapore Airlines Limited as a Passenger Services Agent, 1992
 - Moved to All Nippon Airways Co, Limited as Traffic and Flight Operations Officer, 1995
 - Joined AirAsia as a Station Manager, Kuching, 2005
 - Transferred to Kuala Lumpur Hub (LCCT) as a Station Manager, 2006
 - Served AirAsia X as Station Manager, Kuala Lumpur, 2010
 - Appointed as Line Operations Manager, 2014

Qualifications and Professional Membership:

- Tertiary studies - Beaufort College, Western Australia

Awards/Recognition:

- 10 Years Long-Service Award with AirAsia Group

Declaration:

- No family relationship with any other Director and/or major shareholder of AirAsia X
- No conflict of interest with AirAsia X
- No conviction for any public sanction during the financial year ended 31 December 2016 or penalty imposed by the relevant regulatory bodies and offences within the past 5 years other than traffic offences, if any
- He/She has no directorship in public companies



AZAHAR OTHMAN

Ramp Manager

Age: 59
Gender: Male
Nationality: Malaysian

Responsibilities:

- Ensures that ramp services, loading and unloading of aircraft, transport services, weight and balance, ground equipment and mishandled load, are carried out according to company procedures and established standards
- Represents the department at meetings with airport authorities and other in-house departments in matters involving ramp handling

Experience:

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

Qualifications and Professional Membership:

- Malaysia Certificate of Education

Declaration:

- No family relationship with any other Director and/or major shareholder of AirAsia X
- No conflict of interest with AirAsia X
- No conviction for any public sanction during the financial year ended 31 December 2016 or penalty imposed by the relevant regulatory bodies and offences within the past 5 years other than traffic offences, if any
- He/She has no directorship in public companies



HANIF IDROSE MOHAMED

Investor Relations Manager

Age: 29
Gender: Male
Nationality: Malaysian

Responsibilities:

- Responsible for the communication of information and insight between the company and the investment community to ensure full appreciation of the company's business activities, strategy and prospects and allows the market to make an informed judgement
- Coordinates shareholder meetings, conferences and investor roadshows, releasing financial data, leading financial analyst briefings, publishing reports as well as leading the production of the company's Annual Report and Annual General Meeting

Experience:

- Started career at Telekom Malaysia Berhad (TM) as Assistant Manager of Investor Relations in November 2011
- Subsequently promoted to Manager of Investor Relations of TM in April 2015
- Joined AirAsia Berhad as Investor Relations Manager in January 2016
- Joined AirAsia X Berhad to spearhead Investor Relations department in July 2016

Qualifications and Professional Membership:

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

Awards/Recognition:

- TM Group CEO Merit Award 2013

Declaration:

- No family relationship with any other Director and/or major shareholder of AirAsia X
- No conflict of interest with AirAsia X
- No conviction for any public sanction during the financial year ended 31 December 2016 or penalty imposed by the relevant regulatory bodies and offences within the past 5 years other than traffic offences, if any
- He/She has no directorship in public companies

WORLD CLASS HALAL FOOD SERVICES PROVIDER

"Brahim's SATS Food Services the premier food service solutions provider at Kuala Lumpur International Airport & Penang International Airport."

AIRLINE CATERING

"Serving over 30 international airlines including Malaysia Airlines, Emirates, Air Asia X, Malindo Air, Cathay Dragon, British Airways, Turkish Airlines, Vietnam Airlines, China Airlines, Japan Airlines, Garuda Indonesia, Korean Air, Pakistan International Airlines, Uzbekistan Airways, Mahan Air, Lucky Air, Myanmar Airways International, FedEx, Air Mauritius, Oman Air, Cargolux, Nepal Airlines, Ethiopian Airlines, Royal Malaysian Air Force, Iraqi Airways, Xiamen Air, All Nippon Airways, Himalaya Airlines, Silkway West and Eva Air."

AIRPORT LOUNGE

Emirates Lounge

TRAIN CATERING

ETS KTMB

CONVENIENCE STORE

7 Eleven
Toast Box

INSTITUTIONAL CATERING

Universiti Kebangsaan Malaysia

EVENT CATERING

Covers Klang Valley



AirAsia X Thailand



**CAPTAIN PITTINUN
INTARASAK**

Head of Flight Operations

**KRIRKWOOT
BOONSORN**

Head of Engineering

**PHAIRAT
PORNPATHANANGOON**

Chief Financial Officer





LEADERSHIP TEAM



AIRASIA GROUP

TEAM



NADDA BURANASIRI
Chief Executive Officer



MATANA THIENTHONG
Head of Commercial



NITIROTE KITCHAROEN
Head of Group Operations



AirAsia X Indonesia

LEADERSHIP

TEAM

RACHMAD

Director of Maintenance & Engineering

CAPTAIN SULISTYO NUGROHO HANUNG

Acting Chief Executive Officer/
Director of Flight Operations



LEADERSHIP TEAM

INSURANCE MADE EASY



Click, Buy, Protect and enjoy rebates up to 25% when you buy insurance online.

We protect you from motor accidents to travel inconvenience and more.

tuneprotect.com

Dear Shareholders,

Thank you for allowing me
this opportunity to introduce
our Financial Year 2016
Annual Report. As I pen this
statement each year, I try to
do so with the candour and
respect that I believe we
should accord to our various
stakeholders.

BENYAMIN ISMAIL
CEO

CEO'S

MANAGEMENT DISCUSSION & ANALYSIS



We began our transformation journey in 2015, when I had just joined AirAsia X. The challenge we faced was enormous, yet under the guidance of a great mentor in Datuk Kamarudin Meranun, our Group CEO, together with my colleagues, we spent long hours to identify key opportunities and critical areas of improvement, and subsequently implemented a multi-pronged turnaround plan. After two years, we have successfully turned the tide. The year 2016 will go down in our annals as the first year post-IPO that we made a full-year profit, on the back of a run of five consecutive quarters of profit which stretches back to 4Q15.

These achievements are impressive by any standards; to have come in the midst of a soft global economy and depreciated Ringgit, they felt even sweeter. Just as heartwarming was to see how our Allstars truly embraced the challenges we faced and worked together, as one determined team, to translate our turnaround strategy into reality. This plan was as extensive as it was comprehensive; but by adhering to the countless initiatives outlined, we were able to achieve the successes we did. Succinctly, our aim was to increase our revenue, reduce our costs and build our cash position.

Operating in a less than rational market, in 2015 we made the strategic decision to reduce our capacity and, in 2016, started to build it back again. We launched a new route to Auckland; resumed the New Delhi and Tehran routes as well as the Chongqing route which we had earlier ceded to AirAsia; and increased the frequency of flights to eight destinations. As of April, we started to ramp up our frequencies to Australia, China and Japan, aiming for 14 flights a week to Melbourne, Perth and Taipei; 11 flights a week to Sydney, Beijing and Shanghai; nine weekly flights to Osaka; and five weekly to Sapporo. Our new flights and increased frequencies were well received, allowing us to see a four percentage point increase in passenger load for the year to 79%.

We were particularly pleased with the China market, which was our star performer. As at end 2016, we were flying to six destinations in China, with flight loads averaging in the 80s percentage-wise. What has been impressive is filling our return flights from this market, something not many other airlines have been able to do.

Together with the AirAsia Group, we are the largest low-cost carrier in China. In 2016, the number of guests carried to and from this market increased 22%, while revenue increased 43%. China was also our top Fly-Thru contributor, accounting for 20% of all AirAsia X's connections. To further build this market, in March 2017, we launched another destination: Wuhan.

In Australia, we concentrated on re-building the capacity we had taken out in 2015, and are doing very well on this front. The launch of flights to Auckland in March has been particularly gratifying, allowing us to capture not only demand from Malaysians wanting to fly to 'the City of Sails', but also serving popular weekend traffic between Auckland and the Gold Coast. Starting with thrice weekly flights, we ended the year with 11 flights a week. This has been our first 'tag flight' (or one-stop route), and we believe we have found the right market for it.

We have also been able to grow our ancillary business, injecting some creativity into more targeted products such as market-specific inflight menus. We have refreshed our Xcite inflight entertainment offering with better tablets which allow for an enhanced viewing experience, and introduced a wider selection of movies. On 2 September 2016, we launched the Group's AirAsia Premium Red Lounge at klia2, presenting 24-hour services and facilities such as a buffet, wireless internet access, a lounge area, workstations and even showers. We feel proud of the lounge which is one of the first in the world to be offered by a low-cost carrier (LCC), and feel sure a good number among our more than 5,000 transit guests a day will make the most of the opportunity to use the facilities available for an infinitely more pleasurable travel experience. The lounge can accommodate up to 110 guests at any one time.

On top of these offerings, we also increased our baggage and seat fees, and managed to grow our ancillary revenue by 35% year-on-year to RM642.7 million.

In terms of efficiency, we have seen some positive results from efforts to reduce our cost of fuel, such as minimising unnecessary weight on our aircraft and fuel tankering. We have also been successful in increasing our aircraft utilisation, and maximising asset profitability. Just as significantly, we have stood to benefit from the creation of added synergies with the AirAsia Group through the sharing of resources and certain functions, as well as from greater bargaining power in the procurement of aircraft and components, in leasing, financing contracts and the purchase of fuel.

These efforts, together with the drop in fuel price, led to a steady decline in our cost per available seat kilometre (CASK) from 13.75 sen in the 2015 to 12.87 sen in 2016, dropping 6% year-on-year and further entrenching AirAsia X as the world's lowest unit cost long-haul LCC. Our CASK is consistently about 50% lower than 10 of the world's largest full-service carriers.

To support our capacity growth, we took delivery of four Airbus A330 aircraft during the year, one of which was channelled to our associate in Thailand. These, however, were on operating lease hence allowed us to continue building our cash position, ending the year with RM422.0 million in cash and bank balances.

More details of our financial and operational performance are presented in the Management Discussion & Analysis in the following pages.



Ancillary revenue grew by 35% year-on-year to

RM642.7
million

CEO's Management Discussion & Analysis

OVERVIEW OF GROUP'S BUSINESS AND OPERATIONS

AirAsia X Group provides long-haul low-cost air transportation services focusing on the Australasia and North Asia markets. This core business is supported by the provision of freight and charter services.

The financial year ended 31 December 2016 (FY2016) was historic for AirAsia X, during which turnaround efforts that had begun two years previously began to be reflected in increasingly efficient operations, accompanied by a spectacular financial performance. This was particularly significant given it was achieved within a challenging macro-environment that included prolonged weakening of the Ringgit, heightened competition and slower economic growth in China. This prompted us to reassess our strategies in order to strengthen our fundamentals and place AirAsia X on a stronger financial footing for sustainable growth.

Our proactive approach enabled us to close the year with a record-breaking revenue of RM4.0 billion and first-ever net profit after tax of RM210.3 million since our initial public offering (IPO) in mid-2013.

Key metrics

	FY2016	FY2015
Revenue (RM'000)	4,006,534	3,062,553
EBITDAR (RM'000)	1,244,478	813,422
Net Profit (RM'000)	210,314	(349,616)
Total Assets (RM'000)	4,490,290	4,182,297
Return on Total Assets (%)	4.7	(8.4)
Return on Shareholders' Equity (%)	19.9	(55.3)

REVIEW OF FINANCIAL RESULTS AND FINANCIAL CONDITION

AirAsia X Group reported a profit before tax (PBT) of RM260.1 million for FY2016, a vast improvement from the recorded loss before tax of RM446.5 million in FY2015, and a record result since the airline's inception in 2007.

Profit before tax :
RM260.1
million

Loss before tax :
RM446.5
million



Revenue from scheduled flights increased by

50.5%

from RM1.68 billion in FY2015 to RM2.53 billion in FY2016.

Group's load factor improved by four percentage points year-on-year from

75% to **79%**

Income from Aircraft Operating Lease grew by

60.6%

from RM274.0 million to RM440.1 million

GROUP'S EARNINGS

Revenue

Revenue from scheduled flights increased by 50.5% from RM1.68 billion in FY2015 to RM2.53 billion in FY2016. This was due mainly to a 29.7% increase in the number of guests carried, from 3,613,537 guests in FY2015 to 4,688,077 guests. We were able to accommodate more guests as a result of enhancing our seat capacity, which grew 22.4% from 4,848,974 seats in 2015 to 5,935,111 seats. Seat capacity was matched by demand, as the Group's load factor improved by four percentage points year-on-year from 75% to 79%. Along with a more rational market, meanwhile, the average base fare also increased, by 9.5%, from RM493 to RM540.

The overall increase in revenue was also supported by ancillary services, which saw a significant 34.9% jump in revenue from RM476.4 million in FY2015 to RM642.7 million. Average ancillary revenue per passenger also increased, by 3.8%, from RM132 to RM137.

Meanwhile, as a result of a conscious decision to reduce our Charter activities, revenue from Charter flights decreased by 39.6% year-on-year from RM421.7 million to RM254.7 million. This loss was partially compensated for by Freight and Cargo, and Aircraft Operating Lease. The former saw a 25.5% increase in revenue from RM107.5 million to RM134.9 million due to higher tonnage transported; while income from the latter grew by 60.6% from RM274.0 million to RM440.1 million as a result of additional aircraft being leased.

Expenditure

Aircraft Operating Lease expenses increased by 19.8% from RM706.1 million in FY2015 to RM846.0 million due to the increase in number of operating leased aircraft and also the Ringgit's depreciation against the US Dollar.

Maintenance and Overhaul expenses also increased, by 24.7%, from RM496.8 million to RM619.3 million, reflecting an expanded fleet size as well as the Ringgit's depreciation.

In addition, as a result of the overall increase in number of sectors flown, User Charges payable to the airports increased by 16.9% from RM395.1 million to RM461.7 million year-on-year.

Aircraft Fuel expenses remained relatively stable, at RM1.12 billion as compared to RM1.02 billion in 2015. This was despite a 27.8% hike in fuel consumption from 3,455,760 barrels to 4,418,063 barrels in line with an increased number of sectors flown, given the 19.7% decrease in fuel price from USD76/bbl in 2015 to USD61/bbl in 2016.

The Group also saw a decrease in depreciation costs by 21.6% from RM144.8 million to RM113.5 million as there was no depreciation charge on non-current assets held for sale.

Other operating expenses increased by 82.9% from RM137.4 million in 2015 to RM251.3 million, primarily due to foreign exchange gains recognised in 2015. Furthermore, the Group had in 2016 written off fixed assets valued at RM27.5 million, and further impaired receivables of RM11.6 million.



Aircraft Fuel expenses up by

9.8%

from RM1.02 billion in 2015 to RM1.12 billion

Aircraft Operating Lease expenses increased by

19.8%

from RM706.1 million in FY2015 to RM846.0 million

Maintenance and Overhaul expenses increased by

24.7%

from RM496.8 million to RM619.3 million

Profit & Loss Summary	FY2016 RM million	FY2015 RM million	YoY %
Revenue	4,006.5	3,062.6	30.8
Total Operating Expenses	3,777.6	3,216.9	17.4
EBITDAR	1,244.5	813.4	53.0
Operating Profit/(Loss)	284.9	(37.4)	>100
Net Operating Profit/(Loss)	259.8	(101.8)	>100
Profit/(Loss) Before Tax	260.1	(446.5)	>100
Taxation	(49.8)	96.9	(100)
Profit/(Loss) After Tax	210.3	(349.6)	>100
Basic EPS (sen)	5.1	(10.4)	>100

Revenue	FY2016 RM'000	FY2015 RM'000	YoY %
Scheduled Flights	2,532,543	1,682,740	50.5
Charter Flights	254,720	421,662	(39.6)
Fuel Surcharge	-	98,861	(100.0)
Freight and Cargo	134,913	107,508	25.5
Ancillary Revenue	642,715	476,407	34.9
Aircraft Operating Lease Income	440,134	274,014	60.6
Management Fees	1,509	1,361	10.9
	4,006,534	3,062,553	30.8

CEO's Management Discussion & Analysis

GROUP'S FINANCIAL POSITION

The Group has strengthened its cash position notably, from a balance of RM310.8 million in 2015 to RM422.0 million in 2016. The increase in deposits, cash and bank balances was achieved in spite of 92.9% of the Group's financial liabilities being denominated in foreign currencies at a time when the Malaysian Ringgit had depreciated in valueⁱ.

Meanwhile, shareholders' equity has also strengthened from a balance of RM631.8 million in 2015 to RM1.06 billion in 2016, largely due to net profits recognised in 2016 of RM210.3 million and fair value movements on cash flow hedges of RM214.2 million. The fair value change on cash flow hedges was primarily attributable to fair value changes on fuel hedges.

The value of the Group's total assets increased by 7.4% from RM4.2 billion to RM4.5 billion. This was due to an increase in non-current deposits and prepayments (+RM97.6 million), inventories (+RM10.2 million), intercompany balances (+RM122.1 million), derivative financial instruments (+RM134.7 million), and deposits, cash and bank balances (+RM111.2 million). However, this was partially offset by the decrease in property, plant and equipmentⁱⁱ (-RM121.5 million), deferred tax assets (-RM50.0 million) and trade and other receivables (-RM2.6 million).

Total Group liabilities decreased by 3.3% from RM3.6 billion to RM3.4 billion. This was mostly due to the repayment of borrowings during the year (-RM212.6 million), derivative financial instruments (-RM115.2 million) and intercompany balances (-RM20.4 million). However, this was cushioned by the increase in sales in advance (+RM43.7 million), trade and other payables (+RM29.2 million), and non-current other payables and accrualsⁱⁱⁱ (+RM214.4 million).

The value of the Group's total assets increased by

7.4%

from RM4.2 billion to RM4.5 billion

Total Group liabilities decreased by

3.3%

from RM3.6 billion to RM3.4 billion

Balance Sheet Summary	FY2016 RM'000	FY2015 RM'000	YoY %
Deposit, Cash & Bank Balances	422,021	310,789	35.8
Total Assets	4,490,290	4,182,297	7.4
Total Borrowings	1,160,326	1,429,087	(18.8)
Shareholders' Equity	1,056,885	631,807	67.3
Net Debt	738,305	1,118,298	(34.0)
Net Gearing (x)	0.70	1.77	(60.5)

CAPITAL STRUCTURE AND CAPITAL RESOURCES

The Group's borrowings decreased by 18.8% in 2016, as was planned subsequent to the renounceable rights issue of new ordinary shares with free detachable warrants in 2015. This effectively reduced the Group's net gearing from 1.77x to 0.70x in 2016^{iv}.

The Group remains prudent in maintaining a sound financial position that enables the execution of our strategic objectives in creating value over the coming years.



The Group's borrowings decreased by

18.8%

in 2016

The Group's net gearing decreased from

1.77x

to

0.70x

in 2016

REVIEW OF OPERATING ACTIVITIES

As per our quarterly announcements to Bursa Malaysia, the reportable operating segments of the Group have been identified as North Asia, Australasia and Others.

- North Asia has been the main revenue generator, accounting for 51% of total revenue in FY2016. Revenue from this segment grew 38% year-on-year on the back of continuous capacity injection as well introduction of new routes to meet healthy demand.
- The Australasia segment remained resilient in 2016, accounting for 34% of total revenue. Revenue grew 47% year-on-year, mainly due to disciplined capacity management and introduction of the Auckland route. Improved showing in FY2016 has resulted in a lower loss before tax of RM13.3 million as compared to loss before tax of RM126.6 million in FY2015.
- Revenue from the Others segment declined in FY2016 to RM588.6 million from RM649.5 million in FY2015 in line with management's strategy to realign the charter and leasing business in order to focus more on scheduled flights.

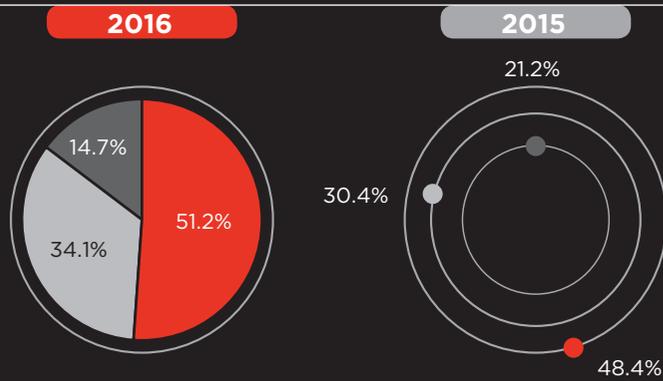
ⁱ Refer to Note 31(a)(iii) of the financial statement for the currency exposure of financial assets and financial liabilities.

ⁱⁱ Property, plant and equipment referred to here includes non-current assets held for sale.

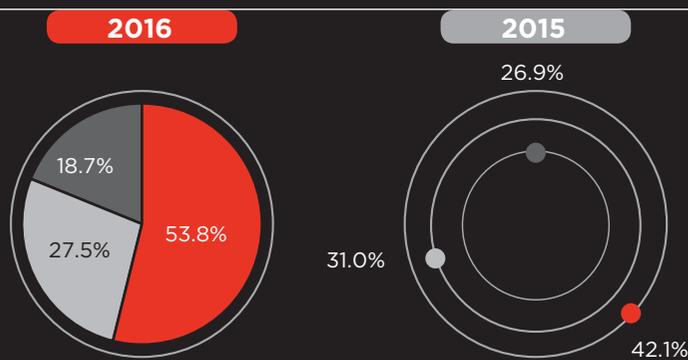
ⁱⁱⁱ Non-current other payables and accruals comprise mainly of aircraft maintenance provision.

^{iv} Net Gearing is calculated as net debt (total borrowings less deposits, cash & bank balances) over shareholders' equity.

REVENUE (RM'000)

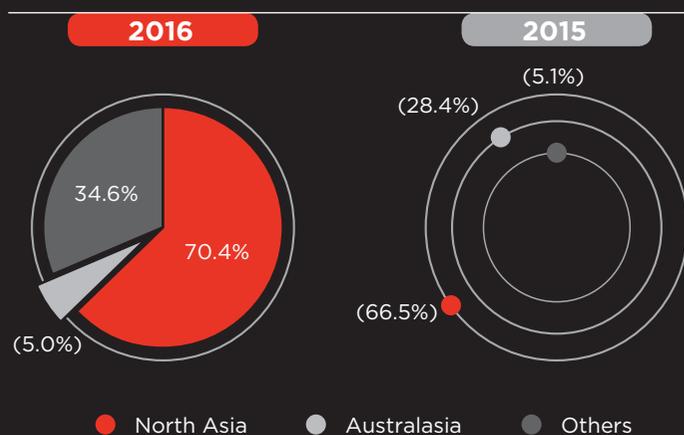


EBITDAR¹ (RM'000)



¹ EBITDAR represents earnings before finance cost, taxation, depreciation, amortisation, and aircraft rental expenses

PROFIT BEFORE TAX/(LOSS BEFORE TAX) (RM'000)



● North Asia ● Australasia ● Others



We have also been able to grow our ancillary business, injecting some creativity into more targeted products such as market-specific inflight menus.

ANTICIPATED OR KNOWN RISKS

AirAsia X faces many uncertainties which are inherent in the business of a scheduled air operator. As taking risks is part of being in business, it is the responsibility of every Allstar to practise good risk management by having internal controls which are not only efficient but also carry acceptable levels of risk to safeguard the company's assets and mitigate the impact of any negative outcomes.

We have performed a robust and systematic review of those risks that we believe could seriously affect the company's performance, future prospects or reputation. Our process for identifying and managing risk is set out in more detail in the Statement of Risk Management & Internal Control, page 148. The risks described below could have a material adverse effect separately, or in combination, on our operational performance, earnings, cash flows or financial condition. The risks identified do not comprise all the risks associated with our business and are not set out in any particular order of priority. Additional risks not presently known to management, or currently deemed to be less material, may also have an adverse effect on the business. Financial and operational risks are described in more detail on page 80 of this annual report.

CEO's Management Discussion & Analysis

RISK DESCRIPTION AND MITIGATION

Increased competition in the airline industry

Irrational competition arising from existing and/or new competitors undercutting fare prices and increasing capacity on common routes could cause a loss of market share and erosion of revenue.

To minimise the impact of competition in the industry, we ensure the cost of doing business is maintained in accordance with the company's business strategy.

The Company's business strategy entails a comprehensive annual planning and budgeting exercise – when the business strategies and cost saving initiatives of each department are developed, followed by regular monitoring of performance. These cost saving initiatives include route optimisation based on the approved strategic planning, which consequently expands our market share.

Potential changes and non-compliance of legal and regulatory requirements

The airline industry is highly-regulated, requiring operating licenses and multiple approvals across many national authorities in each country destination.

Potential changes in law, regulations and legislative decisions could have an operational impact on the airline industry or impose charges levied by government or regulators which are outside of our control and result in an adverse financial impact.

Non-compliance of legal and/or regulatory requirements could compromise our business operations in certain or all jurisdictions and exposes us to potential fines, penalties, punitive government measures or enforcement orders and reputational damage.

AirAsia X has an in-house legal team to advise on legal issues and developments, and to monitor compliance with formal regulatory requirements.

We ensure our Allstars are aware of the behaviours expected of them. Training and awareness programmes are conducted regularly by Group Talent reinforcing our ethical culture across the organisation. In addition, we have a Code of Business Conduct for ready reference by all employees.

Fuel price volatility

Fuel cost is impacted by jet fuel prices which are volatile. Any sudden and/or significant increase in jet fuel price would have an adverse effect on our financial performance.

Group Treasury organises Financial Risk Management Committee Meetings on a monthly basis. These are attended by senior management representing the company and our affiliates, who discuss critical areas of financial risks including fuel price volatility.

A Board-endorsed hedging policy on fuel requirements is in place and consistently applied.

Cyber security threats

Any breach in cyber security may affect the storage of highly sensitive information relating to the Group's commercial performance and flight operations, as well as personal customer data and other sensitive information. This could hamper our competitive advantage, adversely affecting our business and reputation.

Our systems are secured with access controls, while regular vulnerability and penetration testing provide additional security. Periodic reviews and compliance assessments are executed to ensure conformance to globally accepted IT security standards.

Group ICT regularly strengthens our data-related controls as part of a significant IT security improvement programme. The strengthening includes enhanced information security policies and governance, review of defence measures against attacks and continued migration away from unsupported systems.

Failure of critical IT system

The Group relies heavily on key IT systems and network availability to operate as an airline.

Any IT system or network failure could cause a major disruption and have an adverse reputational, financial and operational impact on the Group.

We have in place system controls, disaster recovery and business continuity arrangements to mitigate the risk of critical system failure.

Critical systems are hosted across data centres which are in distinct locations with failover arrangements. The latter are reviewed and tested regularly to identify areas for improvement.

Major safety incident

Airline safety is subject to many risks which are beyond the full control of an operator, such as weather conditions, pandemics and acts of terrorism.

Aircraft incidents (eg MH370, MH17 and QZ8501) have adversely affected the safety reputation of airlines in the region. Our business and reputation could be adversely affected if we fail to prevent a major safety incident/accident or deal with a safety related issue effectively.

Our Safety Management System (SMS) provides a structured approach to control safety risks in operations. The Safety Review Board (SRB) meets every quarter and acts as a platform to develop our strategic safety direction, while the Safety Action Group (SAG) deals with implementation issues to satisfy the strategic directives of the SRB.

Safety promotion initiatives such as SMS Awareness Training, Emergency Response Training, Basic OSHA Training and Hazard Identification and Risk Management (HIRA) Training are provided to all staff throughout the year.

The newly improved safety reporting system enables more timely and consistent analyses of captured data.

Foreign currency risk

Fluctuation in the foreign currency exchange rates impact our financial position and cash flows. Exposure arises due to exchange rate fluctuations between Malaysian Ringgit and other currencies generated from AirAsia X's revenue earning (eg US Dollars, Euro, Australian Dollar, Indian Rupee, Chinese Yuan, Japanese Yen, etc.) and borrowing activities. Long term debt obligations, for instance financing of aircraft purchase and pre-delivery payment of Airbus A330-300 aircrafts, are mainly denominated in US Dollars and others in Malaysian Ringgit.

These exposures are managed, to the extent possible, by natural hedges that arise when payments for foreign currency payables are matched against receivables denominated in the same foreign currency, or whenever possible by intragroup arrangements and settlements. The senior management across the AirAsia Group discusses this matter regularly at monthly financial risk management committee meetings and AirAsia's Group Treasury provides advisory service on the suitability of the hedging strategy and jointly evaluates the strategy together with AirAsia X's management when required.

CEO's Management Discussion & Analysis



We began the year 2017 on a very positive note, with the announcement in February of flights to Hawaii starting from 28 June 2017. And Hawaii is just the beginning. We would like to explore a further range of options in the US as well as return to Europe. With the more fuel-efficient and bigger capacity new engine option (neo) Airbus aircraft that we will be receiving from 2018 onwards, holidays in Europe will no longer be wishful thinking for our guests. They will be very real options. In addition to dream destinations, we will continue to stimulate demand for underserved routes, as we have done countless times in the past, with the Gold Coast, Chengdu, Sapporo, Hangzhou...

To further drive revenue, we will increase awareness of the Premium Red Lounge and introduce attractive offers to promote it, while pressing on with initiatives to increase our ancillary revenue. We believe there is potential to come up

with more innovative seat options, such as 'twin seats' that would give guests greater privacy, as well as to further enhance our inflight entertainment, and whet greater appetite for our award-winning Santan meals.

As we do this, we will as always keep a sharp eye on costs, trimming as much as we can through even greater aircraft utilisation, better terms with vendors through re-negotiated deals, and countless other ways that we will discover as we journey on. Productivity and cost management have been our mantras, and will continue to drive many of our strategic initiatives.

Having been through a difficult few years and achieved what we have in 2016, morale among our Allstars is high, and justifiably so. It is fantastic to feel the energy and enthusiasm of our wonderful team here at RedQ. However, our work is not



done. In fact, it will never be done. While our aspirations remain ambitious, we will need to create a good balance between profitability, resilience and efficiency, especially in the current challenging operating environment. There will always be more routes to carve out, more travel dreams to fulfil. This will keep us planning and innovating not just in 2017 or even the next five years, but for an indefinite number of years.

On behalf of the management of the Company, I would like to record my deepest appreciation to our stakeholders, particularly to our shareholders, guests, investors and regulators for being with us through both the good and challenging times. To our Board members, my sincere gratitude for the insight and counsel provided to the Company.

Thank you.

Hawaii will be the game-changing destination we have all been waiting for, hence let me phrase like how the Hawaiians would say,

**HELE ME KAHAU'OLI
- GO WITH JOY.**





BUSINESS MODEL

AIRCRAFT CONFIGURATION

High seat density - 377 seats per aircraft (12% more than manufacturer's configuration).

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

YOUNG & EFFICIENT AIRCRAFT TYPE

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

HIGH AIRCRAFT UTILISATION AND OPERATIONAL EXCELLENCE

Aircraft utilisation of 14.5 hours per day
75-90 minutes turnaround time

LOW DISTRIBUTION COST

70% sales via Internet

INNOVATIVE FUEL MANAGEMENT

Aircraft weight optimisation:

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

Flight operations optimisation:

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

ECONOMIES OF SCALE - PROVIDES GOOD COST SAVINGS

Discount on aircraft and engine purchase

Fleet flexibility due to good relationship with Airbus

Strong bargaining power with vendors

Manpower merger with AirAsia Group

Leverage on AirAsia brand, technology infrastructure and network.

Fuel contracts negotiated together with AirAsia Group for better pricing.

PEOPLE

No UNIONS

High productivity - multi-tasking, interchangeable roles

Highly experienced, hands-on management team

ATTRACTIVE FARES

Fares at least 30% lower than FSCs.



Air Asia



airasia x business model since

2007

asia.com

IATA
D7

ICAO
XAX

CALL SIGN
XANADU



Founded:

2007

Company Slogan:

Now Everyone Can Fly Xtra Long

Affiliates:

AirAsia X Thailand
AirAsia X Indonesia

Airport:

Kuala Lumpur International
Airport 2, Sepang, Malaysia (KUL)

Don Mueang International Airport,
Bangkok, Thailand (DMK)

Denpasar International Airport,
Bali, Indonesia (DPS)
also known as
Ngurah Rai International Airport

AirAsia X Crew

Around The World





CONNECT YOUR A350 TO OUR MRO-AIRLINE ADAPTIVENESS®



AFI KLM E&M is the only MRO to form part of an airline group that has ordered A380s, 787s and A350s. On the strength of this unique expertise, AFI KLM E&M has been shaping its industrial development program ever since the A350's maiden flight. As a result, your own A350 can now reap the benefits of AFI KLM E&M ADAPTIVENESS®. ADAPTIVENESS® is our response to the changing MRO business environment. It means partnering with you and providing vital support through change and daily challenges, in a spirit of continuous improvement. If you seek efficient MRO solutions for your A350 leading to optimized MTBRs and overall performance, talk to us about ADAPTIVENESS®.

Five-Year Financial & Operational Highlights

For the Year Ended 31 December
(RM million, unless otherwise stated)

	2012	2013	2014	2015	2016
Income Statement (in RM'mil)					
Revenue	1,967	2,308	2,937	3,063	4,007
Total operating expenses	1,925	2,297	3,304	3,217	3,778
EBITDAR	308	339	342	813	1,244
EBITDA	156	152	5	107	398
(LBIT)/EBIT	49	31	(176)	(37)	285
(Loss)/Profit before tax	38	(212)	(605)	(446)	260
Net (loss)/profit	34	(88)	(519)	(350)	210
Balance Sheet (in RM'mil)					
Deposits, cash and bank balances	174	263	127	311	422
Total assets	2,428	4,002	3,736	4,182	4,490
Net debt (total borrowing - deposits, cash & bank balances)	1,218	1,733	1,452	1,118	738
Shareholders' equity	581	1,236	704	632	1,057
Cash flow statement (in RM'mil)					
Net cash generated from/(used in) operating activities	(37)	189	(53)	(13)	341
Net cash generated from/(used in) investing activities	(60)	(1,309)	392	297	(19)
Net cash generated from/(used in) financing activities	154	1,156	(483)	(114)	(194)
Net cash flow	57	37	(143)	170	128
Consolidated financial performance (%)					
Return on total assets	1.4	(2.2)	(13.9)	(8.4)	4.7
Return on shareholders' equity	5.9	(7.1)	(73.8)	(55.3)	19.9
ROCE (EBIT/(Net debt + equity))	2.7	1	(8.2)	(2.1)	15.9
EBITDAR margin	15.7	14.7	11.6	26.6	31.1
EBITDA margin	7.9	6.6	0	3.5	9.9
(LBIT)/EBIT margin	2.5	1.3	(6.0)	(1.2)	7.1
(Loss)/Profit before tax margin	1.9	(9.2)	(20.6)	(14.6)	6.5
Net (loss)/profit margin	1.7	(3.8)	(17.7)	(11.4)	5.2
Consolidated operating statistics (AirAsia X Malaysia)					
Passengers carried	2,580,946	3,161,456	4,230,952	3,613,537	4,688,077
Capacity	3,072,981	386,480	5,150,574	4,848,974	5,935,111
Load factor (%)	84	82	82	75	79
RPK (million)	13,601	15,857	20,817	17,552	23,188
ASK (million)	16,231	19,309	25,374	23,388	29,343
Average aircraft utilisation (hours per day)	14.2	13.2	12.6	14.1	13.5
Average fare (RM)	555	525	469	493	540
Ancillary revenue per pax (RM)	142.4	145	139.4	131.8	137.10
Revenue per ASK (sen)	12.00	12.06	11.97	13.13	13.68
Revenue per ASK (USc)	3.88	3.83	3.66	3.37	3.30
Cost per ASK (sen)	11.56	11.98	12.91	13.75	12.87
Cost per ASK (USc)	3.74	3.80	3.94	3.53	3.11
Cost per ASK - excluding fuel (sen)	5.86	6.28	6.92	9.38	9.07
Cost per ASK - excluding fuel (USc)	1.90	1.99	2.11	2.40	2.19
Size of fleet at year end	11	19	26	27	30
Average stage length (km)	5,306	5,002	4,927	4,761	4,944
Sectors flown	8,187	10,240	13,662	13,033	15,743
Fuel consumed ('000 barrels)	2,311	2,660	3,657	3,456	4,418
Average fuel price	129.6	131.4	127.0	75.7	61.0
Number of employees at year end for AirAsia X Malaysia	1,300	2,011	2,380	2,204	2,621

Key Performance Indicators

REVENUE

RM4,007mil



31%

2015 : RM3,063mil

EBITDAR

RM1,244mil



53%

2015: RM813mil

NET DEBT

RM738mil



-34%

2015: RM1,118mil

TOTAL ASSETS

RM4,490mil



7%

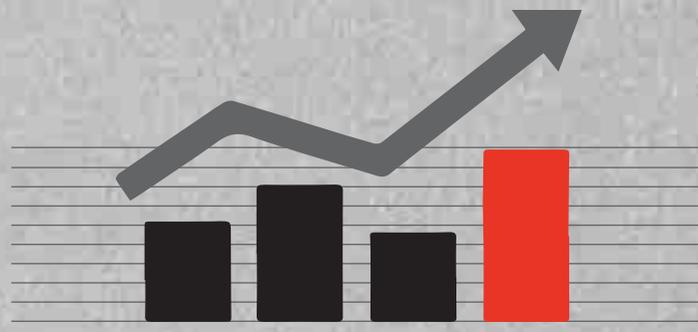
2015: RM4,182mil

RASK (RM)

13.68 sen

2015: 13.13 sen

4%



UTILISATION HOURS

14.5

2015: 15.0

-3%

ASK (mil)

29,343

2015: 23,388

25%

LOAD FACTOR

79%

2015: 75%

4pts

NET OPERATING PROFIT

RM260mil

+>

100%

2015: RM(102) mil

NET PROFIT

RM210mil

+>

100%

2015: RM(350) mil



AVERAGE BASE FARE

RM540

2015: RM493

10%

ANCILLARY REVENUE PER PAX

RM137

2015: RM132

4%

CASK (RM)

12.87 sen

2015: 13.75 sen

-6%

CASK-EX FUEL (RM)

9.07 sen

2015: 9.38 sen

-3%



MARKET CAPITALISATION

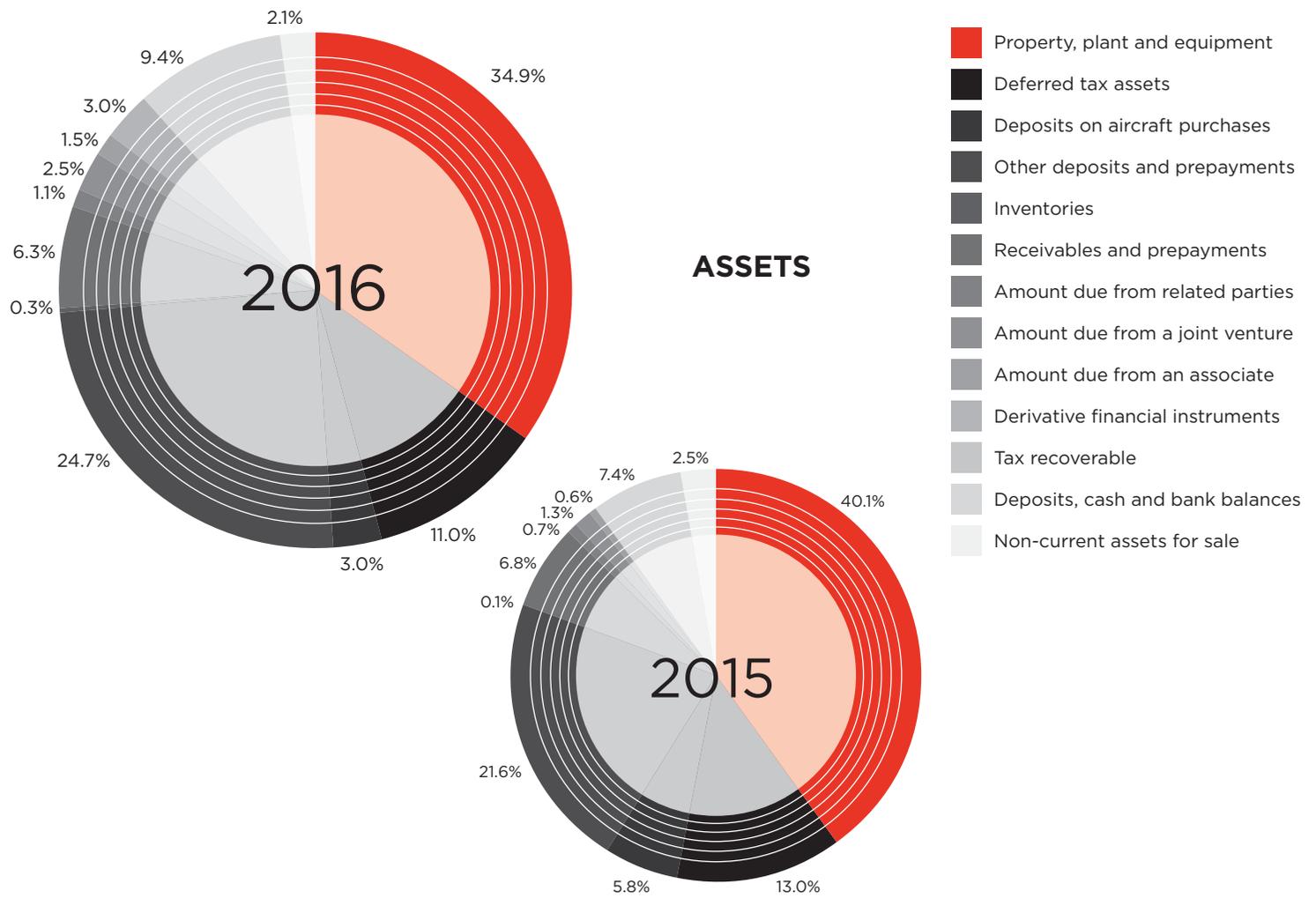
RM1.49bil

2015: RM0.75bil

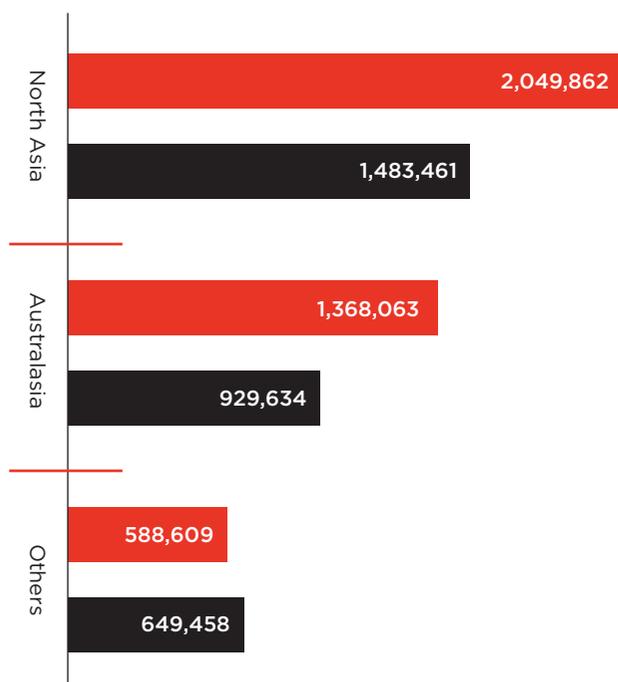


100%

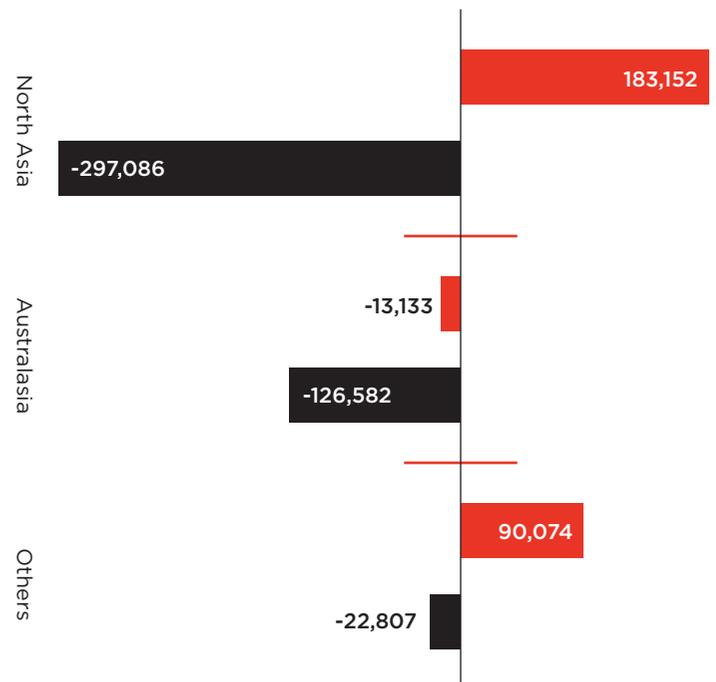
Simplified Group Statement of Financial Position & Segmental Analysis

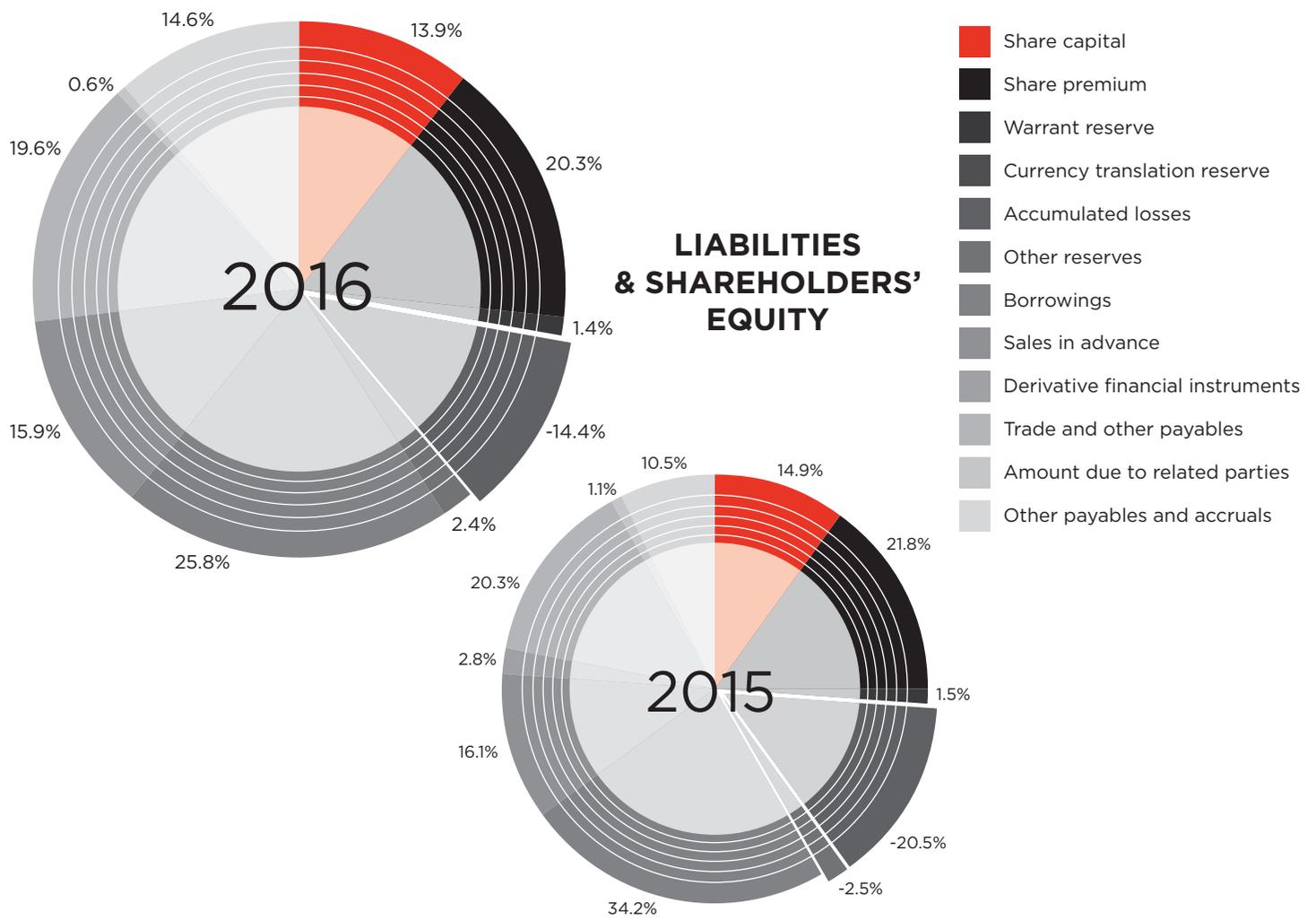


REVENUE
RM'000

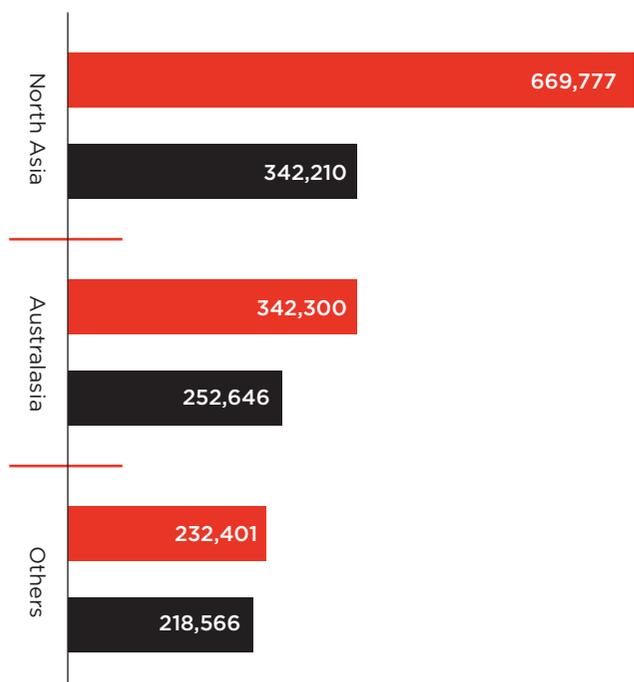


PROFIT BEFORE TAX/(LOSS BEFORE TAX)
RM'000





EBITDAR¹
RM'000



■ 2016 ■ 2015

¹ EBITDAR represents earnings before finance cost, taxation, depreciation, amortisation, and aircraft rental expenses



Shell Aviation

Your reputation

Our reliability

A proud partner of AirAsia



Group Quarterly Financial Performance

2016

1Q

2Q

3Q

4Q

Income Statement (RM'mil)				
Revenue	971	883	982	1,170
EBITDAR	341	261	301	347
Operating Profit/(Loss)	105	20	51	109
Net Operating Profit/(Loss)	96	11	44	110
Profit/(Loss) Before Tax	219	(9)	12	39
Taxation	(39)	10	(1)	(20)
Profit/(Loss) After Tax	179	1	11	19
Basic EPS (sen)	4.3	0.0	0.3	0.5
Balance Sheet (RM'000)				
Deposit, Cash and Bank Balances	239,963	282,157	367,092	422,021
Total Assets	4,194,611	4,170,000	4,265,402	4,490,290
Total Borrowings	1,247,336	1,127,579	1,120,567	1,160,326
Shareholders' Equity	838,353	941,465	959,138	1,056,885
Net Debt	1,007,373	845,422	753,475	738,305
Net Gearing (x)	1.20	0.90	0.79	0.70

Investor Relations



AirAsia X recognises that, as a responsible organisation, we have a duty to maintain an open and honest relationship with our shareholders and the investment community at large.

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

To ensure that the investment community is kept abreast of our strategies, performance and key business activities, we continuously engage with our investors through a planned investor relations programme. In 2016, AirAsia X Investor Relations continued its strategy of diversifying its shareholder base by targeting more emerging market funds preferably with an Asian and/or Asean focus, and long-term funds focused on the aviation sector. We also target prospective investors with exposure in our peers as well as fixed-income investors.

With the aforementioned objectives, AirAsia X reached out to a wider investor audience internationally by participating in six roadshows in the United States of America, the United Kingdom, Hong Kong and Singapore.

Locally, AirAsia X also participated in small group meetings as well as large group presentations organised by local and foreign research houses. We met more than 100 analysts and fund managers throughout 2016. Management shared the Group's strategy and financial performance and received valuable feedback from both current and prospective shareholders.

ANALYST BRIEFINGS FOR QUARTERLY RESULTS ANNOUNCEMENTS

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

ANNUAL GENERAL MEETING



AirAsia X's 10th Annual General Meeting (AGM) was held on 31 May 2016 in Sepang, Malaysia. During the AGM, shareholders were able to raise questions and provide feedback to the Board and Leadership Team. All the proposed resolutions were duly passed by the shareholders.





INVESTOR RELATIONS WEBSITE

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

ANALYST COVERAGE



No	Research House	Analyst
1	Nomura	Ahmad Maghfur
2	Credit Suisse	Muzhafar Mukhtar
3	RHB	Shekhar Jaiswal
4	Public Invest	Nur Farah Syifaa' Mohamad Fu'ad
5	CIMB	Raymond Yap
6	Maybank	Mohshin Aziz
7	Macquarie	Azita Azrene
8	AllianceDBS	Marvin Khor
9	MIDF	Tay Yow Ken
10	AffinHwang	Aaron Kee Jenn Foong
11	Kenanga	Adrian Ng
12	Morgan Stanley	Daniel Lau

SHAREHOLDER BASE

AirAsia X has a diversified shareholder base with

37,142

institutional and private/retail shareholders across the globe as at 31 December 2016.

Our substantial shareholders are :



AirAsia Berhad

13.76%



Tune Group Sdn Bhd

14.29%



Julius Baer & Co. Ltd (Singapore)

5.07%

which together account for

33.12%

holding of the Group

Meanwhile, our foreign shareholding as at 31 December 2016 stood at 15.47%

FEEDBACK



AirAsia X highly values feedback from the investing community. This helps to ensure that we constantly meet their requirements while further improving our relationship with this stakeholder group through direct communication. To further enhance our Investor Relations function, we seek constructive ideas through ongoing engagement with stakeholders as well as provide an avenue through which they may communicate with the team at

aax_shareholder@airasia.com

Investor Relations

INVESTOR RELATIONS EVENTS

As at 31 December 2016

Month	Date	Details	Venue	Type
February	26 February	Announcement of the unaudited results for 4Q15 and FY15	Kuala Lumpur, Malaysia	Analysts' Briefing
April	29 April	Regional Australia Asia Forum	Darwin, Australia	Talk/Speaker
May	24 May	Announcement of the unaudited results for 1Q16	Kuala Lumpur, Malaysia	Analysts' Briefing
	31 May	10th Annual General Meeting	Selangor, Malaysia	AGM
June	08 June	Recipient of Bronze at the Astrid Awards under the Corporate Annual Report (Annual Report 2014: Awesome Team, Amazing Destinations) - Non-Traditional Category	New York, USA	Others
	14-15 June	FC Global Conference	Singapore	Talk/Speaker
	28 June	Challenging the Aviation Status Quo	Perth, Australia	Talk/Speaker
July	19 July	Nomura Non-Deal Roadshow	London, England	Non-Deal Roadshow
	20 July	Nomura Non-Deal Roadshow	Chicago, USA	Non-Deal Roadshow
	21 July	Nomura Non-Deal Roadshow	New York, USA	Non-Deal Roadshow
August	23 August	Announcement of the unaudited results for 2Q16	Kuala Lumpur, Malaysia	Analysts' Briefing
September	07 September	Conglomerate Meeting with MIDA	Kuala Lumpur, Malaysia	Meeting
	23 September	Credit Suisse Non-Deal Roadshow	Kuala Lumpur, Malaysia	Non-Deal Roadshow
	24-27 September	World Route Strategy Summit	Chengdu, China	Talk/Speaker
October	10-11 October	RHB Non-Deal Roadshow	Singapore	Non-Deal Roadshow
	20 October	RHB Non-Deal Roadshow	Hong Kong	Non-Deal Roadshow
November	22 November	Announcement of the unaudited results for 3Q16	Selangor, Malaysia	Analysts' Briefing
December	02 December	Goldman Sachs 3rd Annual ASEAN Investor Relations Forum	Singapore	Forum

Share Price Performance

January 2016 – December 2016



2016	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Volume ('000)	434,453	409,336	1,330,609	1,165,652	1,325,584	386,051	574,011	1,368,086	318,416	351,548	726,757	268,273
Highest (RM)	0.25	0.26	0.325	0.395	0.415	0.395	0.41	0.495	0.415	0.445	0.445	0.4
Lowest (RM)	0.175	0.225	0.25	0.285	0.325	0.35	0.365	0.37	0.38	0.39	0.35	0.355

Shareholder since IPO

2016	37,142
2015	36,525
2014	33,272
2013	29,481

Foreign Shareholding

2016	15.47%
2015	9.52%
2014	16.77%
2013	10.66%

Based on 31 Dec 2016 information

Individuals	29.68%
Others	70.32%

Based on 31 Dec 2016 information

Bumiputera	39.94%
Non-Bumiputera	44.59%
Foreign	15.47%

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

Market Capitalisation

Market Capitalisation



Year	Year End Closing Share Price	Market Capitalisation
2013	RM1.03	RM2.44bil
2014	RM0.68	RM1.60bil
2015	RM0.18	RM0.75bil
2016	RM0.36	RM1.49bil

ORDINARY SHARES

HIGHEST PRICE
0.495 (18 Aug 2016)

LOWEST PRICE
0.175 (05 Jan 2016)

AVERAGE TRADING VOLUME
35mil

NO OF OUTSTANDING SHARES
4,148,148,177

MARKET CAPITALISATION
RM1.49bil

WARRANTS

HIGHEST PRICE
0.34 (20 May 2016)

LOWEST PRICE
0.045 (04 Jan 2016)

LISTING DATE
11 June 2015

MATURITY DATE
8 June 2020

ISSUE SIZE
889mil

EXERCISE PRICE
RM0.46

SMOOTHER TAKEOFFS

DELHI | MUMBAI | COCHIN | BENGALURU
AHMEDABAD | GOA | GAYA

Ramp Services | Terminal Services | Lounges
General Aviation | Value Added Services

 **BIRD**AVIATION

2016

FINANCIAL CALENDAR

FEBRUARY

DATE
26 FEBRUARY
DETAILS
ANNOUNCEMENT OF THE UNAUDITED RESULTS FOR 4Q15
VENUE
KUALA LUMPUR, MALAYSIA
TYPE
ANALYSTS' BRIEFING

MAY

DATE
24 MAY 31 MAY
DETAILS
ANNOUNCEMENT OF THE UNAUDITED RESULTS FOR 1Q16 10TH ANNUAL GENERAL MEETING
VENUE
KUALA LUMPUR, MALAYSIA SEPANG, MALAYSIA
TYPE
ANALYSTS' BRIEFING AGM

AUGUST

DATE
23 AUGUST
DETAILS
ANNOUNCEMENT OF THE UNAUDITED RESULTS FOR 2Q16
VENUE
KUALA LUMPUR, MALAYSIA
TYPE
ANALYSTS' BRIEFING

NOVEMBER

DATE
22 NOVEMBER
DETAILS
ANNOUNCEMENT OF THE UNAUDITED RESULTS FOR 3Q16
VENUE
SEPANG, MALAYSIA
TYPE
ANALYSTS' BRIEFING

2017

QUARTERLY RESULTS ANNOUNCEMENTS

EVENT

1Q17

RESULTS ANNOUNCEMENT

TENTATIVE DATE

23 MAY 2017

EVENT

2Q17

RESULTS ANNOUNCEMENT

TENTATIVE DATE

24 AUGUST 2017

EVENT

3Q17

RESULTS ANNOUNCEMENT

TENTATIVE DATE

23 NOVEMBER 2017

EVENT

4Q17

RESULTS ANNOUNCEMENT

TENTATIVE DATE

FEBRUARY 2018

Business Review

AIRASIA X THAILAND:

STEADILY BUILDING MOMENTUM



Our associate in Thailand is the first long-haul low-cost carrier (LCC) in the country, and is enjoying its first mover status. Since becoming operational in June 2014, it has grown to have a fleet of six Airbus A330 aircraft; it serves four popular destinations in Japan, Korea and China; and is seeing the number of guests carried steadily increase - from 0.25 million in 2014, to 0.92 million in 2015 and 1.37 million in 2016. Its passenger load factor has returned to its initial high from 84% to 77% to 84%.

From the beginning, AirAsia X Thailand had a clear idea of serving the North Asian market - particularly Japan, Korea and China - which are popular destinations among Thais, as well as vice versa. However, plans to build these markets - especially Japan and Korea - have had to be put on hold temporarily following International Civil Aviation Organization (ICAO)'s red flagging of the country's aviation regulatory environment in June 2015.

The red flag led to both Japan and Korea placing restrictions on Thai carriers from starting new routes to their countries, with Japan also not permitting any increase in frequency of existing routes.

Meanwhile, AirAsia X Thailand is using the industry lull to further strengthen and streamline its operations to create greater efficiencies, while its 640 Allstars are going all out to ensure guests have great travel experiences. Leveraging on AirAsia X Group's reputation for having the best Premium Cabin and Premium Seats among all low-cost airlines in the world, it is building its own brand for being not just more affordable than other airlines in the country but also offering among the best facilities and service.

It also managed to grow the number of guests carried by 48.9% as a result of introducing for a short period of time flights to the Middle East namely Tehran in Iran and Muscat in Oman, brand building and a strategic 'lite season' campaign to stimulate travel during the low season months.

In the fourth quarter tourism was affected by the nation mourning the loss of King Bhumibol Adulyadej. Additionally, the government clampdown on zero-dollar tours from China affected the number of tour groups from the nation that is fast becoming one the largest contributors to global tourism. However, efforts are being made by travel agencies and airlines to target the new class of free and independent travellers (FITs) in China. AirAsia in particular is strong in this domain, a fact that was recognised by its being named the Most Influential Airline in China at the 2016 New Power of Travel Awards in early January this year.

Going forward, AirAsia X Thailand will focus intently on achieving greater aircraft utilisation and enhance its aircraft maintenance planning to add to its cost management initiatives. These efforts will be complemented by the continuing environment of low fuel prices. With greater operational efficiencies, the airline also plans to increase the frequency of certain existing routes, targeting Bangkok - Incheon in particular, while maintaining the option to do the same for the others.

Looking further into the future, prospects are certainly bright for our associate. In its Top 100 City Destinations Ranking 2017, Euromonitor International places Bangkok second, after Hong Kong. Additionally, Bangkok - and especially Don Mueang International Airport from which AirAsia X Thailand operates - has become the world's busiest low-cost aviation hub. In other words, the demand and infrastructure are there. And, once the ICAO red flag is lifted, there will be little to stop our associate from rapid expansion. That day may not be too far in coming. And once it does, we can see AirAsia X Thailand blazing many new trails to some exciting destinations.

AirAsia X Thailand

IATA : XJ
ICAO : TAX
Callsign :

EXPRESS WING



AIRASIA X INDONESIA:

BUILDING THE BALI CONNECTION



The aviation industry in Indonesia has been through some challenging times over the last few years, but with the recent upgrade of its Federal Aviation Administration (FAA) rating from Category 2 to Category 1, local carriers now have open access to any international market, which is excellent news for our associate, AirAsia X Indonesia.

Without restrictions to countries such as Korea and Japan, AirAsia X Indonesia has been inspired with a new strategy to create an aviation corridor that connects North Asia and the Indian subcontinent to Australasia. This strategy rests on interconnecting guests on AirAsia (and especially Indonesia AirAsia)'s short-haul network into and out of Bali to take them to destinations beyond Asean. And, in 2016, many changes were effected to realise this dream.

Most pertinently, the management is exploring the possibility of consolidating the operations of both AirAsia X Indonesia and our short-haul sister airline Indonesia AirAsia (IAA). This would have the triple benefits of: 1) allowing for more effective coordination of short and long-haul flights with Bali as the main transit hub; 2) better positioning for AirAsia X Indonesia to meet the minimum aircraft requirements imposed by Indonesia's Ministry of Transportation; and 3) enhancing the ability of IAA to meet the ministry's positive equity ruling.

As part of plans to consolidate the two airlines, their route networks have been rationalised; and, in September 2016, AirAsia X Indonesia temporarily suspended its long-haul operations, affecting three routes, namely Bali to Melbourne and Sydney, and Jakarta to Jeddah. In 4Q16, the two AirAsia X Indonesia aircraft were wet leased to Malaysia AirAsia (MAA) while network restructuring at improving operational efficiencies at AirAsia X Indonesia took place.

Integration of the two airlines would, indeed, create some positive synergies as IAA is already well-established as one of the strongest Indonesian airlines in the international market, accounting for no less than 27.4% of international passenger traffic coming into Indonesia; and AirAsia X Indonesia is to date the only long-haul low-cost carrier (LCC) in the country.

Moreover, the two airlines enjoy a good relationship with relevant government agencies in Indonesia, supporting various humanitarian causes as well as campaigns run by the Ministry of Tourism. In 2016, AirAsia X Indonesia provided aircraft to aid in the repatriation of Indonesian victims of a fraudulent travel syndicate from Manila and, later, to transport medical staff, relief workers and necessities including medical equipment and water to Banda Aceh following an earthquake in December. To promote tourism, AirAsia X Indonesia unveiled a Wonderful Indonesia logo on the livery of one of its A330 aircraft in May as part of the ministry's eponymous campaign. Both AirAsia X Indonesia and IAA are committed to playing their parts to help the ministry achieve its goal of attracting some 20 million foreign tourists by 2019, up from 12 million in 2016.

Meanwhile, prospects for long-haul LCC operations look bright. Long-haul flights (ie flights of more than four hours) account for approximately one-third of international capacity in Indonesia and is among the fastest growing aviation markets in the country. Just in 2016, roughly 4.9 million of its visitors (41% of the total) were long-haul tourists, primarily from Australia, China, Hong Kong, Taiwan, Jeddah, Japan, South Korea and India. At the same time, a growing Indonesian middle class means increased appetite among Indonesians to travel farther and wider to see the world. Yet travel is still price-sensitive, and a large number of the new wave of Indonesian travellers will appreciate the affordable prices offered by AirAsia X Indonesia as opposed to full-service carriers.

For its part, AirAsia X Indonesia has outlined its journey to start creating skybridges linking North Asia-India-Australasia. To begin with, it aims to resume long-haul routes from Bali connecting with destinations in India and Japan, markets where it will enjoy an edge over competition from local support – such as distribution/payment channels and dedicated marketing teams – provided by AirAsia India and the soon-to-be operational AirAsia Japan.

Towards the later part of the year, after the India and North Asia links are matured and domestic feeders developed, there are plans to re-enter the Australian market.

Reflecting the industry, AirAsia X Indonesia has had its fair share of challenges since its establishment. However, with the organisational changes taking place, a more accommodative operating environment (for route expansion), and the ever-strong dedication of its Allstars, we believe 2017 has all the makings of a fresh, more positive beginning.

AirAsia X Indonesia

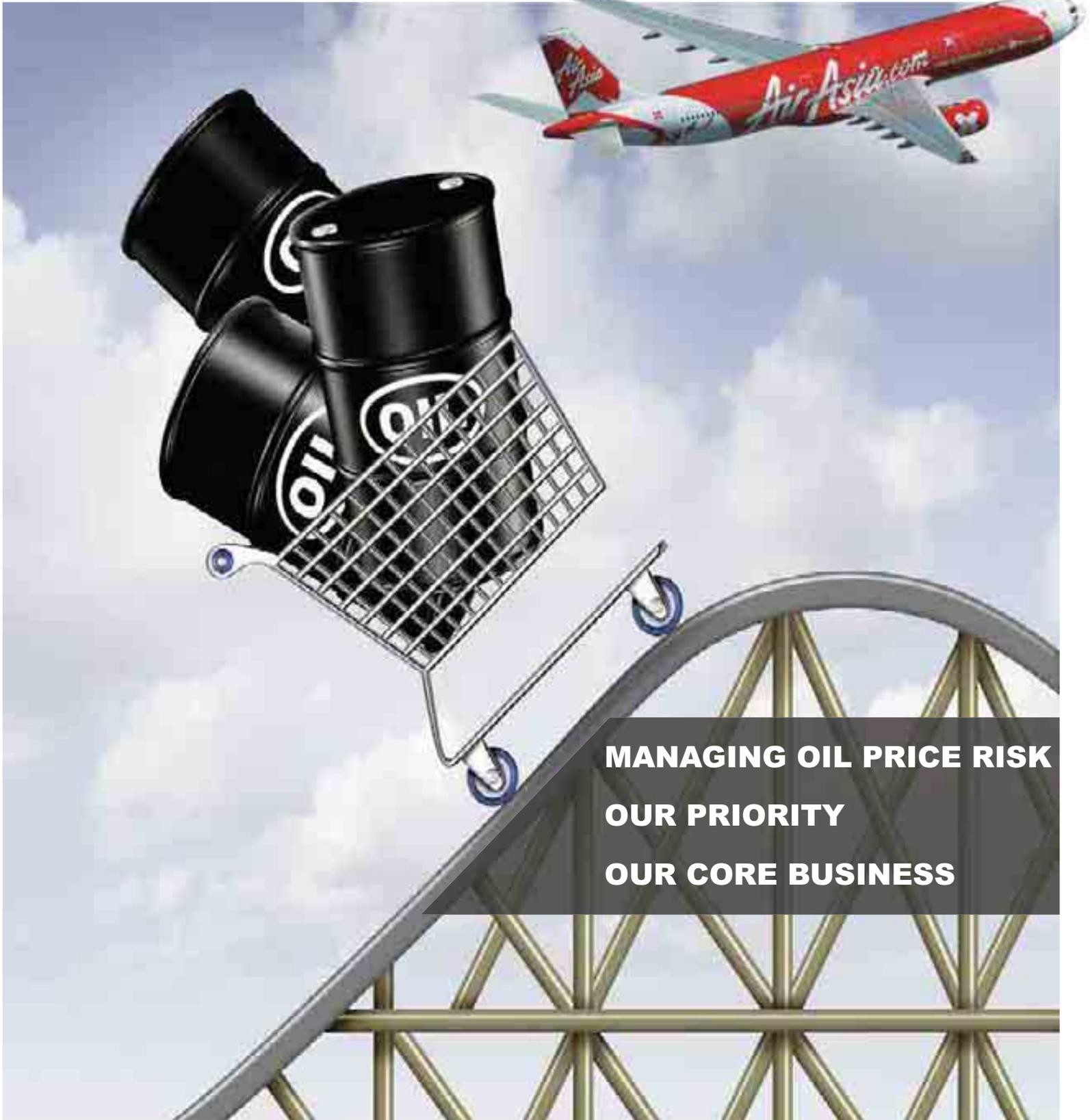
IATA : XT

ICAO : IDX

Callsign :

RED PHOENIX





MANAGING OIL PRICE RISK
OUR PRIORITY
OUR CORE BUSINESS



MITSUI BUSSAN COMMODITIES

Proud to be AirAsia X's long-standing partner



Do more, and get more in return. You choose.

Decide your bonus interest with Privilege\$aver.

Privilege Savings Account can get **up to 4.25% p.a.** and **up to 5% p.a.** for Priority Privilege Savings Account. Do one, two, or all of these transactions to earn more bonus interest. The choice is yours.

Bonus Interest Save 1.00% p.a. Minimum deposit of RM1,500 (RM10,000 for Priority Privilege Savings Account) in fresh funds ¹ monthly	Bonus Interest Spend 1.00% p.a. Minimum spend of RM1,500 (RM3,000 for Priority Privilege Savings Account) on credit card ² monthly	Bonus Interest Pay 0.50% p.a. Minimum of 3 online bill payments from your Privilege Savings Account monthly
Bonus Interest Invest 0.50% p.a. Minimum investment of RM10,000 on eligible products ³	Bonus Interest Insure 1.00% p.a. Minimum annual premium of RM10,000 ⁴	

Base interest is 0.25% p.a. for Privilege Savings Account and 1.00% p.a. for Priority Privilege Savings Account. For Spend, Pay, Invest, and Insure, the maximum funds that are eligible for bonus interest is capped at RM75,000 for Priority Privilege Savings Account and RM50,000 for Privilege Savings Account. Bonus interest for Invest and Insure is paid for 12 consecutive months.

Call **1300 888 888**, visit your nearest branch, or log on to our website for more details.

MEMBER



sc.com/my

Here for good

Terms and Conditions apply.

1. "Fresh funds" means funds in Ringgit Malaysia which do not originate from any account held with either Standard Chartered Bank Malaysia Berhad or Standard Chartered Saadiq Berhad. The deposit must be paid into your Privilege Savings Account to qualify. 2. Not applicable for Gold CashBack, JustOne Gold, JustOne Platinum MasterCard®, Platinum MasterCard® and WorldMiles World MasterCard® credit card. 3. Invest category can be with Standard Chartered Bank Malaysia Berhad or Standard Chartered Saadiq Berhad and covers any unit trust funds (UT), bonds, Investment Suite/Haiqal Plan or Premium Currency Investment where the Eligible Customer: pays a sales charge of at least 2.5% (in the case of UT); or pays a spread of at least 2% (in the case of bonds); or invests into Investment Suite or Haiqal Suite. Please check with our branch or your Relationship Manager for the specific UT and bonds which qualify. 4. Insure category can be Standard Chartered Bank Malaysia Berhad or Standard Chartered Saadiq Berhad and means subscribing to any regular premium conventional Bancassurance or Takaful products. The above are merely excerpts only. For full Terms and Conditions, please visit sc.com/my

Campaign will run from 1 December 2016 till 31 December 2017. The Privilege Savings Account is eligible for protection by PIDM.

YOUR NEW

AIRPORT RETREAT

IS HERE.



AIRASIA PREMIUM RED LOUNGE



RECHARGE, RELAX
AND REFRESH AT
YOUR AIRPORT
RETREAT IN KLIA2.



COMPLIMENTARY
FOR PREMIUM FLEX
AND PREMIUM
FLATBED GUESTS.



VISIT OUR LOUNGE
AT ONLY

79
RM

PRE-BOOK AT ONLY RM69*

BOOK NOW

* Pre-book only available to all AirAsia X (D7)
passengers departing from klia2

Corporate Milestones



REVISIT AIRASIA X'S MOMENTOUS OCCASIONS IN

2007 2008 2009

PREMIUM
RED
LOUNGE

05 JANUARY

Tan Sri Dr. Tony Fernandes and Datuk Kamarudin Bin Meranun announce the launch of AirAsia X.

14 JUNE

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

10 AUGUST

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

02 OCTOBER

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

02 NOVEMBER

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

04 FEBRUARY

The Kuala Lumpur - Hangzhou, China route is launched.

13 MARCH

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

27 MARCH

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

31 OCTOBER

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

02 NOVEMBER

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

13 NOVEMBER

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

13 JANUARY

The Supersize baggage policy is introduced.

17 FEBRUARY

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

11 MARCH

AirAsia X celebrates its inaugural flight to Stansted, London.

02 APRIL

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

28 APRIL

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

16 JUNE

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

24 JUNE

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

26 JUNE

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

01 JULY

A new route to Taipei, Taiwan is launched.

08 AUGUST

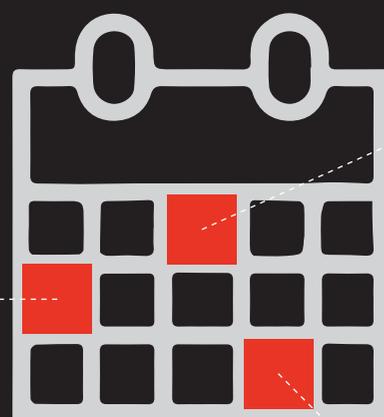
AirAsia X celebrates the 42nd ASEAN Day at the Low Cost Carrier Terminal (LCCT) in Sepang.

20 OCTOBER

A new route is launched to Chengdu, China.

tyle

2010



2011

20 JANUARY

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

10 FEBRUARY

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

05 APRIL

AirAsia X introduces its popular Premium flatbeds.

08 APRIL

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

06 MAY

AirAsia X launches new route to Mumbai, India.

04 AUGUST

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

02 NOVEMBER

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

09 DECEMBER

A new route is launched to Tokyo-Haneda, Japan.

17 JANUARY

The Fly-Thru service is launched at the LCCT.

27 JANUARY

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

3-7 FEBRUARY

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

14 FEBRUARY

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

01 APRIL

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

07 APRIL

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

10 MAY

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

26 MAY

Celebrity Chef Shingun is to prepare Korean dishes for Seoul - Kuala Lumpur flights.

22 JUNE

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

28 JUNE

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

30 NOVEMBER

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

2012

2013

12 JANUARY

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

09 FEBRUARY

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

02 APRIL

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

22 JUNE

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

10 JULY

Kathmandu, Nepal becomes a new destination from Kuala Lumpur.

23 JULY

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

09 AUGUST

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

02 NOVEMBER

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

01 FEBRUARY

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

16 FEBRUARY

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

19 FEBRUARY

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

26 FEBRUARY

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

10 APRIL

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

23 APRIL

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

12 MAY

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

10 JUNE

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

13 JUNE

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

10 JULY

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

15 JULY

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

29 AUGUST

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

14 OCTOBER

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

18 DECEMBER

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

4 FEBRUARY

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

28 APRIL

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

9 MAY

AirAsia X together with AirAsia Berhad begin operations in klia2.

25 MAY

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

17 JUNE

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

2 JULY

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

15 JULY

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

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

15 AUGUST

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

2014

2015

28 AUGUST

AirAsia X Indonesia obtains its Air Operator's Certificate.

04 SEPTEMBER

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

30 OCTOBER

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

19 NOVEMBER

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

21 NOVEMBER

AirAsia X commences flights to Narita, Tokyo.

25 NOVEMBER

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

28 NOVEMBER

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

03 DECEMBER

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

10 DECEMBER

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

15 DECEMBER

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

19 DECEMBER

AirAsia X helps to spread Christmas cheer at klia2.

30 JANUARY

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

13 FEBRUARY

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

25 FEBRUARY

AirAsia X appoints Cheok Huei Shian as Chief Financial Officer.

05 MARCH

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

28 MARCH

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

29 APRIL

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

12 MAY

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

18 MAY

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

02 JUNE

AirAsia X and Flight Centre sign a Key Supplier Agreement.

16 JUNE

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

11 JULY

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

12 AUGUST

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

27 AUGUST

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

01 SEPTEMBER

AirAsia X names Benyamin Ismail as its CEO.

08 SEPTEMBER

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

28 SEPTEMBER

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

01 OCTOBER

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

17 OCTOBER

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

19 NOVEMBER

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

20 NOVEMBER

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

2016 Corporate Events



12 JANUARY

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

30 JANUARY

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

4 FEBRUARY

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

13 FEBRUARY

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



23 MARCH

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

20 APRIL

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



14 MAY

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



21 MAY

Passengers on board flight D7 232 from Kuala Lumpur to Perth are treated to an *X-Men: Apocalypse* themed journey, with characters from the Hollywood blockbuster movie on board, and the aircraft itself boasting *X-Men: Apocalypse* livery.



25 MAY

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



2 JUNE

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

21 JUNE

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

22 JUNE

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



2016 Corporate Events

12 JULY

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



17 JULY

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



2 SEPTEMBER

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



2 AUGUST

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

23 SEPTEMBER

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

27 SEPTEMBER

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





4 OCTOBER

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

6 OCTOBER

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



19 OCTOBER

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

31 OCTOBER

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

3 NOVEMBER

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

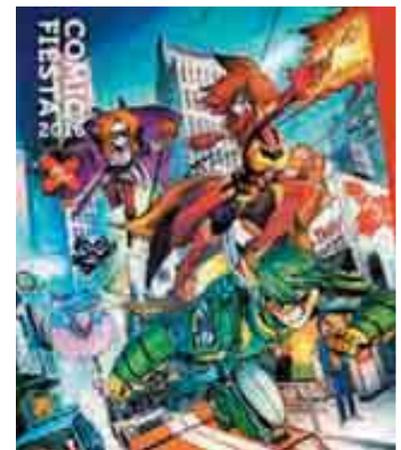


7 NOVEMBER

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

14 DECEMBER

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



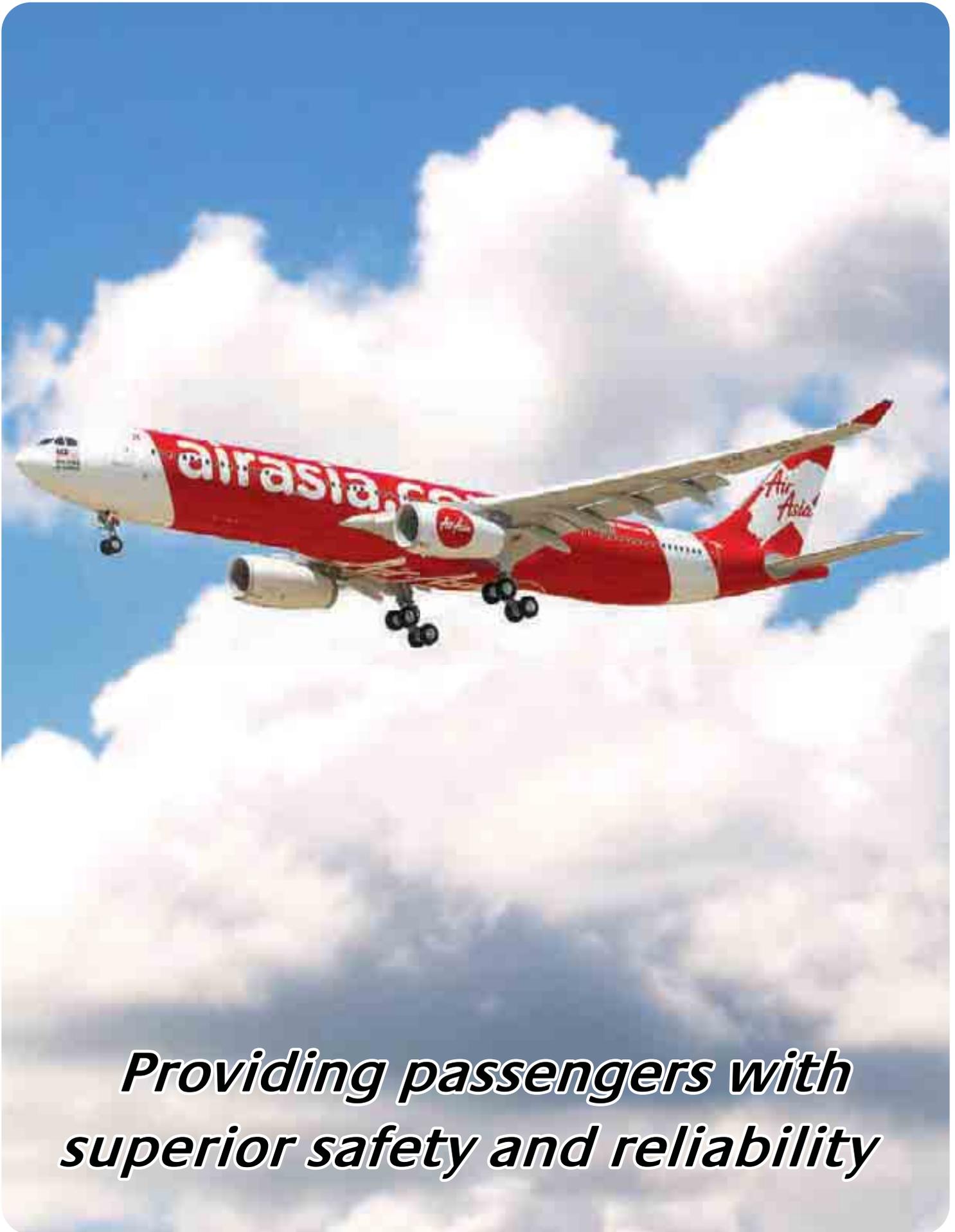
23 DECEMBER

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



BRIDGESTONE

Your Journey, Our Passion



***Providing passengers with
superior safety and reliability***

PROUD TO BE PARTNERING WITH



MEDIA HIGHLIGHTS

JAN / FEB / MAR

PRESS CLIPPINGS

FIRST QUARTER



AirAsia X now flying direct to New Delhi

NEW DELHI - AirAsia X has announced that it will start flying direct to New Delhi from Kuala Lumpur on January 15, 2014. The airline will use its Airbus A350-900 aircraft for the route, which will take approximately 11 hours to complete. This new route will provide passengers with a more convenient and faster travel option to the Indian capital.

亞航訪安邦老人院 禮籃紅包送長者

【吉隆坡11日訊】亞航副總裁兼新加坡分公司總經理李國章日前率領亞航員工代表團，前往安邦老人院探訪長者。李國章表示，亞航一直致力於履行社會責任，並透過各種活動回饋社會。當天的探訪活動中，亞航員工代表團向長者們送上了精心準備的禮籃和紅包，表達對他們的關心和祝福。

亞航副總裁兼新加坡分公司總經理李國章日前率領亞航員工代表團，前往安邦老人院探訪長者。李國章表示，亞航一直致力於履行社會責任，並透過各種活動回饋社會。當天的探訪活動中，亞航員工代表團向長者們送上了精心準備的禮籃和紅包，表達對他們的關心和祝福。



亞航員工代表團日前前往安邦老人院探訪長者。

AAx yakin kembali catat keuntungan



Di bawah pimpinan pengurusan baru, AAx yakin akan kembali mencatat keuntungan. Ketua Pegawai Eksekutif AirAsia X, Datuk Seri M. Subramaniam, berkata syarikat itu telah mencatat keuntungan untuk kali pertama sejak beroperasi. Beliau berkata, ini adalah satu pencapaian yang signifikan bagi syarikat itu, dan ia menunjukkan bahawa strategi yang mereka gunakan adalah betul. Beliau juga berkata, syarikat itu akan terus berusaha untuk meningkatkan perkhidmatan mereka kepada pelanggan.

New Delhi destinasi ke-19

AirAsia X perkenal laluan baru dengan tambang serendah RM135



AirAsia X memperkenalkan laluan baru ke New Delhi dengan tambang serendah RM135. Laluan ini akan beroperasi pada 15 Januari 2014. AirAsia X juga mengumumkan bahawa mereka akan memperkenalkan laluan baru ke London pada 15 Februari 2014. Laluan ini akan beroperasi dua kali seminggu. AirAsia X juga mengumumkan bahawa mereka akan memperkenalkan laluan baru ke Sydney pada 15 Mac 2014. Laluan ini akan beroperasi dua kali seminggu.



亞航訪安邦老人院

亞航副總裁兼新加坡分公司總經理李國章日前率領亞航員工代表團，前往安邦老人院探訪長者。李國章表示，亞航一直致力於履行社會責任，並透過各種活動回饋社會。當天的探訪活動中，亞航員工代表團向長者們送上了精心準備的禮籃和紅包，表達對他們的關心和祝福。

APR / MAY / JUN

PRESS CLIPPINGS

SECOND QUARTER

Air Asia X terima dua pesawat

Syarikat penerbangan AirAsia X menerima dua pesawat Airbus A350-900 baharu. Kedua-dua pesawat ini akan digunakan untuk laluan-laluan baru yang akan diperkenalkan oleh syarikat itu. AirAsia X juga mengumumkan bahawa mereka akan memperkenalkan laluan baru ke London pada 15 Februari 2014. Laluan ini akan beroperasi dua kali seminggu. AirAsia X juga mengumumkan bahawa mereka akan memperkenalkan laluan baru ke Sydney pada 15 Mac 2014. Laluan ini akan beroperasi dua kali seminggu.

AirAsia X sedia khidmat penerbangan ke Teheran

AirAsia X sedia menawarkan khidmat penerbangan ke Teheran. Laluan ini akan beroperasi dua kali seminggu. AirAsia X juga mengumumkan bahawa mereka akan memperkenalkan laluan baru ke London pada 15 Februari 2014. Laluan ini akan beroperasi dua kali seminggu. AirAsia X juga mengumumkan bahawa mereka akan memperkenalkan laluan baru ke Sydney pada 15 Mac 2014. Laluan ini akan beroperasi dua kali seminggu.

AirAsia X terima 2 pesawat baharu

AirAsia X menerima dua pesawat Airbus A350-900 baharu. Kedua-dua pesawat ini akan digunakan untuk laluan-laluan baru yang akan diperkenalkan oleh syarikat itu. AirAsia X juga mengumumkan bahawa mereka akan memperkenalkan laluan baru ke London pada 15 Februari 2014. Laluan ini akan beroperasi dua kali seminggu. AirAsia X juga mengumumkan bahawa mereka akan memperkenalkan laluan baru ke Sydney pada 15 Mac 2014. Laluan ini akan beroperasi dua kali seminggu.

AirAsia X to take delivery of 2 Airbus planes after deferment

AirAsia X is set to receive two Airbus A350-900 aircraft after a delay. The airline has confirmed that the delivery of the planes will take place in the next few weeks. AirAsia X also announced that they will be introducing new routes to London and Sydney. The London route will start in February 2014, and the Sydney route will start in March 2014. AirAsia X also announced that they will be introducing new routes to London and Sydney.

亞航X首季淨賺1.7億

亞航X首季淨賺1.7億。亞航X在第一季實現了盈利，這對於該公司來說是一個重要的里程碑。亞航X表示，這主要是由於該公司採取了新的經營策略，並加強了對客戶的服務。亞航X也表示，該公司將繼續努力，以提高其競爭力，並為客戶提供更好的服務。

亞航X首季淨賺1.7億

亞航X首季淨賺1.7億。亞航X在第一季實現了盈利，這對於該公司來說是一個重要的里程碑。亞航X表示，這主要是由於該公司採取了新的經營策略，並加強了對客戶的服務。亞航X也表示，該公司將繼續努力，以提高其競爭力，並為客戶提供更好的服務。

AirAsia X flies back into profitability

AirAsia X has returned to profitability after a period of losses. The airline's first quarter results show a significant improvement in its financial performance. AirAsia X attributes this success to its new operating strategy and enhanced customer service. The airline also announced that it will be introducing new routes to London and Sydney. The London route will start in February 2014, and the Sydney route will start in March 2014. AirAsia X also announced that it will be introducing new routes to London and Sydney.

PRESS CLIPPINGS

THIRD QUARTER

JUL / AUG / SEP

第23次升空 第34次降落

AirAsia X carries 27% more passengers in 2Q

吉隆坡訊：亞航X在二季載客量增加27%，顯示其航線業務持續增長。亞航X表示，二季共載客10萬7千餘人，較去年同期增加27%。亞航X表示，二季共載客10萬7千餘人，較去年同期增加27%。

亞航X二季載客量

航線	載客量	去年同期	增長率
吉隆坡-檳城	1,200	1,100	9%
吉隆坡-曼谷	2,500	2,300	9%
吉隆坡-泗水	3,000	2,800	7%
吉隆坡-新加坡	4,000	3,800	5%
吉隆坡-香港	5,000	4,800	4%
吉隆坡-倫敦	6,000	5,800	3%
吉隆坡-紐約	7,000	6,800	3%
吉隆坡-東京	8,000	7,800	3%
吉隆坡-悉尼	9,000	8,800	3%
吉隆坡-奧克蘭	10,000	9,800	2%
吉隆坡-惠靈頓	11,000	10,800	2%
吉隆坡-基督城	12,000	11,800	2%
吉隆坡-達尼丁	13,000	12,800	2%
吉隆坡-約翰內斯堡	14,000	13,800	2%
吉隆坡-內羅畢	15,000	14,800	2%
吉隆坡-拉各斯	16,000	15,800	2%
吉隆坡-阿克拉	17,000	16,800	2%
吉隆坡-阿比斯貝巴	18,000	17,800	2%
吉隆坡-內羅畢	19,000	18,800	2%
吉隆坡-約翰內斯堡	20,000	19,800	2%
吉隆坡-內羅畢	21,000	20,800	2%
吉隆坡-約翰內斯堡	22,000	21,800	2%
吉隆坡-內羅畢	23,000	22,800	2%
吉隆坡-約翰內斯堡	24,000	23,800	2%
吉隆坡-內羅畢	25,000	24,800	2%
吉隆坡-約翰內斯堡	26,000	25,800	2%
吉隆坡-內羅畢	27,000	26,800	2%
吉隆坡-約翰內斯堡	28,000	27,800	2%
吉隆坡-內羅畢	29,000	28,800	2%
吉隆坡-約翰內斯堡	30,000	29,800	2%
吉隆坡-內羅畢	31,000	30,800	2%
吉隆坡-約翰內斯堡	32,000	31,800	2%
吉隆坡-內羅畢	33,000	32,800	2%
吉隆坡-約翰內斯堡	34,000	33,800	2%
吉隆坡-內羅畢	35,000	34,800	2%
吉隆坡-約翰內斯堡	36,000	35,800	2%
吉隆坡-內羅畢	37,000	36,800	2%
吉隆坡-約翰內斯堡	38,000	37,800	2%
吉隆坡-內羅畢	39,000	38,800	2%
吉隆坡-約翰內斯堡	40,000	39,800	2%
吉隆坡-內羅畢	41,000	40,800	2%
吉隆坡-約翰內斯堡	42,000	41,800	2%
吉隆坡-內羅畢	43,000	42,800	2%
吉隆坡-約翰內斯堡	44,000	43,800	2%
吉隆坡-內羅畢	45,000	44,800	2%
吉隆坡-約翰內斯堡	46,000	45,800	2%
吉隆坡-內羅畢	47,000	46,800	2%
吉隆坡-約翰內斯堡	48,000	47,800	2%
吉隆坡-內羅畢	49,000	48,800	2%
吉隆坡-約翰內斯堡	50,000	49,800	2%
吉隆坡-內羅畢	51,000	50,800	2%
吉隆坡-約翰內斯堡	52,000	51,800	2%
吉隆坡-內羅畢	53,000	52,800	2%
吉隆坡-約翰內斯堡	54,000	53,800	2%
吉隆坡-內羅畢	55,000	54,800	2%
吉隆坡-約翰內斯堡	56,000	55,800	2%
吉隆坡-內羅畢	57,000	56,800	2%
吉隆坡-約翰內斯堡	58,000	57,800	2%
吉隆坡-內羅畢	59,000	58,800	2%
吉隆坡-約翰內斯堡	60,000	59,800	2%
吉隆坡-內羅畢	61,000	60,800	2%
吉隆坡-約翰內斯堡	62,000	61,800	2%
吉隆坡-內羅畢	63,000	62,800	2%
吉隆坡-約翰內斯堡	64,000	63,800	2%
吉隆坡-內羅畢	65,000	64,800	2%
吉隆坡-約翰內斯堡	66,000	65,800	2%
吉隆坡-內羅畢	67,000	66,800	2%
吉隆坡-約翰內斯堡	68,000	67,800	2%
吉隆坡-內羅畢	69,000	68,800	2%
吉隆坡-約翰內斯堡	70,000	69,800	2%
吉隆坡-內羅畢	71,000	70,800	2%
吉隆坡-約翰內斯堡	72,000	71,800	2%
吉隆坡-內羅畢	73,000	72,800	2%
吉隆坡-約翰內斯堡	74,000	73,800	2%
吉隆坡-內羅畢	75,000	74,800	2%
吉隆坡-約翰內斯堡	76,000	75,800	2%
吉隆坡-內羅畢	77,000	76,800	2%
吉隆坡-約翰內斯堡	78,000	77,800	2%
吉隆坡-內羅畢	79,000	78,800	2%
吉隆坡-約翰內斯堡	80,000	79,800	2%
吉隆坡-內羅畢	81,000	80,800	2%
吉隆坡-約翰內斯堡	82,000	81,800	2%
吉隆坡-內羅畢	83,000	82,800	2%
吉隆坡-約翰內斯堡	84,000	83,800	2%
吉隆坡-內羅畢	85,000	84,800	2%
吉隆坡-約翰內斯堡	86,000	85,800	2%
吉隆坡-內羅畢	87,000	86,800	2%
吉隆坡-約翰內斯堡	88,000	87,800	2%
吉隆坡-內羅畢	89,000	88,800	2%
吉隆坡-約翰內斯堡	90,000	89,800	2%
吉隆坡-內羅畢	91,000	90,800	2%
吉隆坡-約翰內斯堡	92,000	91,800	2%
吉隆坡-內羅畢	93,000	92,800	2%
吉隆坡-約翰內斯堡	94,000	93,800	2%
吉隆坡-內羅畢	95,000	94,800	2%
吉隆坡-約翰內斯堡	96,000	95,800	2%
吉隆坡-內羅畢	97,000	96,800	2%
吉隆坡-約翰內斯堡	98,000	97,800	2%
吉隆坡-內羅畢	99,000	98,800	2%
吉隆坡-約翰內斯堡	100,000	99,800	2%

AirAsia X ras kanak-kanak kurang bernasib baik

WALSA LAMBUK & Anak - 11/08/2016

WALSA LAMBUK & Anak - 11/08/2016

WALSA LAMBUK & Anak - 11/08/2016



Penumpang AirAsia X naik 27 peratus

Jalanan - AirAsia X melaporkan peningkatan penumpang sebanyak 27 peratus pada suku kedua tahun ini. Jumlah penumpang AirAsia X pada suku kedua tahun ini meningkat sebanyak 27 peratus berbanding dengan suku yang sama tahun lalu.

AirAsia X posts 27% increase in passenger load

KL - AirAsia X reports a 27% increase in passenger load for the second quarter. The airline's passenger load for the second quarter was 107,000, a 27% increase from the same period last year.



பெறு குறைந்த குழந்தைகளை மரிப்த்சியடுக்தியது ளர் ஆசியா எக்ஸ்



பெறு குறைந்த குழந்தைகளை மரிப்த்சியடுக்தியது ளர் ஆசியா எக்ஸ்



PRESS CLIPPINGS

FOURTH QUARTER

OCT / NOV / DEC

AirAsia X launches KL-Mauritius direct flight

從隆直飛100%乘載率 亞航首飛毛里裘斯

AirAsia X tower granted slotting ICAO approval to start KL-Mauritius

WALSA LAMBUK & Anak - 11/08/2016

மொர்ஷியஸுக்கு சிறுகை விரித்தது ளர் ஆசியா எக்ஸ்

AirAsia X offers promotional fares in conjunction with 9th anniversary

WALSA LAMBUK & Anak - 11/08/2016

WALSA LAMBUK & Anak - 11/08/2016

WALSA LAMBUK & Anak - 11/08/2016

DRAGONAIR 正式運RHO機位大舉

周有航線新加坡 亞航分季聖誕節

周有航線新加坡 亞航分季聖誕節

Media Highlights

TELEVISION

DATUK KAMARUDIN MERANUN (GCEO)



AirAsia X is confident of staying in the black. After two consecutive quarters in the black, AirAsia X Group CEO Datuk Kamarudin Meranun believes that the carrier's turnaround is sustainable.

The Story of Datuk Kamarudin. 'The Story' is where extraordinary individuals are gathered to tell us their story, about how they started, the challenges they faced, and ultimately become who they are today.

BENYAMIN ISMAIL (CEO)



AirAsia X CEO Benyamin Ismail discusses the fleet plan for 2017 including the possibility of bringing in a new aircraft type to support the resumption of flights to Europe. He also discusses the performance of new routes launched in 2016 and the airline's plan for launching services to the US, starting with Honolulu in June 2017. He also shares his views on other network opportunities, partnerships, the A330neo and increased passenger service charges at Klia 2.

AirAsia X CEO Benyamin Ismail hopes that the airline's new route to Auckland can break even in three to six months. He also talks about possibly adding one to two new routes to China this year, impact of the currency on the company, how his first year as CEO has gone and when exactly AAX will break even. The flights to Auckland from Kuala Lumpur via Australia's Gold Coast will begin on 22 March.

In Conversation with Benyamin Ismail, AirAsia X CEO, by The Hindu Business Line.



AirAsia X Swings to Profit in 3Q. Benyamin Ismail, CEO at AirAsia X, discusses the turnaround in the company's 3Q earnings, if he can carry the momentum into 2017, where he sees expansion and his hedges on oil. He speaks to Bloomberg's Rishaad Salamat on *Bloomberg Markets*.

ARIK DE (CHIEF COMMERCIAL HEAD)



AirAsia X is launching several new destinations in 2016 and adding capacity to several existing destinations. AirAsia X Head of Commercial Arik De discusses how some of the new markets are performing, including Auckland and Tehran. He also talks about the possibility of further growth in Australia, the launch of anticipated services to the US, the group's fleet plan, partnership options and the outlook for its two overseas affiliates.

SOCIAL MEDIA





2008

- Budget World Low Cost Airline Award for World's Best New Airlines
- CAPA New Airline of the Year Award

2009

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



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

2010

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

Alchie

2011

2012



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



Accomplishments



2013

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

- World's Best Low-Cost Airline – Premium Class Seat and World's Best Low-Cost Airline – Premium Cabin by Skytrax World Airline Awards
- Best Investor Relations for an IPO Award by Malaysia Investor Relations Association (MIRA)
- Excellence Award by Expatriate Lifestyle's The Best of Malaysia Awards

2014



2015

- World's Best Low-Cost Airline – Premium Seat and Premium Cabin by Skytrax
- Asia's Leading Cabin Crew by World Travel Awards
- Ranked second Best Low-Cost Airline in Asia by Skytrax
- Ranked second Best Low-Cost Airline in Australia/Pacific by Skytrax

2016

- World's Best Low-Cost Airline – Premium Class Seat and Premium Cabin by Skytrax
- AirAsia Cargo named Low-Cost Carrier of the Year – Industry Choice and Customer Choice at Payload Awards Asia 2016
- Ranked third World's Best "Long-Haul" Low-Cost Airline by Skytrax
- Ranked second Best Low-Cost Airline in Asia by Skytrax
- Ranked second Best Low-Cost Airline in Australia/Pacific by Skytrax





"Vision is the art
of seeing things
invisible."

- Jonathan Swift

To Accomplish great things, we must not only act, but also dream.

At B/E Aerospace, our vision has always been to improve our customers' business and ultimately the lives of their customers. AirAsiaX shares that passion of putting people first. It's their dream of making flying possible for everyone that inspires our commitment to innovation and drives us to do great things for our partners. Congratulations to AirAsiaX for continued success as the world's leading long haul low cost airline.

Embrace Queensland's Gold Coast and
discover a place filled with possibilities

Queensland
AUSTRALIA



queensland.com



SUSTAINABILITY

REPORT

When we say
‘NOW EVERYONE CAN FLY XTRA LONG’

we do not just mean longer in terms of distance, but also in terms of years down the road from where we are today. AirAsia X is in for the long haul, and are committed to ensuring our business is sustainable so we can make available affordable flights to our communities for the longest foreseeable future.

To do this, we ensure our growth is supported by healthy social and environmental scorecards. We build strong relationships based on trust with our key stakeholders – namely the communities in Asean where we have a base, our guests and Allstars – while also making a conscious effort to protect and preserve the environment. We acknowledge that as an airline we have a duty to operate in a manner that is as energy efficient as possible. This, in fact, is integral to our business model, and has been driving much of our cost-saving strategies from the time we started out.

Most importantly, we place the highest priority on the safety of our guests and Allstars. This is reflected in the policies as well as procedures that are in place which guide every aspect of our flight operations. We believe the maintenance of a high level of safety requires ongoing effort, hence we invest continuously into strengthening our safety framework to provide maximum assurance to those who fly with us and for us.



SAFETY

at work



INNOVATION

for better guest experience



TALENT

celebrating
in AirAsia X



ENVIRONMENT

keeping our
green



COMMUNITY

our
ties



SAFETY

at work



We have adopted a holistic and systematic approach to safety management, guided by the International Civil Aviation Organization (ICAO)'s Safety Management System (SMS). Our top management are involved in implementing the SMS and their dedication to the continuous improvement of our safety performance has cascaded throughout the organisation down to front line personnel.

The risk-based SMS comprises four main components, namely Safety Policy, Safety Risk Management, Safety Assurance and Safety Promotion, which together help to create a robust safety culture within the organisation. To complement the system, we run regular SMS training for Allstars and disseminate safety information via promotional activities. As a result of these efforts, our safety reporting performance improved significantly in 2016 with an average of 146 reports per month as compared to 76 reports per month in 2015. These reports were investigated by our Safety Department, following which mitigation actions were undertaken.

One of our safety goals is to achieve zero accidents and zero 'high-risk' incidents. In this respect, we are pleased by our performance since 2015, as we have had no accident during this two-year time frame. Moving forward, we will continue to uphold the highest safety standards in line with our customer promise to provide safe, enjoyable, reliable and affordable flight services.

IOSA

AirAsia X successfully completed our second IATA Operational Safety Audit (IOSA) renewal in February 2016, underlining our compliance with international safety standards as an IOSA registered airline. The total accident rate among IOSA carriers between 2011 and 2015 was 3.3 times lower than that among non-IOSA operators, reinforcing IOSA's recognition as a global benchmark for safety standards and performance.

FLIGHT SAFETY

Flight safety is monitored through a set of Safety Performance Indicators (SPIs) obtained from Air Safety Reports (ASRs). All AirAsia X aircraft are retrofitted with wireless ground link data transfer which directly transmits flight data upon landing in any Malaysian airport. Data on the aircraft's flight and systems performance is recorded and managed by our Safety team. When a deviation from the limits provided in the Standard Operating Procedure (SOP) is identified, the flight data is further analysed and, where necessary, corrective and/or preventive measures are taken. We have an independent Flight Data Analysis Monitoring Team (FMT) comprising line pilots who meet monthly to review, discuss and identify such deviations, and propose corrective actions in line with international standards and recommended practices.

CABIN SAFETY

Checks and balances are key to compliance with civil aviation regulations and company policies. In line with ICAO standards and AirAsia X's global Cabin Safety framework, some modifications have been made to the structure of our Cabin Safety Division since September 2016. Further enhancing the efficiency and effectiveness of cabin operations, the division now conducts Internal Audits & Inspections and Incident/Accident Safety Investigations, while also overseeing the SMS. In all of its functions, Cabin Safety Division strives to identify the gaps in our cabin operations, and develops practical and achievable mitigation strategies while ensuring all our SPIs are met.

Meanwhile, as AirAsia X becomes a more data-driven organisation, we are able to better analyse and manage safety trends, and enhance our real-time decision making. By carefully analysing data, for example, a dedicated task force was able to determine that the sudden increase in lavatory smoke warnings we saw between April and August was actually due to fumigation, as opposed to any safety hazard. Recommendations from the task force helped to decrease the incidence of such false alarms by December 2016.

GROUND SAFETY

Ground Safety collects data continuously and analyses it monthly for presentation at the Safety Review Board Meetings. All risks categorised as having medium severity or more are investigated, following which appropriate mitigation measures are put in place. Ground Safety also participates in the weekly airport pavement inspections carried out jointly with the Department of Civil Aviation Malaysia (DCAM). To enhance office safety, the team carries out bi-annual fire safety and first aid inspections throughout all AirAsia offices.

Our Emergency Response Plan (ERP) meets strict international standards and has been endorsed by DCAM. The procedures and plans contained are tested bi-annually through an ERP Table Top Exercise to ensure a safe and orderly transition from normal to emergency operations, and safe continuation of operations or return to business as usual as soon as practicable.

In 2016, Exercise Fireball was carried out at our headquarters (RedQ)'s Emergency Operations Centre, to test the ERP and ensure key personnel are familiar with its procedures. The three-hour exercise simulated an aircraft emergency – smoke out of engines – and involved various key personnel throughout the organisation. It revealed that our key personnel and their deputies have a good understanding of their roles and are able to execute the appropriate decisions and tasks as stated in our set procedures. However, it was noted that there is room for improvement, and relevant steps have been taken to enhance our emergency procedures.



ENGINEERING SAFETY

Safety joined forces with our Engineering Department to conduct several safety investigations in 2016. As a result of their collaboration, we were able to develop and implement more effective and efficient corrective actions. Safety Action Group (SAG) members also meet quarterly to discuss engineering activities to ensure sufficient control of safety risks during line operations.

SAFETY PROMOTION

The Safety Department carries out various activities to promote greater understanding of the SMS. Every Allstar is required to undergo SMS training conducted by qualified SMS instructors. Our Safety Department also publishes a quarterly newsletter that includes safety information and incidents. In addition, a weekly safety newsletter is also shared with Allstars to highlight the latest safety issues and happenings in the aviation industry.

Apart from internal safety promotional activities, our Safety Department frequently engages with safety groups such as the Association of Asia Pacific Airlines Flight Operations Safety Working Group, the Flight Safety Foundation, ICAO Asia Pacific Regional Aviation Safety Team, and the International Society of Air Safety Investigators. Being involved in these working groups enables us to keep updated with industry best practices and to share our own processes in the interest of enhanced safety of the industry.



INNOVATION

for better guest experience



We have benefited from many AirAsia Group innovations that enhance our guests' experience. Not only can they make bookings online, they can even use their mobiles. Now, they even get to enjoy AirAsia Premium Red Lounge services and facilities at klia2, the first such offering by a low-cost carrier in the world.

Going forward, we have a vision of creating a truly seamless and effortless experience for guests in the airport via end-to-end automation, from self check-in to self-tagging, baggage drop, security check and boarding. This forms part of the Group's digitalisation evolution and will be driven by our Digital Team.



To inspire new ideas that will accelerate our transformation into a digital airline, on 18-19 March 2017 we hosted the Group's first ever 18-hour hackathon at RedQ. Attracting 20 teams from nine countries in the Australasia region, Airvolution 2017: Spearheading Innovation in Asean, co-sponsored by Microsoft, Google and Amazon Web Services among others, challenged the programmers to come up with an innovative way to enable AirAsia to communicate in a more personalised manner with our fans. The winning team, Aviato from Singapore, offers a way to use Instagram photos of fans to distil their likes, making it possible for us to channel more targeted destination, food and other offers to them.



celebrating
TALENT
in AirAsia X

Have big dreams. Pursue your passion. Keep things simple. These are the three key messages that our leaders keep imparting to our Allstars to encourage them to own their own career progression within the company.

Our Allstars are pillars of this airline and have been behind our every success. We make a real effort to bring on board people who we believe would have a good fit with our culture – of teamwork, innovation and passion – and then invest in them to help them realise their full potential. Various training and development programmes are run throughout the year to develop the technical and professional capabilities of our team, focusing on those skills that are required to achieve our business goals.

Our People Department identifies skills gaps in the organisation and fills these with appropriate initiatives, including problem-based learning, coaching and cross-division assignments. Problem-solving is given much emphasis and has become a key skill that sets our Allstars apart from others. Adopting the Action Learning approach, Allstars from various departments team up in groups to solve complex problems using reflective questioning and listening.

We also accelerate the development of potential leaders by providing them the opportunity to join leadership development initiatives run by the AirAsia Group, including the Leadership in Safety Programme co-designed with Cranfield University. In addition, in 2016, two AirAsia X Allstars were awarded the AirAsia Scholarship to be part of the pioneering batch of MBA students in the Asia School of Business, set up recently by Bank Negara Malaysia in collaboration with the MIT Sloan School of Management.



Our strength is in being an Asean airline, and this is reflected in the racial and cultural backgrounds of our 2,478 Allstars. Within the organisation, 51% of our people are Malay, 20% Chinese, 11% Indian, 3% non-Malay Bumiputra while the remaining 16% hail from various parts of the world, including Europe and South America. Our female to male ratio stands at 38:62. We embrace ethnic diversity as we believe the different perspectives brought by Allstars from different backgrounds enrich our intellectual capital, creating a stimulating environment where divergent viewpoints are aired and considered before important decisions are made.



keeping our

ENVIRONMENT

green



We recognise that, as an airline, we have a responsibility to various stakeholders to keep our operations as fuel efficient as possible. We have been extremely vigilant in this respect not only because of our environmental impact but also because fuel efficiency is integral to our business model of keeping our costs down. We maximise efficiency by maintaining a young fleet with modern, fuel efficient engines, following fixed guidelines on maintenance to ensure optimal operations, and adopting flying practices that optimise fuel burn.

This is supplemented by operational initiatives that further reduce our fuel consumption. Some of these initiatives are described below.

Going Digital

We have replaced about 55kg worth of hardcopy charts and manuals on board our planes with lighter Electronic Flight Bags (EFBs). On average, every kilogramme of additional weight on board the aircraft burns approximately 0.15kg of additional fuel. Removing the manuals translates into a reduction in fuel burn of up to 8.25kg per sector, while also reducing the amount of paper used to support our operations. With the EFBs, moreover, our crew are able to do performance calculations to optimise our take-off thrust. This has a positive effect on engine maintenance cost as we are able to reduce the wear and tear of our engines. Also, taking off at reduced thrust minimises our noise emission.

Next on our journey to becoming a paperless airline is to introduce electronic flight plans, electronic forms and, eventually, electronic technical logs.

One Engine Taxi-In

Our Technical & Development team has worked closely with Rolls-Royce, Airbus and DCAM to implement the One Engine Taxi-In. This means, when conditions permit, and at the commander's discretion, crew will shut down one engine during taxi-in to reduce fuel burn, hence carbon emissions. The initiative saves up to 12.5kg of fuel per minute of taxi-ing. Currently, each flight can perform the one engine taxi-in for approximately three minutes, saving about 37.5kg of fuel. Fuel savings are maximised when an aircraft has to wait for long periods for a parking bay. In 2016, AirAsia X performed the energy-saving manoeuvre on flights arriving into Kuala Lumpur and Busan. Going into 2017, we hope to expand this initiative to all stations where AirAsia X operates.



One Pack Off

On flights with moderately light loads, our crew will conduct one pack off taxi-out and taxi-in, which entails switching off the cabin air-conditioning from one of the two engines. This reduces fuel burn and noise emission on the ground. In addition, our crew has made it a practice to always use brake fans on the ground. Brake fans, which reduce brake temperatures, are turned on only when needed during taxi-ing, and are shut off once the aircraft wheels are on chocks (wedges that prevent the wheels from moving accidentally while aircraft are stationary) to reduce noise emission at the parking bay.



GREENING OUR COMMUNITIES

We believe everyone can, and should, play a part in minimising climate change. Accordingly, we are involving our Allstars as well as our local communities in taking positive steps to reduce waste and protect the environment. Together with AirAsia, we launched a #GREEN24 initiative at end 2015 to start greening our communities, starting in-house with our own offices.

In January 2016, the initiative escalated into a full-blown 24-hour campaign in which all AirAsia associates across the region carried out various activities to contribute towards a healthier environment. In Malaysia, we complemented our Allstars' actions with a community event held in Bangsar at which members of the public were encouraged to bring their recyclable waste, and pick up tips on how to 'live green' from various environmental NGOs that took part in our 'marketplace'.

This initiative was taken a step further by our associate in Thailand via a beach and reef clean-up activity in Pattaya, Thailand. On 8 May, some 50 scuba diving Allstars from AirAsia X and AirAsia participated in Dives Against Debris™ off Koh Sak, an island 23km from Pattaya, to collect marine debris and other objects that could damage the reef. The event was supported by the Pattaya City Council and Project AWARE, an international non-profit organisation established by the Professional Association of Diving Instructors (PADI). At the same time, over 800 volunteers from AirAsia X and AirAsia and the local community joined forces to clean up Pattaya beach.



our COMMUNITY ties



Further strengthening our ties with local communities, we have a tradition of participating in humanitarian relief missions as well as, more simply, going out to marginalised pockets of society and spreading some joy with individuals who are less fortunate than us. This year, the following activities were undertaken.

Relief Missions in Indonesia

Our associate AirAsia X Indonesia was involved in two humanitarian missions during the year. On 4 September, it worked with the Ministry of Foreign Affairs to repatriate 168 Indonesians who were stranded in the Philippines as a result of a travel syndicate scam. This was followed by a relief mission extended to Banda Aceh following an earthquake on 11 December which caused extensive damage, disrupting millions of lives. AirAsia X Indonesia transported 40 medical staff and relief workers, along with four tonnes of medical equipment, clothing, footwear, tents and water to help the people manage with the massive losses they had experienced.



Spreading Festive Joy in Kuala Lumpur

In conjunction with the Chinese New Year, on 13 February, a group of AllStars led by our CEO Benyamin Ismail paid a visit to the residents of Ampang Old Folks Home in Kuala Lumpur. They spent the morning engaging with the elderly and distributed *ang pow* (red packets) as well as hampers before leaving.

This was followed by a visit to the Persatuan Penjagaan Kanak-Kanak Cacat Klang Selangor, a home for special children, on 2 August, in conjunction with Raya. Once again, Ben led a team of about 20 AllStars that spent an afternoon playing games with the 75 physically and mentally challenged children. They also presented them with gifts and *duit raya* (Raya packets), and treated the children to a festive meal.



Proud to be a partner of Air Asia X

Passionate Aggressive Aspiring
The best recognized cargo GSA in Korea



PACIFIC AIR AGENCY LTD.

12th Floor, 106 Seosomun-Ro, Jung-Gu, Seoul, Korea 04513

Tel : (82) 2 317 8822 Fax : (82) 2 318 3720

Email : paa@paagrp.co.kr





Don't let it burn

Companies around the world lose 20 billion GBP in unclaimed Foreign VAT each year. But this doesn't have to be your company. Our end-to-end Foreign VAT reclaim service will ensure you are constantly contributing to your bottom line.

VAT IT has facilitated AirAsia X's foreign VAT refunds for over 5 years, saving the airline hundreds of thousands of dollars annually. If we can do that for an entire airline, imagine what we can do for your business.

As you travel the world growing your business, outsource your foreign and domestic VAT reclaim to experts – saving you time and money. You have a business to run so let us take care of your VAT recovery.

We manage the entire VAT Reclaim process. VAT IT:

- Recovers your VAT refunds!
- Submits applications to the relevant tax authorities
- Deals with each individual tax office's queries in our 53 spoken languages from our 35 offices worldwide.
- Stays up to date with industry developments and legislation.
- Anticipates possible compliance hurdles and complications.

Wherever you go in the world, we will be there with you.

Visit us vatit.com for more info





CARGO SERVICE CENTER

India's first multi-level air cargo terminal, is designed to withstand seismic conditions and incorporates some of the most advanced equipment and technology.



Delhi CSC operates and manages the Cargo Terminal at Delhi Airport and offers a comprehensive range of cargo handling services under one roof.

The Common User Cargo Terminal (CUT) offers a range of benefits to all users at the terminals, from shippers, freight forwarders to Airlines.

One Roof Concept

- All operations are handled in a uniform, cost-effective manner
- Commonality of purpose
- Easy for forwarders to tender cargo

Economies of Scale

- Larger format warehouse allowing for easy handling of all carrier's cargo
- Better utilization of resources
- Breakdown of any equipment doesn't stop the overall process

Security

- Traffic flow easily manageable as all lead to one common area
- Security control is enhanced and better managed
- Mobility of people is better controlled
- Elimination of multiple agencies

Benchmarking and Quality

- Service level agreement with airline makes the CUT operator more responsible and accountable for quality maintenance
- Competitive environment leads to better quality standards

Delhi Cargo Service Center

Cargo Terminal 2, Gate 6, Air Cargo Complex, IGI Airport, New Delhi 110037
Tel: +91-011-49993811 | Fax: +91-011-49976676 | Email: marketing@cscindia.in

www.cscindia.in

Statement on Corporate Governance

The Board of Directors (“the Board”) of AirAsia X Berhad (“AAX” or “the Company”) is committed to ensure good corporate governance is applied throughout the group. Save as disclosed otherwise, the Board considers that it has complied with the principles and recommendations as set out in the Malaysian Code on Corporate Governance 2012 (“MCCG” or “MCCG 2012”), where applicable Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) during the period under review. The following sections describe AAX’s policies and practices.

The Board presents this statement to provide an insight into the Corporate Governance practices of the Company under the leadership of the Board.

A. BOARD MATTERS

Roles, responsibilities and powers of the Board Members

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

- Reviewing the strategies, business plans and significant policies for the Company. The business plan and strategies of the Company will be presented by the Group Chief Executive Officer (“GCEO”) and Chief Executive Officer (“CEO”) during the Board meetings.
- Ensuring that there shall be unrestricted access to independent advice or expert advice at the Company’s expense in furtherance of the Board’s duties whether as a Board or a director in his or her individual capacity. The Board or the individual Director can seek advice from independent professional experts at the Company’s expenses, if necessary, with the consent of the Board.
- Establishing, approving, reviewing, and monitoring the Company’s risk appetite and comprehensive risk management policies, processes and infrastructure. The risk management activities will be presented during the Audit Committee (“AC”) meetings. Then, the AC Chairman will brief the Board on the updates during the Board meetings.
- Considering emerging issues which may be material to the business and affairs of the Company and ensuring there is a proper succession plan for its senior management. The Performance, Talent and Development Department will be responsible in ensuring proper succession plan is in place.
- Reviewing the Company’s annual capital and revenue budgets (and any material changes thereto). The CEO and Chief Financial Officer (“CFO”) of the Company are responsible to present the Annual Budget and Business Plan to the Board.

- Ensuring that the Board has adequate procedures in place to receive reports periodically and/or on a timely basis from the Company’s management.
- Reviewing the adequacy and integrity of the Company’s internal control system and management information systems.

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

The Board Charter of the Company can be downloaded from the Company’s website, www.airasiax.com. The Board charter will be reviewed annually.

Review and adopting a strategic plan

Every quarter the AC and the Board reviews the operational and financial performance of the Company as well as each Joint Venture and Associate under the Group. A detailed report on the airlines within the Group is tabled for review and deliberation on their performance against budget and corresponding quarter of the preceding year. This would enable the Board to continually assess the performance of the Group, progress of initiatives and projects. GCEO chairs strategy meeting with each AAX Group of companies every quarter. Any material updates and new initiatives will be shared to the Board.

Succession Planning

The Company places strong emphasis on the development of Allstars and growing the next generation of leaders. The organisation structure reflects the drive to continuously groom successors across the group, in spirit of One AirAsia. Building capability is crucial; there is a Group Talent Policy in place to identify and build a robust group talent pipeline. The talent pipeline includes fresh graduates and middle management, to ensure continuous supply of top talent. The Group People

Department works closely with the senior management team in annual Talent Reviews to map talent needs across our locations and identify future leaders, and The Group Talent Team oversees structured talent entry and development initiatives including leadership development programs, coaching, cross-functional and cross-country assignments.

Board Members Balance and Independence

There are seven (7) Members who form the Board, the details are given on pages 46 to 55 of this Annual Report.

The Board comprised of one (1) Senior Independent Non-Executive Chairman, one (1) Non-Independent Executive Director and Group Chief Executive Officer, three (3) Non-Independent Non-Executive Directors and two (2) Independent Non-Executive Directors. This composition met the MMLR of Bursa Malaysia, which requires a minimum of two (2) or one third (1/3) of the directors, whichever is the higher, to be independent directors.

To ensure that AAX promotes corporate governance effectiveness, the Independent Non-Executive Directors are in place to provide the check and balance in the function of the Board. Three (3) of the Non-Executive Directors also fulfills the criteria of independence as defined in the MMLR. These Directors are considered by the Board to be independent of Management for effective checks and balances in the functioning of the Board and reflects the Company's commitment to uphold excellent corporate governance.

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

All the Board members do not hold more than 5 directorships in other public listed companies in Malaysia.

Roles and Responsibilities of the Chairman, Group Chief Executive Officer and Chief Executive Officer

The MCCG has recommended that the positions of the Chairman and CEO of the Company should be held by different individuals and the Chairman be a non-executive member of the Board. The roles of the Chairman, GCEO and the CEO of the Company are separate with a clear division of responsibilities to ensure an appropriate balance of role, responsibilities and accountabilities at the Board level, such that no one individual has unfettered powers of decision.

The overall management of AAX rests with the following key management personnel and assisted by a number of key senior staff on their respective areas:

Chief Executive Officer: Benyamin Bin Ismail is the CEO of AAX, and is the person responsible for the overall performance and governance of the Company as well as the person who oversees the day-to-day operations of the Company. He is the person responsible to the shareholders for the financial and business and operational performance of AAX. He is highly qualified based on his educational backgrounds, as well as working experiences both within the Company as well as elsewhere.

Group Chief Executive Officer: Datuk Kamarudin Bin Meranun is the GCEO and Non-Independent Executive Director. As GCEO, he will provide overall leadership to the group in driving brand value, reducing cost and driving efficiencies to improve performance of the airline and other Companies within the Group.

Limits of Authority

The Limits of Authority manual ("LOA manual") is in place and defines decision making limits for each level of management within the Group as disclosed in the Statement of Risk Management and Internal Control.

Board size and composition

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

The Non-Executive Directors ("NED") are persons of high aptitude and integrity, and jointly gather the various backgrounds in finance, legal and regulatory and in public and private sectors to the Board and Board Committees for deliberations. They dedicate reasonable time and attention required to fulfil their roles. Other professional commitments of the NED are provided in their biographies on pages 46 to 55 of this Annual Report. The Board requires that all Independent Directors to be impartial in judgment; non-participation in the day-to-day management of the Company; non-involvement in business transactions or relationships with the Company, in order to have a conscientious decision to achieve its objectives.

Statement on Corporate Governance

Strengthening Composition

Appointment of Directors and Board Diversity

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

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.

Annual Assessment of Directors

The NRC also reviews the composition of the Board and the Board’s Committee annually. During the year under review, the Board had conducted the assessments on the performance of the Board and Board committees as well as the performance of the individual Board and Committee members accordingly. The NRC reports their findings to the Board for assessment of the performance and effectiveness of the Board and Board Committees, the performance of each Non-Executive Director and each Audit Committee Member, and the independence of Independent Non-Executive Directors. During the financial year ended 31 December 2016, the NRC had also reviewed and assessed the independence of the Independent Directors of the Company.

Tenure of Independent Directors

The maximum tenure of an Independent Director shall be in accordance to recommendation 3.3 of the MCCG 2012 that an Independent Director may remain as Independent Director after serving a cumulative term of nine (9) years, provided that the Board recommends this upon concrete justification and seeks shareholders’ approval in a general meeting as stated above. None of the independent directors had exceeded nine (9) years.

Re-election of Directors

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

Board Meetings

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

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

During the financial year ended 31 December 2016, the Board held a total of five (5) meetings and the details of Directors’ attendances are as set out below:

Name of Directors	Number of Board meetings Attended
Tan Sri Rafidah Aziz	5/5
Tan Sri Dr. Anthony Francis Fernandes	3/5
Datuk Kamarudin Bin Meranun	3/5
Lim Kian Onn	5/5
Dato’ Fam Lee Ee	5/5
Tan Sri Asmat Bin Kamaludin	4/5
Dato’ Yusli Bin Mohamed Yusoff	5/5

Decisions of the Board

Pursuant to the Articles of Association of the Company, decisions of the Board at a physically convened Board meeting shall be decided by a majority of votes or alternatively, written resolutions signed by the majority of Directors entitled to receive notice of a meeting of Directors.

Access to Information and Advice

Directors have independent access to the advice and dedicated support services of the Company Secretary to ensure effective functioning of the Board. The Directors may seek advice from Management on issues pertaining to their respective jurisdiction. The Board may seek independent professional advice at the Company's expenses in discharging its duties for the Company.

Prior to the Board Meetings, Members of the Board will receive the agenda and a set of Board papers duly signed and recommended by the relevant Key/Senior Management digitally containing items for discussion at the Board Meetings. This is to allow sufficient time for the Directors to review and seek clarifications that they may require from the Management or the Company Secretary. The Company encourages paperless environment which requires granting digital access via the Google Drive to meeting documents instead of distributing hard copy documents. The Google Drive allows Directors to access various Company documents which are uploaded onto personal iPads for easy reference and in a timely manner.

Company Secretary

The Company Secretary is a Fellow member of Malaysian Institute of Chartered Secretaries and Administration. All the Directors have access to the Company Secretary who also serves in that capacity in the various Board Committees save for the Safety Review Board ("SRB") and ensures that Board procedures are followed. The Company Secretary gives advice on the measures to be taken and requirements to be observed by the Company and the Directors arising from new statutes and guidelines issued by Bursa Malaysia, Securities Commission ("SC") and Companies Commission of Malaysia ("CCM"). The Company Secretary also advises the Directors of their obligations and duties to disclose their interest in the Company's securities, disclosure of any conflicts of interest in transactions involving the Company. The Company Secretary also monitors and ensures all the timely lodgement of statutory documents with Bursa Malaysia, SC and CCM.

The Company Secretary attends all Board and Board Committee meetings (save for SRB meetings which is handled by the SRB) and ensures that accurate and proper records of the proceedings and resolutions passed are maintained in the statutory records at the registered office of the Company. The Company Secretary also facilitates timely communication of decisions made and policies set by the Board at Board meetings, to the Senior Management for action. The Company Secretary works closely with the Management to ensure that there are timely and appropriate information flows within and to the Board and Board Committees, and between the Non-Executive Directors and Management.

The Company Secretary also serves notice to Directors on the closed periods for trading in AAX's shares, in accordance with Chapter 14 on Dealings in Listed Securities of the MMLR.

The Company Secretary will disseminate to the Directors seminars and training programmes for them to choose from for their ongoing Directors' training.

The appointment and removal of the Company Secretary must be approved by the Board.

Directors' Training

The Company Secretary undertakes the role as the coordinator to manage and co-ordinate the Directors' seminars and training requirements, which include the Mandatory Accreditation Programme ("MAP") for newly appointed Directors, pursuant to the Bursa Malaysia's MMLR. All the Directors had attended and completed the MAP.

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 Directors to make effective decisions.

The Board is also aware that continuous training for the Directors is vital to assist them in discharging their duties effectively. The Board encourages the Directors to attend appropriate external programmes on subject matters that aid them in discharging their duties.

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

All the Board members were updated by the Company Secretary on changes to the MMLR, Companies Act, 2016 and relevant guidelines on the regulatory and statutory requirements. The AC were also updated by the external auditors on the changes to the financial reporting standards, regulatory requirements and tax related matters.

Statement on Corporate Governance

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

Name	Programmes
Tan Sri Rafidah Aziz	<ul style="list-style-type: none"> Tan Sri Rafidah Aziz is a speaker at various conferences and symposiums
Datuk Kamarudin Bin Meranun	<ul style="list-style-type: none"> Forbes Global CEO Conference – Emerging markets
Tan Sri Dr. Anthony Francis Fernandes	<ul style="list-style-type: none"> US ASEAN Business Council Conference, San Francisco Rajaratnam School of International Studies Talk, Singapore MOHE CEO Talk, Kuala Lumpur MATRADE Service Export Forum, Kuala Lumpur Chief Editor Forum, Jakarta F&N & Thai Beverage ASEAN Marketing Conference, Bangkok World Economic Forum Summit on ASEAN, Kuala Lumpur Deloitte World Meeting, Tokyo 9, ABC-ASEAN Japan Public-Private Dialogue, Bangkok Prudential Corp Asia Conference, Copenhagen Young ASEAN Minds Summer Chapter, Kuala Lumpur Russian Business Forum, Moscow NS State Government Conference, Seremban Fortune & Time Global Forum, Vatican City
Dato' Fam Lee Ee	<ul style="list-style-type: none"> 2016 Investment Strategy Seminar organised by HuaZhong 2nd Investment Promotion Conference for Malaysia and China “Two Countries, Twin Parks” organised by Malaysia-China Business Council (“MCBC”) Case Study Workshop for Independent Directors “Rethinking-Independent Director: A New Frontier” organised by Bursa Malaysia Annual Meeting of Malaysia-China Joint Business Council in Beijing CG Breakfast Series with Directors: The Cybersecurity Threat and How Board Should Mitigate the Risks organised by Bursa Malaysia CG Breakfast Series with Directors – Anti Corruption and Integrity-Foundation of Corporate Sustainability organised by Bursa Malaysia Bursa Malaysia’s Sustainability Forum 2017 “The Velocity of Global Change and Sustainability – The New Business Model” organised by Bursa Malaysia
Tan Sri Asmat Bin Kamaludin	<ul style="list-style-type: none"> Briefing Session on the Trans-Pacific Partnership Agreement (“TPPA”), Ministry of International Trade and Industry (“MITI”) Briefing Session on the TPPA, MITI Learning from Leaders Session with Group Chairman, UMW Holdings Berhad (“UMWH”) Companies Bill 2015, Zaid Ibrahim & Co and UMWH Talk by the Mayor of Hiroshima entitled “From Hiroshima to our World Without Nuclear Weapons - Beyond Human Atrocities”, University of Malaya Launch of the AGM Guide & CG Breakfast Series: “How To Leverage on AGMs for Better Engagement with Shareholders”, Bursa Malaysia
Dato' Yusli Bin Mohamed Yusoff	<ul style="list-style-type: none"> Corporate Governance Breakfast Series: Future of Auditor Reporting - The Game Changer for Boardroom, Bursa Malaysia The Interplay between CG, NFI and Investment Decision – What Boards of Listed Companies Need to Know, Bursa Malaysia Independent Directors Programme; The Essence of Independence, Bursa Malaysia CG Breakfast Series with Directors: “The Cybersecurity Threats and How Board Should Mitigate the Risks”, Bursa Malaysia Launch of the AGM Guide & CG Breakfast Series: “How To Leverage on AGMs for Better Engagement with Shareholders”, Bursa Malaysia

The Board, through the NRC, will undertake the assessment of the training needs of each Director.

Board Committees

To assist the Board in discharging its duties, the Board has established a number of Board Committees whose compositions and terms of reference are in accordance with the Corporate Governance and the Bursa Malaysia's MMLR, and consistent with the recommendations of the MCCG 2012.

i. Audit Committee

The AC comprises of two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director, the Members are set out on page 45 of this Annual Report. The primary roles, responsibilities and powers of the AC in accordance with its terms of reference are to assist the Board with the following:

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

Further information on the composition, summary terms of reference and other information relating to the AC are set out on pages 151 to 152 of this Annual Report.

ii. Nomination and Remuneration Committee

The NRC comprises of one (1) Chairman who is the Senior Independent Non-Executive Chairman; one (1) Independent Non-Executive Director and one (1) Non-Independent Non-Executive Director, the Members are set out on page 45 of this Annual Report.

The primary roles, responsibilities and powers of the NRC in accordance with its terms of reference which is available on the Company's website www.airasiac.com.

The main activities of the NRC in 2016 included the following:

- Annual review of size and composition of Board, Board balance and independence of Directors and skills of Directors.
- Annual assessment of effectiveness of the Board as a whole and annual assessment of effectiveness of each individual Director.
- Annual review of composition, functions and performance of the Board Committees.
- To review annually and recommend to the Board the overall remuneration policy for Directors, GCEO, CEO to ensure that rewards commensurate with their contributions to the Group's growth and profitability.

- To review annually the service contract and performance of the GCEO and CEO and recommend to the Board specific adjustments in remuneration and/or reward payments if any, reflecting their contributions for the year. Their total remuneration package with market comparability would also be considered.
- To ensure the level of remuneration for Non-Executive Directors and Independent Directors are linked to their level of responsibilities undertaken in the Board and Board Committees and contributions to the effective functioning of the Board.

The NRC meets as and when required, and at least twice a year and the Chairman of the NRC would report to the Directors at Board meetings, of any salient matters raised at the NRC meetings and which require the Board's notation, approval or decision.

During the financial year ended 31 December 2016, the NRC held a total of two (2) meetings and attended by all the members.

The Board, through the NRC, had carried out a review on the composition of the Board and Board Committees and is satisfied that the size and composition of the Board is adequate with the appropriate mix of knowledge, skills, attributes and core competencies.

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

iii. Safety Review Board

The SRB comprises of the Senior Independent Non-Executive Chairman, a Non-Independent Non-Executive Director, GCEO, CEO and is supported by a team of operation's safety and security specialist from the Company. The members are set out on page 45 of this Annual Report. The Chairman of the SRB would report to the Directors at Board meetings, of any salient matters raised at the SRB meetings and which require the Board's notation, approval or decision.

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

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

Statement on Corporate Governance

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

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

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

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

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

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

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

ESOS Committee comprises of the GCEO, the CEO and the Group Head of People Department, the Members are set out on page 45 of this Annual Report.

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

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

Indemnification of Directors

Directors are indemnified under a Directors' and Officers' Liability Insurance against any liability incurred by them in the discharge of their duties while holding office as Directors of the Company. The Directors shall not be indemnified where there is any negligence, fraud, breach of duty or breach of trust proven against them.

B. DIRECTORS AND/OR CEO REMUNERATION

There is a clear distinction between the remuneration structure of the Non-Executive Directors and of the Executive Director and the Top Management.

The remuneration package comprises the following elements:

1. Fee

The fees payable to the Non-Executive Directors for their services to the Board are based on a basic board fee and their respective additional responsibilities on the Board Committees.

2. Benefits-in-kind

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

3. Service contract

The GCEO and CEO have a three-year service contract with AAX, subject to further review.

4. Directors' share options

There are currently no share options for the Directors.

Details of the Directors' remuneration are set out in Note 5 of the Audited Financial Statements on page 187 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 in the said Note 5.

C. EFFECTIVE COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

Investor Relations ("IR")

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

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

Senior management that is supported by the IR Team, participate actively in investor relations activities that consist of road shows, conferences, quarterly investor briefings locally and globally with financial analysts, institutional investors and fund managers.

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

In conjunction with AAX's Initial Public Offering ("IPO"), the Shareholders' Benefit Programme was implemented. This programme is running for three (3) years from the first anniversary of the IPO. During the AGM in the year 2016, the Board has proposed that the programme be extended for another three (3) years and was approved. The terms and conditions of this benefit are made available on the Company's website at www.airasiac.com. For any enquiries relating to the benefits availability; eligibility criteria or general enquiry on this programme, shareholders can reach the team through aax_shareholder@airasia.com or Customer Support Line 603 8775 4680 during operating hours from 9.00 am to 6.00 pm (Malaysian time) Mondays to Fridays.

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

AGM

The AGM is another avenue for shareholders to interact with the senior management of the Company. Shareholders will be notified of the meeting date and time together with an e-copy of the Company's Annual Report at least 21 days before the meeting is held.

The GCEO or the CEO will do a brief presentation on the Company's financial performance and the outlook. The Chairman and each Board Committees' Chairman will be present, if possible at the AGM to respond to any query by the shareholders and views during the meeting. Given the size and geographical diversity of our shareholders' base, the AGM is another important forum for shareholders' interaction.

Statement on Corporate Governance

Poll Voting

In line with the MCCG Code and MMLR, AAX has taken necessary efforts in executing and promoting poll voting by mandating poll voting for all resolution set out notice of any general meeting and also appointing of at least one (1) independent scrutineer for poll voting.

Corporate Disclosure Policy and Procedures

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

D. ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

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

Audit Committee and Internal Control

The Board's governance policies include a process for the Board, through the AC to review regularly the effectiveness of the internal control system and overseeing the financial reporting process. A report on the AC and its summary terms of reference is presented on pages 151 to 152 of this Annual Report.

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

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

The Statement on Risk Management and Internal Control is set out in pages 148 to 150 of this Annual Report.

Relationship with the External Auditors

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

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

The external auditor's remuneration including Non-Audit Fees for the Company and the Group for the financial year ended 31 December 2016 is as follows:

	Group FY2016 (RM'000)	Company FY2016 (RM'000)
Statutory audit fees - current year	410	393
Non-audit fees	73	73
Total	483	466

E. SUSTAINABILITY REPORT

The Company is committed in ensuring that it aligns its strategies on matters relating to the community, workplace, marketplace and environment with sustainability objectives. The sustainability report is set out in pages 126 to 134 of this Annual Report.

F. STANDARD OPERATING PROCEDURES (“SOPS”)

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

i. Sustainability Policy

The Company has established a Sustainability Policy for the provision of guidance on the Company’s strategy on sustainability with focus on four main domains – Community, Workplace, Marketplace and Environment.

ii. Whistleblowing Programme

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

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

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

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

iii. Anti-Fraud Policy

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

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

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

iv. Code of Business Conduct

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

This statement is made in accordance with a resolution of the Board of Directors of AAX dated 28 March 2017.

Statement of Risk Management & Internal Control

The Board of Directors (“Board”) of AirAsia X Berhad (“AAX” or the Company) remains committed into complying with the Malaysian Code on Corporate Governance 2012 which “... requires listed companies to maintain a sound risk management framework and internal control system to safeguard shareholders’ investment and the Company’s assets” and guided by the Bursa Malaysia’s Main Market Listing Requirements Paragraph 15.26 (b) and Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuer. The Board is pleased to issue the following statement of risk management & internal control for the financial year ended 31 December 2016 (“the financial year”).

GOVERNANCE OF RISK MANAGEMENT

The Board of the Company acknowledges its responsibility for maintaining sound internal control and risk management systems that would provide reasonable assurance in ensuring the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations, to safeguard shareholders’ interests and the Company’s assets.

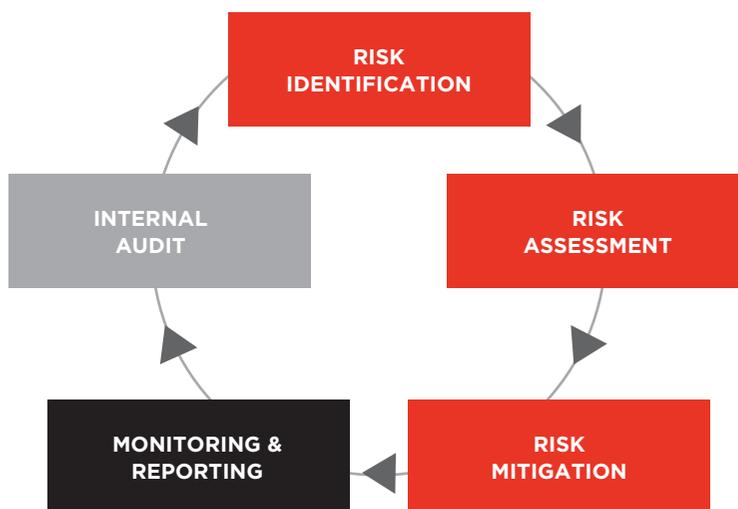
The Board, through the Audit Committee (“AC”) ensures that the risk management and internal control practices are adequately implemented within AAX. The AC also ensures that systematic risk management process to identify, evaluate and monitor principal risks in place is in conformance with globally accepted risk management standards.

Business units and functions are accountable for identifying and managing risk in line with the approved risk management framework, and they are also responsible on the implementation of remedial actions of identified risks which improves AAX’s operational controls.

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

Risk Management

The highly regulated and commercially competitive environment, together with operational complexity, leaves AAX exposed to a number of principal risks. The focus remains on mitigating these risks at all levels in the business, although many remain outside our control such as government regulation, taxes, terrorism, adverse weather, and pandemics. Nevertheless, we recognise the fact that these risks must be effectively managed to ensure the long-term growth of the Company and maximisation of shareholder value.



As such, AAX’s Risk Management function aims to foster a strong risk management culture and ensure event-ready procedures and operations throughout the Company. A comprehensive risk management framework that includes clear risk management process, lines of responsibility and accountability as well as reporting guidelines are adopted. Diagram 1 sets out AAX’s risk management process.

Key risk management activities undertaken during the financial year includes quarterly reporting of key enterprise risks to the AC, review of risk management framework, annual risk re-assessment and awareness session with the key personnel of the Company.

Internal Control

The following key internal control structures are in place to assist the Board to maintain a proper internal control system:

- **Control Environment**

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

- **Organisational Structure**

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

- **People Department**

The Company appoints employees of the necessary competencies to ensure that the personnel driving key operations are sufficiently skilled and exert the required qualities of professional integrity in their conduct. The Company also believes that the key strategy to maintain business growth in an environment of intense competition is to enhance the operational efficiency and productivity of human capital. Thus, formal appraisal process overseen by Group Talent, provides a framework that translates and align the strategy of human capital development to the Company's strategic plan.

- **Budget**

The Company undertakes a comprehensive budgeting process each year, to establish goals and targets against which performance is monitored on an ongoing basis. The Board participates in the review and approval of the Yearly Budget.

- **Limits of Authority**

AAX documented its Limits of Authority ("LOA") which clearly defines the level of authority and responsibility in making operational and commercial business decisions. Approving authorities cover various levels of management and includes the Board. The LOA is reviewed regularly and any amendments made to the LOA must be tabled to and approved by the Board. The latest version of LOA was approved by the Board in November 2016.

- **Insurance and Physical Safeguards**

The Company undertakes adequate insurances and ensure physical safeguard on assets are in place to ensure that the assets are sufficiently covered against any mishap that will result in material losses. AAX Aviation Insurance program comprises of the following:

- Aviation Hull and Spares All Risks and Liability;
- Aviation Hull and Spares War and Allied Perils (Primary and Excess);
- Aircraft Hull and Spares Deductible;
- Aviation War, Hi-jacking and Other Perils Excess Liability (Excess AVN52); and
- General Insurance Program.

- **Audit Committee**

The AC has been established by the Board since the year 2013. The AC comprises of three (3) members of the Board, majority of whom are independent directors. The AC Report is disclosed in pages 151 to 152 of this Annual Report.

- **Internal Audit Department**

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

Statement of Risk Management & Internal Control

As an integral part of the management process, IAD furnishes the Management with independent analysis, appraisals, counsel and information on the activities under review. The key internal audit activities that add value to AAX can be summarised as follows:

1. Identify all auditable activities and relevant risk factors, and to assess their significance;
2. Research and gather information that is competent, factual and complete;
3. Analyse and examine that operational activities are carried out effectively;
4. Provide assurance on compliance to statutory requirements, laws, company policies and guidelines;
5. Recommend appropriate controls to overcome deficiencies and to enhance company operations;
6. Evaluate procedures in place to safeguard company assets; and
7. Assist Management in establishing a proper risk management framework, assessing risk and monitoring the effectiveness of the risk management program and ensuring the adequacy of the internal control system.

Throughout 2016, twenty (20) audit works had been carried out i.e. nine (9) audit works as per approved Audit Plan 2016, (10) as per ad-hoc audit works and one (1) audit work was carried out by third party appointed by the AC. The audit coverage encompasses evaluation of effectiveness and efficiency of the system of internal control in the Company.

The Head of IAD currently sits as an observer in the Leadership Meeting where the senior management of the Company discusses and deliberates on issues pertaining to the financial, commercial, operations and other necessary areas of the Company. He would provide his input and opinion on matters discussed with regards to internal control, where necessary.

• Code of Conduct

Our Code of Conduct (“the Code”) governs the professional conduct of our employees and outlines their responsibilities to the Company in performing their duties. The various policies and guidelines within the Code spell out the standards and ethics that all employees are expected to adhere to in the course of their work. It highlights AAX’s expectations on their professional conduct which includes amongst others:

- The environment inside and outside of workplace.
- How we work.
- Conflict of interest.
- Confidentiality and disclosure of information.
- Good practices and controls.
- Duty and declaration.

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

• Whistle Blower Policy

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

• Associate and Joint-Venture Companies

The statement of risk management and internal control of the associate and joint-venture companies are excluded from this Statement.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia, the External Auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Recommended Practice Guide (“RPG”) 5 (Revised) issued by the Malaysian Institute of Accountants. RPG 5 does not require the External Auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

CONCLUSION

The Board has received an assurance from the CEO and CFO of AAX that the risk management and internal control system is operating adequately and effectively, in all material aspects.

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

This statement is in accordance with the resolution of the Board of Directors dated 28 March 2017.

Audit Committee Report

This Report has been reviewed by the Audit Committee (“AC”) and approved by the Board for inclusion in this Annual Report.

The AC assists our Board in fulfilling its responsibilities with respect to its oversight responsibilities. The AC is committed to its role in ensuring the integrity of the Group’s financial reporting process and monitoring the management of risk and system of internal control, external and internal audit process, compliance with legal and regulatory matters, and such other matters that may be specifically delegated to the AC by our Board.

A. COMPOSITION OF AC AND ATTENDANCE OF MEETINGS

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

The AC meets the requirements of paragraph 15.09(1)(c) of the MMLR, which stipulates that at least one member of the AC must be a qualified accountant.

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

B. ACTIVITIES OF AC FOR THE FINANCIAL YEAR 31 DECEMBER 2016 (“THE FINANCIAL YEAR”)

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

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

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

In discharging its duties and responsibilities, the AC is guided by the AC Charter, which was approved by the Board and aligned to the provisions of the MMLR, CG Code and other best practices. A summary of the activities performed by the AC during the financial year is set out below:

Financial Reporting

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

External Audit

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

Audit Committee Report

Internal Audit

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

Risk Management

- Reviewed the key risk profile and risk register of the Company.
- Reviewed and approved the progress report on risk management activities.
- Reviewed the Statement of Risk Management and Internal Control, which summarised the risk management practices and internal controls implemented by Management.
- Discussed the Business Continuity Management activities for the Company.

Related Party Transactions

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

C. INTERNAL AUDIT (IA) FUNCTION

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

The IA reports functionally to AC and administratively to the CEO.

The responsibilities of IA include:

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

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

AC reviews and approves the IA's human resource requirements to ensure that the function is adequately resourced with competent and proficient internal auditor. Total operational costs of the IA department for the year 2016 were RM725,942 (2015: RM484,197).

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 corporate proposals during the financial year ended 31 December 2016.

2. ESOS

The ESOS is the only share scheme of the Company in existence during the financial year ended 31 December 2016 approved by the shareholders on 12 October 2012. The information of the ESOS is on page 163 and page 208.

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

There were no material contracts entered into by the Company and its subsidiaries involving directors and major shareholders' interest still subsisting at the end of the financial year ended 31 December 2016.

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

At the Annual General Meeting ("AGM") held on 31 May 2016, the Company had obtained a shareholders' mandate to allow the Company and/or its subsidiaries to enter into recurrent related party transactions ("RRPTs") of a revenue or trading nature.

The RRPT Mandate is valid until the conclusion of the forthcoming Eleventh AGM of the Company to be held on 23 May 2017. The Company proposes to seek a renewal of the existing RRPT Mandate and a new RRPT Mandate at its forthcoming Eleventh AGM. The renewal of the existing RRPT Mandate and the new RRPT Mandate, if approved by the shareholders, will be valid until the conclusion of the Company's next AGM. Details of the RRPT Mandate being sought is provided in the Circular to Shareholders dated 28 April 2017 sent together with the Annual Report. Pursuant to paragraph 10.09(2)(b) and paragraph 3.1.5 of Practice Note 12 of the Listing Requirements of Bursa Securities, details of the recurrent related party transactions of a revenue or trading nature entered into during the financial year ended 31 December 2016 are as follows:

No.	Transacting Parties	Nature of RRPT	Class and relationship of the Related Parties	Actual value
1.	AirAsia Berhad ("AirAsia") (Company No.: 284669-W)	Rights granted by AirAsia to our Company to operate air services under the "AIRASIA" trade name and livery in respect of our low-cost, long-haul air services.	<p>Interested Directors</p> Tan Sri Dr. Tony Fernandes Datuk Kamarudin Meranun Dato' Fam	RM8,530,000
			<p>Interested Major Shareholders</p> AirAsia Tune Group Tan Sri Dr. Tony Fernandes Datuk Kamarudin Meranun	

Additional Compliance Information

No.	Transacting Parties	Nature of RRPT	Class and relationship of the Related Parties	Actual value
2.	AirAsia	<p>Provision of the following range of services by AirAsia to our company:</p> <p>(a) Commercial</p> <ul style="list-style-type: none"> - Sales and distribution - Sales support - Direct channel - Branding and Creative <ul style="list-style-type: none"> • Protection of brand to ensure proper public perception is built • Manage communication imagery, sponsorships (e.g. sports and youth marketing) and commercial branding • Creative includes graphic designs supporting branding activities - Web team: Manage, plan, build and develop airasia.com website - Marketing - Ancillary <p>(b) Treasury</p> <ul style="list-style-type: none"> - Fuel procurement - Fuel hedging <p>(c) Quality Assurance - Credit card fraud unit</p> <p>(d) Cargo</p> <p>(e) Manpower cost (affiliate of companies in China)</p> <p>(f) IT Internal Audits</p> <p>(g) Ground Operations</p> <p>(h) Group Inflight Ancillary</p> <p>(i) Engineering</p> <p>(j) Legal</p> <p>(k) Operations Control Centre</p> <p>(l) Corporate Quality</p> <p>(m) Flight Attendant Department</p> <p>(n) Innovation, Commercial and Technology</p> <ul style="list-style-type: none"> - Involves all services related to information technology 	<p>Interested Directors</p> <p>Tan Sri Dr. Tony Fernandes Datuk Kamarudin Meranun Dato' Fam</p> <p>Interested Major Shareholders</p> <p>AirAsia Tune Group Tan Sri Dr. Tony Fernandes Datuk Kamarudin Meranun</p>	RM15,048,000
3.	AirAsia	<p>Provision of charter services to Beirut, Lubnan by our Company for the Malbatt contingent. The carried passenger services for a long-haul destination to AirAsia on an ad-hoc basis, whereby the passengers are procured by AirAsia but are carried by our Company.</p>	<p>Interested Directors</p> <p>Tan Sri Dr. Tony Fernandes Datuk Kamarudin Meranun Dato' Fam</p> <p>Interested Major Shareholders</p> <p>AirAsia Tune Group Tan Sri Dr. Tony Fernandes Datuk Kamarudin Meranun</p>	RM279,000

No.	Transacting Parties	Nature of RRPT	Class and relationship of the Related Parties	Actual value
4.	Asian Contact Centres Sdn Bhd (Company No.: 837261-V)	Provision of call centre services to our Company.	<p>Interested Directors Tan Sri Dr. Tony Fernandes Datuk Kamarudin Meranun Dato' Fam</p> <p>Interested Major Shareholders AirAsia Tune Group Tan Sri Dr. Tony Fernandes Datuk Kamarudin Meranun</p>	NIL
5.	CaterhamJet Global Ltd ("CJG") (Company No.: 1696997)	<p>Annual payment in respect of chartered air travel services to be provided by CJG for members of our Board and key management for corporate and strategic development activities of our Company to explore, assess and implement our growth strategies and future plans.</p> <p>Such services allow for more flexibility in managing their travel requirements.</p> <p>Examples of such travel requirements include governmental or ministerial meetings as well as meetings with civil aviation and airport authorities, including flights to Europe for meetings with our aircraft supplier or financiers.</p>	<p>Interested Directors Tan Sri Dr. Tony Fernandes Datuk Kamarudin Meranun</p> <p>Interested Major Shareholders Tune Group Tan Sri Dr. Tony Fernandes Datuk Kamarudin Meranun</p>	RM6,606,000
6.	Rokki Sdn. Bhd. ("Rokki") (Company No.: 935105-W)	Supply of in-flight entertainment system, hardware, software, content and updates by Rokki.	<p>Interested Directors Tan Sri Dr. Tony Fernandes Datuk Kamarudin Meranun</p> <p>Interested Major Shareholders AirAsia Tune Group Tan Sri Dr. Tony Fernandes Datuk Kamarudin Meranun</p>	RM3,827,000
7.	Rokki Avionics Sdn Bhd (Company No.: 1075353-A)	Sale and maintenance of an in-flight entertainment and connectivity ("IFEC") solution.	<p>Interested Directors Tan Sri Dr. Tony Fernandes Datuk Kamarudin Meranun</p> <p>Interested Major Shareholders AirAsia Tune Group Tan Sri Dr. Tony Fernandes Datuk Kamarudin Meranun</p>	NIL

Additional Compliance Information

No.	Transacting Parties	Nature of RRPT	Class and relationship of the Related Parties	Actual value
8.	Tune Insurance Malaysia Berhad ("Tune Insurance") (Company No.: 30686-K)	Receipt of commission income of 25% on all insurance premiums received by Tune Insurance pursuant to our Company's role as a corporate agent of Tune Insurance for the provision of AirAsia Insure, a travel protection plan which provides coverage for losses arising from, amongst others, personal accident, medical and evacuation, emergency medical evacuation and mortal remains repatriation, travel inconvenience such as flight cancellation or loss or damage to baggage and personal effects, flight delay and on-time guarantee.	Interested Directors Tan Sri Dr. Tony Fernandes Datuk Kamarudin Meranun Interested Major Shareholders AirAsia Tune Group Tan Sri Dr. Tony Fernandes Datuk Kamarudin Meranun	RM3,920,000
9.	Asian Aviation Centre of Excellence Sdn Bhd ("AACOE") (Company No.: 947910-D)	Provision of commercial training services and non-pilot training services by AACOE.	Interested Directors Tan Sri Dr. Tony Fernandes Datuk Kamarudin Meranun Dato' Fam Interested Major Shareholders AirAsia Tune Group Tan Sri Dr. Tony Fernandes Datuk Kamarudin Meranun	RM11,032,000
10.	Think BIG Digital Sdn Bhd ("Think BIG") (Company No.: 924656-U)	Purchase of loyalty points from Think BIG, which operates and manages a loyalty program branded as the BIG Loyalty Program.	Interested Directors Tan Sri Dr. Tony Fernandes Datuk Kamarudin Meranun Dato' Fam Lim Kian Onn Interested Major Shareholders AirAsia Tune Group Tan Sri Dr. Tony Fernandes Datuk Kamarudin Meranun	RM2,600,000
11.	Tune Insurance	Payment to Tune Insurance of insurance premiums collected on its behalf pursuant to our Company's role as a corporate agent of Tune Insurance for the provision of AirAsia Insure, a travel protection plan which provides coverage for losses arising from, amongst others, personal accident, medical and evacuation, emergency medical evacuation and mortal remains repatriation, travel inconvenience such as flight cancellation or loss or damage to baggage and personal effects, flight delay and on-time guarantee.	Interested Directors Tan Sri Dr. Tony Fernandes Datuk Kamarudin Meranun Interested Major Shareholders AirAsia Tune Group Tan Sri Dr. Tony Fernandes Datuk Kamarudin Meranun	RM15,681,000
12.	AirAsia Global Shared Services Sdn Bhd ("AGSS") (Company. No.: 1045172-A)	Provision of the following shared services by AGSS to our Company: (a) Finance and accounting support operation services; (b) People department support operation services; (c) Information and technology operation support services; and (d) Sourcing and procurement operation support services.	Interested Directors Tan Sri Dr. Tony Fernandes Datuk Kamarudin Meranun Dato' Fam Interested Major Shareholders AirAsia Tune Group Tan Sri Dr. Tony Fernandes Datuk Kamarudin Meranun	RM3,239,000

No.	Transacting Parties	Nature of RRPT	Class and relationship of the Related Parties	Actual value
13.	AACOE	Provision of instructor training services by AAX.	<p>Interested Directors Tan Sri Dr. Tony Fernandes Datuk Kamarudin Meranun Dato' Fam</p> <p>Interested Major Shareholders AirAsia Tune Group Tan Sri Dr. Tony Fernandes Datuk Kamarudin Meranun</p>	NIL
14.	AirAsia	Provision of charter and/or wet lease of A330 aircraft by AAX.	<p>Interested Directors Tan Sri Dr. Tony Fernandes Datuk Kamarudin Meranun Dato' Fam</p> <p>Interested Major Shareholders AirAsia Tune Group Tan Sri Dr. Tony Fernandes Datuk Kamarudin Meranun</p>	USD8,391,000 (RM33,793,000)

The shareholdings of the interested Directors and interested Major Shareholder in our Company as at the 20 March 2017 are as follows:

	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Interested Directors				
Tan Sri Dr. Tony Fernandes	87,303,728	2.11	1,163,602,394 ⁽¹⁾	28.05
Datuk Kamarudin Meranun	337,702,739	8.14	1,163,602,394 ⁽¹⁾	28.05
Dato' Fam	-	-	-	-
Lim Kian Onn	-	-	197,833,356 ⁽²⁾	4.769
Interested Major Shareholders				
AirAsia	570,728,502	13.76	-	-
Tune Group	592,873,892	14.29	-	-
Tan Sri Dr. Tony Fernandes	87,303,728	2.11	1,163,602,394 ⁽¹⁾	28.05
Datuk Kamarudin Meranun	337,702,739	8.14	1,163,602,394 ⁽¹⁾	28.05

Note:

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

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

Please refer to Section 7 and Section 2.3 of the Circular to Shareholders dated 29 April 2016 and 28 April 2017 respectively on the directorships and shareholdings of the interested directors and interested major shareholder in the transacting parties as stated above.

Code of Business Conduct



OBJECTIVES

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



RESPONSIBILITIES

AAX recognises five areas of responsibility:

To shareholders

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

To guests

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

To employees

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

To those with whom it does business

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

To society

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

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



ECONOMIC PRINCIPLES

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



BUSINESS INTEGRITY

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



POLITICAL ACTIVITIES

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



HEALTH, SAFETY AND THE ENVIRONMENT

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

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



PERSONAL DATA PROTECTION

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

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



THE COMMUNITY

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



COMPETITION

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



COMMUNICATION

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

A I R A S I A X B E R H A D

FINANCIAL

STATEMENTS



FINANCIAL STATEMENTS

162	Directors' Report
165	Income Statements
166	Statements of Comprehensive Income
167	Balance Sheets
168	Consolidated Statement of Changes in Equity
169	Company Statement of Changes in Equity
170	Statements of Cash Flows
172	Notes to The Financial Statements
227	Supplementary Information
228	Statement by Directors
228	Statutory Declaration
229	Independent Auditors' Report

OTHER INFORMATION

234	Analysis of Shareholdings
235	List of Directors' Shareholdings
236	List of Top 30 Largest Shareholders
237	Analysis of Warrant Holdings
238	List of Directors' Warrant Holdings
239	List of Top 30 Largest Warrant Holders
241	Corporate Directory
242	Notice of Annual General Meeting
246	Glossary
•	Form of Proxy



HIGHLIGHTS:

162

Directors' Report

167

Balance Sheets

170

Statements of
Cash Flows

242

Notice of Annual
General Meeting

Directors' Report

The Directors hereby submit their report together with the audited financial statements of the Group and Company for the financial year ended 31 December 2016.

DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of providing long haul air transportation services. The principal activities of the subsidiaries are described in Note 16 to the financial statements. There was no significant change in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year	210,314	210,444

RESERVES AND PROVISIONS

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

SHARE CAPITAL AND DEBENTURES

There was no issuance of shares and debentures during the financial year.

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the benefits shown under Directors' Remuneration) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 5 and Note 30 to the financial statements.

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act, 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its subsidiaries or its holding company or subsidiaries of the holding company during the financial year except as follows:

	Number of ordinary shares			
	1.1.2016	Acquired/ Transferred	Disposed/ Transferred	31.12.2016
Direct interests in the Company				
Datuk Kamarudin Bin Meranun	337,702,739	-	-	337,702,739
Tan Sri Dr. Anthony Francis Fernandes	87,303,728	-	-	87,303,728
Lim Kian Onn	196,783,356	-	(196,783,356)	-
Tan Sri Rafidah Aziz	175,000	-	-	175,000
Tan Sri Asmat Bin Kamaludin	175,000	122,400	-	297,400
Dato' Yusli Bin Mohamed Yusoff	200,000	-	-	200,000
Indirect interests in the Company				
Datuk Kamarudin Bin Meranun*	1,310,331,376	-	(146,728,982)	1,163,602,394
Tan Sri Dr. Anthony Francis Fernandes*	1,310,331,376	-	(146,728,982)	1,163,602,394
Lim Kian Onn**	1,050,000	196,783,356	-	197,833,356
Tan Sri Rafidah Aziz***	100,000	-	-	100,000
Tan Sri Asmat Bin Kamaludin****	-	40,000	-	40,000

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

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

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

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

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2016.

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 5 to the financial statements.

EMPLOYEES' SHARE OPTION SCHEME

The Company had implemented an Employees' Share Option Scheme ("ESOS") to eligible employees of the Group. The tenure of the ESOS shall be five (5) years with an option to extend for a further five (5) years, subject to a maximum duration of ten (10) years.

The salient features of the ESOS are disclosed in Note 27 of the financial statements.

The number of options granted under ESOS during the financial year and the number of options outstanding at the end of the financial year are as follows:

Types of grant	At 1.1.2016	Exercised	Forfeited	At 31.12.2016
First grant on 1.7.2013				
- Ordinary shares	3,976,148	-	(205,485)	3,770,663

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

Directors' Report

(continued)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Group and the Company were prepared, 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, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and Company had been written down to an amount which the current assets 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.

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

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

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

In the opinion of the Directors:

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

SUBSIDIARIES

Details of subsidiaries are set out in Note 16 to the financial statements. The audit reports on the financial statements of the subsidiaries did not contain qualification or adverse comment made under Fifth Schedule Part I (8) of Companies Act, 2016. The subsidiaries do not hold any shares in the holding company or other related corporations.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 6 to the financial statements.

AUDITORS

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

This report was approved by the Board of Directors on 28 March 2017. Signed on behalf of the Board of Directors:

TAN SRI RAFIDAH AZIZ
Director

DATUK KAMARUDIN BIN MERANUN
Director

Kuala Lumpur

Income Statements

for the financial year ended 31 December 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue	4	4,006,534	3,062,553	4,005,025	3,061,192
Operating expenses					
- Staff costs	5	(369,594)	(315,821)	(363,580)	(311,501)
- Depreciation of property, plant and equipment		(113,531)	(144,807)	(113,531)	(144,807)
- Aircraft fuel expenses		(1,116,110)	(1,020,881)	(1,116,110)	(1,020,881)
- Maintenance and overhaul		(619,331)	(496,814)	(619,331)	(496,814)
- User charges		(461,685)	(395,051)	(461,685)	(395,051)
- Aircraft operating lease expenses		(846,004)	(706,058)	(846,004)	(706,058)
- Other operating expenses	6	(251,336)	(137,445)	(256,464)	(141,013)
Other income	7	56,000	116,881	56,772	116,881
Operating profit/(loss)		284,943	(37,443)	285,092	(38,052)
Finance income	9	24,775	19,812	24,775	19,812
Finance costs	9	(49,874)	(84,131)	(49,874)	(84,131)
Net operating profit/(loss)		259,844	(101,762)	259,993	(102,371)
Foreign exchange losses	9	(35,489)	(299,562)	(35,489)	(299,562)
Share of results of an associate	17	-	-	-	-
Share of results of a joint venture	18	-	(37,566)	-	-
Other gains/(losses)	8	35,738	(7,585)	35,738	(61,473)
Profit/(Loss) before taxation		260,093	(446,475)	260,242	(463,406)
Taxation					
- Current taxation	10	188	(169)	169	(169)
- Deferred taxation	10	(49,967)	97,028	(49,967)	97,028
		(49,779)	96,859	(49,798)	96,859
Net profit/(loss) for the financial year		210,314	(349,616)	210,444	(366,547)
Net profit/(loss) for the financial year attributable to:					
- Equity holders of the Company		210,314	(349,616)		
- Non-controlling interests		-	-		
		210,314	(349,616)		
Earning/(Loss) per share (sen)					
- Basic	11	5.1	(10.4)		
- Diluted	11	5.1	(10.4)		

Statements of Comprehensive Income

for the financial year ended 31 December 2016

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Net profit/(loss) for the financial year	210,314	(349,616)	210,444	(366,547)
Other comprehensive income/(loss)				
Items that may be subsequently reclassified to profit or loss				
Cash flow hedges	214,212	(114,108)	214,212	(114,108)
Foreign currency translation differences	68	231	-	-
Other comprehensive income/(loss) for the financial year, net of tax	214,280	(113,877)	214,212	(114,108)
Total comprehensive income/(loss) for the financial year	424,594	(463,493)	424,656	(480,655)
Total comprehensive income/(loss) attributable to:				
- Equity holders of the Company	424,594	(463,493)		
- Non-controlling interests	-	-		
	424,594	(463,493)		

Balance Sheets

as at 31 December 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	12	1,568,493	1,677,613	1,568,493	1,677,613
Deferred tax assets	13	492,854	542,821	492,854	542,821
Deposits on aircraft purchases	14	136,791	243,601	136,791	243,601
Other deposits and prepayments	15	1,107,800	903,374	1,107,800	903,374
Investments in subsidiaries	16	-	-	*	*
Investment in an associate	17	-	-	20,018	20,018
Investment in a joint venture	18	-	-	-	-
		3,305,938	3,367,409	3,325,956	3,387,427
CURRENT ASSETS					
Inventories	20	14,151	3,985	14,151	3,985
Receivables and prepayments	21	285,084	282,463	285,338	282,403
Amounts due from related parties	22	51,561	30,103	51,561	29,330
Amount due from a joint venture	22	112,816	55,570	112,816	55,570
Amount due from an associate	22	69,590	26,150	-	-
Amount due from a subsidiary	22	-	-	69,590	26,150
Derivative financial instruments	19	134,735	-	134,735	-
Tax recoverable		1,613	712	1,459	579
Deposits, cash and bank balances	23	422,021	310,789	420,405	310,274
		1,091,571	709,772	1,090,055	708,291
Non-current asset held for sale	24	92,781	105,116	92,781	105,116
		1,184,352	814,888	1,182,836	813,407
LESS: CURRENT LIABILITIES					
Sales in advance		715,207	671,510	715,207	671,510
Derivative financial instruments	19	-	115,215	-	115,215
Trade and other payables	25	878,246	849,075	877,505	848,279
Amounts due to related parties	22	25,256	45,668	25,879	45,668
Amounts due to subsidiaries	22	-	-	1,488	2,263
Borrowings	26	208,238	319,477	208,238	319,477
		1,826,947	2,000,945	1,828,317	2,002,412
NET CURRENT LIABILITIES		(642,595)	(1,186,057)	(645,481)	(1,189,005)
NON-CURRENT LIABILITIES					
Borrowings	26	952,088	1,109,610	952,088	1,109,610
Other payables and accruals	25	654,370	439,935	654,370	439,935
		1,606,458	1,549,545	1,606,458	1,549,545
		1,056,885	631,807	1,074,017	648,877
CAPITAL AND RESERVES					
Share capital	27	622,222	622,222	622,222	622,222
Share premium		911,821	911,821	911,821	911,821
Warrant reserve		62,222	62,222	62,222	62,222
Currency translation reserve		195	127	-	-
Accumulated losses		(648,715)	(859,029)	(631,388)	(841,832)
Other reserves	28	109,140	(105,556)	109,140	(105,556)
Shareholders' equity		1,056,885	631,807	1,074,017	648,877

* Less than RM1,000

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2016

Attributable to equity holders of the Company											
Issued and fully paid ordinary shares of RM0.15 each											
Note	Number of shares '000	Nominal value RM'000	Share premium RM'000	Warrant reserve RM'000	Cash flow hedge reserve RM'000	Share option reserve RM'000	Currency translation reserve RM'000	Accumulated losses RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
At 1 January 2016	4,148,148	622,222	911,821	62,222	(107,630)	2,074	127	(859,029)	631,807	-	631,807
Net profit for the financial year	-	-	-	-	-	-	-	210,314	210,314	-	210,314
Other comprehensive income	-	-	-	-	214,212	-	68	-	214,280	-	214,280
Total comprehensive income	-	-	-	-	214,212	-	68	210,314	424,594	-	424,594
Employee Share Option Scheme	-	-	-	-	-	484	-	-	484	-	484
At 31 December 2016	4,148,148	622,222	911,821	62,222	106,582	2,558	195	(648,715)	1,056,885	-	1,056,885
Attributable to equity holders of the Company											
Issued and fully paid ordinary shares of RM0.15 each											
Note	Number of shares '000	Nominal value RM'000	Share premium RM'000	Warrant reserve RM'000	Cash flow hedge reserve RM'000	Share option reserve RM'000	Currency translation reserve RM'000	Accumulated losses RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
At 1 January 2015	2,370,370	355,556	849,598	-	6,478	1,515	(104)	(509,413)	703,630	-	703,630
Net loss for the financial year	-	-	-	-	-	-	-	(349,616)	(349,616)	-	(349,616)
Other comprehensive (loss)/income	-	-	-	-	(114,108)	-	231	-	(113,877)	-	(113,877)
Total comprehensive (loss)/income	-	-	-	-	(114,108)	-	231	(349,616)	(463,493)	-	(463,493)
Issuance of new shares	27	1,777,778	62,223	62,222	-	-	-	-	391,111	-	391,111
Employee Share Option Scheme	27	-	-	-	-	559	-	-	559	-	559
At 31 December 2015	4,148,148	622,222	911,821	62,222	(107,630)	2,074	127	(859,029)	631,807	-	631,807

Company Statement of Changes in Equity

for the financial year ended 31 December 2016

	Issued and fully paid ordinary shares of RM0.15 each				Non-distributable					Total RM'000
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Warrant reserve RM'000	Cash flow			Accumulated losses RM'000		
					hedge reserve RM'000	Share option reserve RM'000	Share option reserve RM'000			
At 1 January 2016	4,148,148	622,222	911,821	62,222	(107,630)	2,074	(841,832)	648,877		
Net profit for the financial year	-	-	-	-	-	-	210,444	210,444		
Other comprehensive income	-	-	-	-	214,212	-	-	214,212		
Total comprehensive income	-	-	-	-	214,212	-	210,444	424,656		
Employee Share Option Scheme	-	-	-	-	-	484	-	484		
At 31 December 2016	4,148,148	622,222	911,821	62,222	106,582	2,558	(631,388)	1,074,017		
	Issued and fully paid ordinary shares of RM0.15 each				Non-distributable					Total RM'000
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Warrant reserve RM'000	Cash flow			Accumulated losses RM'000		
					hedge reserve RM'000	Share option reserve RM'000	Share option reserve RM'000			
At 1 January 2015	2,370,370	355,556	849,598	-	6,478	1,515	(475,285)	737,862		
Net loss for the financial year	-	-	-	-	-	-	(366,547)	(366,547)		
Other comprehensive loss	-	-	-	-	(114,108)	-	-	(114,108)		
Total comprehensive loss	-	-	-	-	(114,108)	-	(366,547)	(480,655)		
Issuance of new shares	1,777,778	266,666	62,223	62,222	-	-	-	391,111		
Employee Share Option Scheme	-	-	-	-	-	559	-	559		
At 31 December 2015	4,148,148	622,222	911,821	62,222	(107,630)	2,074	(841,832)	648,877		

Statements of Cash Flows

for the financial year ended 31 December 2016

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(Loss) before taxation	260,093	(446,475)	260,242	(463,406)
Adjustments:				
Property, plant and equipment				
- Depreciation	113,531	144,807	113,531	144,807
- Write off	15,189	7,752	15,189	7,752
Non-current assets held for sale				
- Write off	12,335	-	12,335	-
Gain on disposal	-	(32,541)	-	(32,541)
Impairment of trade and other receivables	11,585	-	11,585	-
Impairment of investment in a joint venture	-	-	-	53,888
Finance cost	40,260	75,076	40,260	75,076
Discounting effect of deposits	9,614	9,055	9,614	9,055
Interest income	(5,193)	(3,849)	(5,193)	(3,849)
Discounting/accretion of interest on deposits	(19,582)	(15,963)	(19,582)	(15,963)
Fair value (gain)/loss on derivative financial instruments	(35,738)	(101,886)	(35,738)	(101,886)
Fair value gain on shareholders' benefits scheme	(2,944)	-	(2,944)	-
Share option expense	484	559	484	559
Share of results of a joint venture	-	37,566	-	-
Net unrealised foreign exchange losses	16,435	255,805	16,083	255,118
	416,069	(70,094)	415,866	(71,390)
Changes in working capital:				
Inventories	(10,166)	(2,623)	(10,166)	(2,623)
Receivables, prepayments and other deposits	(17,398)	(141,004)	(17,647)	(141,017)
Related parties balances	(129,333)	(27,033)	(129,970)	(25,671)
Trade and other payables	81,201	122,407	81,257	122,395
Sales in advance	43,697	173,655	43,697	173,655
Cash generated from operations	384,070	55,308	383,037	55,349
Interest paid	(47,815)	(72,483)	(47,815)	(72,483)
Interest received	5,193	3,745	5,193	3,745
Tax recovered	-	1,001	-	1,001
Tax paid	(712)	(817)	(712)	(711)
Net cash generated from/(used in) operating activities	340,736	(13,246)	339,703	(13,099)

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Property, plant and equipment					
- Additions	12	(30,420)	(37,337)	(30,420)	(37,337)
Proceeds from disposal of aircraft and engine pursuant to sales and leaseback arrangement		10,408	69,178	10,408	69,178
Proceeds from disposal of property, plant and equipment		412	-	412	-
Refund/(Placement) of deposits on aircraft purchases		508	265,483	508	265,483
Net cash (used in)/generated from investing activities		(19,092)	297,324	(19,092)	297,324
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from allotment of shares		-	391,111	-	391,111
Proceeds from borrowings		-	392,100	-	392,100
Repayments of borrowings		(212,553)	(890,779)	(212,553)	(890,779)
Deposits pledged as securities		18,827	(6,181)	18,827	(6,181)
Net cash used in financing activities		(193,726)	(113,749)	(193,726)	(113,749)
NET INCREASE FOR THE FINANCIAL YEAR		127,918	170,329	126,885	170,476
CURRENCY TRANSLATION DIFFERENCES		2,141	7,081	2,073	6,850
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		252,347	74,937	251,832	74,506
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	23	382,406	252,347	380,790	251,832

Notes to The Financial Statements

- 31 December 2016

1 GENERAL INFORMATION

The principal activity of the Company is that of providing long haul air transportation services. The principal activities of the subsidiary companies are described in Note 16 to the financial statements.

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

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

B-13-15, Level 13
Menara Prima Tower B
Jalan PJU 1/39, Dataran Prima
47301 Petaling Jaya
Selangor Darul Ehsan

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

RedQ, Jalan Pekeliling 5
Lapangan Terbang Antarabangsa Kuala Lumpur (KLIA2)
64000 KLIA
Selangor Darul Ehsan

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 28 March 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

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

During the financial year ended 31 December 2016, the Group and the Company's current liabilities exceeded their current assets by RM642,595,000 (2015: RM1,186,057,000) and RM645,481,000 (2015: RM1,189,005,000) respectively.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Group has applied the following amendments for the first time for the financial year beginning on 1 January 2016:

- Amendments to MFRS 11 'Joint arrangements' - Accounting for acquisition of interests in joint operations
- Amendments to MFRS 101 'Presentation of financial statements' - Disclosure initiative
- Amendments to MFRS 127 "Equity method in separate financial statements"
- Amendments to MFRS 10, 12 & 128 "Investment entities - Applying the consolidation exception"
- Annual Improvements to MFRSs 2012 - 2014 Cycle

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

(c) Standards and amendments that have been issued but not yet effective

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2017. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- Amendments to MFRS 107 'Statement of Cash Flows - Disclosure Initiative' (effective from 1 January 2017) introduce an additional disclosure on changes in liabilities arising from financing activities.
- Amendments to MFRS 112 'Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses' (effective from 1 January 2017) clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value.

In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences.

The amendments shall be applied retrospectively.

- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration' (effective from 1 January 2018) applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the 'date of the transaction' to record foreign currency transactions.

IC Interpretation 22 provides guidance how to determine 'the date of transaction' when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made.

The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk.

If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt.

An entity has the option to apply IC Interpretation 22 retrospectively or prospectively.

Notes to The Financial Statements

- 31 December 2016 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Standards and amendments that have been issued but not yet effective (continued)

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement".

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

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

- MFRS 15 'Revenue from contracts with customers' (effective from 1 January 2018) replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

A new five-step process is applied before revenue can be recognised:

- Identify contracts with customers
- Identify the separate performance obligations
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

Key provisions of the new standard are as follows:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
- As with any new standard, there are also increased disclosures.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Standards and amendments that have been issued but not yet effective (continued)

- MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in the income statement.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

(d) Basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

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

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

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

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

Notes to The Financial Statements

- 31 December 2016 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Basis of consolidation (continued)

(ii) Associates

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

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

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

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

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

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

(iii) Joint arrangements

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Costs also include borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (refer to accounting policy Note 2(q) on borrowing costs).

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

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

The useful lives for this purpose are as follows:

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

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

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

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

Residual values, where applicable, are reviewed annually against prevailing market values at the balance sheet date for equivalent aged assets, and depreciation rates are adjusted accordingly on a prospective basis. For the current financial year ended 31 December 2016, the estimated residual value for aircraft airframes and engines is 10% of their cost (2015: 10% of their cost).

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

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

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

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

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

Notes to The Financial Statements

- 31 December 2016 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Non-current assets held-for-sale

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

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

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

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

(g) Investments in subsidiaries, joint ventures and associates

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

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

(h) Impairment of non-financial assets

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

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

(i) Maintenance and overhaul

Owned aircraft

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

Leased aircraft

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Leases

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

Finance leases

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

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

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

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

Operating leases

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

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

Sale and leaseback transactions

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

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

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

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

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

Notes to The Financial Statements

- 31 December 2016 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Inventories

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

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

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

(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 the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as held for trading and accounted for in accordance with the accounting policy set out in Note 2(w). The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

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

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 19 to the financial statements. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Cash flow hedge

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

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

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

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'other gains/(losses)' and 'foreign exchange losses'.

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

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

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

(o) Provision

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

(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.

(ii) Share issue costs

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

(iii) Dividends to shareholders of the Company

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

(q) Borrowings

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

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

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

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

Notes to The Financial Statements

- 31 December 2016 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Borrowings (continued)

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

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

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

(r) Current and deferred income taxes

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

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

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

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

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

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

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

(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 and Company.

(ii) Defined contribution plan

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Revenue recognition

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

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

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

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

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

Interest income is recognised using the effective interest method.

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

(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 financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and balances

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

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

(iii) Group companies

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

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

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

Notes to The Financial Statements

- 31 December 2016 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Contingent liabilities

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

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

Subsequent to the initial recognition, the Group and Company measure the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provisions of MFRS 137 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with MFRS 118 "Revenue".

(w) Financial assets

(i) Classification

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

(ii) Recognition and initial measurement

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

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

(iii) Subsequent measurement - gains and losses

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Financial assets (continued)

(iv) Subsequent measurement – impairment of financial assets

Assets carried at amortised cost

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

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

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

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

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

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

(v) De-recognition

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

(x) Offsetting financial instruments

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

(y) Trade and other payables

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

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

Notes to The Financial Statements

- 31 December 2016 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Segment reporting

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

(aa) Warrant reserve

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

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

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

Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction of 5% in the residual values of aircraft airframes and engines as disclosed in Note 2(e), would increase the recorded depreciation for the financial year ended 31 December 2016 by RM3,346,000 (2015: RM3,346,000) and decrease the carrying amount of property, plant and equipment as at 31 December 2016 by RM 17,603,044 (2015: RM10,704,000).

(ii) Deferred tax assets

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

4 REVENUE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Scheduled flights	2,532,543	1,682,740	2,532,543	1,682,740
Charter flights	254,720	421,662	254,720	421,662
Fuel surcharge	-	98,861	-	98,861
Freight services	134,913	107,508	134,913	107,508
Ancillary revenue	642,715	476,407	642,715	476,407
Aircraft operating lease income	440,134	274,014	440,134	274,014
Management fees	1,509	1,361	-	-
	4,006,534	3,062,553	4,005,025	3,061,192

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

5 STAFF COSTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Wages, salaries, bonuses and allowances	341,776	289,900	336,297	285,939
Defined contribution retirement plan	27,334	25,362	26,799	25,003
Share option expense	484	559	484	559
	369,594	315,821	363,580	311,501

The details of outstanding options over the ordinary shares of the Company granted under ESOS to the eligible employees are disclosed in Note 27 to the financial statements.

DIRECTORS' REMUNERATION

	Receivable from the Company RM'000	Receivable from Subsidiaries RM'000	Group RM'000
Directors' salaries, bonus and allowances	2,400	-	2,400
Directors' fees	645	-	645
Directors' defined contribution plan	288	-	288
	3,333	-	3,333

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

	Non-executive	
	2016	2015
Range of remuneration		
Less than RM100,000	3	4
RM100,001 to RM150,000	2	3
RM150,001 to RM200,000	1	1
More than RM200,000	1	1

Notes to The Financial Statements

- 31 December 2016 (continued)

6 OTHER OPERATING EXPENSES

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Management fee	-	-	6,484	4,670
Rental of land and buildings	7,094	6,112	6,766	5,971
Auditors' remuneration				
- Statutory audit	410	358	393	341
- Non-audit fees	73	205	73	205
Rental of equipment	287	299	287	299
Net foreign exchange (gain)/loss on operations				
- Realised	(50,741)	(27,675)	(50,741)	(27,675)
- Unrealised	(19,054)	(50,235)	(19,406)	(50,922)
Advertising expenses	62,327	42,056	62,284	42,056
Credit card charges	39,827	32,478	39,827	32,478
In-flight meal expenses	19,662	21,630	19,662	21,630
Insurance expenses	28,065	26,508	28,062	26,508
Impairment of receivables	11,585	-	11,585	-
Property, plant and equipment written off	15,189	7,752	15,189	7,752
Non-current asset held for sale written off	12,335	-	12,335	-
Fair value gain on shareholders' benefits scheme	(2,944)	-	(2,944)	-

7 OTHER INCOME

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Gain on disposal of aircraft and engine pursuant to sales and leaseback arrangements	-	32,541	-	32,541
Commission income from insurance	6,665	7,095	6,665	7,095
Others	49,335	77,245	50,107	77,245
	56,000	116,881	56,772	116,881

Other income ('others') includes concessions received from suppliers and commissions received from advertising activities.

8 OTHER GAINS/(LOSSES)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Other gain/(loss) from fuel contracts held for trading	35,738	(7,585)	35,738	(7,585)
Impairment of investment in a joint venture	-	-	-	(53,888)
	35,738	(7,585)	35,738	(61,473)

9 FINANCE INCOME/(COSTS)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Finance income:				
Interest income from deposits with licensed bank	5,193	3,849	5,193	3,849
Discounting and accretion of interest on deposits	19,582	15,963	19,582	15,963
	24,775	19,812	24,775	19,812
Finance costs:				
Interest expense on bank borrowings	(37,716)	(74,807)	(37,716)	(74,807)
Discounting and accretion of interest on deposits	(9,614)	(9,055)	(9,614)	(9,055)
Bank facilities and other charges	(2,544)	(269)	(2,544)	(269)
	(49,874)	(84,131)	(49,874)	(84,131)
FOREIGN EXCHANGE LOSSES				
Unrealised foreign exchange (losses)/gains on:				
- Borrowings	(37,562)	(312,890)	(37,562)	(312,890)
- Deposits and bank balances	2,073	6,850	2,073	6,850
	(35,489)	(306,040)	(35,489)	(306,040)
Fair value movement recycled from cash flow hedge reserve	-	6,478	-	6,478
Net foreign exchange losses	(35,489)	(299,562)	(35,489)	(299,562)

10 TAXATION

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current taxation:				
- Malaysian taxation	(169)	169	(169)	169
- Foreign taxation	(19)	-	-	-
	(188)	169	(169)	169
Deferred taxation	49,967	(97,028)	49,967	(97,028)
Total tax expense/(credit)	49,779	(96,859)	49,798	(96,859)
Current taxation:				
- Current financial year	(19)	169	-	169
- Previous financial year	(169)	-	(169)	-
	(188)	169	(169)	169
Deferred taxation: (Note 13)				
- Origination and reversal of temporary differences	49,967	(97,028)	49,967	(97,028)
	49,779	(96,859)	49,798	(96,859)

Notes to The Financial Statements

- 31 December 2016 (continued)

10 TAXATION (CONTINUED)

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit/(Loss) before taxation	260,093	(446,475)	260,242	(463,406)
Tax calculated at Malaysian tax rate of 24% (2015: 25%)	62,422	(111,619)	62,458	(115,852)
Tax effects of:				
- overaccrual of prior year tax	(169)	-	(169)	-
- expenses not deductible for tax purposes	1,596	32,470	1,579	46,095
- income not subject to tax	(14,070)	(31,145)	(14,070)	(31,145)
- changes in statutory tax rate	-	4,043	-	4,043
- share of results of an associate and a joint venture	-	9,392	-	-
Tax expense/(credit)	49,779	(96,859)	49,798	(96,859)

11 EARNINGS/(LOSS) PER SHARE**Basic earnings/(loss) per share**

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

	Group	
	2016	2015
Net profit/(loss) for the financial year (RM'000)	210,314	(349,616)
Weighted average number of ordinary shares in issue ('000)	4,148,148	3,359,107
Earnings/(Loss) per share (sen)	5.1	(10.4)

Diluted earnings/(loss) per share

The diluted earnings/(loss) per share of the Group is similar to the basic earnings/(loss) per share as the options over unissued ordinary shares granted pursuant to the ESOS at the end of the financial year have an anti-dilutive effect. The exercise price of the ESOS of RM1.25 per option is above the average market value of the Company's shares during the financial year.

12 PROPERTY, PLANT AND EQUIPMENT

Group and Company	At 1 January 2016 RM'000	Additions RM'000	Reclassifi- cation RM'000	Disposals RM'000	Depreciation charge RM'000	Write off RM'000	At 31 December 2016 RM'000
Net book value							
Aircraft engines, airframe and service potential	1,582,309	20,403	10,408	(10,408)	(98,681)	-	1,504,031
Aircraft spares	66,207	3,525	-	(412)	(12,857)	-	56,463
Motor vehicles	986	326	-	-	(368)	-	944
Office equipment, furniture and fittings	5,236	3,400	-	-	(1,623)	-	7,013
Ramp equipment	-	44	-	-	(2)	-	42
Assets not yet in operation	22,875	2,722	(10,408)	-	-	(15,189)	-
	1,677,613	30,420	-	(10,820)	(113,531)	(15,189)	1,568,493

	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment losses RM'000	Net book value RM'000
At 31 December 2016				
Aircraft engines, airframe and service potential	2,205,663	(672,585)	(29,047)	1,504,031
Aircraft spares	142,311	(75,220)	(10,628)	56,463
Motor vehicles	4,734	(3,790)	-	944
Office equipment, furniture and fitting	14,992	(7,569)	(410)	7,013
Ramp equipment	44	(2)	-	42
	2,367,744	(759,166)	(40,085)	1,568,493

Group and Company	At 1 January 2015 RM'000	Additions RM'000	Reclassifi- cation RM'000	Disposals RM'000	Transfer to non-current asset held for sale RM'000	Depreciation charge RM'000	Write off RM'000	At 31 December 2015 RM'000
Net book value								
Aircraft engines, airframe and service potential	1,824,214	-	36,140	(36,140)	(105,116)	(129,493)	(7,296)	1,582,309
Aircraft spares	77,670	1,930	964	(497)	-	(13,404)	(456)	66,207
Motor vehicles	1,348	-	-	-	-	(362)	-	986
Office equipment, furniture and fittings	4,370	2,414	-	-	-	(1,548)	-	5,236
Assets not yet in operation	26,986	32,993	(37,104)	-	-	-	-	22,875
	1,934,588	37,337	-	(36,637)	(105,116)	(144,807)	(7,752)	1,677,613

Notes to The Financial Statements

- 31 December 2016 (continued)

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment losses RM'000	Net book value RM'000
At 31 December 2015				
Aircraft engines, airframe and service potential	2,185,260	(573,904)	(29,047)	1,582,309
Aircraft spares	139,834	(62,999)	(10,628)	66,207
Motor vehicles	4,408	(3,422)	-	986
Office equipment, furniture and fittings	11,592	(5,946)	(410)	5,236
Assets not yet in operation	22,875	-	-	22,875
	2,363,969	(646,271)	(40,085)	1,677,613

Included in property, plant and equipment of the Group and Company are aircraft pledged as security for borrowings (Note 26) with a net book value of RM1,494 million (2015: RM1,579 million).

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

13 DEFERRED TAXATION

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deferred tax assets	492,854	542,821	492,854	542,821

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At beginning of financial year	542,821	445,793	542,821	445,793
Credited/(charged) to income statement (Note 10):				
- Property, plant and equipment	(210,161)	42,373	(210,161)	42,373
- Tax losses	(11,598)	81,998	(11,598)	81,998
- Sales in advance	171,650	-	171,650	-
- Derivatives	(10,397)	(29,594)	(10,397)	(29,594)
- Others	10,539	2,251	10,539	2,251
	(49,967)	97,028	(49,967)	97,028
At end of financial year	492,854	542,821	492,854	542,821

13 DEFERRED TAXATION (CONTINUED)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deferred tax assets (before offsetting)				
- Tax incentives	251,456	251,456	251,456	251,456
- Tax losses	129,663	141,261	129,663	141,261
- Sales in advance	171,650	-	171,650	-
- Property, plant and equipment	-	145,139	-	145,139
- Derivatives	-	1,820	-	1,820
- Others	13,684	3,145	13,684	3,145
	566,453	542,821	566,453	542,821
Offsetting	(73,599)	-	(73,599)	-
Deferred tax assets (after offsetting)	492,854	542,821	492,854	542,821
Deferred tax liabilities (before offsetting)				
- Property, plant and equipment	(65,022)	-	(65,022)	-
- Derivatives	(8,577)	-	(8,577)	-
	(73,599)	-	(73,599)	-
Offsetting	73,599	-	73,599	-
Deferred tax liabilities (after offsetting)	-	-	-	-

Deferred tax assets are mainly originating from unutilised tax incentives, unabsorbed capital allowances and tax losses carry forward which have no expiry dates. As disclosed in Note 3 to the financial statements, the deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Estimating the future taxable profits involves significant assumptions, especially in respect of regulatory approvals for prospective routes, aircraft delivery, fares, load factors, fuel price, maintenance cost and currency movements. These assumptions have been built based on past performance and adjusted for non-recurring circumstances and a reasonable growth rate. Based on these projections, management believes that the current non-time restricted temporary differences will be utilised and has recognised the deferred tax assets as at balance sheet date.

14 DEPOSITS ON AIRCRAFT PURCHASES

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

The deposits as at 31 December 2016 are in respect of aircraft purchases which will be delivered from December 2018 to December 2027.

During the financial year ended 31 December 2016, no borrowing cost were capitalised by the Group and Company (2015: RM10,776,540) on qualifying assets. Borrowing costs were capitalised in the previous financial year at the rate of 4.25% per annum.

15 OTHER DEPOSITS AND PREPAYMENTS

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

Notes to The Financial Statements

- 31 December 2016 (continued)

16 INVESTMENTS IN SUBSIDIARIES

	Company	
	2016 RM'000	2015 RM'000
Unquoted investments, at cost	#	#

Denotes RM21 (2015: RM21).

The details of the subsidiaries are as follows:

Name	Country of incorporation	Group's effective equity interest		Principal activities
		2016 %	2015 %	
AirAsia X Services Pty Ltd*	Australia	100	100	Provision of management logistical and marketing services
AAX Capital Limited	Malaysia	100	100	Dormant
AAX Leasing I Limited	Malaysia	100	100	Provision of engine leasing facilities
AAX Mauritius One Limited*	Mauritius	100	100	Provision of aircraft leasing facilities
AAX Capital II Limited*	Malaysia	100	100	Dormant
Fly X Limited*	Malaysia	100	100	Dormant

* Not audited by PricewaterhouseCoopers, Malaysia

17 INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unquoted investments, at cost	20,018	20,018	20,018	20,018
Group's share of post-acquisition losses	(20,018)	(20,018)	-	-
	-	-	20,018	20,018

The details of the associate are as follows:

Name	Principal place of business/ Country of incorporation	Group's effective equity interest		Principal activities
		2016 %	2015 %	
Thai AirAsia X Co., Ltd ("TAAX")	Thailand	49	49	Commercial air transport services

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

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

17 INVESTMENT IN AN ASSOCIATE (CONTINUED)

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

Summarised financial information for associate

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

Summarised balance sheet

	TAXX	
	2016 RM'000	2015 RM'000
Current		
Cash and cash equivalents	99,828	58,673
Other current assets	175,155	182,861
Total current assets	274,983	241,534
Non-current		
Assets	51,868	25,867
Current		
Financial liabilities	(38,791)	(120,880)
Other liabilities	(379,181)	(241,373)
Total current liabilities	(417,972)	(362,253)
Net liabilities	(91,121)	(94,852)

Summarised statement of comprehensive income

	TAXX	
	2016 RM'000	2015 RM'000
Revenue	906,686	610,651
Cost of sales	(853,702)	(602,851)
Other operating expenses	(67,501)	(60,932)
Interest income	350	194
Interest expense	(5,502)	(6,348)
Other income	27,540	4,091
Profit/(Loss) before and after tax	7,871	(55,195)
Other comprehensive income	-	-
Total comprehensive income/(loss)	7,871	(55,195)
Dividend received from associate	-	-

Notes to The Financial Statements

- 31 December 2016 (continued)

17 INVESTMENT IN AN ASSOCIATE (CONTINUED)

Reconciliation of summarised financial information

	TAAX	
	2016 RM'000	2015 RM'000
Opening net liabilities at 1 January	(94,852)	(36,337)
Profit/(Loss) for the financial year	7,871	(55,195)
Effect of foreign exchange translation	(4,140)	(3,320)
Closing net liabilities at 31 December	(91,121)	(94,852)
Interest in associate (49%)	-	-
Unrecognised share of loss (49%)		
- for the financial year	-	27,045
- cumulative as at 31 December	40,994	44,850
Carrying value at 31 December	-	-

18 INVESTMENT IN A JOINT VENTURE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unquoted investments, at cost	53,888	53,888	53,888	53,888
Group's share of post-acquisition losses	(53,888)	(53,888)	-	-
Accumulated impairment losses	-	-	(53,888)	(53,888)
	-	-	-	-

The details of the joint venture are as follows:

Name	Principal place of business/ Country of incorporation	Group's effective equity interest		Principal activities
		2016 %	2015 %	
PT Indonesia AirAsia Extra ("IAAX")	Indonesia	49	49	Commercial air transport services

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

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

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

During the previous financial year, impairment losses were recognised due to the losses incurred by the joint venture.

18 INVESTMENT IN A JOINT VENTURE (CONTINUED)**Summarised financial information for joint venture**

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

Summarised balance sheet

	IAAX	
	2016 RM'000	2015 RM'000
Current		
Cash and cash equivalents	28,007	19,338
Other current assets	96,607	85,620
Total current assets	124,614	104,958
Non-current		
Assets	50,862	17,107
Current		
Financial liabilities	(207,766)	(67,927)
Other liabilities	(27,835)	(77,685)
Total current liabilities	(235,601)	(145,612)
Non-current		
Liabilities	(5,988)	(5,727)
Net liabilities	(66,113)	(29,274)

Summarised statement of comprehensive income

	IAAX	
	2016 RM'000	2015 RM'000
Revenue	623,791	191,326
Cost of sales	(627,365)	(283,089)
Other operating expenses	(22,426)	(19,584)
Interest income	257	216
Interest expense	(2,775)	(310)
Other income	2,898	-
Loss before and after tax	(25,620)	(111,441)
Other comprehensive income	1,451	2,722
Total comprehensive loss	(24,169)	(108,719)
Dividend received from joint venture	-	-

Notes to The Financial Statements

- 31 December 2016 (continued)

18 INVESTMENT IN A JOINT VENTURE (CONTINUED)

Reconciliation of summarised financial information

	IAAX	
	2016 RM'000	2015 RM'000
Opening net (liabilities)/assets at 1 January	(29,274)	76,666
Loss for the financial year	(24,169)	(108,719)
Effect of foreign exchange translation	(12,670)	2,779
Closing net liabilities at 31 December	(66,113)	(29,274)
Interest in joint venture (49%)	-	-
Unrecognised share of loss (49%)		
- for the financial year	11,843	15,706
- cumulative as at 31 December	27,549	15,706
Carrying value at 31 December	-	-

19 DERIVATIVE FINANCIAL INSTRUMENTS

	Group and Company			
	2016		2015	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
Current				
Commodity derivatives				
- held for trading	28,153	-	-	(7,585)
- cash flow hedges	106,582	-	-	(107,630)
	134,735	-	-	(115,215)

The full fair value of a hedging derivative is classified as a non-current asset if the remaining maturity of the hedge item is more than 12 months and, as a current asset, if the maturity of the hedged item is less than 12 months. Derivatives held for trading are those which do not qualify for hedge accounting.

(i) Fuel contracts

The outstanding number of barrels of Brent and fuel derivative contracts as at 31 December 2016 was 4,012,809 barrels (2015: 2,377,903 barrels).

As at 31 December 2016, the Group has entered into Singapore Jet Kerosene fixed swap which represents up to 0.35% (2015: 38%) of the Group's total expected fuel volume for the financial year 31 December 2017. The Group has also entered into Brent option and Crack fixed swap contracts which represent an additional 77% (2015: 4%) of the Group's total expected fuel volume for the financial year 2017. This is to hedge against the fuel price risk that the Group is exposed to. Gains and losses recognised in the hedging reserve in equity on Brent and fuel derivative contracts as of 31 December 2016 are recognised in the income statement in the period or periods during which the hedged forecast transactions affects the income statement.

20 INVENTORIES

	Group and Company	
	2016 RM'000	2015 RM'000
Beverages, consumables and in-flight merchandise	14,151	3,985

21 RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade receivables	124,786	115,454	125,187	115,454
Less: Allowance for impairment of receivables	(746)	(196)	(746)	(196)
	124,040	115,258	124,441	115,258
Other receivables	73,791	79,093	73,783	79,086
Less: Allowance for impairment of receivables	(13,789)	(2,754)	(13,789)	(2,754)
	60,002	76,339	59,994	76,332
Deposits	28,008	29,325	27,884	29,285
Prepayments	73,034	61,541	73,019	61,528
	285,084	282,463	285,338	282,403

The normal credit terms of the Group and Company range from 15 to 30 days (2015: 15 to 30 days).

(a) Trade receivables

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

Trade receivables that are neither past due nor impaired for the Group and Company of RM13,984,000 and RM14,385,000 respectively (2015: Group and Company: RM82,966,000), are substantially from companies with good collection track records.

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

As of 31 December 2016, trade receivables for the Group and Company of RM110,056,000 (2015: RM32,292,000) were past due but not impaired. These debts relate to a number of independent customers for whom there is no recent history of default.

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Less than 30 days	23,978	10,605	23,978	10,605
Between 31 and 60 days	12,738	1,873	12,738	1,873
Between 61 and 90 days	4,537	814	4,537	814
Between 91 and 120 days	9,315	3,782	9,315	3,782
Between 121 and 180 days	15,945	6,617	15,945	6,617
More than 180 days	43,543	8,601	43,543	8,601
	110,056	32,292	110,056	32,292

Notes to The Financial Statements

- 31 December 2016 (continued)

21 RECEIVABLES AND PREPAYMENTS (CONTINUED)

(a) Trade receivables (continued)

(iii) Financial assets that are past due and impaired

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

	Group and Company	
	2016 RM'000	2015 RM'000
More than 180 days	746	196
Less: Allowance for impairment of receivables	(746)	(196)
	-	-

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

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 January	196	196	196	196
Allowance for impairment (Note 6)	550	-	550	-
At 31 December	746	196	746	196

(b) Other receivables

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

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

Other receivables that are neither past due nor impaired for the Group and Company of RM37,672,000 and RM37,664,000 (2015: Group: RM52,545,000, Company: RM52,538,000) respectively are substantially with companies with good collection track records.

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

As at 31 December 2016, other receivables for the Group and Company of RM22,330,000 (2015: RM23,794,000) were past due. These debts relate to a number of external parties where there is no expectation of default. The ageing analysis of these other receivables that are past due but not impaired is as follows:

	Group and Company	
	2016 RM'000	2015 RM'000
Less than 30 days	9,200	5,647
Between 31 and 60 days	-	134
Between 61 and 90 days	1,353	502
Between 91 and 120 days	-	6,698
Between 121 and 180 days	262	5,231
More than 180 days	11,515	5,582
	22,330	23,794

21 RECEIVABLES AND PREPAYMENTS (CONTINUED)

(b) Other receivables (continued)

(iii) Financial assets that are past due and impaired

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

	Group and Company	
	2016 RM'000	2015 RM'000
More than 180 days	13,789	2,754
Less: Allowance for impairment of receivables	(13,789)	(2,754)
	-	-

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

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 January	2,754	2,754	2,754	2,754
Allowance for impairment (Note 6)	11,035	-	11,035	-
At 31 December	13,789	2,754	13,789	2,754

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Ringgit Malaysia	123,505	59,901	123,505	59,901
US Dollar	21,743	91,049	21,743	91,049
Australian Dollar	27,042	59,736	27,311	59,689
Euro	1,230	588	1,230	588
Indian Rupee	3,522	1,529	3,522	1,529
New Zealand Dollar	310	-	310	-
Others	34,698	8,119	34,698	8,119
	212,050	220,922	212,319	220,875

The other classes within receivables do not contain impaired assets.

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

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

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

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

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

Notes to The Financial Statements

- 31 December 2016 (continued)

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

The amounts due from/(to) related parties are in respect of trading transactions. The normal credit terms of the Group and Company range from 30 to 60 days (2015: 30 to 60 days).

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Amounts due from related parties	51,561	30,103	51,561	29,330
Amount due from a joint venture	112,816	55,570	112,816	55,570
Amount due from an associate	69,590	26,150	-	-
Amount due from a subsidiary	-	-	69,590	26,150
	233,967	111,823	233,967	111,050
Amounts due to related parties	(25,256)	(45,668)	(25,879)	(45,668)
Amounts due to subsidiaries	-	-	(1,488)	(2,263)
	(25,256)	(45,668)	(27,367)	(47,931)

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Ringgit Malaysia	34,725	15,797	34,725	15,797
Australian Dollar	-	773	-	-
US Dollar	198,371	94,108	198,371	94,108
Others	871	1,145	871	1,145
	233,967	111,823	233,967	111,050

Amounts due from related parties, an associate, a joint venture, and a subsidiary that are neither past due nor impaired for the Group and Company amounted to RM20,126,000 (2015: RM44,552,000 and RM43,779,000) respectively.

The ageing analysis of amounts due from related parties, an associate, a joint venture and a subsidiary that are past due but not impaired is as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Less than 6 months	103,121	62,105	103,121	62,105
More than 6 months	110,720	5,166	110,720	5,166
	213,841	67,271	213,841	67,271

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

The Group and Company have not made any impairment on these balances as management is of the view that these amounts are recoverable as there is no history of default.

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

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Ringgit Malaysia	10,660	16,184	10,660	16,184
Australian Dollar	-	-	1,488	1,450
US Dollar	14,596	29,484	15,219	29,484
New Zealand Dollar	-	-	-	813
	25,256	45,668	27,367	47,931

23 DEPOSITS, CASH AND BANK BALANCES

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash and bank balances	382,406	252,347	380,790	251,832
Deposits with licensed banks	39,615	58,442	39,615	58,442
	422,021	310,789	420,405	310,274
Deposits pledged as securities	(39,615)	(58,442)	(39,615)	(58,442)
Cash and cash equivalents	382,406	252,347	380,790	251,832

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Ringgit Malaysia	263,547	154,841	263,308	154,841
US Dollar	53,261	92,039	53,261	92,039
Australian Dollar	16,125	22,846	14,517	22,338
Chinese Renminbi	13,497	19,949	13,497	19,949
Japanese Yen	8,210	3,511	8,210	3,511
Indian Rupee	8,834	1,589	8,834	1,589
Euro	888	1,349	888	1,349
Others	57,659	14,665	57,890	14,658
	422,021	310,789	420,405	310,274

The Group and Company's weighted average effective interest rate of deposits at the balance sheet date is 2.98 % (2015: 2.77 %) per annum.

The deposits with licensed banks of the Group and Company amounting to RM39,615,000 (2015: RM58,442,000) are pledged as securities for banking facilities granted to the Group and Company (Note 26).

Notes to The Financial Statements

- 31 December 2016 (continued)

24 NON-CURRENT ASSETS HELD FOR SALE

	Group and Company	
	2016 RM'000	2015 RM'000
Property, plant and equipment	92,781	105,116

The non-current assets held for sale are for certain aircraft equipments for which potential buyers have been identified. The sale is expected to be completed before the end of 2017.

25 TRADE AND OTHER PAYABLES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-current:				
Aircraft maintenance provision	591,574	409,098	591,574	409,098
Other deposits	62,796	30,837	62,796	30,837
	654,370	439,935	654,370	439,935
Current:				
Trade payables	251,253	401,618	251,253	401,308
Other payables and accruals	626,993	447,457	626,252	446,971
	878,246	849,075	877,505	848,279

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

The credit term of trade payables granted to the Group and Company is 0 to 90 days (2015: 0 to 90 days).

The currency profile of trade and other payables (excluding aircraft maintenance provision) is as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Ringgit Malaysia	140,258	318,815	140,236	318,815
US Dollar	480,746	415,258	480,746	415,258
Australian Dollar	107,870	64,209	107,151	63,413
Euro	7,600	9,013	7,600	9,013
Indian Rupee	1,759	-	1,759	-
Japanese Yen	58,687	28,536	58,687	28,536
Chinese Renminbi	46,229	27,723	46,229	27,723
Others	97,893	16,358	97,893	16,358
	941,042	879,912	940,301	879,116

25 TRADE AND OTHER PAYABLES (CONTINUED)

The movement in aircraft maintenance provision is as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 January	409,098	-	409,098	-
Additions during the year	182,476	409,098	182,476	409,098
At 31 December	591,574	409,098	591,574	409,098

26 BORROWINGS

	Weighted average rate of finance		Group and Company	
	2016 %	2015 %	2016 RM'000	2015 RM'000
Current				
Secured:				
- Revolving credit	-	4.52	-	120,120
- Term loans	3.17	3.02	208,222	199,341
- Hire purchase	2.80	2.80	16	16
			208,238	319,477
Non-current				
Secured:				
- Term loans	3.17	3.02	952,072	1,109,577
- Hire purchase	2.80	2.80	16	33
			952,088	1,109,610
Total borrowings			1,160,326	1,429,087

Total borrowings consist of the following banking facilities:

	Group and Company	
	2016 RM'000	2015 RM'000
Fixed rate borrowings	643,362	755,485
Floating rate borrowings	516,964	673,602
	1,160,326	1,429,087

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

Not later than 1 year	208,238	319,477
Later than 1 year and not later than 5 years	832,912	781,653
Later than 5 years	119,176	327,957
	1,160,326	1,429,087

The currency profile of borrowings is as follows:

Ringgit Malaysia	33	49
US Dollar	1,160,293	1,429,038
	1,160,326	1,429,087

Notes to The Financial Statements

- 31 December 2016 (continued)

26 BORROWINGS (CONTINUED)

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

	Group and Company			
	2016		2015	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Term loans	643,329	652,237	755,436	726,472
Hire purchase	33	20	49	55
	643,362	652,257	755,485	726,527

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

The fair values of the fixed rate borrowings are based on cash flows discounted using borrowing rates that are reflective of the Group and Company's credit risk at the balance sheet date, at 1.76% (2015: 3.83%) per annum. The fair values of fixed rate borrowings are within level 2 of the fair value hierarchy.

Revolving credit facilities

The revolving credit facility was to finance pre-delivery payments ("PDPs") in respect of the Group's and Company's firm order of Airbus A330-300 aircraft, with an option to acquire additional Airbus A330-300 aircraft. The facility becomes repayable upon delivery of the relevant aircraft and carries interest ranging from 3.2% to 3.25% (2015: 3.2% to 3.25%) per annum above the bank's USD cost of funds.

The revolving credit was fully repaid during the financial year.

Term loans

The term loans are for the purchase of new Airbus A330-300 aircraft. The repayment of the term loans is on a quarterly basis over 10 to 12 years, with equal principal instalments, at a combination of floating rate of LIBOR + 0.8% and fixed interest rates of between 2.82% to 5.45% (2015: 2.82% to 5.45%) per annum. The term loans are secured by the following:

- Assignment of rights under contract with Airbus over each aircraft;
- Assignment of insurance of each aircraft; and
- Assignment of airframe and engine warranties of each aircraft.

27 SHARE CAPITAL

	Group and Company	
	2016 RM'000	2015 RM'000
Authorised:		
Ordinary shares of RM0.15 each:		
At beginning of financial year	1,000,000	500,000
Created during the financial year	-	500,000
At end of financial year	1,000,000	1,000,000
Total authorised	1,000,000	1,000,000

27 SHARE CAPITAL (CONTINUED)

	Group and Company	
	2016 RM'000	2015 RM'000
Issued and fully paid up:		
Ordinary shares of RM0.15 each:		
At beginning of financial year	622,222	355,556
Issuance of shares during the financial year	-	266,666
At end of financial year	622,222	622,222
Total issued and fully paid up	622,222	622,222

On 27 March 2015, the authorised share capital of the Company was increased from RM500,000,000 comprising 3,333,333,333 ordinary shares to RM1,000,000,000 comprising 6,666,666,667 ordinary shares.

On 11 June 2015, the Company completed a renounceable rights issue of new ordinary shares of RM0.15 each in the Company together with free detachable warrants for working capital purpose. As a result, 1,777,777,790 ordinary shares of RM0.15 each were issued during the financial year. These new ordinary shares rank pari passu with the existing ordinary shares. Following the completion of the exercise, the issued and fully paid ordinary shares of the Company consists of 4,148,148,177 ordinary shares of RM0.15 each with a share premium of RM911,820,644 and warrant reserve of RM62,222,223.

EMPLOYEE SHARE OPTION SCHEME (“ESOS”)

The Company had implemented an ESOS which entails the issuance of up to ten percent (10%) of the issued and paid-up share capital of the Company at any one time pursuant to the exercise of options to be granted under the ESOS, to full-time eligible employees of the Group (“ESOS Options”). The tenure of the ESOS shall be five (5) years with an option to extend for a further five (5) years, subject to a maximum duration of ten (10) years. The ESOS is governed by the By-Laws which were approved by the shareholders on 12 October 2012.

The main features of the ESOS are as follows:

- The maximum number of ordinary shares, which may be allotted pursuant to the exercise of options under the scheme, shall not exceed ten percent (10%) of the issued and paid-up share capital of the Company at any point in time during the duration of the scheme.
- The ESOS Committee duly authorised by the Board (and governed by the By-Laws) may, at its absolute discretion, offer such number of ESOS Options to the eligible employees during the subsistence of the ESOS, provided that such number of new shares issued under the ESOS Options granted shall not exceed the maximum number permitted under the listing requirements of Bursa Malaysia, the By-Laws and any laws, regulations and guidelines issued by other relevant authorities.
- An eligible employee who accepts an offer of ESOS Option must return, on or before the expiry date, the duly completed prescribed acceptance form accompanied by the payment of the sum of RM1.00 as a consideration for acceptance of that offer. If that offer is not accepted in such manner, the offer shall, upon the expiry date, automatically lapse and be null and void.
- The options granted are exercisable in tranches of 25% at each anniversary of date of grant.

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

Notes to The Financial Statements

- 31 December 2016 (continued)

27 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 1.1.2016 '000	Adjustment '000	Exercised '000	Forfeited '000	At 31.12.2016 '000
1 July 2013	11 October 2017	0.99*	3,976	-	-	(205)	3,771

Grant date	Expiry date	Exercise price RM/share	At 1.1.2015 '000	Adjustment '000	Exercised '000	Forfeited '000	At 31.12.2015 '000
1 July 2013	11 October 2017	0.99*	6,150	181*	-	(2,355)	3,976

* The exercise price of the options and number of options granted were adjusted as a result of the rights issue exercise on 11 June 2015.

Out of the 3,770,663 outstanding options (2015: 3,976,148 outstanding options), 2,920,663 options (2015: 3,076,148 options) were exercisable as at the end of the reporting period.

The fair value as at the grant date of share options was determined using the Black Scholes valuation model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used were as follows:

	2016	2015
Expected volatility (%)	33.97	33.97
Risk-free interest rate (%)	3.84	3.84
Expected life of option (years)	4	4
Share price at date of grant (RM)	1.25	1.25
Exercise price of option (RM)	1.25	1.25
Fair value of option at date of grant (RM)	0.41	0.41

Volatility is measured over a 4-year period to increase the credibility of assumption.

The amount recognised in the financial statements (Note 5) for all employees arising from the ESOS to the Group and Company are RM484,000 (2015: RM559,000).

28 OTHER RESERVES

	Cash flow hedge reserve RM'000	Share option reserve RM'000	Total RM'000
Group and Company			
At 1 January 2016	(107,630)	2,074	(105,556)
Net change in fair value	106,582	484	107,066
Amounts transferred to income statement	107,630	-	107,630
At 31 December 2016	106,582	2,558	109,140
At 1 January 2015	6,478	1,515	7,993
Net change in fair value	(107,630)	559	(107,071)
Amounts transferred to income statement	(6,478)	-	(6,478)
At 31 December 2015	(107,630)	2,074	(105,556)

29 COMMITMENTS

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

	Group and Company	
	2016 RM'000	2015 RM'000
Property, plant and equipment - approved and contracted for:		
- Not later than 1 year	-	-
- Later than 1 year and not later than 5 years	30,289,045	19,064,614
- Later than 5 years	88,803,156	94,842,046
	119,092,201	113,906,660

Included in capital commitments as at 31 December 2016 is the purchase of Airbus A330 and A350 aircraft over the next 12 years.

(b) Non-cancellable operating leases

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

	Group and Company			
	2016		2015	
	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	1,024,614	315,396	987,113	293,769
Later than 1 year and not later than 5 years	4,094,546	1,261,582	3,920,000	1,206,650
Later than 5 years	3,893,976	954,762	4,700,684	1,214,852
	9,013,136	2,531,740	9,607,797	2,715,271

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

30 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

The related parties of the Company and their relationships at 31 December 2016 are as follows:

Name of Companies	Relationship
AirAsia X Services Pty Ltd	Subsidiary
AirAsia X Mauritius One Ltd	Subsidiary
Thai AirAsia X Co., Ltd	Associate
PT Indonesia AirAsia Extra	Joint Venture
AirAsia Berhad	Shareholder of the Company for which there is no control, significant influence or joint control; common Directors and shareholders
CaterhamJet Global Ltd	Common Directors and shareholders

Notes to The Financial Statements

- 31 December 2016 (continued)

30 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

The related parties of the Company and their relationships at 31 December 2016 are as follows (continued):

Name of Companies	Relationship
Associates of AirAsia Berhad	
- Thai AirAsia Co., Ltd	Common Directors and shareholders
- PT Indonesia AirAsia	Common Directors and shareholders
- AirAsia Japan Co. Ltd	Common Directors and shareholders
- Philippines AirAsia (formerly known as AirAsia Inc)	Common Directors and shareholders
- Philippines AirAsia Inc (formerly known as Zest Airway Inc)	Common Directors and shareholders
- AirAsia (India) Pvt Ltd	Common Directors and shareholders
- AAE Travel Pte Ltd	Common Directors and shareholders
Joint venture of AirAsia Berhad	
- Asian Aviation Centre of Excellence Sdn Bhd	Common shareholders
Subsidiaries of AirAsia Berhad	
- AirAsia Global Shared Services Sdn Bhd	Common Directors and shareholders
- Rokki Sdn Bhd (formerly known as Tune Box Sdn Bhd)	Common Directors and shareholders
- Think Big Digital Sdn Bhd	Common Directors and shareholders
- TPAAY Asia Sdn Bhd (formerly known as Tune Money Sdn Bhd)	Common Directors and shareholders
Other related entities	
- Tune Protect Re Ltd (formerly known as Tune GenRe Ltd)	Common Directors and shareholders
- Tune Insurance Malaysia Berhad	Common Directors and shareholders

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

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 30(g) below.

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(a) Income:				
Aircraft operating lease income for leased aircraft				
- AAX Mauritius One Limited	-	-	329,402	179,025
- PT Indonesia AirAsia Extra	110,732	94,989	110,732	94,989
- Thai AirAsia X Co., Ltd	329,402	179,025	-	-
Provision of carried passenger services to				
- AirAsia Berhad	42,867	10,940	42,867	10,940
- Thai AirAsia X Co., Ltd	-	16,542	-	16,542
Commission on travel insurance for passengers charged to				
- Tune Insurance Malaysia Berhad	3,920	5,211	3,920	5,211
Management fees charged to				
- PT Indonesia AirAsia	1,509	1,361	-	-

30 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(b) Recharges:				
Recharges of expenses to				
- PT Indonesia AirAsia	1,271	5,835	1,271	5,835
- PT Indonesia AirAsia Extra	3,260	2,082	3,260	2,082
- Thai AirAsia X Co., Ltd	10,370	1,819	10,370	1,819
- Thai AirAsia Co., Ltd	979	2,598	979	2,598
- Philippines AirAsia Inc	3,784	3,663	3,784	3,663
- Philippines AirAsia	-	1,884	-	1,884
Recharges of expenses by				
- AirAsia Berhad	(65,640)	(7,833)	(65,640)	(7,833)
- AirAsia Japan Co., Ltd.	(604)	-	(604)	-
- AirAsia (India) Pvt Ltd	(841)	-	(841)	-
(c) Other charges:				
Management fees charged by				
- AirAsia X Services Pty Ltd	-	-	(6,836)	(3,983)
Brand license fee charged by				
- AirAsia Berhad	(8,530)	(8,530)	(8,530)	(8,530)
Training services charged by				
- Asian Aviation Centre of Excellence Sdn Bhd	(11,032)	(13,214)	(11,032)	(13,214)
In-flight entertainment system and software expense charged by				
- Rokki Sdn Bhd	(3,827)	(2,536)	(3,827)	(2,536)
Charter air travel services charged by				
- CaterhamJet Global Ltd	(6,606)	(6,386)	(6,606)	(6,386)
Shared service management fee charged by				
- AirAsia Global Shared Services Sdn Bhd	(5,126)	(2,481)	(5,126)	(2,481)
(d) Premium collected on travel insurance for passengers paid to:				
- Tune Insurance Malaysia Berhad	(15,681)	(20,843)	(15,681)	(20,843)
(e) Receivables:				
- AAX Mauritius One Limited	-	-	69,590	26,150
- PT Indonesia AirAsia	-	9,548	-	9,548
- Philippines AirAsia (including Philippines AirAsia Inc)	8,862	7,273	8,862	7,273
- Thai AirAsia X Co., Ltd	69,590	26,150	-	-
- PT Indonesia AirAsia Extra	112,816	55,570	112,816	55,570
- AirAsia Berhad	34,719	1,513	34,719	1,513
- AirAsia (India) Pvt Ltd	6,751	4,431	6,751	4,431
- Others	1,229	7,338	1,229	6,565
	233,967	111,823	233,967	111,050

Notes to The Financial Statements

- 31 December 2016 (continued)

30 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(f) Payables:				
- Asian Aviation Centre of Excellence Sdn Bhd	5,483	4,224	5,483	4,224
- Rokki Sdn Bhd	1,307	1,058	1,307	1,058
- Tune Insurance Malaysia Berhad	6,454	2,676	6,454	2,676
- PT Indonesia AirAsia	881	-	1,504	-
- Thai AirAsia Co., Ltd	5,806	30,030	5,806	30,030
- AirAsia X Services Pty Ltd	-	-	1,488	1,450
- CaterhamJet Global Ltd	2,552	2,415	2,552	2,415
- Philippines AirAsia Inc	-	4,538	-	4,538
- Others	2,773	727	2,773	1,540
	25,256	45,668	27,367	47,931
(g) Key management compensation:				
- basic salaries, bonus and allowances	9,643	7,863	9,643	7,863
- defined contribution plan	1,007	891	1,007	891
- fees	636	721	636	721
	11,286	9,475	11,286	9,475

Included in the key management compensation is Executive Director's remuneration as disclosed in Note 5 to the financial statements.

31 FINANCIAL RISK MANAGEMENT POLICIES

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

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

The Group and Company also seek to ensure that the financial resources that are available for the development of the Group's and Company's businesses are constantly monitored and managed vis-a-vis its ongoing exposure to fuel price, interest rate, foreign currency exchange, credit, liquidity and cash flow risks.

31 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

The policies in respect of the major areas of treasury activities are as follows:

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign currency exchange rates, jet fuel prices and interest rates. The objective of market risk management is to manage and control market risk exposure within acceptable parameters while optimising the return on risk.

(i) Fuel price risk

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

During the financial year ended 31 December 2016, the Group and Company entered into Singapore Jet Kerosene fixed swap, Brent option and Crack swap contracts. There were 4,012,809 barrels (2015: 2,377,903 barrels) of Brent and fuel contracts outstanding as at 31 December 2016.

As at 31 December 2016, if USD denominated barrel had been USD5 higher/lower with all other variables held constant, the impact on the post-tax profit and equity for the year end equity are tabulated below:

	2016		2015	
	+USD5 RM'000	-USD5 RM'000	+USD5 RM'000	-USD5 RM'000
Impact on post tax profits	(8,727)	424	2,515	(3,081)
Impact on other comprehensive income	76,857	(66,499)	38,811	(38,811)

(ii) Interest rate risk

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

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

At 31 December 2016, 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 financial year are tabulated below:

	2016		2015	
	+60bps RM'000	-60bps RM'000	+60bps RM'000	-60bps RM'000
Impact on post tax profits	(3,538)	3,538	(3,497)	3,497

Notes to The Financial Statements

- 31 December 2016 (continued)

31 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(a) Market risk (continued)

(iii) Foreign currency risk

Apart from Ringgit Malaysia ("RM"), the Group and Company transact business in various foreign currencies including United States Dollar ("USD"), Australian Dollar ("AUD"), EURO, Indian Rupee ("INR"), Chinese Renminbi ("RMB") and Japanese Yen ("JPY"). In addition, the Group and Company have significant borrowings in USD (Note 26), mainly to finance the purchase of aircraft and pre-delivery payments in respect of the Group's and Company's firm order of Airbus A330-300 aircraft. Therefore, the Group and Company are exposed to currency exchange risk. These exposures are managed, to the extent possible, by natural hedges that arise when payments for foreign currency payables are matched against receivables denominated in the same foreign currency, or whenever possible by intragroup arrangements and settlements.

As at 31 December 2016, if RM had weakened/strengthened by 5% against the USD with all other variables held constant, post-tax profit for the financial year for the Group and Company would have been RM40.4 million (2015: RM42.6 million) lower/higher, mainly as a result of foreign exchange losses/gains on translation of USD denominated receivables and borrowings. Similarly, the impact on other comprehensive income would have been RM6.7 million (2015: RM5.4 million) higher/lower due to the cash flow hedging in USD. The exposure to other foreign currency risk of the Group and the Company is not material and hence, sensitivity analysis is not presented.

The Group's currency exposure is as follows:

At 31 December 2016	USD RM'000	AUD RM'000	EURO RM'000	INR RM'000	RMB RM'000	JPY RM'000	Others RM'000
Financial assets							
Receivables	21,743	27,042	1,230	3,522	1,909	16,182	16,917
Amounts due from related parties, an associate, and a joint venture	198,371	-	-	-	-	-	871
Deposits, cash and bank balances	53,261	16,125	888	8,834	13,497	8,210	57,659
Other deposits *	439,293	-	-	-	-	-	-
Derivative financial instruments	134,735	-	-	-	-	-	-
	847,403	43,167	2,118	12,356	15,406	24,392	75,447
Financial liabilities							
Trade and other payables	480,746	107,870	7,600	1,759	46,229	58,687	97,893
Amounts due to related parties	14,596	-	-	-	-	-	-
Borrowings	1,160,293	-	-	-	-	-	-
	1,655,635	107,870	7,600	1,759	46,229	58,687	97,893
Net exposure	(808,232)	(64,703)	(5,482)	10,597	(30,823)	(34,295)	(22,446)

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

31 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(a) Market risk (continued)

(iii) Foreign currency risk (continued)

The Group's currency exposure is as follows: (continued)

At 31 December 2015	USD RM'000	AUD RM'000	EURO RM'000	INR RM'000	RMB RM'000	JPY RM'000	Others RM'000
Financial assets							
Receivables	91,049	59,736	588	1,529	1,531	3,584	3,004
Amounts due from related parties, an associate, and a joint venture	94,108	773	-	-	1,145	-	-
Deposits, cash and bank balances	92,039	22,846	1,349	1,589	19,949	3,511	14,665
Other deposits *	443,175	-	-	-	-	-	-
	720,371	83,355	1,937	3,118	22,625	7,095	17,669
Financial liabilities							
Trade and other payables	415,258	64,209	9,013	-	27,723	28,536	16,358
Amounts due to related parties	29,484	-	-	-	-	-	-
Borrowings	1,429,038	-	-	-	-	-	-
Derivative financial instruments	115,215	-	-	-	-	-	-
	1,988,995	64,209	9,013	-	27,723	28,536	16,358
Net exposure	(1,268,624)	19,146	(7,076)	3,118	(5,098)	(21,441)	1,311

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

The Company's currency exposure is as follows:

At 31 December 2016	USD RM'000	AUD RM'000	EURO RM'000	INR RM'000	RMB RM'000	JPY RM'000	Others RM'000
Financial assets							
Receivables	21,743	27,311	1,230	3,522	1,909	16,182	16,917
Amounts due from related parties, a joint venture and a subsidiary	198,371	-	-	-	-	-	871
Deposits, cash and bank balances	53,261	14,517	888	8,834	13,497	8,210	57,890
Other deposits *	439,293	-	-	-	-	-	-
Derivative financial instruments	134,735	-	-	-	-	-	-
	847,403	41,828	2,118	12,356	15,406	24,392	75,678
Financial liabilities							
Trade and other payables	480,746	107,151	7,600	1,759	46,229	58,687	97,893
Amounts due to related parties and subsidiaries	15,219	1,488	-	-	-	-	-
Borrowings	1,160,293	-	-	-	-	-	-
	1,656,258	108,639	7,600	1,759	46,229	58,687	97,893
Net exposure	(808,855)	(66,811)	(5,482)	10,597	(30,823)	(34,295)	(22,215)

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

Notes to The Financial Statements

- 31 December 2016 (continued)

31 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)**(a) Market risk (continued)****(iii) Foreign currency risk (continued)**

The Company's currency exposure is as follows: (continued)

At 31 December 2015	USD RM'000	AUD RM'000	EURO RM'000	INR RM'000	RMB RM'000	JPY RM'000	Others RM'000
Financial assets							
Receivables	91,049	59,689	588	1,529	1,531	3,584	3,004
Amounts due from related parties, a joint venture and a subsidiary	94,108	-	-	-	1,145	-	-
Deposits, cash and bank balances	92,039	22,338	1,349	1,589	19,949	3,511	14,658
Other deposits *	443,175	-	-	-	-	-	-
	720,371	82,027	1,937	3,118	22,625	7,095	17,662
Financial liabilities							
Trade and other payables	415,258	63,413	9,013	-	27,723	28,536	16,358
Amounts due to related parties and subsidiaries	29,484	1,450	-	-	-	-	813
Borrowings	1,429,038	-	-	-	-	-	-
Derivative financial instruments	115,215	-	-	-	-	-	-
	1,988,995	64,863	9,013	-	27,723	28,536	17,171
Net exposure	(1,268,624)	17,164	(7,076)	3,118	(5,098)	(21,441)	491

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

(b) Credit risk

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

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

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

The Group and Company generally have no concentration of credit risk arising from trade receivables.

31 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(c) Liquidity and cash flow risk

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

Whilst the Group's and Company's current liabilities exceeded their current assets by RM642,595,000 and RM645,481,000 (2015: RM1,186,057,000 and RM1,189,005,000) respectively, the Directors are of the view that the Group and the Company will have sufficient cash flows for the next twelve months from the reporting date to meet their cash flow requirements. The Directors believe that the Group and the Company are able to realise their assets and discharge their liabilities in the normal course of business and that the financial position will be improved through future operating profits and cash flows.

The Directors are committed to ensuring that the Group and Company will have sufficient funds to enable the Group and Company to meet their liabilities as they fall due and to carry on their business without significant curtailment of operations. This includes raising funds from the market, as evidenced from the successful completion of the renounceable rights issue exercise on 11 June 2015, as disclosed in Note 27 to the financial statements.

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

Group	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	Over 5 years RM'000
At 31 December 2016				
Term loans	240,080	233,033	568,960	212,296
Hire purchase	19	19	-	-
Trade and other payables	878,246	-	-	439,935
Amounts due to related parties	25,256	-	-	-
	1,143,601	233,052	568,960	652,231
At 31 December 2015				
Term loans	236,446	229,627	632,726	337,398
Revolving credit	120,860	-	-	-
Hire purchase	19	19	19	-
Trade and other payables	849,075	-	-	451,547
Amounts due to related parties	45,668	-	-	-
	1,252,068	229,646	632,745	788,945

Notes to The Financial Statements

- 31 December 2016 (continued)

31 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)**(c) Liquidity and cash flow risk (continued)**

Company	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	Over 5 years RM'000
At 31 December 2016				
Term loans	240,080	233,033	568,960	212,296
Hire purchase	19	19	-	-
Trade and other payables	877,505	-	-	439,935
Amounts due to related parties	25,879	-	-	-
Amounts due to subsidiaries	1,488	-	-	-
	1,144,971	233,052	568,960	652,231
At 31 December 2015				
Term loans	236,446	229,627	632,726	337,398
Revolving credit	120,860	-	-	-
Hire purchase	19	19	19	-
Trade and other payables	848,279	-	-	451,547
Amounts due to related parties	45,668	-	-	-
Amounts due to subsidiaries	2,263	-	-	-
	1,253,535	229,646	632,745	788,945

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

Group and Company	Less than 1 year RM'000	1-2 years RM'000	2-5 years RM'000	Over 5 years RM'000
At 31 December 2016				
Net-settled derivatives				
Trading	-	-	-	-
Hedging	-	-	-	-
At 31 December 2015				
Net-settled derivatives				
Trading	5,718	-	-	-
Hedging	108,083	-	-	-

31 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(d) Capital risk management

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

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

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

The Group's and Company's overall strategy remained unchanged from 2015. The gearing ratio as at 31 December 2016 and 2015 were as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total borrowings (Note 26)	1,160,326	1,429,087	1,160,326	1,429,087
Less: Cash and cash equivalents (Note 23)	(382,406)	(252,347)	(380,790)	(251,832)
Net debt	777,920	1,176,740	779,536	1,177,255
Total equity attributable to equity holders of the Group and Company	1,056,885	631,807	1,074,017	648,877
Total capital	1,834,805	1,808,547	1,853,553	1,826,132
Gearing ratio	42.4%	65.1%	42.1%	64.5%

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2016 and 31 December 2015, except that the Group and the Company did not meet certain financial ratio covenants for one borrowing facility totalling RM120 million as at 31 December 2015. The lender had granted indulgences to the Group and the Company from having to comply with the financial covenant ratios for the financial year ended 31 December 2015. The said borrowing facility was fully settled during the financial year. As the covenants are enforced annually, the Group monitors compliance with the financial covenant ratios at the end of each financial year. In the event of a breach, the Group will seek indulgences from the respective banks to ensure that the Group and the Company are not in default of any borrowings. The Group's and the Company's overall strategy for capital risk management remains unchanged.

(e) Fair value measurement

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

Determination of fair value and fair value hierarchy

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

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

Notes to The Financial Statements

- 31 December 2016 (continued)

31 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(e) Fair value measurement (continued)

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

Group and Company	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 31 December 2016				
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	28,153	-	28,153
Derivatives used for hedging	-	106,582	-	106,582
	-	134,735	-	134,735
At 31 December 2015				
Liabilities				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	(7,585)	-	(7,585)
Derivatives used for hedging	-	(107,630)	-	(107,630)
	-	(115,215)	-	(115,215)

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group then determines fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The Group's Level 2 financial instruments comprise fuel swap contracts. The fair value of fuel swap contracts is determined using forward fuel price at the balance sheet date, with the resulting value discounted back to present value.

32 FINANCIAL INSTRUMENTS

(a) Financial instruments by category

Group	Assets at fair value through the profit and loss RM'000	Derivatives used for hedging RM'000	Loan and receivables RM'000	Total RM'000
31 December 2016				
Assets as per balance sheet				
Trade and other receivables excluding prepayments and deposits	-	-	184,042	184,042
Other deposits excluding prepayments	-	-	467,302	467,302
Amounts due from related parties	-	-	51,561	51,561
Amount due from a joint venture	-	-	112,816	112,816
Amount due from an associate	-	-	69,590	69,590
Derivative financial instruments	106,582	28,153	-	134,735
Deposits, cash and bank balances	-	-	422,021	422,021
Total	106,582	28,153	1,307,332	1,442,067

32 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments by category (continued)

Group	Other financial liabilities at amortised cost RM'000
Liabilities as per balance sheet	
Borrowings	1,160,326
Trade and other payables	941,042
Amount due to related parties	25,256
Total	2,126,624

Group	Loan and receivables RM'000
31 December 2015	
Assets as per balance sheet	
Trade and other receivables excluding prepayments and deposits	191,597
Other deposits excluding prepayments	472,500
Amounts due from related parties	30,103
Amount due from a joint venture	55,570
Amount due from an associate	26,150
Deposits, cash and bank balances	310,789
Total	1,086,709

Group	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
Liabilities as per balance sheet				
Borrowings	-	-	1,429,087	1,429,087
Trade and other payables	-	-	879,912	879,912
Amount due to related parties	-	-	45,668	45,668
Derivative financial instruments	7,585	107,630	-	115,215
Total	7,585	107,630	2,354,667	2,469,882

Notes to The Financial Statements

- 31 December 2016 (continued)

32 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments by category (continued)

Company	Assets at fair value through the profit and loss RM'000	Derivatives used for hedging RM'000	Loan and receivables RM'000	Total RM'000
31 December 2016				
Assets as per balance sheet				
Trade and other receivables excluding prepayments and deposits	-	-	184,435	184,435
Other deposits excluding prepayments	-	-	467,178	467,178
Amounts due from related parties	-	-	51,561	51,561
Amount due from a joint venture	-	-	112,816	112,816
Amount due from a subsidiary	-	-	69,590	69,590
Derivative financial instruments	106,582	28,153	-	134,735
Deposits, cash and bank balances	-	-	420,405	420,405
Total	106,582	28,153	1,305,985	1,440,720

Company	Other financial liabilities at amortised cost RM'000
Liabilities as per balance sheet	
Borrowings	1,160,326
Trade and other payables	940,301
Amount due to related parties	25,879
Amount due to subsidiaries	1,488
Total	2,127,994

Company	Loan and receivables RM'000
31 December 2015	
Assets as per balance sheet	
Trade and other receivables excluding prepayments and deposits	191,590
Other deposits excluding prepayments	472,459
Amount due from related parties	29,330
Amount due from a joint venture	55,570
Amount due from a subsidiary	26,150
Deposits, cash and bank balances	310,274
Total	1,085,373

32 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments by category (continued)

Company	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
Liabilities as per balance sheet				
Borrowings	-	-	1,429,087	1,429,087
Trade and other payables	-	-	879,116	879,116
Amount due to related parties	-	-	45,668	45,668
Amount due to subsidiaries	-	-	2,263	2,263
Derivative financial instruments	7,585	107,630	-	115,215
Total	7,585	107,630	2,356,134	2,471,349

(b) Credit quality of financial assets

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Counterparties without external credit rating				
Group 1	131	9,090	131	9,090
Group 2	13,853	73,876	14,254	73,876
Total trade receivables that are neither past due nor impaired	13,984	82,966	14,385	82,966

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deposits, cash and bank balances					
AAA to A-		411,802	286,561	410,186	286,046
BBB to BBB-		9,755	23,861	9,755	23,861
Cash in hand		421,557	310,422	419,941	309,907
		464	367	464	367
Total	23	422,021	310,789	420,405	310,274
Amounts due from related parties, a joint venture, a subsidiary and an associate					
Group 1		-	4,965	-	4,965
Group 2		20,126	39,587	20,126	38,814
Total	22	20,126	44,552	20,126	43,779

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

Group 2 - Existing customers/related parties (more than 6 months) with no defaults in the past.

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

Notes to The Financial Statements

- 31 December 2016 (continued)

33 SEGMENTAL INFORMATION

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

The Group's CEO considers the business from a geographic perspective. With the termination of certain routes in the previous financial year, the operating segments have been reassessed and identified as North Asia, Australia and Middle East and West Asia.

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

Consistent with information provided to the chief operating decision maker, revenue and certain direct costs (fuel, oil and maintenance, overhaul and user charges) were extracted on actual earned/incurred basis and disclosed accordingly in the operating segment results for the financial years ended 31 December 2016 and 31 December 2015 respectively. All other costs are allocated to the various segments based on "block hours". Block hours are defined as the time between the departure of an aircraft and its arrival at its destination, as recorded in the aircraft flight log.

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

2016	North Asia RM'000	Australia RM'000	West Asia and Middle East RM'000	Total RM'000
External revenue				
- Scheduled flights	1,426,708	888,479	217,356	2,532,543
- Charter flights	2,658	-	252,062	254,720
- Freight services	58,832	55,489	20,592	134,913
- Ancillary revenue	318,760	246,849	77,106	642,715
- Management fees	830	604	75	1,509
- Aircraft operating lease income	242,074	176,642	21,418	440,134
	2,049,862	1,368,063	588,609	4,006,534
Operating expenses				
- Staff costs	(172,633)	(138,555)	(58,406)	(369,594)
- Aircraft fuel expenses	(568,737)	(419,067)	(128,306)	(1,116,110)
- Maintenance and overhaul	(305,749)	(222,537)	(91,045)	(619,331)
- User charges	(232,594)	(169,635)	(59,456)	(461,685)
- Aircraft operating lease expenses	(417,651)	(305,220)	(123,133)	(846,004)
- Other operating expenses	(131,461)	(97,799)	(22,076)	(251,336)
- Other income	31,089	21,830	3,081	56,000
Gross profit	252,126	37,080	109,268	398,474
EBITDAR	669,777	342,300	232,401	1,244,478
EBITDA	252,126	37,080	109,268	398,474
Depreciation of property, plant and equipment	(55,972)	(40,872)	(16,687)	(113,531)
EBIT	196,154	(3,792)	92,581	284,943
Finance income	12,389	8,919	3,467	24,775
Finance costs	(24,337)	(17,516)	(8,021)	(49,874)
Foreign exchange losses	(18,121)	(13,347)	(4,021)	(35,489)
Other gains	17,067	12,603	6,068	35,738
Profit before tax	183,152	(13,133)	90,074	260,093
Taxation	(35,424)	3,237	(17,592)	(49,779)
Net profit for the financial year	147,728	(9,896)	72,482	210,314

33 SEGMENTAL INFORMATION (CONTINUED)

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

2015	North Asia RM'000	Australia RM'000	West Asia and Middle East RM'000	Total RM'000
External revenue				
- Scheduled flights	982,539	571,227	128,974	1,682,740
- Charter flights	-	-	421,662	421,662
- Fuel surcharge	42,955	55,144	762	98,861
- Freight and cargo	49,747	29,914	27,847	107,508
- Ancillary revenue	244,771	177,413	54,223	476,407
- Management fees	690	410	261	1,361
- Aircraft operating lease income	162,759	95,526	15,729	274,014
	1,483,461	929,634	649,458	3,062,553
Operating expenses				
- Staff costs	(160,254)	(95,062)	(60,505)	(315,821)
- Aircraft fuel expenses	(518,014)	(307,285)	(195,582)	(1,020,881)
- Maintenance, overhaul and user charges and other related expenses	(452,549)	(268,451)	(170,865)	(891,865)
- Aircraft operating lease expenses	(358,267)	(212,523)	(135,268)	(706,058)
- Other operating costs	(69,742)	(41,371)	(26,332)	(137,445)
- Other income	59,308	35,181	22,392	116,881
Gross (loss)/profit	(16,057)	40,123	83,298	107,364
EBITDAR	342,210	252,646	218,566	813,422
EBITDA	(16,057)	40,123	83,298	107,364
Depreciation of property, plant and equipment	(73,478)	(43,587)	(27,742)	(144,807)
EBIT	(89,535)	(3,464)	55,556	(37,443)
Interest income	10,053	5,963	3,796	19,812
Interest expense and finance charges	(42,690)	(25,323)	(16,118)	(84,131)
Foreign exchange loss	(152,003)	(90,168)	(57,391)	(299,562)
Share of results of a joint venture	(19,062)	(11,307)	(7,197)	(37,566)
Other losses	(3,849)	(2,283)	(1,453)	(7,585)
Loss before tax	(297,086)	(126,582)	(22,807)	(446,475)
Taxation	49,148	29,154	18,556	96,859
Net loss for the financial year	(247,938)	(97,428)	(4,251)	(349,616)

Note:

EBITDAR - Earnings before interest, taxes, depreciation, amortisation and restructuring or rent costs

EBITDA - Earnings before interest, taxes, depreciation and amortisation

EBIT - Earnings before interest and taxes

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

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

Notes to The Financial Statements

- 31 December 2016 (continued)

34 UNCONSOLIDATED STRUCTURED ENTITIES

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

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

The details of the Merah X entities are as follows:

Name	Country of incorporation	Purpose
Merah X Dua Limited	Malaysia	Purchase of 3 Airbus A330-300 aircraft
Merah X Tiga Limited	Malaysia	Purchase of 2 Airbus A330-343 aircraft
Merah X Enam Limited	Malaysia	Purchase of 2 Airbus A330-300 aircraft

The SPC do not incur any losses or earn any income during the financial year ended 31 December 2016. The aircraft and the corresponding term loans and finance costs associated with the SPC have been recognised by the Group and Company upon the purchase of the aircraft.

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

35 RECLASSIFICATION OF COMPARATIVES

For the financial year ended 31 December 2016, the presentation of 'maintenance, overhaul, user charges and other related expenses' was changed to 'maintenance and overhaul' and 'user charges' to better reflect the operating performance of the Group.

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

Supplementary Information

disclosed pursuant to Bursa Malaysia Securities Listing Requirement

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total accumulated losses of AirAsia X Berhad and its subsidiaries:				
- Realised	(720,745)	(959,339)	(777,324)	(1,016,048)
- Unrealised	145,936	174,216	145,936	174,216
	(574,809)	(785,123)	(631,388)	(841,832)
Total share of accumulated losses from associated company:				
- Realised	(20,018)	(20,018)	-	-
Total share of accumulated losses from joint venture:				
- Realised	(53,888)	(53,888)	-	-
Total accumulated losses as per consolidated financial statements	(648,715)	(859,029)	(631,388)	(841,832)

The disclosure of realised and unrealised losses 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 251(2) of the Companies Act, 2016

We, Tan Sri Rafidah Aziz and Datuk Kamarudin Bin Meranun, being two of the Directors of AirAsia X Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 165 to 226 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and financial performance of the Group and of the Company for the financial year ended 31 December 2016 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

The supplementary information set out on page 227 has been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 28 March 2017.

TAN SRI RAFIDAH AZIZ

Director

DATUK KAMARUDIN BIN MERANUN

Director

Statutory Declaration

pursuant to Section 251(1) of the Companies Act, 2016

I, Cheok Huei Shian, the Officer primarily responsible for the financial management of AirAsia X Berhad, do solemnly and sincerely declare that the financial statements set out on pages 165 to 226 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.

CHEOK HUEI SHIAN

Subscribed and solemnly declared by the abovenamed Cheok Huei Shian at Kuala Lumpur on 28 March 2017, before me.

COMMISSIONER FOR OATHS

Independent Auditors' Report

to the members of AirAsia X Berhad
(Incorporated in Malaysia)
(Company No. 734161-K)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of AirAsia X Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the balance sheets as at 31 December 2016 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 165 to 226.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

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

Independence and other ethical responsibilities

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

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and the Company. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
<p>Revenue recognition from scheduled flights</p> <p>Refer to Note 4 to the financial statements of the Group and Company for revenue and balance sheets for sales in advance.</p> <p>Revenue from the Group and Company for the financial year ended 31 December 2016 were primarily derived from scheduled flights. Passengers pay for their flights in advance and the amounts paid are recognised as 'sales in advance' on the balance sheets. The amounts are subsequently recognised as revenue when the flight has flown.</p>	<p>The flight reservation system is managed by a third party vendor in Australia. We tested the information technology general controls over the flight reservation system. Where information technology general controls over this system are managed by the vendor, these controls were tested by the vendor's external auditors. We obtained and evaluated the external auditors' report on the operating effectiveness of those controls. We tested the relevant controls over approval for changes in base fares and ancillary fares and approval for fare override in the flight reservation system.</p>

Independent Auditors' Report

to the members of AirAsia X Berhad (continued)

(Incorporated in Malaysia)

(Company No. 734161-K)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
<p>Revenue recognition from scheduled flights (continued)</p> <p>Accuracy of revenue recognised in the income statements is dependent on the fares paid by passengers, foreign exchange rates at the flight booking date to translate foreign currency transactions and changes to flights (flown, unflown or cancelled) recorded in the flight reservation system. The Company uses an integrated revenue accounting system which interfaces with the flight reservation system to generate journal entries to be posted into the general ledger. There is a high dependency on the flight reservation and revenue accounting systems for revenue recognition. The company also uses a reconciliation system to reconcile flight booking data in the flight reservation system with payment data from financial institutions and online payment gateways. The reconciliation system generates exception report showing flight booking data that are not matched to payment data.</p> <p>Revenue from scheduled flights is a key audit matter due to the magnitude of the revenue and sales in advance balance, significant volume of transactions and the significant audit effort spent on this area.</p>	<p>We also tested the information technology general controls over the reconciliation system and the payment gateway system. We tested reliability of the exception reports generated by the reconciliation system by tracing samples of exceptions to the flight booking data and payment data. We also tested how management reviews these reports and resolves the exceptions via inquiries with management and tracing samples of exception items to supporting documents.</p> <p>We tested the sales in advance and revenue recognised by performing the following procedures:</p> <ol style="list-style-type: none"> Agreed samples of flight bookings of which cash has been received from passengers, to the external payment reports from financial institutions and online payment gateways; Tested the foreign currency translation for samples of flight bookings made in foreign currencies; Agreed the revenue recognised during the financial year to each monthly journals generated by the revenue accounting system and posted by management; Agreed samples of revenue transactions to flight manifests of flown flights and to a third party flight tracking website; and Tested completeness of revenue and sales in advance by tracing samples of travel itineraries for flights during the year and flights subsequent to year end to revenue transactions and sales in advance balances respectively.
<p>Aircraft maintenance provision</p> <p>The Company operates aircraft which are owned or held under operating lease arrangement. For aircraft under operating lease, the Company is contractually committed to return the aircraft at the end of the lease term in a certain condition agreed with lessors. The lease agreements require the Company to pay deposits for maintenance of leased aircraft to the lessors. The Company also entered into an agreement with a maintenance service provider and prepays the cost of aircraft maintenance. Following this, management has estimated the aircraft maintenance provision at the end of each reporting period based on payments made to both service provider and the lessors.</p> <p>As at 31 December 2016, the aircraft maintenance provision of Company amounted to RM592 million. The provision is included within trade and other payables in the consolidated balance sheet (refer to Note 25 to the financial statements).</p> <p>We have identified aircraft maintenance provision as a key audit matter because of the magnitude of the provision and significant audit effort spent on this area.</p>	<p>Given that the provision is estimated based on payments to the maintenance service provider and lessors, we have performed the following procedures:</p> <ol style="list-style-type: none"> Reviewed the lease agreements to confirm the Company's contractual obligation on the aircraft maintenance and payment of deposits to lessors; Traced all deposits and prepayments for aircraft maintenance during the year to invoices issued by lessors and maintenance service provider respectively; and Compared the provision estimated by management against the prepayments and deposits for aircraft maintenance at year end.

Independent Auditors' Report

to the members of AirAsia X Berhad (continued)

(Incorporated in Malaysia)

(Company No. 734161-K)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises Directors' Report and Statement on Risk Management & Internal Control, which we obtained prior to the date of this auditor's report, and the Management's Discussion and Analysis, Chairman's Statement, Statement on Corporate Governance, Audit Committee Report, Sustainability Report and other sections of the 2016 Annual Report, which are expected to be made available to us after that date. Other information does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditors' Report

to the members of AirAsia X Berhad (continued)
(Incorporated in Malaysia)
(Company No. 734161-K)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

- (d) Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 16 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' 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 page 227 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Independent Auditors' Report

to the members of AirAsia X Berhad (continued)

(Incorporated in Malaysia)

(Company No. 734161-K)

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 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

Kuala Lumpur

28 March 2017

NG GAN HOOI

(No. 2914/04/17 (J))

Chartered Accountant

Analysis of Shareholdings

as at 20 March 2017

DISTRIBUTION OF SHAREHOLDINGS

Class of shares	Ordinary shares ("Shares")
Voting rights	One vote per ordinary share

Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	231	0.63	10,506	0.00
100 - 1,000	5,098	13.99	4,554,979	0.11
1,001 - 10,000	13,947	38.28	82,605,129	1.99
10,001 - 100,000	14,552	39.95	497,612,638	12.00
100,001 to less than 5% of issued shares	2,600	7.14	2,592,636,423	62.50
5% and above of issued shares	2	0.01	970,728,502	23.40
	36,430	100.00	4,148,148,177	100.00

SUBSTANTIAL SHAREHOLDERS

The direct and indirect shareholdings of the shareholders holding more than 5% in AirAsia X Berhad ("AirAsia X") based on the Register of Substantial Shareholders are as follows:-

Name	DIRECT		INDIRECT	
	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
Tune Group Sdn. Bhd. ("TGSB")	592,873,892 ⁽¹⁾	14.29	-	-
AirAsia Berhad ("AAB")	570,728,502	13.76	-	-
Tan Sri Dr. Anthony Francis Fernandes	87,303,728 ⁽²⁾	2.11	1,163,602,394 ⁽⁴⁾	28.05
Datuk Kamarudin Bin Meranun	337,702,739 ⁽³⁾	8.14	1,163,602,394 ⁽⁴⁾	28.05

NOTES:

(1) Shares held through Tune Group Sdn. Bhd., Cimsec Nominees (Tempatan) Sdn. Bhd. and Kenanga Nominees (Tempatan) Sdn. Bhd.

(2) Shares held through CIMB Group Nominees (Tempatan) Sdn. Bhd.

(3) Shares held through CIMB Group Nominees (Tempatan) Sdn. Bhd. and through own name.

(4) Deemed interested by virtue of Section 8 of the Companies Act, 2016 ("the Act") through a shareholding of more than 20% in TGSB and AAB.

List of Directors' Shareholdings

as at 20 March 2017

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

Name	DIRECT		INDIRECT	
	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
Tan Sri Rafidah Aziz	175,000 ⁽¹⁾	0.00*	100,000 ⁽²⁾	0.00*
Datuk Kamarudin Bin Meranun	337,702,739 ⁽³⁾	8.14	1,163,602,394 ⁽⁵⁾	28.05
Tan Sri Dr. Anthony Francis Fernandes	87,303,728 ⁽⁴⁾	2.11	1,163,602,394 ⁽⁵⁾	28.05
Lim Kian Onn	-	-	197,833,356 ⁽⁶⁾	4.77
Dato' Fam Lee Ee	-	-	-	-
Tan Sri Asmat Bin Kamaludin	297,400 ⁽¹⁾	0.01	40,000 ⁽⁶⁾	0.00*
Dato' Yusli Bin Mohamed Yusoff	-	-	-	-

NOTES:

* Negligible.

(1) Shares held through Cimsec Nominees (Tempatan) Sdn. Bhd.

(2) Deemed interest held under the name of her spouse (deceased).

(3) Shares held through CIMB Group Nominees (Tempatan) Sdn. Bhd. and through own name.

(4) Shares held through CIMB Group Nominees (Tempatan) Sdn. Bhd.

(5) Deemed interested by virtue of Section 8 of the Companies Act, 2016 through a shareholding of more than 20% in TGSB and AAB.

(6) Deemed interest held through his spouse and children.

There were no options offered to and exercised by, or shares granted to and vested in Directors during the financial year.

List of Top 30 Largest Shareholders

as at 20 March 2017

Name of Shareholders	No. of Shares Held	% of Issued Share Capital
1. AirAsia Berhad	570,728,502	13.76
2. Kenanga Nominees (Tempatan) Sdn. Bhd. For Tune Group Sdn. Bhd. (Barclays)	400,000,000	9.64
3. HSBC Nominees (Asing) Sdn. Bhd. Exempt An for Bank Julius Baer & Co. Ltd. (Singapore Bch)	203,503,956	4.91
4. Kamarudin Bin Meranun	183,271,757	4.42
5. CIMB Group Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Kamarudin Bin Meranun (GCM CBM-SKY X)	154,430,982	3.72
6. Citigroup Nominees (Tempatan) Sdn. Bhd. Exempt An for AIA Bhd.	149,343,475	3.60
7. Kenanga Investment Bank Berhad IVT-(EDSP-OTC/ESH)	146,728,982	3.54
8. Cimsec Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tune Group Sdn. Bhd. (EDG&GCM)	131,250,000	3.16
9. Citigroup Nominees (Asing) Sdn. Bhd. Exempt An for Citibank New York (Norges Bank 14)	94,978,100	2.29
10. CIMB Group Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Anthony Francis Fernandes (GCM CBM-SKY X)	87,303,728	2.10
11. Amsec Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account - Ambank (M) Berhad for Kalimullah Bin Masheerul Hassan (Smart)	50,000,000	1.21
12. Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tune Group Sdn. Bhd. (3rd Party EDSP)	44,432,818	1.07
13. HSBC Nominees (Asing) Sdn. Bhd. Exempt An for Morgan Stanley & Co. LLC (Client)	31,640,800	0.76
14. HSBC Nominees (Asing) Sdn. Bhd. Exempt An for JPMorgan Chase Bank, National Association (U.S.A.)	30,685,350	0.74
15. Amanahraya Trustees Berhad Amanah Saham Nasional	25,527,200	0.62
16. HSBC Nominees (Asing) Sdn. Bhd. HSBC Bk for Saudi Arabian Monetary Authority	19,983,020	0.48
17. Cartaban Nominees (Asing) Sdn. Bhd. SSBT Fund ZVY5 for State Street Emerging Markets Small Cap (Active Non-Lending QIB Common Trust Fund)	19,573,500	0.47
18. HSBC Nominees (Asing) Sdn. Bhd. BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund	18,549,600	0.45
19. DB (Malaysia) Nominee (Asing) Sdn. Bhd. The Bank of New York Mellon for Acadian Emerging Markets (Small Cap Equity Fund, LLC)	16,510,000	0.40
20. Loh Lean Khim	15,000,000	0.36
21. UOBM Nominees (Asing) Sdn. Bhd. Banque De Luxembourg for RAM (Lux) Systematic Funds - Emerging Markets Equities	13,926,727	0.34
22. Amanahraya Trustees Berhad Amanah Saham Bumiputera	13,519,000	0.33
23. Cimsec Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Liew Jun Kuan (MY0750)	12,740,000	0.31
24. Kenanga Nominees (Tempatan) Sdn. Bhd. ECM Libra Partners Sdn. Bhd. Pledged Securities Account for Tune Group Sdn. Bhd.	11,375,000	0.27
25. DB (Malaysia) Nominee (Asing) Sdn. Bhd. The Bank of New York Mellon for International Bank for Reconstruction and Development	11,080,100	0.27
26. RHB Investment Bank Berhad IVT "SW Book 1"	10,381,000	0.25
27. HSBC Nominees (Asing) Sdn. Bhd. Exempt An for JPMorgan Chase Bank, National Association (JPMELAB AIF APG)	10,220,200	0.25
28. RHB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Yong Loy Huat	10,000,000	0.24
29. Cartaban Nominees (Asing) Sdn. Bhd. SSBT Fund C021 for College Retirement Equities Fund	9,992,625	0.24
30. DB (Malaysia) Nominee (Asing) Sdn. Bhd. The Bank of New York Mellon for Florida Retirement System	9,429,800	0.23

Analysis of Warrant Holdings

as at 20 March 2017

DISTRIBUTION OF WARRANT HOLDINGS

No. of Warrant Issued	888,888,895
No. of Warrant Exercised	-
No. of Warrant Unexercised	888,888,895
Maturity date	8th June 2020
Voting rights	The warrant holders are not entitled to attend meetings of the members of the Company and vote at such meetings or participate in any distribution and/or offer of further securities in the Company until and unless such warrant holders exercise their warrants into ordinary shares of the Company.

Size of Warrant holdings	No. of Warrant holders	% of Warrant holders	No. of Warrants	% of Issued Warrant Capital
Less than 100	1,013	7.31	49,632	0.01
100 - 1,000	2,200	15.88	1,216,910	0.14
1,001 - 10,000	6,777	48.90	28,852,428	3.25
10,001 - 100,000	3,250	23.45	109,748,847	12.35
100,001 to less than 5% of issued warrants	615	4.44	444,482,242	50.00
5% and above of issued warrants	3	0.02	304,538,836	34.26
	13,858	100.00	888,888,895	100.00

List of Directors' Warrant Holdings

as at 20 March 2017

The interests of the Directors of AirAsia X in the warrant in the Company and its related corporations based on the Company's Register of Directors' warrant holdings are as follows:-

Name	DIRECT		INDIRECT	
	No. of Warrants Held	% of Issued Warrants	No. of Warrants Held	% of Issued Warrants
Tan Sri Rafidah Aziz	37,500 ⁽¹⁾	0.00*	-	-
Datuk Kamarudin Bin Meranun	98,798,772 ⁽²⁾	11.12	280,785,294 ⁽⁴⁾	31.59
Tan Sri Dr. Anthony Francis Fernandes	18,707,941 ⁽³⁾	2.11	280,785,294 ⁽⁴⁾	31.59
Lim Kian Onn	-	-	42,392,862 ⁽⁵⁾	4.77
Dato' Fam Lee Ee	-	-	-	-
Tan Sri Asmat Bin Kamaludin	-	-	-	-
Dato' Yusli Bin Mohamed Yusoff	-	-	-	-

NOTES:

* Negligible.

(1) Warrants held through Cimsec Nominees (Tempatan) Sdn. Bhd.

(2) Warrants held through CIMB Group Nominees (Tempatan) Sdn. Bhd. and through own name.

(3) Warrants held through CIMB Group Nominees (Tempatan) Sdn. Bhd.

(4) Deemed interested by virtue of Section 8 of the Act through a shareholding of more than 20% in TGSB and AAB.

(5) Deemed interest held through his spouse and children.

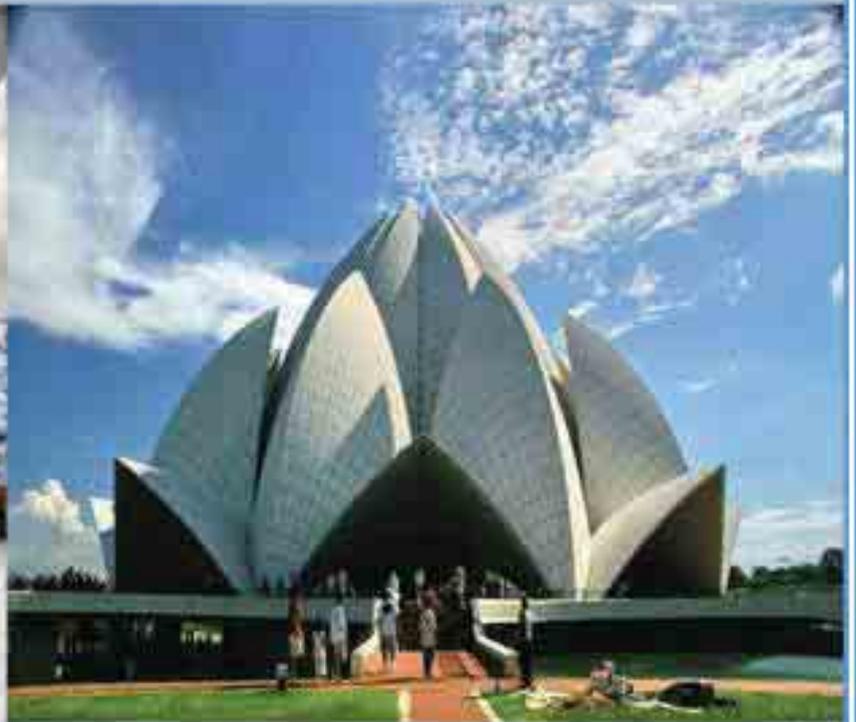
There were no options offered to and exercised by, or shares granted to and vested in Directors during the financial year.

List of Top 30 Largest Warrant Holders

as at 20 March 2017

Name of Warrant Holders	No. of Warrants Held	% of Issued Warrant Capital
1. AirAsia Berhad	122,298,964	13.76
2. Kenanga Nominees (Tempatan) Sdn. Bhd. For Tune Group Sdn. Bhd. (Barclays)	109,875,000	12.36
3. CIMB Group Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Kamarudin Bin Meranun (GCM CBM-SKY X)	72,364,872	8.14
4. HSBC Nominees (Asing) Sdn. Bhd. Exempt An for Bank Julius Baer & Co. Ltd. (Singapore Bch)	42,167,862	4.74
5. Cimsec Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tune Group Sdn. Bhd. (EDG&GCM)	28,125,000	3.16
6. Kamarudin Bin Meranun	26,433,900	2.97
7. Citigroup Nominees (Tempatan) Sdn. Bhd. Exempt An for AIA Bhd.	23,672,175	2.66
8. CIMB Group Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Anthony Francis Fernandes (GCM CBM-SKY X)	18,707,941	2.10
9. CIMB Group Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tune Group Sdn. Bhd. (GCM CBM-SKY X)	18,048,830	2.03
10. Satkunarajah A/L Rajendra	13,200,100	1.49
11. Tong Yun Mong	7,000,000	0.79
12. Maybank Nominees (Tempatan) Sdn. Bhd. Chua Chin Chyang	6,000,000	0.67
13. Cimsec Nominees (Tempatan) Sdn. Bhd. Exempt An for CIMB Securities (Singapore) Pte Ltd (Retail Clients)	5,592,775	0.63
14. Amsec Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account - Ambank (M) Berhad for Kalimullah Bin Masheerul Hassan (Smart)	5,000,000	0.56
15. Tan Ah Hock @ Tee Ah Hock	4,600,000	0.52
16. Amsec Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Peng Nguang	4,100,000	0.46
17. Chua Chin Chyang	3,960,000	0.45
18. Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Siew Boon Yeong	3,650,000	0.41
19. Cimsec Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Liew Jun Kuan (MY0750)	3,638,000	0.41
20. Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Chee Kwok Fai	3,450,000	0.39
21. Dan Yoke Pyng	3,305,500	0.37
22. How Wong Yuh	3,100,000	0.35
23. Gan Hai Toh	2,953,500	0.33
24. Yeo Poh Ann	2,904,100	0.33
25. Ng Kok Hin	2,874,000	0.32
26. Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lim Kean Seng (015)	2,850,000	0.32
27. Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ling Heng Seek (8120306)	2,653,300	0.30
28. Wu Lung Yen	2,611,000	0.29
29. RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Khoo Eng Lee (MLK)	2,600,000	0.29
30. Cimsec Nominees (Tempatan) Sdn. Bhd. CIMB for Mohamad Zekri Bin Haji Ibrahim (PB)	2,500,000	0.28

Your global salesforce



Customised services designed to overcome challenges
Working together to win

Cargo GSSA in India for Air Asia X
ATC Aviation Services (India) Private Limited
DELHI MUMBAI CHENNAI

GLOBAL OFFICES

FRANKFURT
SCHIPOL
SAINT LOUIS
BUENOS AIRES
ATLANTA
WASHINGTON

BERLIN
KASTRUP
BARCELONA
SAU PAULO
CHICAGO
LOS ANGELES

DUSSELDORF
MARSEILLE
BASEL
ASUNCION
DALLAS
NEW YORK

MUNICH
PARIS
GENEVA
MONTEVIDEO
HOUSTON
JOHANNESBURG

VIENNA
MADRID
QUITO
CARACAS
MIAMI
HONG KONG

Corporate Directory

OFFICES & STATIONS

MALAYSIA

KUALA LUMPUR

AIRASIA X PASSENGER OPS OFFICE
LS2-3-110, Level 3, Terminal KLIA2
KL International Airport
Jalan KLIA2
64000 KLIA, Sepang
Selangor, Malaysia

NEW ZEALAND

AUCKLAND

Menzies Aviation, PO Box 73115
Auckland International Airport
Auckland 2150, New Zealand

AUSTRALIA

GOLD COAST

Level 1, Airport Central
1 Eastern Avenue, QLD 4225
Australia

MELBOURNE

Level 2, T2 Melbourne Airport
Tullamarine, VIC 3045, Australia

SYDNEY

Level 3-1062
Sydney International Airport
Airport, NSW 2020, Australia

PERTH

31/383 Horne Miller Drive
Perth Airport
WA 6105, Australia

CHINA

HANGZHOU

Room 2025A, International Terminal
Hangzhou Xiaoshan International Airport
Xiaoshan District
Hangzhou Zhejiang Province, China

BEIJING

Room 32092, Terminal 2
Beijing Capital International Airport
Beijing, China

CHENGDU

Chengdu Representative Office L318
International Departure
Chengdu Shuangliu International Airport
610202 Chengdu
Sichuan Province, China

SHANGHAI

Room 2-B3-M11
Shanghai Pudong International Airport
Terminal 2

XI'AN

International Zone 1-177
Terminal 3 Of Xi'an Xianyang International
Airport, China

WUHAN

GB17-18, 2nd Floor
International Terminal
TianHe International Airport, Wuhan

NANJING

Nanjing Lukou International Airport
Terminal
Floor 4, Room 116

CHONGQING

Level 2, Terminal 1
Chongqing Jiangbei International Airport

TAIWAN

TAIPEI

C-O-260-2 Terminal 1
Taoyuan International Airport
15 Hang Zhan S Rd. Dayuan District
Taoyuan City, Taiwan, ROC

SOUTH KOREA

SEOUL

Room 2063, Incheon International Airport
Passenger Terminal
272 Gonghang Ro, Jung Gu
Incheon City, 22382 Rep. of Korea

BUSAN

3rd Floor, International Terminal of
Gimhae International Airport
108 Gonghangjinipno, Gangseo-Gu
Busan, S.Korea

JAPAN

SAPPORO

International Terminal Bldg 2F
New Chitose Airport Bibi, Chitose
Hokkaido, 066-0012 Japan

TOKYO

Room S7K0
International Passenger Building
2-6-5 Haneda Kuko, Otaku
Tokyo, Japan 144-0041

OSAKA

Room 2906 Star Gate Hotel
Kansai Airport

NEPAL

KATHMANDU

Room No. 111, Operations Building
Tribhuvan International Airport
Kathmandu, Nepal

INDIA

DELHI

OL-17, Level 4
Indira Gandhi International Airport
Terminal 3, New Delhi - 110037, India

SAUDI ARABIA

JEDDAH

L02-B10-003 Alnakhil Trading Centre
No. 12, Madinah Road
King Abdulaziz International Airport
Hajj Terminal, KSA

IRAN

TEHRAN

Sayeh Tower, 1049 Vali Asr St
Third floor, Unit 5, Tehran, Iran

MAURITIUS

PLAINE MAGNIEN

AirAsia X Berhad
Hall A, Level 1, Departure Terminal
SSR International Airport
Plaine Magnien, Mauritius

UNITED STATES OF AMERICA

HONOLULU, HAWAII

AirAsia X Berhad
Honolulu International Airport
300 Rodgers Boulevard #55
Honolulu, Hawaii 96819 USA

CALL CENTRE NUMBERS

AUSTRALIA

+61 2 8188 2133

CHINA

+86 512 8555 7711

INDIA

1860 500 8000

INDONESIA

+62 21 2927 0999
+62 804 1333 333

JAPAN

+81 50 6864 8181

HONG KONG

+852 3013 5060

MACAU

+853 6262 6352

MALAYSIA

1600 85 8888
(AirAsia X Premium Line)
chargeable at RM1.95 per minute

NEW ZEALAND

+64 9 887 6920

PHILIPPINES

+632 722 2742

SOUTH KOREA

050 4092 00525

TAIWAN

+886 2 8793 3532

THAILAND

+66 2 5151 9999

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Eleventh Annual General Meeting of AirAsia X Berhad (734161-K) (“AAX” or “the Company”) will be held at Asian Aviation Centre of Excellence, Lot PT25B, Jalan KLIA S5, Southern Support Zone, Kuala Lumpur International Airport, 64000 Sepang, Selangor Darul Ehsan, Malaysia on Tuesday, 23 May 2017 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 2016.

Please refer to Note A.

2. To approve the Non-Independent Non-Executive Directors' Fees of RM246,885 and an additional RM55,000 for the Independent Non-Executive Directors for the financial year ended 31 December 2016.

(Resolution 1)

Please refer to Note B.

3. To approve the Non-Executive Directors' Remuneration with effect from the financial year ending 31 December 2017 until the next Annual General Meeting of the Company to be held in the year 2018.

(Resolution 2)

Please refer to Note C.

4. To re-elect Tan Sri Dr. Anthony Francis Fernandes as a Director of the Company, who retires pursuant to Article 126 of the Company's Articles of Association.

(Resolution 3)

5. To re-elect Dato' Yusli Bin Mohamed Yusoff as a Director of the Company, who retires pursuant to Article 126 of the Company's Articles of Association.

(Resolution 4)

6. To re-appoint the following Directors of the Company:-

i. Tan Sri Rafidah Aziz; and

(Resolution 5)

ii. Tan Sri Asmat Bin Kamaludin.

(Resolution 6)

Please refer to Note D.

7. To appoint Messrs Ernst & Young as Auditors of the Company in place of the retiring Auditors, Messrs PricewaterhouseCoopers and to authorise the Directors to determine their remuneration.

(Resolution 7)

Please refer to Note E.

AS SPECIAL BUSINESS

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

8. **ORDINARY RESOLUTION
AUTHORITY TO ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016**

“**THAT** pursuant to Sections 75 and 76 of the Companies Act, 2016 and subject to the approval of relevant authorities, the Directors 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)

Please refer to Note F.

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

"THAT approval be and is hereby given for the renewal of the existing shareholders' mandate and new shareholders' mandate for the Company to enter into recurrent related party transactions of a revenue or trading nature with the related parties ("Recurrent Related Party Transactions") as set out in Section 2.3 of the Circular to Shareholders dated 28 April 2017 ("Circular"), subject further to the following:

- a) the Recurrent Related Party Transactions are entered into in the ordinary course of business which are necessary for the day-to-day operations and are on terms which are not more favourable to the related parties than those generally available to the public, and the Recurrent Related Party Transactions are undertaken on arm's length basis and on normal commercial terms which are not to the detriment of the minority shareholders of the Company;
- b) the disclosure is made in the annual report of the breakdown of the aggregated value of the Recurrent Related Party Transactions conducted pursuant to the shareholders' mandate during the financial year, among others, based on the following information:
 - i) the type of Recurrent Related Party Transactions made; and
 - ii) the names of the related parties involved in each type of the Recurrent Related Party Transaction made and their relationship with the Company;
- c) the shareholders' mandate is subject to annual renewal and this shareholders' mandate shall only continue to be in full force until:
 - i) the conclusion of the next Annual General Meeting ("AGM") of the Company following the AGM at which this shareholders' mandate is approved, at which time it will lapse, unless by a resolution passed at the next AGM, such authority is renewed;
 - ii) the expiration of the period within which the next AGM after the date is required to be held pursuant to Section 340(2) of the Companies Act, 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
 - iii) revoked or varied by resolution passed by the shareholders of the Company in a general meeting,

whichever is the earliest.

THAT the Directors of the Company and/or any one of them be and are hereby authorised to complete and do all such acts and things as they consider necessary or expedient in the best interest of the Company, including executing all such documents as may be required or necessary and with full powers to assent to any modifications, variations and/or amendments as the Directors of the Company in their discretion deem fit and expedient to give effect to the Recurrent Related Party Transactions contemplated and/or authorised by this Ordinary Resolution.

AND THAT as the estimates given for the Recurrent Related Party Transactions specified in Section 2.3 of the Circular being provisional in nature, the Directors of the Company and/or any one of them be and are hereby authorised to agree to the actual amount or amounts thereof provided always that such amount or amounts comply with the procedures set out in Section 2.6 of the Circular."

(Resolution 9)

Please refer to Note G.

OTHER ORDINARY BUSINESS

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

By Order of the Board

JASMINDAR KAUR A/P SARBAN SINGH
(MAICSA 7002687)
Company Secretary

Selangor Darul Ehsan
28 April 2017

Notice of Annual General Meeting

NOTES ON APPOINTMENT OF PROXY

- a) Pursuant to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 and Article 44(1) of the Company's Articles of Association, only those Foreigners (as defined in the Articles) who hold shares up to the current prescribed foreign ownership limit of 45.0% of the total issued and paid-up capital, on a first-in-time basis based on the Record of Depositors to be used for the forthcoming Annual General Meeting, shall be entitled to vote. A proxy appointed by a Foreigner not entitled to vote, will similarly not be entitled to vote. Consequently, all such disenfranchised voting rights shall be automatically vested in the Chairman of the forthcoming Annual General Meeting.
- b) A member must be registered in the Record of Depositors at 5.00 p.m. on 16 May 2017 ("General Meeting Record of Depositors") in order to attend and vote at the Meeting. A depositor shall not be regarded as a Member entitled to attend the Meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors. Any changes in the entries on the Record of Depositors after the abovementioned date and time shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
- c) A member entitled to attend and vote is entitled to appoint a proxy (or in the case of a corporation, to appoint a representative), to attend and vote in his stead. There shall be no restriction as to the qualification of the proxy(ies).
- d) The Proxy Form in the case of an individual shall be signed by the appointor or his attorney, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
- e) Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
- f) Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- g) The Proxy Form or other instruments of appointment shall not be treated as valid unless deposited at the Registered Office of the Company at B-13-15, Level 13, Menara Prima Tower B, Jalan PJU 1/39, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time set for holding the meeting. **Faxed copies of the duly executed form of proxy are not acceptable.**
- h) Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in this Notice shall be put to vote by way of poll.

EXPLANATORY NOTES:

A. Audited Financial Statements together with the Reports of the Directors and Auditors thereon for the financial year ended 31 December 2016

This Agenda item is meant for discussion only as under the provisions of Section 248(2) and 340(1) of the Companies Act, 2016. The audited accounts do not require the formal approval of shareholders and hence, the matter will not be put forward for voting.

B. To approve the Non-Independent Non-Executive Directors' Fees of RM246,885 and an additional RM55,000 for the Independent Non-Executive Directors for the financial year ended 31 December 2016 (Resolution 1)

Based on the annual review of the Directors' Remuneration by the Nomination and Remuneration Committee ("NRC"), for the Independent Non-Executive Directors, the NRC proposed and the Board affirmed the following for the financial year ended 31 December 2016:-

- a 50% increment on the fee payable to the NRC Chairman from RM15,000 to RM30,000 per annum (p.a.);
- a 50% increment on the fee payable to one NRC Member from RM10,000 to RM20,000 p.a.; and
- a new fee to be paid for the Safety Review Board ("SRB") Chairman of RM30,000 p.a.

As for the Non-Independent Non-Executive Directors, the NRC proposed the following and the Board affirmed for the financial year ended 31 December 2016:-

Directors' Fee (per annum)	Non-Executive Director/ Other Committee Member
3 Directors	RM60,000 each
1 Audit Committee member	RM30,000
1 NRC member	RM20,000
1 SRB member	RM16,885

The Shareholder's approval is being sought under Resolution 1 for the payment to the Non-Independent Non-Executive Directors' Fees of RM246,885 and an additional RM55,000 for the Independent Non-Executive Directors for the financial year ended 31 December 2016 as per the explanation above.

C. To approve the Non-Executive Directors' Remuneration with effect from the financial year ending 31 December 2017 until the next Annual General Meeting ("AGM") of the Company to be held in the year 2018 (Resolution 2)

The NRC recommended and the Board affirmed for an increase in the Chairman of the Board's fee from RM150,000 p.a. to RM165,000 p.a., the basic board fee from RM60,000 p.a. to RM65,000 p.a. and no change to

the Committee fees with effect from the financial year ended 31 December, 2017 until the next AGM of the Company to be held in the year 2018 as shown below:-

Non-Executive Directors' Fee (per annum)	Non-Executive Chairman RM	Per Non-Executive Director/Per other Committee Member RM
Board of Directors	165,000	65,000
Audit Committee	40,000	30,000
NRC	30,000	20,000
SRB	30,000	20,000
Non-Executive Directors' Benefits (per attendance by each director or committee member)	Board Directors	Board Committees
Meeting allowance	1,000	1,000
Other Non-Executive Directors' Benefits		
Insurance premiums on medical coverage, and other claimable expenses incurred in the course of carrying out their duties.		Up to a total amount of RM100,000 for all the Non-Executive Directors.

The Shareholder's approval is being sought under Resolution 2 for the payment of the Remuneration to Non-Executive Directors for the financial year ending 31 December 2017 up to the next AGM of the Company in accordance with the remuneration structure as set out above.

D. To reappoint the following Directors of the Company (Resolutions 5 and 6)

With the coming into force the Companies Act 2016 on 31 January 2017, there is no age limit for directors.

At the Tenth Annual General Meeting of the Company held on 31 May 2016, both Tan Sri Rafidah Aziz and Tan Sri Asmat Bin Kamaludin, who are above the age of 70, were re-appointed pursuant to Section 129 of the Companies Act, 1965 to hold office until the conclusion of the 11th Annual General Meeting. Their term of office will end at the conclusion of the Eleventh Annual General Meeting and they have offered themselves for re-appointment.

The proposed Ordinary Resolutions 5 and 6, if passed, will enable both Tan Sri Rafidah Aziz and Tan Sri Asmat Bin Kamaludin to continue to act as Directors of the Company and they shall subject to retirement by rotation at a later date. The Nomination and Remuneration Committee ("NRC") of the Company has assessed the criteria and contribution of Tan Sri Rafidah Aziz and Tan Sri Asmat Bin Kamaludin and recommended for their re-appointment. The Board has endorsed the NRC's recommendation that Tan Sri Rafidah Aziz and Tan Sri Asmat Bin Kamaludin be re-appointed as Directors of the Company.

The details of the above Directors are set out in the Profile of Directors in pages 49 and 55 of this Annual Report.

E. Appointment of Auditors (Resolution 7)

The Company has received a letter dated 21 March 2017 from its major shareholder, Tune Group Sdn. Bhd, nominating Messrs Ernst & Young ("EY"), as the new statutory auditors of the Company. A copy of which is annexed and marked as 'Appendix A' in the Annual Report 2016. The proposed change is in line with good corporate governance of revisiting the appointment of the company's auditors from time to time.

The Company's existing auditors, Messrs PricewaterhouseCoopers ("PwC"), were re-appointed as the auditors of the Company at the Tenth Annual General Meeting of the Company held on 31 May 2016 to hold office until the conclusion of the forthcoming Annual General Meeting ("AGM") of the Company. PwC have been the auditors of the Company since August 2007.

The proposed appointment of EY is subject to the receipt of their consent to act as auditors and if approved, they shall hold office until the conclusion of the next AGM of the Company.

F. Authority to allot shares pursuant to Sections 75 and 76 of the Companies Act, 2016 (Resolution 8)

Ordinary Resolution 8 has been proposed for the purpose of renewing the general mandate for issuance of shares by the Company under Sections 75 and 76 of the Act ("General Mandate"). Ordinary Resolution 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 ("AGM") or the expiration of the period within which the next AGM is required by law to be held, whichever is earlier.

The General Mandate, if granted, will provide the flexibility to the Company for any future fund raising activities, including but not limited to further placing of shares for the purposes of funding future investment project(s), repayment of bank borrowing, working capital and/or acquisition(s) and thereby reducing administrative time and costs associated with the convening of additional shareholders meeting(s).

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

Ordinary Resolution 9, if passed, will allow the Group to enter into Recurrent Related Party Transactions of a revenue or trading nature pursuant to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. Please refer to the Circular to Shareholders dated 28 April 2017 for further information.



Tune Group Sdn Bhd
110000-11
Unit 19-02-01 Wawasan Tune
99 Leong Gungun
Jalan Damansara
50490 Kuala Lumpur
Malaysia
Tel: +603 2082 5888
Fax: +603 2082 5999

21st March 2017

The Board of Directors
AIRASIA X BERHAD
RedQ
Jalan Pekeliling 5,
Lapangan Terbang Antarabangsa Kuala Lumpur (KLIA2)
64000 KLIA,
Selangor Darul Ehsan

Dear Sirs,

NOMINATION OF AUDITORS

We, Tune Group Sdn. Bhd., being a substantial shareholder of AirAsia X Berhad, hereby give notice that we wish to nominate the following external auditors as the Statutory Auditors of AirAsia X Berhad at the forthcoming Annual General Meeting :

Ernst & Young
Chartered Accountants
Level 23A Menara Milenium
Jalan Damansara, Pusat Bandar Damansara
50490 Kuala Lumpur

Yours faithfully
For and behalf of
TUNE GROUP SDN. BHD.


Director

Glossary

AirAsia X	“The Company” or “AirAsia X”.
Aircraft at end of period	Number of aircraft owned or on lease arrangements of over one month’s duration at the end of the period.
Aircraft utilisation	Average number of block hours per day per aircraft operated.
Available Seat Kilometres (ASK)	Total seats flown multiplied by distance flown.
Revenue Passenger Kilometres (RPK)	Total passengers flown multiplied by distance flown.
Load Factor	The number of Revenue Passenger Kilometres (RPKs) expressed as a percentage of ASKs.
Average Base Fare	Passenger seat sales, surcharges and fees divided by number of passengers.
Block hours	Hours of service for aircraft, measured from the time that the aircraft leaves the terminal at the departure airport to the time that it arrives at the terminal at the destination airport.
Capacity	The number of seats flown.
Cost per ASK (CASK)	Revenue less operating profit divided by available seat kilometres.
Cost per ASK, excluding fuel (CASK ex fuel)	Revenue less operating profit and aircraft fuel expenses, divided by available seat kilometres.
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.

The service you need. Guaranteed.



GFDL-1.2/OTRS permissions/Photos by Allen Zhao

From Kuala Lumpur to Kansas City, airlines around the world rely on Rockwell Collins every day to ensure and extend the life cycle of critical equipment. At Rockwell Collins, we’ve built a global network of reliable, 24/7 service and support, tailored to fit your MRO needs. Anywhere. Anytime. Every time.

Proud to partner with AirAsia X.

rockwellcollins.com

Tailorable, life cycle service solutions

Performance-based solutions

Smart technology updates

**Rockwell
Collins**

Building trust every day

Fly East

*Your Partner
to Expand
new Markets*

Tel: +60 6856 6927 • E-mail: alireza@flyeast.com.my

This page has been intentionally left blank.

Form of Proxy

AIRASIA X BERHAD
(Company No.: 734161-K)
Incorporated in Malaysia



I/We _____ NRIC No./or Co. No.: _____ of
(FULL NAME IN BLOCK LETTERS) (COMPULSORY)

(ADDRESS)

telephone no. _____ being a member of the Company hereby appoints
(COMPULSORY)

(FULL NAME IN BLOCK LETTERS) NRIC No.: _____ (COMPULSORY)

of _____
(ADDRESS)

and/or _____ NRIC No.: _____
(FULL NAME IN BLOCK LETTERS) (COMPULSORY)

of _____
(ADDRESS)

as my/our proxy(ies) to vote in my/our name and on my/our behalf at the Eleventh Annual General Meeting of the Company to be held on Tuesday, 23 May 2017 at 10.00 a.m. and at any adjournment of such meeting and to vote as indicated below:

AGENDA

No. 1 To consider the Audited Financial Statements and the Reports of Directors and Auditors thereon

RESOLUTIONS	DESCRIPTION	FOR	AGAINST
Ordinary	Ordinary Business		
No. 1	To approve the Non-Independent Non-Executive Directors' Fees of RM246,885 and an additional RM55,000 for the Independent Non-Executive Directors for the financial year ended 31 December 2016		
No. 2	To approve the Non-Executive Directors' Remuneration with effect from the financial year ending 31 December 2017 until the next Annual General Meeting of the Company to be held in the year 2018		
No. 3	Re-election of Tan Sri Dr. Anthony Francis Fernandes as a Director of the Company, who retires pursuant to Article 126 of the Company's Articles of Association		
No. 4	Re-election of Dato' Yusli Bin Mohamed Yusoff as a Director of the Company, who retires pursuant to Article 126 of the Company's Articles of Association		
No. 5	Re-appointment of Tan Sri Rafidah Aziz		
No. 6	Re-appointment of Tan Sri Asmat Bin Kamaludin		
No. 7	Appointment of Messrs Ernst & Young in place of the retiring Auditors, Messrs PricewaterhouseCoopers and authority to the Directors to determine the Auditors' remuneration		
	Special Business		
No. 8	Authority to allot shares pursuant to Sections 75 and 76 of the Companies Act, 2016		
No. 9	Proposed renewal of existing and new shareholders' mandate for Recurrent Related Party Transactions of a revenue or trading nature		

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

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

Signature of Shareholder/Common Seal

Notes to Form of Proxy

- a. Pursuant to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 and Article 44(1) of the Company's Articles of Association, only those Foreigners (as defined in the Articles) who hold shares up to the current prescribed foreign ownership limit of 45.0% of the total issued and paid-up capital, on a first-in-time basis based on the Record of Depositors to be used for the forthcoming Annual General Meeting, shall be entitled to vote. A proxy appointed by a Foreigner not entitled to vote, will similarly not be entitled to vote. Consequently, all such disenfranchised voting rights shall be automatically vested in the Chairman of the forthcoming Annual General Meeting.
- b. A member must be registered in the Record of Depositors at 5.00 p.m. on 16 May 2017 ("General Meeting Record of Depositors") in order to attend and vote at the Meeting. A depositor shall not be regarded as a Member entitled to attend the Meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors. Any changes in the entries on the Record of Depositors after the abovementioned date and time shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
- c. A member entitled to attend and vote is entitled to appoint a proxy (or in the case of a corporation, to appoint a representative), to attend and vote in his stead. There shall be no restriction as to the qualification of the proxy(ies).
- d. The Proxy Form in the case of an individual shall be signed by the appointor or his attorney, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
- e. Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
- f. Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- g. The Proxy Form or other instruments of appointment shall not be treated as valid unless deposited at the Registered Office of the Company at B-13-15, Level 13, Menara Prima Tower B, Jalan PJU 1/39, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time set for holding the meeting. Faxed copies of the duly executed form of proxy are not acceptable.
- h. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in this Notice shall be put to vote by way of poll.

Fold here

STAMP

COMPANY SECRETARY

AirAsia X Berhad (Company No. 734161-K)
B-13-15, Level 13
Menara Prima Tower B
Jalan PJU 1/39, Dataran Prima
47301 Petaling Jaya
Selangor Darul Ehsan

Fold here



CARGO SPACE AGENT

Cargo Space Agent Sdn Bhd (952233-V)

GST NO : 001856905216

No, 5-2, Jalan Putra Mahkota 7/8B,
Section 7, Putra Height, 47650 Subang Jaya,
Selangor Darul Ehsan, Malaysia

Tel : +603-5614 0801

Fax : +603-5103 9801

Website : cargospace.com.my

With Compliment

SP & G
Insurance Brokers

2nd Floor, Bangunan KWSP
No 3, Changkat Raja Chulan
50200 Kuala Lumpur





AIRASIA X BERHAD

RedQ, Jalan Pekeliling 5
Lapangan Terbang Antarabangsa Kuala Lumpur (KLIA2)
64000 KLIA,
Selangor Darul Ehsan, Malaysia



Go online to our website at:

WWW.AIRASIA.X.COM