DISCOVER

MORE WITH AIRASIA

annual report 2015

WE'RE ALL ABOUT DISCOVERY

What makes life so incredibly fascinating is there is so much to discover, in the world around us, and within ourselves. This is true for individuals as well as organisations such as AirAsia. For 14 years, we have been enabling guests to discover more about Asia, a continent as rich in history and heritage as it is in natural beauty and charm. Not only do we provide the connectivity to enable guests to travel to destinations they have always dreamt of visiting, we also inspire new travel dreams by creating awareness of little gems that exist and which have yet to be caught in the glare of tourism's spotlight.

More than enable our guests to discover fascinating destinations, we positively encourage our Allstars to embark on their own personal journeys of discovery. As our dividers indicate, we have provided the space for our people to discover their purpose, their ambitions, a different (underwater) world… and even love and passion!

VISION

TO BE THE LARGEST LOW COST AIRLINE IN ASIA

and serving the 4.4 billion people who are currently underserved with poor connectivity and high fares.

MISSION

TO BE THE BEST COMPANY TO WORK FOR whereby employees are treated as part of a big family.

CREATE A GLOBALLY RECOGNISED ASEAN brand

TO ATTAIN THE LOWEST COST so that everyone can fly with AirAsia

MAINTAIN THE HIGHEST QUALITY PRODUCT, embracing technology to reduce cost and enhance service levels

THE *Founders*

TAN SRI
(DR.) TONY
FERNANDES

DATUK
KAMARUDIN BIN
MERANUN

CONOR
MC CARTHY

DATO'
PAHAMIN BIN
AB RAJAB

DATO' ABDEL AZIZ
@ ABDUL AZIZ BIN
ABU BAKAR

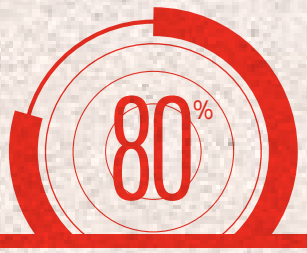
airasia group

annual report 2015

2015 guests carried

50.7 million

LOAD FACTOR



TOTAL FLEET **171**

Airbus A320

Young Fleet With Average Age of ***5 Years***

network **221** ROUTES

20 HUBS

75 UNIQUE ROUTES

39 NEW ROUTES INTRODUCED IN 2015

FINANCIAL AIRASIA BERHAD

Revenue **RM 6.30** billion

Deposit, Cash & Bank Balances **RM 2.43** billion

Revenue via Internet **70%**

Operating Profit Margin **32.3%**

"LOWEST COST"

Cost per Available Seat Kilometre

CASK 12.61 SEN *(US 3.20 Cents)*

CASK EX-FUEL 7.26 SEN *(US 1.84 Cents)*

14,584 ★★★★★ ALLSTARS

112 destinations

20 countries

3,426 ONE-WAY FLIGHTS PER WEEK

airasia.com

168 million average page views per month

27 million average visits per month

10 million average unique visitors per month

Visitors from **240** countries

Annual conversion rate of **4.2%**

Social Media

FACEBOOK **8.8** million fans

LINE **21.2** million fans

TWITTER **4.0** million fans

WEIBO **1.3** million fans

INSTAGRAM **345K** followers

WECHAT **1.1** million followers

LINKEDIN **86,029** followers

YOUTUBE **60,865** followers

GOOGLE+ **22,938** subscribers

PINTEREST **3,379** followers

VIBER PUBLIC CHAT **3,902**

AIRASIA MARKET SHARE

	Malaysia	Thailand	Indonesia	Philippines	India
domestic	47%	28%	3%	13%	2%
international	49%	18%	27%	7%	6%
total	49%	22%	9%	10%	3%

Key Milestones

- Voted The World's Best Low-Cost Airline for the seventh consecutive year (Skytrax World Airline Awards)
- Voted Asia's Leading Cabin Crew (World Travel Awards)
- Largest LCC in Asia – in terms of jet fleet and number of guests carried
- A True Asean Airline, connecting all 10 Asean countries

Notes:

1. All figures refer to AirAsia Group unless stated otherwise
2. AirAsia Group includes Malaysia AirAsia (MAA), Thai AirAsia (TAA), Indonesia AirAsia (IAA), Philippines AirAsia (PAA) and AirAsia India (AAI)
3. Financials refer to AirAsia Berhad's 2015 audited financial statements
4. 'Largest LCC in Asia' and '4th Largest Airline in Asia' refer to AirAsia Group and AirAsia X Group
5. As at 31 December 2015: Passengers Carried, Load Factor, Financial Figures, airasia.com Statistics, Largest LCC in Asia, 4th Largest Airline in Asia, Fleet, Network, Allstars, Social Media Statistics
6. Source of market share: Paxis, based on number of passengers, January 2015 to December 2015

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Proxy Form

January

February

March

April

Our 2015 journey

May

June

July

August

September

October

November

December

26
January

AirAsia announces the abolishment of fuel surcharge in line with falling global fuel prices.

12
February

More than 100 Allstars come forward to donate blood at the Group's headquarters in Kuala Lumpur, fondly referred to as the RedFort.

23
February

AirAsia introduces the AirAsia Asean Pass and AirAsia Asean Pass+ in an effort to make travelling within the region a seamless experience.

24
February

AirAsia CEO Aireen Omar is named one of Malaysia's Top 10 Most Inspiring Young Leaders and Personalities by UCSI University.

25
February

Thai AirAsia inaugurates flights from Don Mueang to three local destinations: Nan, Loei and Roi Et.

10
March

AirAsia announces two new routes from Kuala Lumpur - to Visakhapatnam, India and Pontianak, Indonesia - while reviving the Johor Bahru–Medan sector.

Over two days, about 400 Allstars in the RedFort receive free checks for blood pressure, glucose, BMI and cholesterol levels as well as their eyesight in addition to being given nutritional advice to create awareness of the importance of healthy living.

Indonesia AirAsia is named The Best Airline by Adisucipto International Airport, Yogyakarta for the third year running.

Philippines AirAsia partners with major tourism players to attract more travellers to Palawan, which has been named by Conde Nast Traveler readers as the Most Beautiful Island in the World.

17
March

AirAsia CEO Aireen Omar is named one of The Corporate Treasurer's 25 Most Influential Women in Treasury. The Singapore-based publication covers risk, hedging, foreign exchange, regulation, accounting, cash management, trade finance and people news.

18
March

AirAsia commemorates Malaysia's Chairmanship of ASEAN with a special aircraft livery which is unveiled at the Langkawi International Maritime and Aerospace Exhibition (LIMA) '15. At the event, it also announces Langkawi as its newest international hub in Malaysia.

20
March

AirAsia Foundation announces having raised RM902,447 for its East Coast Relief Fund, from public and Allstar contributions on all AirAsia and AirAsia X flights between 1-18 January 2015. The fund is to help MERCY Malaysia run two core recovery programmes.

21
March

AirAsia India welcomes its fourth aircraft, which is dedicated to JRD Tata by bearing the livery of the man widely acknowledged as being an aviation pioneer in the country.

27
March

Philippines AirAsia celebrates Women's Month with a flight between Manila and Davao operated by an all-female flight and cabin crew. The flight also marks the return of the Manila–Davao route, which adds to the existing Cebu–Davao sector.

AirAsia's three latest routes take off, from Kuala Lumpur to Pontianak, Indonesia; Johor Bahru to Medan, Indonesia; and Kota Kinabalu to Cebu, the Philippines.

30
March

AirAsia India, in collaboration with Demansol/Inflight Digital LLC, launches the AirAsia Inflight Reader app, which allows travellers in all airports in India to read up to 87 magazines published in Asia such as DestinAsian and Expat Living.

01
April

AirAsia fulfils the dreams of four aspiring young footballers from Thailand, Malaysia and China, all best achievers from the Queens Park Rangers (QPR) Coaching Clinic Tour 2014, by taking them to London for a once-in-a-lifetime experience with QPR.

03
April

Ninety-four Allstars from across the Group get together to climb Mount Salak in West Java, Indonesia – a monumental expedition that is set to build trust, cooperation and camaraderie among the trekkers over the course of three days.

08
April

AirAsia announces its latest self-service feature, the Self Bag-Drop and Home Tag.

Thai AirAsia signs an aircraft servicing deal with Thai Aviation Industries Co Ltd (TAI) for five years up to 2020, extending a service that TAI has been providing since 2009.

15
April

AirAsia and UnionPay International sign an agreement in Shanghai to enable UnionPay bank cardholders around the world to use their cards to pay for flights, hotels and other transactions related to the AirAsia ecosystem.

Tan Sri (Dr.) Tony Fernandes is on the 2015 TIME 100, TIME Magazine's annual list of the 100 most influential people in the world based on their activism, innovation and achievements.

20
April

Philippines AirAsia signs a partnership with Sodexo, the leading provider of gift certificates in the Philippines, to enable travellers to pay for their AirAsia seats and products using Sodexo Premium Passes.

AirAsia India announces spreading its wings to the national capital which will serve as its hub for the north Indian market. The airline will connect New Delhi with Bengaluru, Guwahati and Goa from 21 May.

21
April

Philippines AirAsia announces the start of flights between Manila and Hong Kong on 8 May 2015.

Indonesia AirAsia celebrates Kartini's Day (commemorating one of the country's early feminists) with an all-female crew flight from Jakarta to Bali, under the command of Captain Dewi Meiliani, Indonesia's first female Airbus captain.

23
April

AirAsia is recognised with the Best Social Media Engagement Award at the World Bloggers and Social Media Awards 2015 held in conjunction with Malaysia Social Media Week 2015.

24
April

AirAsia offers T&Co premium handcrafted coffees such as Espressos, Long Blacks, Cappuccinos and Lattes on board selected flights with the introduction of Barista In The Skies.

25
April

AirAsia is presented the Priority Integration Sector Award in Aviation at the 6th ASEAN Business Awards Malaysia (ABAM) by the Malaysian Prime Minister, Dato' Sri Najib Tun Razak.

28
April

Guests on the inaugural Philippines AirAsia flight with the Manny Pacquiao livery receive free passes to a live viewing party of the Pacman vs Mayweather fight while two Pacman fans, Catherine Cabardo and her 11-year-old son James, also get free roundtrip seats to attend the match.

05
May

AirAsia signs a memorandum of agreement with 20 public universities in Malaysia to utilise the AirAsia Waran Perjalanan Udara Awam (WPUA) which will enable more than 650,000 staff members and students to travel more affordably and conveniently.

06
May

AirAsia Foundation announces its second fund-raising drive for the year, this time to join global efforts in aid of Nepal after the devastating 7.8-magnitude earthquake on 25 April.

07
May

AirAsia sells #AirAsiaMAKNA T-shirts, designed and produced by Allstars, to raise funds for the National Cancer Council of Malaysia (MAKNA).

09
May

Philippines AirAsia celebrates its first Manila–Hong Kong flight with special treats for mums, as it is also Mother's Day.

11
May

Indonesia AirAsia launches the e-boarding pass for all domestic flights operated from Soekarno-Hatta International Aiport, Jakarta.

14
May

The e-boarding pass is launched by Philippines AirAsia as part of initiatives to further enhance the passenger experience.

15
May

AirAsia announces its latest unique route from Kuala Lumpur to Pattaya, which is scheduled to commence on 16 July, making it the airline's seventh Thai destination from Kuala Lumpur.

17
May

AirAsia announces another new unique route, from Johor Bahru to Bangkok.

20
May

AirAsia Group announces its fourth route to Taiwan with the unique thrice weekly Kuala Lumpur–Kaohsiung route set to commence on 16 July.

21
May

AirAsia India's maiden flight from its hub in New Delhi takes off.

22
May

AirAsia India adds a new route, Bengaluru–Visakhapatnam, to its network. As part of the inaugural offer, guests are able to book tickets at Rs1 per km.

27
May

AirAsia partners with MAKNA to bring its Digital Mobile Mammogram to our Allstars at RedFort for two days, at the end of which 101 clinical breast examinations and 50 breast screenings have been done.

29
May

AirAsia announces the launch of the AirAsia Runway Ready Designer Search as part of the airline's commitment to developing future talent.

Philippines AirAsia is named the Most Positively Perceived Airline by AllFamous Digital (AFDigital) and is the Overall Share of Voice Awardee for Philippine Airline Industry at AFDigital's inaugural Share of Voice Awards.

30
May

A total of 150 Allstars participate in the Allstars regional badminton tournament held in Bangkok, Thailand.

02
June

AirAsia announces its fourth unique route within a month, connecting Kuala Lumpur to Goa, India with thrice weekly flights to commence on 27 August.

Thai AirAsia is voted Best of Airline in the Best of Thailand Awards Voted by Chinese Tourists, organised by the Tourism Authority of Thailand (TAT) for the first time and based on the votes of 5.56 million users of website Weibo.com.

04
June

AirAsia India adds Imphal to its network of destinations with daily flights from Guwahati.

07
June

Indonesia AirAsia supports the Surabaya Urban Culture Festival 2015, a folk festival which aims to revive Indonesia's traditional games and toys.

08
June

AirAsia collaborates with the Malaysian Volunteer Fire and Rescue Association (MVFRA) to transport relief items to Kota Kinabalu following the Sabah earthquake.

11
June

AirAsia announces the Asean Traveller Contest, which will see five winners exploring the wonders of Asia with the AirAsia Asean Pass as a Beach Specialist, Instagram Artist, Selfie Expert, Pro-Foodie or Extreme Daredevil.

16
June

AirAsia is named the World's Best Low-Cost Airline and Asia's Best Low-Cost Airline for the seventh consecutive year at the Skytrax World Airline Awards held at the Paris Air Show in Le Bourget.

17
June

AirAsia launches the Airbus Smarter Fleet Electronic Flight Folder in flights. The comprehensive software allows pilots to access their briefing package on the aircraft, or from home, the hotel, or in the crew briefing room.

19
June

AirAsia announces it will re-commence direct flights from Kuala Lumpur to Dhaka, Bangladesh, from 10 July onwards.

24
June

The annual Regional Yoga Retreat is organised in Phuket, Thailand, attended by 50 Allstars from Malaysia, Thailand, Indonesia, China, the Philippines and India.

25
June

AirAsia India launches the Red Carpet service to add to guests' convenience and comfort.

29
June

Thai AirAsia launches five weekly flights from Bangkok to Bengaluru, India.

01
July

AirAsia partners with roKKi, a leading provider of inflight entertainment and connectivity solutions, to offer on-board Twitter access.

03
July

AirAsia presents the Biggest Street Dance Competition in the country with AirAsia Battle of The Year Malaysia 2015.

13
July

Thai AirAsia collaborates with the Tourism Authority of Thailand (TAT) on a Thailand Shopping Paradise roadshow with the aim of attracting Chinese travellers during the (off-peak) Green Season.

16
July

Philippines AirAsia and Nikon launch the #IamAirAsiaTravelPhotographer contest

21
July

AirAsia announces thrice weekly flights from Kuala Lumpur to the Maldives, beginning 22 October.

06
August

AirAsia Badminton Academy enters into a one-year sponsorship deal with Fleet for the provision of complete branded badminton training kits to all AirAsia Badminton Academy players.

08
August

The Allstars Asean Bowling Championship, held in Kuala Lumpur, attracts the participation of 144 Allstars who add to the occasion by dressing up in traditional attire.

AirAsia celebrates ASEAN's 48th anniversary by showcasing our Asean connectivity at an event organised in Kuala Lumpur.

10
August

Group CEO Tan Sri (Dr.) Tony Fernandes attends a commemorative function at the ASEAN Secretariat in Jakarta, Indonesia to mark ASEAN's anniversary.

AirAsia and Perhimpunan BMT (PBMT) Indonesia sign an agreement to support the development of productive communities in Indonesia with the aim of generating positive social impact.

AirAsia celebrates hitting the 300 millionth guest when Jodie Lazuardie, an art director based in Jakarta, makes the 300 millionth booking to fly from Kuala Lumpur to Jakarta today.

11
August

AirAsia India crosses the one million mark in number of guests flown.

12
August

AirAsia announces the appointment of David Foster, 16-time Grammy award winner, as the new global brand ambassador for its premium product range.

15
August

AirAsia India announces the launch of the loyalty programme, AirAsia BIG, making it the first low-cost carrier in India to introduce such a programme.

16
August

Winners of the AirAsia Runway Ready Designer Search 2015 are revealed on the KL Fashion Week Runway.

18
August

AirAsia and AirAsia X launch a new in-flight menu themed Santan, replacing AirAsia Café as part of a move towards providing guests with an enhanced gourmet experience while flying.

21
August

Philippines AirAsia and Henann Group of Resorts reveal a special aircraft livery reflecting the resort group's logo.

22
August

AirAsia clinches the Gold under the Transportation, Travel & Tourism Category, at the Putra Brand Awards for the sixth consecutive year.

27
August

AirAsia Group joins relief efforts in Myanmar, where over one million people have been critically affected by floods.

29
August

AirAsia organises a foreign object debris (FOD) exercise to clear the tarmac of any object that can potentially cause damage to aircraft, and to instil awareness among Allstars that everyone plays a part to uphold the highest standards of safety.

01
September

AirAsia announces the launch of a unique flight connecting Kuala Lumpur to Changsha, China. Flights to the 10th China destination for AirAsia will commence on 2 October.

06
September

Indonesia AirAsia holds another successful AirAsia Bali Beach Run, the largest beach run in Indonesia.

08
September

AirAsia Foundation announces an inaugural social enterprise event to be held on 7 November to mark the coming into force of the ASEAN Economic Community and Malaysia's Chairmanship of ASEAN.

10
September

AirAsia is recognised as the Best Low-Cost Airline at Business Traveller Asia-Pacific Travel Awards 2015.

17
September

Indonesia AirAsia makes the e-boarding pass available for all domestic and international flights.

18
September

Velvet Lagman is named AirAsia Travel Photographer 2015, winning 100,00 AirAsia BIG Points and a Nikon D5500 with a 18mm-55mm lens kit in a photo contest jointly organised with ThinkDharma Inc (the exclusive distributor of Nikon digital cameras) and AirAsia BIG.

21
September

AirAsia continues to contribute towards youth and talent development and fulfilling dreams by supporting the Journey to Homeland Project organised by Malaysian youth on a mission to cycle from the United Kingdom back home.

Thai AirAsia announces that popular actor Nadech Kugimiya will continue as its brand ambassador with a new commercial series, AirAsia: Truly Low Fares, Trusted Quality.

28
September

AirAsia India and OnePlus enter into a partnership enabling guests on AirAsia India to win invites to the new One Plus Two phone launch, while a few lucky guests are even given the new smartphone during their flights!

Thai AirAsia establishes its fifth hub at U-Tapao International Airport, Pattaya.

06
October

AirAsia Japan is granted an Air Operator's Certificate.

09
October

AirAsia India announces its association with Northeast United Football Club, one of the most exciting teams in the Indian Super League.

15
October

AirAsia India is the title sponsor of the USD50,000 prize money for the ATP Challenger Tour in Bengaluru. The airline also invites the players to a cooking session with its chef, Santosh, who proceeds to serve them signature AirAsia India dishes.

16
October

Indonesia AirAsia and Tune Protect celebrate National Insurance Day 2015 by giving away complimentary baggage wrapping and umbrellas to guests.

18
October

AirAsia presents a total of RM197,945.64 to the National Cancer Council, the amount raised through a five-month CSR campaign to raise awareness, assist patients and facilitate research on cancer.

22
October

Indonesia AirAsia holds its annual Travel Fair, with special promos, over a period of four days in Surabaya.

23
October

AirAsia is named the Best Low Cost Carrier at the inaugural 2015 Travel Weekly Asia Reader's Choice Awards.

26
October

Thai AirAsia opens a new AirAsia Travel & Service Centre (ATSC) near the residential area of Gimyong Market in Hat Yai, Thailand

27
October

AirAsia launches a new daily route from Kota Kinabalu to Wuhan, which is expected to commence on 22 January 2016.

30
October

AirAsia creates history by winning Asia's Leading Cabin Crew at the World Travel Awards (Asia & Australasia) Gala 2015, being the first and only low-cost carrier to be nominated (and then win) in this category.

31
October

The Allstars Regional Futsal Tournament attracts the participation of 32 teams and 224 Allstars, all determined to grab the grand prize. The event is hosted in Jakarta for the first time.

03
November

AirAsia introduces direct flights from Penang to Ho Chi Minh City, Vietnam.

07
November

Thirty Allstars participate in the Allstars Cooking Challenge held in Kuala Lumpur in conjunction with AirAsia's sponsorship of MasterChef Asia.

08
November

Thai AirAsia flies coaches from the Queens Park Rangers Football Club (QPR) to hold the 2nd AirAsia QPR Coaching Clinic Tour 2015 at Chonburi Stadium, Chonburi. Following the session here, the tour will proceed to Singapore then Malaysia and culminate in Shanghai on 19 December.

14
November

AirAsia is once again recognised as the most desirable employer in Malaysia's Leisure, Travel and Hospitality sector at the Malaysia's 100 Leading Graduate Employer Awards, marking its fifth win of the title.

18
November

AirAsia launches a new mobile app available on both iOS and Android devices with better features, smoother functionality and improved interface - available in 11 languages.

20
November

AirAsia announces four times weekly flights to Guangzhou, China from Langkawi, to commence on 24 January 2016.

AirAsia is the principle sponsor of the International Film Festival of India held in Goa from 20-30 November. The event attracts luminaries of India's silver screen including actor Anil Kapoor, director Shekhar Kapoor, and musician AR Rahman.

Thai AirAsia joins with CIMB Thai to hold a seminar for public and private bodies as well as business operators to discuss developing Krabi as a tourism destination.

21
November

AirAsia is presented the Priority Integration Sector in Aviation award at the 8th ASEAN Business Awards 2015 for its contributions to Asean's economic growth and the aviation industry. The award is presented by the Malaysian Prime Minister Dato' Sri Najib Tun Razak to CEO Aireen Omar.

AirAsia's travel 3Sixty° magazine celebrates its 100th issue

23
November

AirAsia is presented the Best Airline Award as well as the Minister Special Award at the Sabah Tourism Awards 2015 for its contributions to tourism in Sabah.

27
November

Thai AirAsia launches four new routes from Pattaya to Chiang Mai, Udon Thani, Singapore and Macau.

28
November

AirAsia kicks off a #Green24 campaign with a clean-up at Kanching Rainforest Waterfall in Rawang, Selangor which sees the participation of over 150 Allstars from the AirAsia Group and Tune Group of Companies.

Indonesia AirAsia becomes the official airline partner of Djakarta Warehouse Project (DWP) 2015, Indonesia's biggest dance music festival.

07
December

Philippines AirAsia pilot Captain Darren De Ocampo and his co-pilot, First Officer Victor Martin Mariano, are presented the Kahusayan award by the Civil Aviation Authority of the Philippines (CAAP) for their expert handling of the plane when it encountered technical issues during a flight from Incheon to Manila in July.

08
December

AirAsia India receives awards for the Best LCC and Face of the Future (former CEO Mittu Chandilya) at the India Travel Awards – North, held in Jaipur.

11
December

The AirAsia QPR Coaching Clinic Tour returns to Singapore to inspire and unearth local Asian football talent at the grassroots level. With collaboration from the Football Association of Singapore, 60 footballers aged 14-17 years will have the opportunity to enhance their skills with tips from QPR's coaches.

12
December

AirAsia CEO Aireen Omar is part of a plenary session on Tourism for Development at the World Bank Group Tourism Forum 2015 held in Washington DC. Her presence at the forum reinforces AirAsia's thought leadership and enables AirAsia to influence the travel and tourism industry across the globe.

13
December

AirAsia Group retains its title as the World's Leading Low Cost Airline for the third consecutive year at the World Travel Awards, where it also clinches awards for the World's Leading Low Cost Airline Website and World's Leading Low Cost Airline App.

15
December

Philippines AirAsia officially launches its new in-flight menu, themed Santan, with items such as Bangus Sisig, a Filipino dish made of boneless milkfish sautéed in onions seasoned with salt, pepper and spices.

16
December

Indonesia AirAsia is named Indonesia Leading International Low Cost Airline for the second consecutive year by the Indonesia Travel and Tourism Awards Foundation (ITTA).

20
December

AirAsia continues to give back to the community through a week-long meal donation campaign in partnership with Reach Out Malaysia, a community action group consisting of volunteers working with the homeless, rural folk and urban poor in Malaysia.

21
December

Indonesia AirAsia is named Best National Airline at the Bali International Customer Satisfaction Award (BICSA) 2015 in Denpasar.

25
December

AirAsia India guests arriving in Bengaluru in the morning are delighted to find Christmas Gift Boxes for them on the baggage belt, with compliments from AirAsia India!

WE'LL TAKE YOU THERE!

IN OUR 14 YEARS OF OPERATIONS, AIRASIA HAS CONNECTED THE ASIAN REGION UNLIKE ANY OTHER. WE OPERATE OVER 220 ROUTES TO MORE THAN 100 DESTINATIONS, CONNECTING PEOPLE AND PLACES, AND MAKING DREAMS COME TRUE.

About a third of our routes are unique to us, which means we are opening up a world of travel and exploration for over 4.4 billion people who live in this region.

In 2015, we rolled out a regional brand campaign called We'll Take You There. The campaign is a mark of our commitment to take our guests to places they've never been as well as to help them realise their dreams. The campaign focuses on inspiring everyone to reach out and strive for more, whether it is to start a business or simply to plan a holiday. Our goal is to help them get there, at a fraction of the cost.

At AirAsia, we are a people-driven company. Our Allstars constantly push boundaries to provide top quality service with a dash of fun and humour. Our on-ground ramp agents work around the clock to deliver a solid 25-minute turnaround time for each arriving aircraft; our guest service agents check in an average of 75,000 guests a day; our cabin crew looks after guests' comfort and needs, while our pilots work to ensure a safe and comfortable journey. Our recent win from World Travel Awards for the title of Asia's Leading Cabin Crew is a testament to the passion and dedication of our Allstars. A first, we might add, for any low-cost carrier.

Flying with us is all about discovery. There's always a new experience to be had – we aren't an airline that's just about low fares but about giving our guests an experience they will never forget. Whether it's discovering new destinations that were previously underserved or uncovering new ways to fly through the many innovations we introduce, discovery lies at the heart of what we do.

14 years on, we are more committed than ever to making the world a smaller place and to bring flying to a whole new level. Wherever you want to go or whatever you want to do, we'll take you there!

WORLD AIRLINE WINNER SKYTRAX AWARDS 2015

The World's Best Low-Cost Airline

SELF CHECK IN

OVER 100 DESTINATIONS

YEARS OF OUT OF THE BOX THINKING

We don't just think like an airline.
We aim to do things differently.
Your belief in us inspires us to
keep flying better for you.

Thank you for voting us
World's Best Low-Cost Airline
7 years running

AirAsia | Lowest fares @ **airasia.com**

AirAsia

AIRASIA INVESTOR RELATIONS APP

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Add AirAsia's IR events to your devices

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DISCOVER

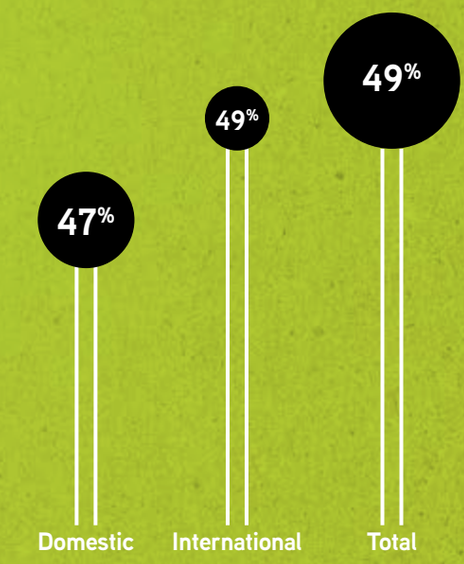
YOUR PURPOSE

TOTAL FLEET

80

A320

market share



number of

Allstars

6,657

NOTES:

1. AS AT 31 DECEMBER 2015: NUMBER OF PASSENGERS CARRIED, LOAD FACTOR, NUMBER OF ALLSTARS, NETWORK, TOTAL FLEET
2. SOURCE OF MARKET SHARE: PAXIS, BASED ON NUMBER OF PASSENGERS, JANUARY 2015 TO DECEMBER 2015

Malaysia AirAsia

NETWORK

Routes
107

Hubs
5

Unique Routes
50

New Routes
13
in 2015

Destinations
72

Countries and Territories
17

TOTAL GUESTS CARRIED

in 2015

24.3
million

#AirAsiaMAKNA

Together, We Can Fight Cancer

For six months from May to October 2015, we ran the #AirAsiaMAKNA campaign to raise awareness of cancer and the work that MAKNA does to help not only cancer patients but also their families. This campaign held special meaning for many Allstars who had either been through the trauma of caring for loved ones with the disease, or who had personally battled cancer themselves. The campaign was in fact initiated and driven by our Allstars who discovered a deep purpose in getting involved with this particular cause.

Aireen Omar,
CEO of AirAsia
"Everybody knows a relative or friend who has been diagnosed with cancer. My mother passed away of cancer and there are several cancer scares among my extended family. When someone has cancer, they aren't the only ones to suffer; so do their family members. So I felt there was a real need to create awareness that there's an organisation which cares for the people caring for cancer patients. People need not be alone."

Anaz Ahmad Tajuddin,
Group Head of Engineering
"As a cancer patient, I am encouraged by how advanced medical technologies are to fight this disease. You just have to be very strong. Be open about it, accept it, and once you have accepted it, fight it. At the same time, keep your network support very strong. If you are married, keep your family intact. Also be with your friends because these are the people who give you support. Being positive is the first step to getting cured."

Aziz Laikar,
Head of Communications
"During a CSR brainstorming session, I recalled having designed a T-shirt with the AirAsia pilot and cabin crew uniform printed on it. It was designed as a gift item, and was an instant hit. Instead of selling it as normal AirAsia merchandise, we thought of doing something meaningful with it. The word 'meaningful' instantly reminded us of MAKNA, the National Cancer Council Malaysia. I presented the idea to Aireen, and she immediately agreed to it. We collected a total of RM197,945.64 which is providing care for about 100 cancer patients."

Aireen and Anaz along with representatives from MAKNA at the cheque presentation ceremony, which attracted Malaysians from all walks of life and all ages too.

The #AirAsiaMAKNA campaign generated much publicity and also drew the support of several celebrities, helping us to get our message across to more than 7 million people on social media.

BUILDING ASEAN INSTITUTIONS FOR A BETTER ASEAN

This award is a testament to your extraordinary contribution towards the growth of ASEAN and your vision to uplift and strengthen the ASEAN community. We are so proud to be part of your legacy and a part of a truly ASEAN family.

Congratulations **Tony**

Recipient of the
US-ASEAN Business Council's 4th Pillar Award

US-ASEAN BUSINESS COUNCIL, INC

From your 17,000 AirAsia Allstars

AirAsia

Notice of ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty Third Annual General Meeting of AirAsia Berhad (284669-W) ("AirAsia" 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 Monday, 30 May 2016 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 2015.

   Please refer to Note A.

2. To declare a First and Final Single Tier Dividend of 4 sen per ordinary share of RM0.10 for the financial year ended 31 December 2015. **(Resolution 1)**

3. To approve the Directors' Fees of an additional RM30,000 per annum per Non-Executive Director with effect from the financial year ending 31 December 2016. **(Resolution 2)**

4. To re-elect Cik Aireen Omar as a Director of the Company, who retires pursuant to Article 124 of the Company's Articles of Association. **(Resolution 3)**

5. To re-elect Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar as a Director of the Company, who retires pursuant to Article 124 of the Company's Articles of Association. **(Resolution 4)**

6. To re-elect Mr. Stuart L Dean as a Director of the Company, who retires pursuant to Article 129 of the Company's Articles of Association. **(Resolution 5)**

7. To re-elect Dato' Sri Gnanaraja A/L M. Gnanasundram as a Director of the Company, who retires pursuant to Article 129 of the Company's Articles of Association. **(Resolution 6)**

8. To re-elect Dato' Mohamed Khadar Bin Merican as a Director of the Company, who retires pursuant to Article 129 of the Company's Articles of Association. **(Resolution 7)**

9. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 8)**

AS SPECIAL BUSINESS

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

10. **ORDINARY RESOLUTION**
    RETENTION OF SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

    "**THAT** approval be and is hereby given to Dato' Fam Lee Ee who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as a Senior Independent Non-Executive Director of the Company in accordance with the Malaysian Code on Corporate Governance 2012." **(Resolution 9)**

    Please refer to Note B.

11. **ORDINARY RESOLUTION**
    AUTHORITY TO ALLOT SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965 ("ACT")

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

    Please refer to Note C.

12. 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 29 April 2016 **("Circular")**, subject further to the following:

(i) the Recurrent Related Party Transactions are entered into in the ordinary course of business which are necessary for the day-to-day operations and are on terms which are not more favourable to the related parties than those generally available to the public, and the Recurrent Related Party Transactions are undertaken on arm's length basis and on normal commercial terms which are not to the detriment of the minority shareholders of the Company;

(ii) the disclosure is made in the annual report of the breakdown of the aggregated value of the Recurrent Related Party Transactions conducted pursuant to the shareholders' mandate during the financial year, among others, based on the following information:

(a) the type of Recurrent Related Party Transactions made; and

(b) the names of the related parties involved in each type of the Recurrent Related Party Transaction made and their relationship with the Company;

(iii) the shareholders' mandate is subject to annual renewal and this shareholders' mandate shall only continue to be in full force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the AGM at which this shareholders' mandate is approved, at which time it will lapse, unless by an ordinary resolution passed at that AGM, such authority is renewed;

(b) the expiration of the period within which the next AGM after the date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 **("Act")** (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(c) revoked or varied by resolution passed by the shareholders of the Company in a general meeting of the Company,

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 and take all such steps and to execute all such transactions, deeds, agreements, arrangements and/or undertakings as the Directors in their discretion deem fit, necessary, expedient and/or appropriate in the best interest of the Company in order to implement, finalise and give full effect to the Recurrent Related Party Transactions with full powers to assent to any modifications, variations and/or amendments thereto.

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 11)**

Please refer to Note D.

OTHER ORDINARY BUSINESS

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

NOTICE OF DIVIDEND PAYMENT AND DIVIDEND ENTITLEMENT DATE

NOTICE IS ALSO HEREBY GIVEN THAT, subject to the approval of the shareholders at the Twenty Third Annual General Meeting of the Company to be held on Monday, 30 May 2016 at 10.00 a.m., a First and Final Single Tier Dividend of 4 sen per ordinary share of RM0.10 for the financial year ended 31 December 2015 will be paid on 29 June 2016 to depositors whose names appear in the Record of Depositors on Monday, 30 May 2016. A depositor shall qualify for entitlement to the dividend only in respect of:-

(a) shares transferred into the Depositor's Securities Account before 4.00 p.m. on Monday, 30 May 2016, in respect of ordinary transfers; and

(b) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

JASMINDAR KAUR A/P SARBAN SINGH
(MAICSA 7002687)
Company Secretary
Selangor Darul Ehsan
29 April 2016

NOTES ON APPOINTMENT OF PROXY

1. Pursuant to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 and Article 43(1) of the Company's Articles of Association, only those Foreigners (as defined in the Articles) who hold shares up to the current prescribed foreign ownership limit of 45.0% of the total issued and paid-up capital, on a first-in-time basis based on the Record of Depositors to be used for the forthcoming Annual General Meeting ("AGM"), 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 AGM.

2. A member must be registered in the Record of Depositors at 5.00 p.m. on 23 May 2016 ("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.

3. 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).

4. 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.

5. 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.

6. 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.

7. The Proxy Form or other instruments of appointment shall not be treated as valid unless deposited at the Registered Office of the Company at B-13-15, Level 13, Menara Prima Tower B, Jalan PJU 1/39, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time set for holding the meeting. **Faxed copies of the duly executed form of proxy are not acceptable.**

EXPLANATORY NOTES:

A. This Agenda item is meant for discussion only as under the provisions of Section 169(1) of the Companies Act, 1965 and the Company's Articles of Association, the audited accounts do not require the formal approval of shareholders and hence, the matter will not be put forward for voting.

B. Retention of Independent Non-Executive Director (Resolution 9)

Dato' Fam Lee Ee has served the Board as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years. The Board has recommended him to continue to act as a Senior Independent Non-Executive Director based on the following justifications:

(a) He has fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and thus, he would be able to function as a check and balance;
(b) He has vast experience in a diverse range of businesses and legal matters and therefore would be able to provide constructive opinion; he exercises independent judgement and has the ability to act in the best interest of the Company;
(c) He has devoted sufficient time and attention to his professional obligations for informed and balanced decision making;
(d) He has continued to exercise his independence and due care during his tenure as an Independent Non-Executive Director of the Company and carried out his professional duties in the best interest of the Company and shareholders; and
(e) He has shown great integrity of independence and has not entered into any personal related party transaction with the Company.

C. Authority to allot shares pursuant to Section 132D of the Companies Act, 1965 ("Act") (Resolution 10)

Ordinary Resolution 10 has been proposed for the purpose of renewing the general mandate for issuance of shares by the Company under Section 132D of the Act ("General Mandate"). Ordinary Resolution 10, if passed, will give the Directors of the Company authority to issue ordinary shares in the Company at their discretion without having to first convene another general meeting. The General Mandate will, unless revoked or varied by the Company in a general meeting, expire at the conclusion of the next Annual General Meeting ("AGM") or the expiration of the period within which the next AGM is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act), whichever is earlier.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the Twenty Second AGM held on 3 June 2015 which will lapse at the conclusion of the Twenty Third AGM.

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).

D. Proposed renewal of existing shareholders' mandate and new shareholders' mandate for Recurrent Related Party Transactions of a revenue or trading nature ("Proposed Mandate") (Resolution 11)

Ordinary Resolution 11, 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 29 April 2016 for further information.

FINANCIAL & INVESTOR CALENDAR

JANUARY

21 WORLD ECONOMIC FORUM ANNUAL MEETING
- DAVOS

FEBRUARY

6 AIRASIA NON-DEAL ROADSHOW HOSTED BY CIMB
- KUALA LUMPUR

12 MAYBANK ASEAN CAPITAL MARKET CEO SUMMIT
- KUALA LUMPUR

26 UNAUDITED RESULTS FOR THE 4TH QUARTER & FULL-YEAR ENDED 31 DEC 2014
- SEPANG, SELANGOR

MARCH

17 ASEAN TREASURY SUMMIT
- SINGAPORE

18 LIMA'S ASEAN AVIATION SUMMIT
- LANGKAWI

23 - 24 CREDIT SUISSE'S 18TH ASIAN INVESTMENT CONFERENCE 2015
- HONG KONG

25 2ND ANNUAL MYANMAR CIVIL AVIATION DEVELOPMENT CONFERENCE
- YANGON

APRIL

19 WORLD ECONOMIC FORUM ON EAST ASIA
- JAKARTA

21 AIRASIA WON BRONZE AT THE ASTRID AWARDS FOR THE COMPANY'S 2014 ANNUAL REPORT UNDER THE CORPORATE - NON-TRADITIONAL CATEGORY
- NEW YORK

24 & 27 AIRASIA NON-DEAL ROADSHOW FOR FIXED INCOME INVESTORS HOSTED BY BARCLAYS
- SINGAPORE & HONG KONG

29 ESG SEMINAR FOR FTSE4GOOD BURSA MALAYSIA INDEX
- KUALA LUMPUR

MAY

5 - 9 AIRASIA NON-DEAL ROADSHOW HOSTED BY CIMB
- LONDON & EDINBURGH

14 ASEAN BUSINESS CLUB FORUM
- SINGAPORE

28 UNAUDITED RESULTS FOR THE 1ST QUARTER ENDED 31 MAR 2015
- SEPANG, SELANGOR

JUNE

3 22ND ANNUAL GENERAL MEETING
- SEPANG, SELANGOR

4 5TH MALAYSIAN INVESTOR RELATIONS ASSOCIATION (MIRA) AWARDS
- KUALA LUMPUR

10 UITM'S 'DOUBLE TAKE ON FINANCIAL COMMUNICATION' EVENT
- SELANGOR

10 UEM GROUP LECTURE SERIES
- SELANGOR

30 AIRASIA NON-DEAL ROADSHOW HOSTED BY RHB-OSK
- KUALA LUMPUR

JULY

3 GOLDMAN SACHS 2ND ANNUAL INVESTOR RELATIONS FORUM
- SINGAPORE

28 MIRA WORKSHOP ON 'INVESTOR RELATIONS FUNCTION IN MALAYSIA'
- KUALA LUMPUR

AUGUST

7 AIRASIA'S SPECIAL ANALYSTS' BRIEFING SESSION
- SEPANG, SELANGOR

11 AIRASIA MEDIA WORKSHOP
- KUALA LUMPUR

20 UNAUDITED RESULTS FOR THE 2ND QUARTER ENDED 30 JUNE 2015
- SEPANG, SELANGOR

SEPTEMBER

15 CAPA LCC AIRPORTS CONGRESS 2015
- BANGKOK

16 - 18 CLSA INVESTOR FORUM 2015
- HONG KONG

29 WORLD ECONOMIC FORUM ON INDUSTRY STRATEGY MEETING
- GENEVA

OCTOBER

8 MIRA WORKSHOP ON 'CORPORATE STRATEGY & INVESTOR RELATIONS'
- KUALA LUMPUR

9 HAINAN - ASEAN ENTREPRENEURS' FORUM
- KUALA LUMPUR

NOVEMBER

4 16TH ANNUAL ASIA PACIFIC AIRFINANCE CONFERENCE
- HONG KONG

5 ASIA SCHOOL OF BUSINESS-MIT SLOAN SCHOOL OF MANAGEMENT WORKSHOP ON 'LEADING & MANAGING CHANGE'
- KUALA LUMPUR

21 ASEAN BUSINESS & INVESTMENT SUMMIT
- KUALA LUMPUR

26 UNAUDITED RESULTS FOR THE 3RD QUARTER ENDED 30 SEP 2015
- SEPANG, SELANGOR

DECEMBER

7 WORLD BANK GROUP'S GLOBAL TOURISM & DEVELOPMENT EVENT
- WASHINGTON

15 EXTRAORDINARY GENERAL MEETING OF AIRASIA BERHAD
- SEPANG, SELANGOR

WORLD TRAVEL AWARDS WINNER 2015

Asia's Leading Cabin Crew

FLY NOW WITH

ASIA'S LEADING CABIN CREW

NOT FULL SERVICE
BUT AWARD WINNING
SERVICE.

AirAsia

AIRBUS

FLY WITH THE ECO-EFFICIENT AIRBUS A320

airasia

Now Everyone Can Fly

AIRBUS.COM

AirAsia and CFM: One of the Best Teams in Aviation

With a relationship that spans more than a decade, AirAsia and CFM have made aviation history together, first with the CFM56 engine and soon with the LEAP-1A engine that will power the airlines A320neo fleet beginning in 2016.

The Benefits this engine will bring – a 15 percent improvement in fuel efficiency and CFM's legendary reliability – will earn a place in the history books and on AirAsia's bottom line. Congratulations on another successful year.

CFM International is a 50/50 joint company between Snecma (Safran) and GE.

AirAsia

cfm The Power of Flight

DISCOVER

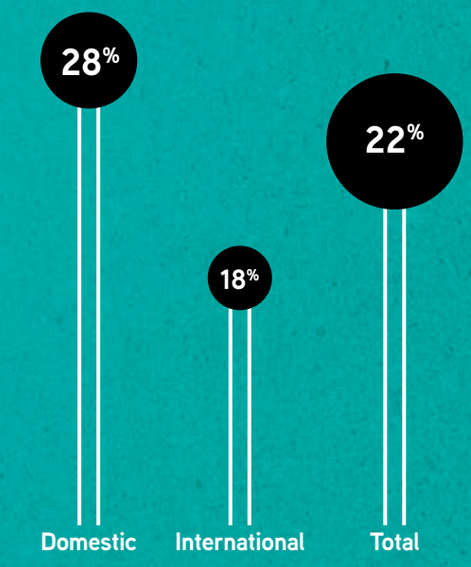
A DIFFERENT WORLD

TOTAL FLEET

45

A320

market share



number of Allstars

3,933

NOTES:

1. AS AT 31 DECEMBER 2015: NUMBER OF PASSENGERS CARRIED, LOAD FACTOR, NUMBER OF ALLSTARS, NETWORK, TOTAL FLEET
2. SOURCE OF MARKET SHARE: PAXIS, BASED ON NUMBER OF PASSENGERS, JANUARY 2015 TO DECEMBER 2015

Thai AirAsia

NETWORK

Routes
60

Hubs
5

Unique Routes
14

New Routes
12

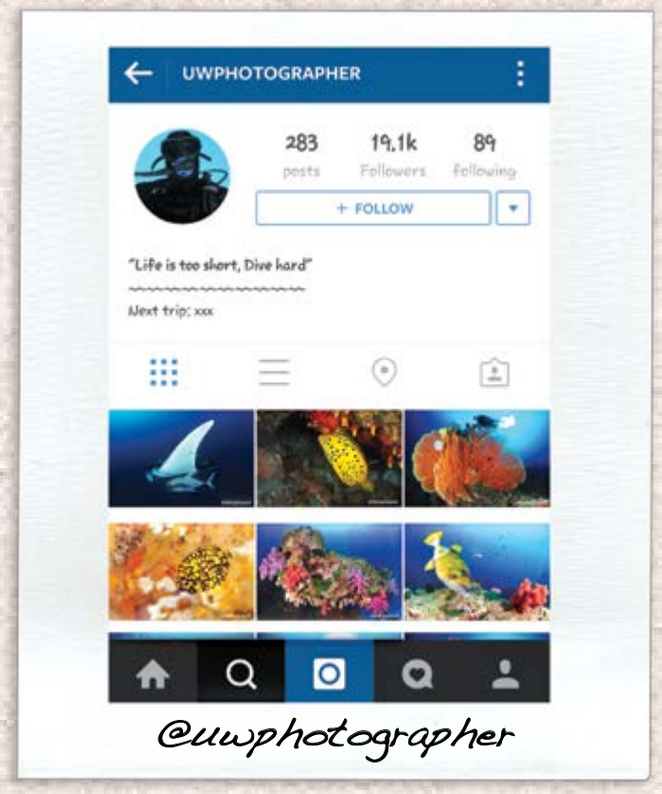
Destinations
45

Countries and Territories
11

TOTAL GUESTS CARRIED

in 2015

14.8 million



Scuba divers at AirAsia Unite!

While our business is all about taking people to the skies, a group of Allstars has discovered a whole new and exciting world in the opposite direction... within the depths of our seas. Since early 2015, scuba diving enthusiasts at AirAsia have formed an informal club to indulge in their underwater passion. Here, they share what they find so amazing about this new world.

ALLSTARS FAVOURITE DIVING SPOT - SIMILAN ISLAND, THAILAND

Photo credit to **Nathapholawat Sichaikultorn**

Amir Faezal Zakaria
Group Head, People & Legal Affairs, AirAsia
"I'm fascinated by what's underwater, and realise there's so much more to explore as a diver."

Mohd Rozainol Bin Mohd Bahari
Group Head, Group Treasury, AirAsia
"Diving and work are the exact opposites and I find that with diving I am better able to balance work and play."

Attila Emam
Group Head, Group Risk, AirAsia
"To dive successfully and safely, one must manage risks well, which resonates with what I do at work."

Daphne Cheah Ui Jen
Public Relations Manager, Communications Department, AirAsia
"Diving has humbled me as it's made me realise how big the world is."

Nathapholawat Sichaikultorn
Licensed Aircraft Engineer, Thai AirAsia
"I started scuba diving to conquer fears of going to sea. Now, I've become an avid undersea photographer and love diving in order to continue taking breath-taking pictures of sea life."

Ang Eve Lyn
Revenue Manager, Route Revenue Department, AirAsia
"While discovering and understanding the marine ecosystem, diving gives me the weightlessness and calmness that you can only experience in the deep blue ocean."

Sharifah Nawal Alqudcy
Executive, Group Risk, AirAsia
"Every time I dive, the ocean throws up new surprises as I see different creatures and sights, even if I'm diving in the same spot."

CREDIT SUISSE

How did Tony's dream take off?

How to turn a single dollar into Asia's largest low cost carrier. Tony Fernandes and Credit Suisse's Helman Sitohang explain how it's done at credit-suisse.com/airasia

CORPORATE

BOARD OF DIRECTORS

Datuk Kamarudin bin Meranun
(Non-Independent Executive Chairman)

Tan Sri (Dr.) Anthony Francis Fernandes
(widely known as Tan Sri (Dr.) Tony Fernandes)
(Non-Independent Executive Director and Group Chief Executive Officer)

Aireen Omar
(Executive Director and Chief Executive Officer)

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

Dato' Fam Lee Ee
(Senior Independent Non-Executive Director)

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

Dato' Sri Gnanaraja A/L M. Gnanasundram
(Independent Non-Executive Director)

Amit Bhatia
(Independent Non-Executive Director)

Stuart L Dean
(Independent Non-Executive Director)

INFORMATION

AUDIT COMMITTEE

Dato' Mohamed Khadar bin Merican

Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar

Dato' Fam Lee Ee

NOMINATION AND REMUNERATION COMMITTEE

Dato' Fam Lee Ee

Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar

Dato' Sri Gnanaraja A/L M. Gnanasundram

INVESTMENT COMMITTEE

Amit Bhatia

Tan Sri (Dr.) Anthony Francis Fernandes

Stuart L Dean

COMPANY SECRETARY

Jasmindar Kaur A/P Sarban Singh
(MAICSA 7002687)

HEAD OFFICE

LCC Terminal, Jalan KLIA S3
Southern Support Zone, KLIA,
64000 Sepang,
Selangor Darul Ehsan, Malaysia

Tel : (603) - 8660 4333
Fax : (603) - 8775 1100

SAFETY REVIEW BOARD

Stuart L Dean

Aireen Omar

Dato' Mohamed Khadar bin Merican

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, Malaysia
Tel : (603) - 7841 8000
Fax : (603) - 7841 8008

AUDITORS

PricewaterhouseCoopers
Level 10, 1 Sentral
Jalan Rakyat
Kuala Lumpur Sentral

50470 Kuala Lumpur
Wilayah Persekutuan Malaysia

Tel : (603) - 2173 1188
Fax : (603) - 2173 1288

STOCK EXCHANGE LISTING

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

REGISTERED OFFICE

AirAsia Berhad
(Company No. 284669-W)
B-13-15, Level 13
Menara Prima Tower B
Jalan PJU 1/39, Dataran Prima

47301 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Tel : (603) - 7491 4318
Fax : (603) - 7887 2318

E-mail
investorrelations@airasia.com

Website
www.airasia.com

AIRASIA BERHAD

Annual Report 2015

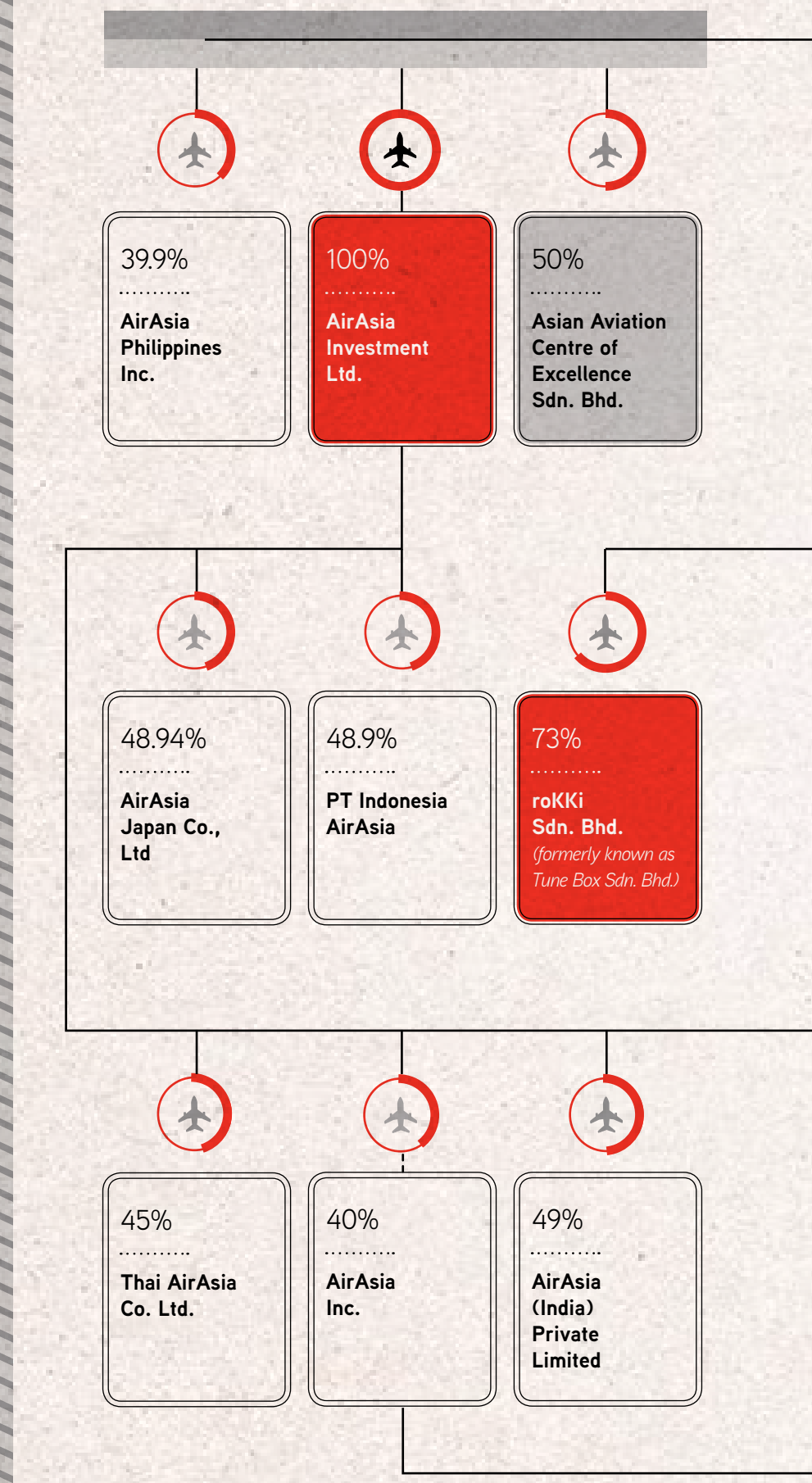
CORPORATE STRUCTURE

AirAsia

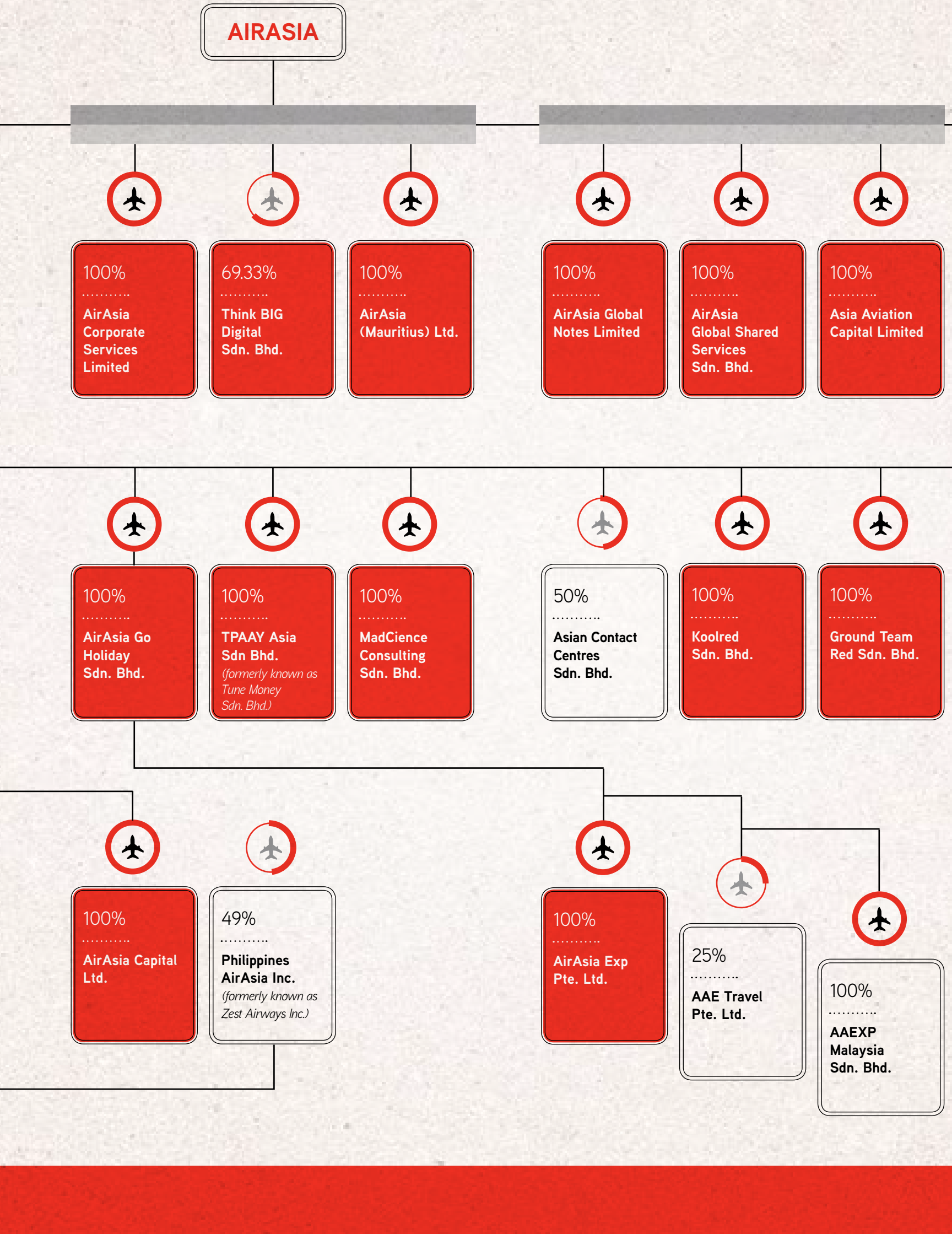
SUBSIDIARY

ASSOCIATE

JOINTLY-CONTROLLED ENTITY



* Corporate structure is as at 18 March 2016


AIRASIA
100%
AirAsia Corporate Services Limited
69.33%
Think BIG Digital Sdn. Bhd.
100%
AirAsia (Mauritius) Ltd.
100%
AirAsia Global Notes Limited
100%
AirAsia Global Shared Services Sdn. Bhd.
100%
Asia Aviation Capital Limited
100%
AirAsia Go Holiday Sdn. Bhd.
100%
TPAAY Asia Sdn Bhd. (formerly known as Tune Money Sdn. Bhd.)
100%
MadCience Consulting Sdn. Bhd.
50%
Asian Contact Centres Sdn. Bhd.
100%
Koolred Sdn. Bhd.
100%
Ground Team Red Sdn. Bhd.
100%
AirAsia Capital Ltd.
49%
Philippines AirAsia Inc. (formerly known as Zest Airways Inc.)
100%
AirAsia Exp Pte. Ltd.
25%
AAE Travel Pte. Ltd.
100%
AAEXP Malaysia Sdn. Bhd.

AWARDS ACCOLADES 2015

16 MARCH

25 Most Influential Women in Treasury - Aireen Omar

Women in Treasury Summit

23 APRIL

Best Social Media Engagement

World Blogger and Social Media Awards

24 APRIL

Priority Integration Sector Award in Aviation

6th Asean Business Awards Malaysia 2015

25 APRIL

100 Most Influential People in the World – Tony Fernandes

TIME Magazine

15 MAY

Bronze Winner, Excellent in Annual Report Design - Corporate

Astrid Awards 2015, Mercomm Inc 25th Silver Anniversary Competition International Academy of Communications, Arts and Sciences

16 JUNE

World's Best Low-Cost Airline 2015

Best Low-Cost Airline in Asia

World Airline Skytrax Awards 2015

19 JULY

Young PR Professional of the year - In-House Receiver: Daphne Cheah

PRweek Awards Asia 2015

06 AUGUST

Best Idea - Consumer Events (Winner Carat Malaysia/Client: AirAsia) Campaign: AirAsia Steps Up Domination

Agency of the Year Awards 2015

21 SEPTEMBER

The People's Choice - Transportation, Travel and Tourism (GOLD)

Putra Brand Awards 2015

09 OCTOBER

Best Low-Cost Airline

Business Traveller Asia-Pacific Travel Awards 2015

20 OCTOBER

Leadership in Social Media (Individual) - Tony Fernandes

Highly Recommended Best Overall Airline in Asia Pacific

Best Handling of a Crisis Situation

SimpliFlying (Awards for Excellence in Social Media 2015)

23 OCTOBER

Excellence Award

Expatriate Lifestyle's Best of Malaysia Awards

23 OCTOBER

Best Low Cost Carrier

Travel Weekly Asia Readers' Choice Awards

30 NOVEMBER

Asia's Leading Cabin Crew

World Travel Awards (Asia & Australasia) Gala 2015

14 NOVEMBER

Malaysia's 100 Leading Graduate Employer for Leisure, Travel & Hospitality Sector

Malaysia's 100 Leading Graduate Employers

21 NOVEMBER

Priority Integration Sector Award in Aviation

8th Asean Business Awards 2015

22 NOVEMBER

Best Airlines Award

Minister Special Award

Sabah Tourism Award

08 DECEMBER

Best Low Cost Carrier

Airline Partner

India Travel Awards - North

12 DECEMBER

World's Leading Low-Cost Airline

World's Leading Low-Cost Airline Website

World's Leading Low-Cost Airline App (iOS, Android, Windows)

World Travel Awards 2015

MEDIA HIGHLIGHTS 2015

Press Clippings

First Quarter

January | February | March

艾琳奥玛（左）派发救援物品给予灾民。

亚航志愿员赴东海岸助水灾灾民重建社区

（吉隆坡讯）东海岸灾区牵动全马人心，亚航于日前宣布将特赦为近期受东海岸水灾影响的灾民提供深切协助。

亚航首席执行员艾琳奥玛日前携同16名亚航志愿员工抵达哥打峇鲁，从吉兰丹哥打峇鲁开始，协助东海岸水灾严重灾区灾民清理并重建社区。

亚航至今以提供免费托运协助各非政府组织（NGO）如大马医药援助协会（Mercy Malaysia）、Muslim Care Malaysia、大马伊斯兰革新卫生组织（IKRAMHealth）、大马毕业生与教育组织协会（HALUAN）等运送救援物品如食物、医药设施、衣物和其他所需。截至目前，共有36吨救援用品已成功运送并在哥打峇鲁和周边地区进行分配。

此外，亚航也提供机位支持各志愿人士如医生、护士和心理咨询师到受影响灾区施以援助。目前，亚航已协助182名医护人员和志愿人士飞往哥打峇鲁。

செல்வாக்குள்ள பெண்களில் ஒருவர் ஜீன் ஓமார்

கோலாலம்பூர், மார்ச் 18 ஏர் ஆசியா நிறுவனத்தின் தலைமை நிர்வாக அதிகாரி ஜீன் ஓமார் நிதித் துறையில் செல்வாக்குள்ள 25 பெண்களில் ஒருவராக தேர்ந்தெடுக்கப்பட்டுள்ளார். சிங்கப்பூரில் நடை பெற்ற பெண்களுக்கான கருத்தரங்கு உச்சநிலை மாநாட்டில் அவருக்கு அந்த சிறப்பு அளிக்கப்பட்டது. கார்ப்பரேட் டிரெஸ் இதழின்

Langkawi hab AirAsia

Bakal tempat lima pesawat untuk angkut 1.5 juta penumpang

AirAsia's Free Seats promo a big hit

Tickets to most destinations during peak holiday periods almost sold out

PETALING JAYA: Those planning their next holiday should hurry and get their flight tickets via AirAsia at almost no cost – thanks to the airline's new Free Seats promotion.

More than three million seats to over 20 countries are up for grabs across the AirAsia Group's wide route network, including AirAsia X, with base fare starting from RM0.

Passengers need only pay for airport taxes and fees when booking under the promotion, which is valid for travel from Sept 1 until May 31 next year.

Although the booking period ends only on Sunday, travellers should not delay as the promotion has received overwhelming response since it was launched on Tuesday.

"Free seats for peak holiday periods, such as the December school and festive holidays, to most destinations are almost sold out.

"Even so, there are plenty of free seats for other periods between Sept 1 and May 31 next year. We urge the public not to miss this opportunity to plan for their next holiday as booking is only until Sunday," said a spokesman for the airline.

In an earlier statement, AirAsia Group chief commercial officer Siegfraund Teh said many new routes had been introduced across the group and fuel surcharge had also been abolished.

"With this new round of free seats, we are keeping to our brand's promise to fly even more guests around Asia and beyond at affordable low fares.

"We hope this promotion further stimulates travel and tourism across the region," he said.

Among the domestic and international destinations featured in the promotion are Langkawi, Penang, Kota Kinabalu, Bangkok, Bali, Hong Kong, Kalibo, Melbourne, Seoul, Sapporo and Taiwan.

AirAsiaGo, the airline's holiday division, will also be offering savings of up to 75% when Free Seats are booked together with hotel accommodation, and up to 50% savings for hotel accommodation only in the same booking and travel period.

AirAsia BIG Loyalty Programme and BIG Prepaid Master Card holders can also collect points and redeem their flights from as low as zero BIG Points throughout this promotion period.

For more information on the free seats promotion and to book, log on to www.airasia.com. The free seats can also be booked via AirAsia's mobile app and its mobile site mobile.airasia.com.

Press Clippings

Second Quarter

April | May | June

Revving up creative engines: (From fifth left) Mandagie, Azreen, Tan and Khairul at the launch of the AirAsia Runway Ready Designer Search.

Chance to fly high in fashion

Competition for young designers takes off with airline as partner

story by YVONNE NATHAN

yvonne.n@thestar.com.my

A FASHION collaboration in this year's KLFW ready-to-wear segment on Aug 16.

"With AirAsia as a partner, we are hoping to provide the designers with additional exposure, where they can be recognized as the next fashion prodigy as these young designers are going to be Kuala Lumpur's fashion future.

"The top three winners will

TIME Magazine names Tony Fernandes among 100 most influential persons in the world

KUALA LUMPUR: TIME Magazine named AirAsia's Group Chief Executive Officer Tan Sri Tony Fernandes (pictured) to the 2015 TIME 100, the magazine's annual list of the 100 most influential people in the world.

"It's a tremendous honour to be included in TIME's top 100 list – I was shocked when I first received the news but I am very proud and humbled," he said in a statement yesterday.

The Time Magazine's list, now in its twelfth year, recognises the activism, innovation and achievement of the world's most influential individuals.

"This has been a challenging year but my entire career has been about challenges and with every obstacle, we learn and become even better. I believe we are making forward strides and I am excited about the future," he said.

This year will be about refocusing attention on the core businesses starting with AirAsia, he said, adding that the airline company was committed to strengthening its core proposition of providing the highest value product and further expanding its network across Asean and beyond.

"My hope is that the work we do through AirAsia and Tune Group enables and inspires the next generation of ASEAN entrepreneurs and SME owners and propels them into success," he said.

He also thanked his staff across all his businesses in AirAsia, Tune Group, QPR and Caterham for their tremendous support and hard work.

With a vision to democratise air travel, Fernandes co-founded AirAsia in 2001 with partner Kamarudin Meranun, purchasing a then loss-making AirAsia from its Malaysian owner for a token RM1 along with debts of RM40 million.

Today, AirAsia is the largest low-cost carrier in Asia, servicing the most extensive network with over 90 destinations.

Within 13 years of operations, AirAsia has carried over 280 million guests and grown its fleet from just two aircraft to over 190 with established short-haul operations in Malaysia, Indonesia, Thailand, Philippines and India, and long-haul operations in Malaysia, Indonesia and Thailand.

AirAsia has been named the World's Best Low Cost Airline in the annual World Airline Survey by Skytrax for six consecutive years from 2009 – 2014. - Bernama

A meaningful award for AirAsia

Soaring above the rest: Fernandes (centre, left) and AirAsia Indonesia CEO Sunu Widyatmoko (right) receiving the award for World's Best Low Cost Carrier during an award ceremony at the Paris Air Show at Le Bourget.

Fernandes: Challenges made us stronger

By AUSTIN CAMOENS
austin@thestar.com.my

PARIS: AirAsia Bhd group chief executive officer Tan Sri Tony Fernandes described the airline's award of "Asia and World's Best Low Cost Airline" for the seventh consecutive year as "most meaningful for him".

He said AirAsia had faced many challenges this past year.

"I'm proud to say that our staff banded together for our guests and we have emerged stronger than ever," Fernandes said during the Skytrax World's Airline Awards at the Paris Air Show in Le Bourget on Tuesday.

"To be named the World's Best for the seventh consecutive year is an incredible honour and I dedicate this to the 17,000 AirAsia 'Allstars' who are the force behind it all," he said.

Thanking his guests and stakeholders for continuing to believe in AirAsia, Fernandes said, "After the year we had the QZ8501 crash, this award is the most meaningful for me."

That AirAsia Indonesia plane crashed as it was flying from Surabaya to Singapore last December.

AirAsia X, the long-haul affiliate of the AirAsia Group, was also recognised for having the World's Best Low Cost Airline Premium Cabin and Premium Seat for the second consecutive year.

Airasia X Bhd chairman Tan Sri Rafidah Aziz and acting chief executive officer Benyamin Ismail received the award.

Later at the launch of the Electronic Flight Folder (EFF), which allows pilots and co-pilots to do away with over 250kg of flight manuals, Fernandes said the airline was always looking for ways to push the "technological envelope".

"With the latest solutions offered by Airbus, we can reduce paper in the cockpit, enhance overall efficiency and ensure the most reliable flight operations," he said.

Under the system, AirAsia pilots would be issued with tablets uploaded with flight manuals in digital format.

Fernandes said AirAsia was also working with a seat manufacturer in London to come out with lighter seats.

"We also hope to install seats that are more ergonomical in our planes," he said, adding that this would make the fleet economical and fuel efficient.

AirAsia Bhd Group head of engineering Azmir Ahmad Tajuddin said by working with Mirus Aircraft Seating, it was trying to bring down the seats, which now weighed 12kg, to between 5kg and 7kg.

Press Clippings

Third Quarter

July | August | September

Hitman Foster is AirAsia's global brand ambassador

Common passion: Fernandes and Foster posing for photographs after the press conference in Kuala Lumpur.

KUALA LUMPUR - Pemenang hadiah utama, Lee Bao En dari Universiti UCSI (depan, tengah); tempat kedua, Shazmin Hashim Zainol (depan, dua kanan) dari Universiti Teknologi Mara Shah Alam dan tempat ketiga, Ter Mei Ching dari Kolej EMSOD Kuala Lumpur (depan, dua, kiri) bergambar kenangan bersama barisan juri dan juga Ketua Pegawai Eksekutif Airasia Berhad Aireen Omar (belakang, tiga, kanan) pada 'AirAsia Runway Ready Designer Search 2015' sempena Minggu Fesyen Kuala Lumpur, Ahad lalu.

AirAsia celebrates 300 million passengers with RM3 fare

PETALING JAYA: AirAsia has announced "celebratory" fares on three million seats, from as low as RM3 one way, to celebrate 300 million passengers having flown on the airline.

You can fly from Kuala Lumpur to Langkawi, Bandung, Pattaya, Kalibo, Maldives, Hyderabad, Kaohsiung, Siem Reap, Nanning, Xi'an, Osaka and Seoul; Penang to Singapore, Manila and Kochi, and from Johor Baru to Lombok, Bangkok and Ho Chi Minh City.

The promo seats are up for grabs on www.airasia.com and on the airline's mobile applications until Aug 16, for travel between Feb 15-Aug 31, 2016.

To mark its 300 million passenger milestone, the budget airline provided its 300 millionth guest, Jakarta-based art director Jodie Lazuardie, with three million BIG points from AirAsia's loyalty programme, which can be used to redeem any flight within AirAsia's network.

AirAsia reached its 100-millionth milestone in October 2010, and the 200-millionth mark in September 2013.

AirAsia group chief executive officer Tan Sri Tony Fernandes, who hosted a reception for Lazuardie at the Ritz Carlton hotel in Jakarta, said the airline had come a long way since its inception 14 years ago.

"Today, we have operations in Malaysia, Indonesia, Thailand, Philippines, and India with over 17,000 Allstars, with 199 aircraft flying to over 100 destinations in 22 countries.

"We will continue to revolutionise air travel to serve the underserved, and most importantly, to give back to the communities in which we operate," he said in a statement yesterday.

Elated: Fernandes carrying Lazuardie at the celebratory reception in Jakarta. Looking on are AirAsia flight representatives.

Kaohsiung International Airport director Ju Yao Guang (second left), Hsu Shanh-lehi and Lee Lieh-lehi together with representatives of local tourism bodies and AirAsia team welcome the airline's inaugural flight to Kaohsiung.

AirAsia's KL–Kaohsiung maiden flight commences

Fourth Quarter

October | November | December

4 LEADING CABIN CREW
Air Asia Bhd chief executive officer Aireen Omar (third from left) receiving the Asia's Leading Cabin Crew Award from World Travel Group president and founder Graham Cooke (third from right) accompanied by Air Asia cabin crew at the World Travel Awards (Asia and Australasia) Gala 2015. Being the first low-cost airline to be awarded the prestigious award, AirAsia has also been nominated in four categories for the World Travel Awards 2015, which will be held in December. AirAsia was also named Asia's Best and World's Best Low-Cost Airline by Skytrax for seven consecutive years since 2009.

ARTIS & AIRASIA bantu pesakit kanser

Sabah Tourism, Culture and Environment Minister Datuk Seri Panglima Masidi Manjun presenting the award to Aireen.

AirAsia bags a double at Sabah Tourism Awards

PETALING JAYA: Low-cost carrier AirAsia won the "Best Airline Award" and the "Minister's Special Award" at the Sabah Tourism Awards 2015.

The "Best Airline" award recognises the airline's contribution to Sabah's tourism industry in terms of connectivity and bringing the highest number of visitors to Sabah in the past two years.

Meanwhile, the Minister's Special Award was given to AirAsia for its role in expansion of direct air connectivity to Sabah internationally and domestically with a total of 23 destinations and growing.

"Thank you to Datuk Seri Panglima Masidi Manjun and his team at Sabah Tourism Board for recognising our hard work and contribution to the state of Sabah with two prestigious awards.

"We have invested substantially in developing Sabah into becoming a key AirAsia hub and are very pleased that our efforts have paid off with the ever-growing numbers," AirAsia Bhd CEO Aireen Omar said in a statement yesterday.

"We have big plans for Sabah and look forward to growing the current three million passengers per annum to at least 12 million passengers. We are confident this number is not far-fetched and is highly possible, with a proper low-cost carrier terminal in place in Kota Kinabalu.

"Sabah has tremendous potential to be a key regional hub and we want to make this a reality," she added.

The low-cost airline has carried more than 8.4 million people in and out of Sabah in the past two years and currently serves 698 weekly flights to and from Kota Kinabalu, Tawau and Sandakan in the state.

television

Scan the QR Code to view video

THE ECONOMIST, ASEAN INSIGHTS

Aireen Omar, CEO of AirAsia, discusses the role of AirAsia in the ASEAN Economic Community and some of the obstacles that remain to greater economic integration throughout the region at the ASEAN Business Club Forum 2015 in Singapore.

NORDIC BUSINESS REVIEW

Tan Sri (Dr.) Tony Fernandes, Group CEO of AirAsia, speaks to the Nordic Business Review on his various ventures and how he manages his time and energy to achieve what he has.

WORLD TRAVEL AWARDS 2015 ASIA & AUSTRALASIA GALA CEREMONY

Aireen Omar, CEO of AirAsia, being interviewed after receiving Asia's Leading Cabin Crew award at the World Travel Awards Asia & Australasia Gala Ceremony in Hong Kong.

APEC SME SUMMIT 2015

Tan Sri (Dr.) Tony Fernandes, Group CEO of AirAsia, speaks at the APEC SME Summit 2015 in Manila on how AirAsia has grown into Asean's leading low-cost carrier.

PROACTIVE AIRPORTS ARE THE LIFEBLOOD FOR AIRLINES: LCC AIRPORT CONGRESS 2015, CAPA TV

Tan Sri (Dr.) Tony Fernandes, Group CEO of AirAsia, sharing his views on the hallmarks of a proactive airport and what AirAsia Group looks for from airports in shaping its network.

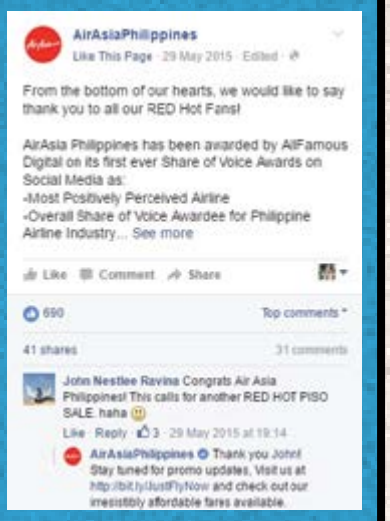
ILEAD CONFERENCE, TAYLOR'S UNIVERSITY

Aireen Omar, CEO of AirAsia, being interviewed after sharing about her career and leadership experience at the inaugural iLEAD Conference held at Taylor's University, Subang Jaya, Malaysia.

AIRASIA BOSS: SOUTHEAST ASIA NEEDS TO FIX THIS, CNBC

Tan Sri (Dr.) Tony Fernandes, Group CEO of AirAsia, shares on CNBC the need for Southeast Asia to have strong, independent institutions that can drive investor confidence.

social media



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Engine Total Support

Aviation & Training Services

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DISCOVER

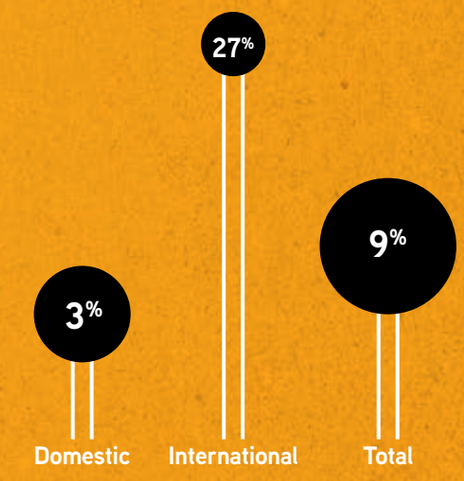
YOUR AMBITIONS

TOTAL FLEET

25

A320

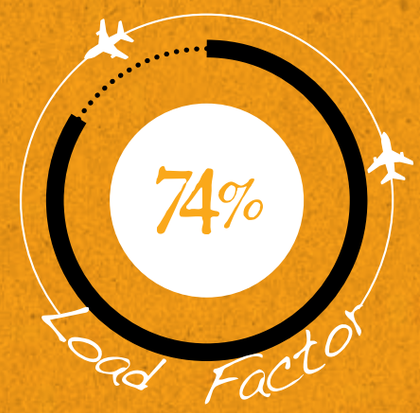
market share



number of

Allstars

1,971



NOTES:

1. AS AT 31 DECEMBER 2015: NUMBER OF PASSENGERS CARRIED, LOAD FACTOR, NUMBER OF ALLSTARS, NETWORK, TOTAL FLEET
2. SOURCE OF MARKET SHARE: PAXIS, BASED ON NUMBER OF PASSENGERS, JANUARY 2015 TO DECEMBER 2015

Indonesia AirAsia

NETWORK

Routes
38

Hubs
4

Unique Routes
8

New Routes
5
in 2015

Destinations
19

Countries and Territories
5

TOTAL GUESTS CARRIED

in 2015

6.5
million

Aim High

Empowering our People to Achieve their Dreams

From a ramp agent to ICT supervisor, from a dispatch boy to a first officer (co-pilot), and from a guest service assistant to Head of Corporate Quality & Assurance… because we believe in our people, we provide them every opportunity to realise their ambitions and grow with AirAsia.

PINKAEW SUJANAKOBKUL

Age
37

Nationality
Thai

Position
ICT Supervisor, Thai AirAsia

In the space of 10 years with Thai AirAsia, Pinkaew has been promoted from a ramp agent to an ICT Supervisor. Though qualified with a Diploma in Aircraft Mechanics and Bachelor's in Computer Engineering, he opted to work loading and un-loading bags onto and from aircraft because he wanted an aviation-related job. His IT wizardry, however, soon became apparent – first when Pinkaew fixed a computer that was perpetually breaking down and then when he developed an app to help keep a record of all ramp training conducted. In 2011, when a vacancy in the IT department was made known, he applied and of course got in. Since then, he has been weaving his ICT magic to continue to enhance our associate's efficiency.

KUGAN A/L TANGIISURAN

Age
31

Nationality
Malaysian

Position
First Officer, AirAsia Berhad

Without a background in the Sciences, Kugan's dream of becoming a pilot seemed far-fetched… until he joined AirAsia in 2006 as a dispatch boy. Assisting the top management, he made known his secret passion, and they encouraged him to "go for it". This Kugan did, trying to get into cadet pilot training not once or twice but three times before finally passing through the revered portals of the Asian Aviation Centre of Excellence (AACE). His ambition was so strong that during his initial eight years with the company he was offered numerous positions, even as a flight attendant, but turned these down to focus on becoming a pilot. Today, a pilot of eight months, his advice to others is never to let their dreams go.

TANTU AGUNG SUHARTO

Age
37

Nationality
Indonesian

Position
Head of Corporate Quality & Assurance, Indonesia AirAsia

A positive attitude and strong desire to continually challenge himself have seen Tantu grow from a Guest Service Assistant to head the Corporate Quality & Assurance department. From the time he joined Indonesia AirAsia in 2006, he has given his 100% to whatever job he has been assigned – these moving progressively into positions of greater responsibility. In each new position, he has acquired fresh learnings and experience combining both operations and administration, preparing him well for his current designation. His advice to others in AirAsia is "to never stop learning; do your best in every little thing you do; take every opportunity in front of you; and never give up.

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FIVE-YEAR FINANCIAL HIGHLIGHTS

(RM MILLION, UNLESS OTHERWISE STATED)	2011	2012	2013	2014	**2015**
INCOME STATEMENT					
Revenue	4,495	4,946	5,112	5416	6,298
Net total expenses	3,332	3,917	4,249	4,590	4,261
Operating profit	1,163	1,029	863	826	2,037
Profit before taxation	777	963	361	23	215
Taxation	-222	-173	1	60	326
Net profit	555	790	362	83	541
BALANCE SHEET					
Deposit, cash and bank balances	2,105	2,233	1,380	1,338	2,427
Total assets	13,906	15,729	17,856	20,664	21,316
Net debt (Total debt - Total cash)	5,676	6,176	8,790	11,390	10,186
Shareholders' equity	4,036	4,860	5,001	4,555	4,451
CASH FLOW STATEMENT					
Cash flow from operating activities	1,404	1,324	961	302	2,204
Cash flow from investing activites	-487	-1,905	-2,346	-2,154	-103
Cash flow from financing activites	-300	733	509	1,779	-1,303
Net cash flow	617	152	-876	-73	798
FINANCIAL PERRFORMANCE (%)					
Return on total assets	4.0	5.0	2.0	0.4	2.5
Return on shareholders' equity	13.8	16.3	7.2	1.8	12.2
R.O.C.E. (Operating Profit/(Net Debt + Equity))	12.0	9.3	6.3	5.2	13.9
Operating profit margin	25.9	20.8	16.9	15.3	32.3
Net profit margin	12.3	16.0	7.1	1.5	8.6
OPERATING STATISTICS (MALAYSIA)					
Passengers carried	17,986,558	19,678,576	21,853,036	22,138,796	24,254,506
Capacity	22,474,620	24,751,800	27,307,980	28,073,160	30,079,666
Load factor (%)	80	80	80	79	81
RPK (million)	21,037	22,731	26,607	27,274	30,006
ASK (million)	26,074	28,379	33,401	34,590	37,408
Aircraft utilisation (hours per day)	12.3	12.3	12.1	12.31	12.44
Average fare (RM)	176	184	166	165	157
Revenue per ASK (sen)	17.24	17.43	15.30	15.66	16.84
Cost per ASK (sen)	12.78	13.80	12.72	13.27	11.39
Cost per ASK - excluding fuel (sen)	6.03	6.94	6.10	6.75	6.04
Revenue per ASK (USc)	5.63	5.66	4.83	4.77	4.27
Cost per ASK (USc)	4.18	4.48	4.01	4.04	2.89
Cost per ASK - excluding fuel (USc)	1.97	2.25	1.92	2.06	1.53
Number of stages	124,853	137,510	151,709	155,962	167,002
Average stage length (km)	1,162	1,148	1,144	1,217	1,247
Size of fleet at year end (Malaysia)	57	64	72	81	80
Size of fleet at year end (Group)	97	118	154	172	171
Number of employees at year end	5,137	5,644	6,089	6,304	6,636
Percentage revenue via internet (%)	78	79	85	84	70
RM-USD average exchange rate	3.06	3.08	3.17	3.28	3.94

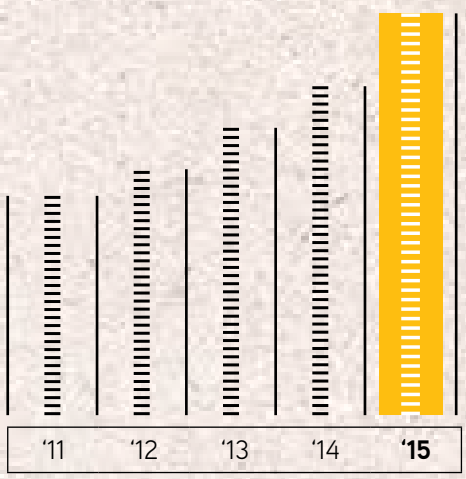
The comparatives of operating profit have been restated following the re-presentation of the 'share of results of associates' and 'share of results of joint ventures' during the financial year ended 31 December 2015.

FIVE-YEAR FINANCIAL & OPERATING HIGHLIGHTS

REVENUE

RM million

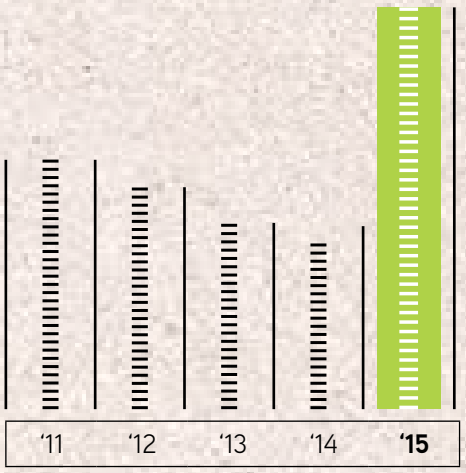
'11	'12	'13	'14	'15
4,495	4,946	5,112	5416	6,298



OPERATING PROFIT

RM million

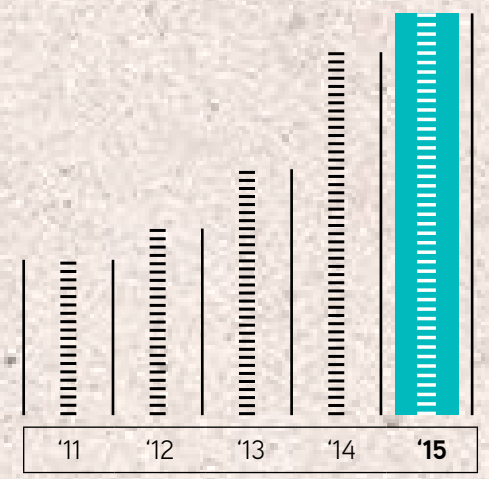
'11	'12	'13	'14	'15
1,163	1,029	863	826	2,037



TOTAL ASSETS

RM million

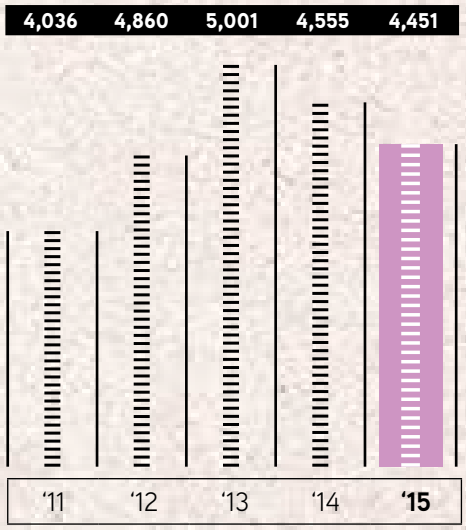
'11	'12	'13	'14	'15
13,906	15,729	17,856	20,664	21,316



SHAREHOLDERS' EQUITY

RM million

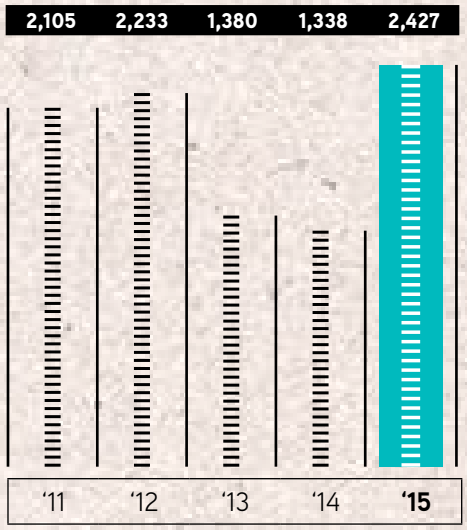
'11	'12	'13	'14	'15
4,036	4,860	5,001	4,555	4,451



DEPOSIT, CASH & BANK BALANCES

RM million

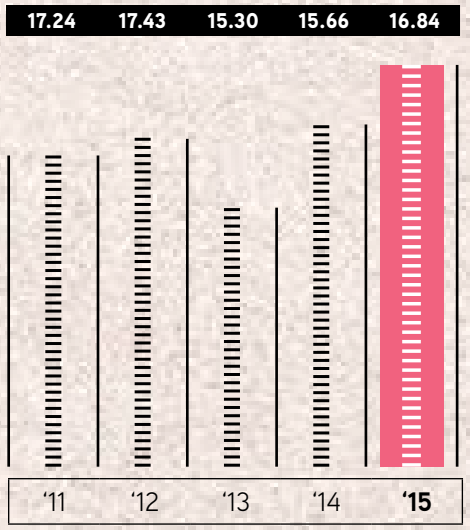
'11	'12	'13	'14	'15
2,105	2,233	1,380	1,338	2,427



REVENUE PER ASK

(SEN)

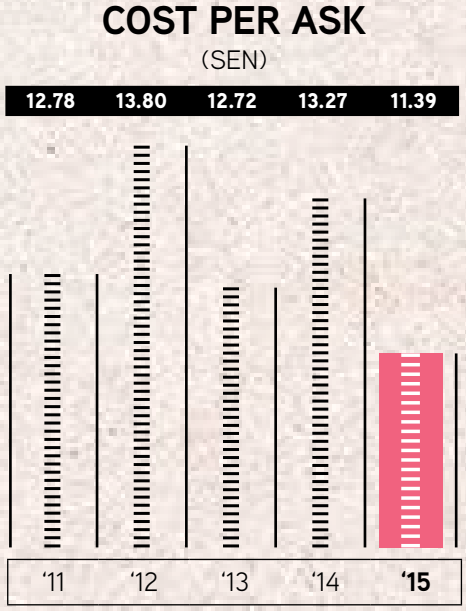
'11	'12	'13	'14	'15
17.24	17.43	15.30	15.66	16.84



COST PER ASK

(SEN)

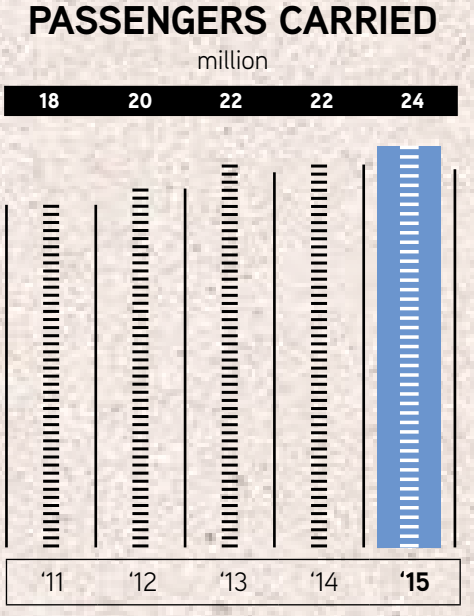
'11	'12	'13	'14	'15
12.78	13.80	12.72	13.27	11.39



PASSENGERS CARRIED

million

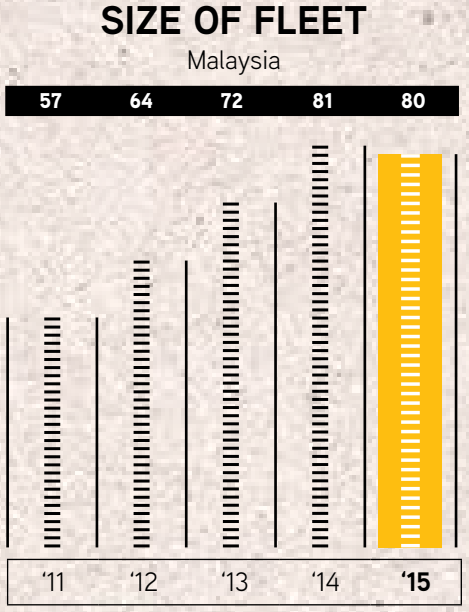
'11	'12	'13	'14	'15
18	20	22	22	24



SIZE OF FLEET

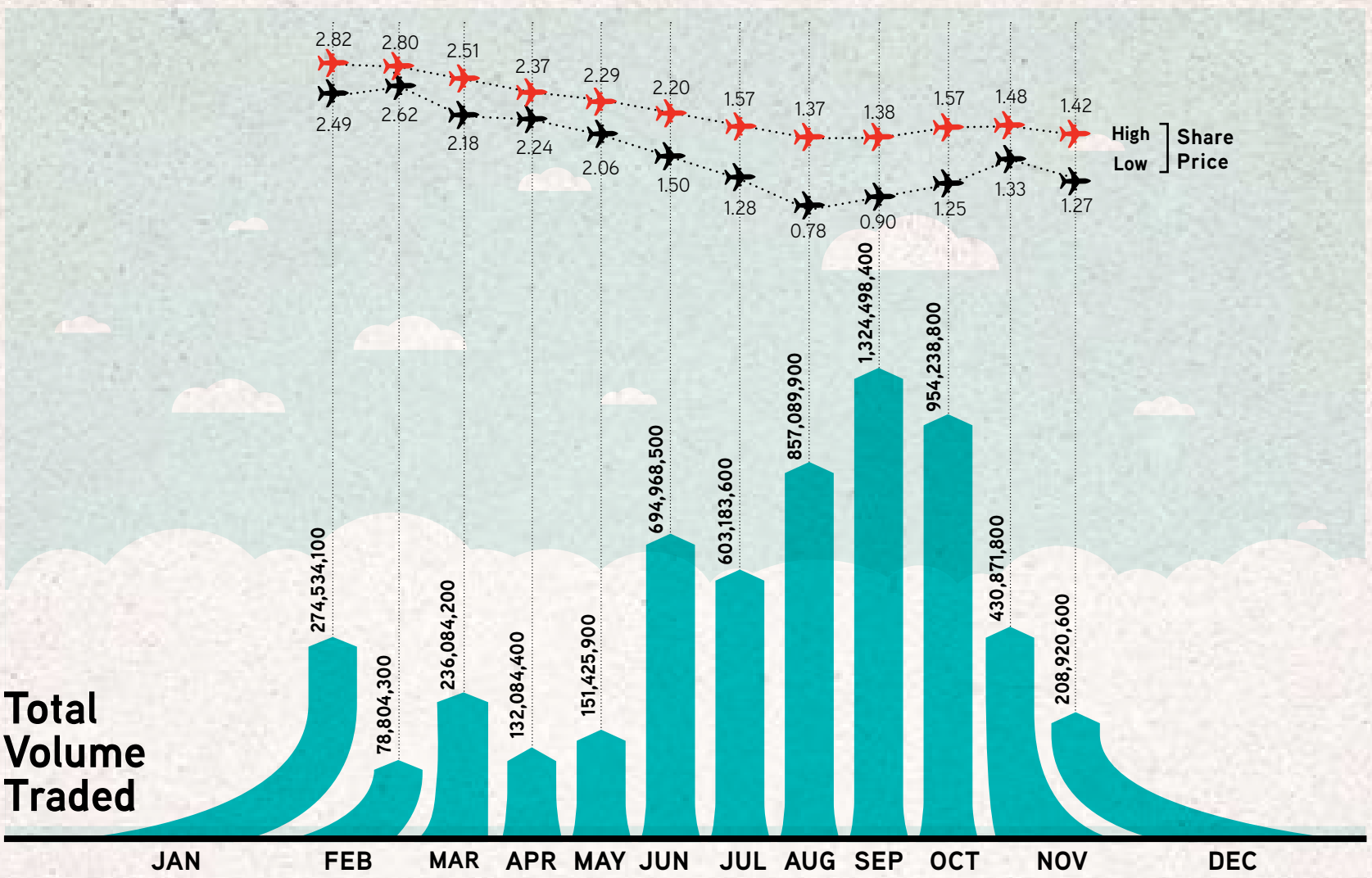
Malaysia

'11	'12	'13	'14	'15
57	64	72	81	80



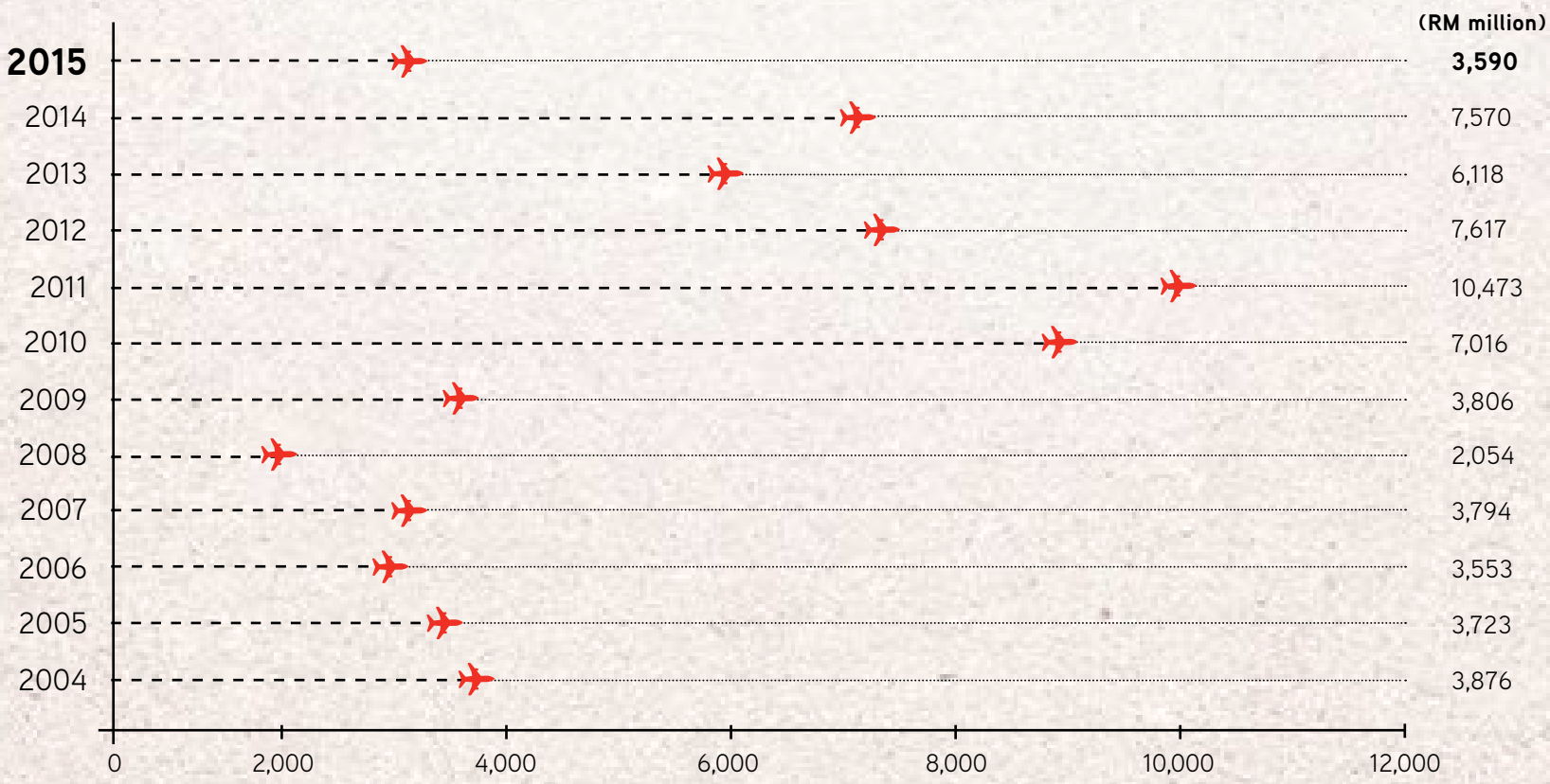
SHARE PERFORMANCE 2015

Share Price & Volume Traded
2015 Monthly Trading Volume & Highest - Lowest Share Price



Market Capitalisation

As at 31 December 2015



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. AirAsia 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 AirAsia for continued success as the world's leading low cost airline.

Passion to Innovate.
Power to Deliver.

B/E AEROSPACE

World Headquarters | 1400 Corporate Center Way | Wellington, FL 33414 | beaerospace.com

TOGETHER WE PROGRESS

Being your trusted partner
Delivering simple, fast and seamless experiences
Providing solutions that help achieve your goals
Nurturing future generations

We are a multinational regional financial services provider that is committed to deliver complete solutions to our clients through differentiated segment offerings and an ecosystem that supports simple, fast and seamless customer experience, underpinned by our cohesive and inspired workforce and relationship built with our stakeholders.

For more information, please log on to www.rhbgroup.com

RHB Group @RHBGroup RHB Group RHBGroup

TOGETHER WE PROGRESS

RHB Capital Berhad (312952-H)

RHB

World Fuel Services®

Oil & Energy Procurement | Distribution & Storage | Operations Support | Financial Solutions | Consulting Services | Technology Solutions

World Fuel Services is a proud supplier to AirAsia. **wfscorp.com**

BOARD *of* DIRECTORS

Standing (from left):

DATO' SRI GNANARAJA A/L M. GNANASUNDRAM
Independent Non-Executive Director

DATO' MOHAMED KHADAR BIN MERICAN
Independent Non-Executive Director

TAN SRI (DR.) TONY FERNANDES
Non-Independent Executive Director and Group Chief Executive Officer

AIREEN OMAR
Executive Director and Chief Executive Officer

AMIT BHATIA
Independent Non-Executive Director

Seated (from left):

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

DATUK KAMARUDIN BIN MERANUN
Non-Independent Executive Chairman

STUART L DEAN
Independent Non-Executive Director

DATO' FAM LEE EE
Senior Independent Non-Executive Director

DATUK KAMARUDIN BIN MERANUN

Non-Independent Executive Chairman

Malaysian

Datuk Kamarudin Bin Meranun, Malaysian, aged 54, was appointed a Director of the Company on 12 December 2001; an Executive Director in January 2004; and Group Deputy Chief Executive Officer on 8 December 2005. Thereafter, he was re-designated as Deputy Group Chief Executive Officer & President of Group Finance, Treasury, Corporate Finance and Legal effective from 13 February 2012; Non-Independent Non-Executive Director on 30 June 2012; and a Non-Independent Executive Chairman on 6 November 2013.

Datuk Kamarudin and Tan Sri (Dr.) Tony Fernandes founded the AirAsia Group, having acquired and relaunched the struggling AirAsia in December 2001.

Prior to AirAsia, Datuk Kamarudin worked in Arab-Malaysian Merchant Bank from 1988 to 1993 as a Portfolio Manager. In 1994, he was appointed Executive Director of Innosabah Capital Management Sdn Bhd, a subsidiary of Innosabah Securities Sdn Bhd. He subsequently acquired the shares of the joint venture partner of Innosabah Capital Management Sdn Bhd, which was later renamed Intrinsic Capital Management Sdn Bhd.

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

Datuk Kamarudin was awarded 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 Director and Group Chief Executive Officer of AirAsia X Berhad and a Non-Independent Non-Executive Director of Tune Protect Group Berhad (formerly known as Tune Ins Holdings Berhad). He is also a Director of Yayasan Pendidikan Titiwangsa.

TAN SRI (DR.) TONY FERNANDES

Non-Independent Executive Director and
Group Chief Executive Officer

Malaysian

Tan Sri (Dr.) Tony Fernandes CBE, Malaysian, aged 52, was appointed Group Chief Executive Officer of the Company in December 2001, re-designated as a Non-Independent Non-Executive Director on 30 June 2012 and subsequently as Non-Independent Executive Director and Group Chief Executive Officer on 6 November 2013. He is also a member of the Investment Committee of the Board.

Tan Sri Tony graduated from the London School of Economics. He was admitted as an Associate Member of the Association of Chartered Certified Accountants in 1991 and became a Fellow Member in 1996. He also received an Honorary Doctorate of Business Innovation from Universiti Teknologi Malaysia (UTM) in March 2010.

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

In 1999, the Sultan of Selangor bestowed on him the title Setia Mahkota Selangor for his contributions to the Malaysian music industry. He also received the Recording Industry Person of the Year 1997 award from the Recording Industry Association of Malaysia.

Since launching AirAsia, he has received numerous state awards as well as industry accolades. Within Malaysia, he has been awarded the title Dato' by the Sultans of Negeri Sembilan and Pahang, Dato' Seri by the Sultan of Perak, and Tan Sri from a former Yang di-Pertuan Agong. Internationally, he has been presented the title Officier of the Legion d' Honneur, followed by the Commander of the Legion d'Honneur, the highest rank of honour that the French Government can bestow on non-French citizens. He was also awarded the title Commander of the Order of the British Empire (CBE) by Her Majesty Queen Elizabeth II.

From the industry, he was presented the Airline Business Strategy Award 2005 and Low Cost Leadership Award by Airline Business and named Asia Pacific Aviation Executive by the Centre for Asia Pacific Aviation (CAPA) for the years 2004 and 2005. He bagged The Brand Laureate Brand Personality Award in 2006 and 2007, was presented the CAPA Legend Award 2009 (Aviation Hall of Fame), and the Airline CEO of the Year Award for 2009 from Jane's Transport Finance.

In 2010, Tan Sri Tony was awarded the Nikkei Asia Prize in Tokyo and the Masterclass Global CEO of the Year award at the 2nd Malaysia Business Leadership Award (MBLA). He was also named Forbes Asia Businessman of the Year 2010, the first Asean citizen to receive the award.

In 2011, Tan Sri Tony was named one of the most creative people in business by New York-based business magazine Fast Company and was on its Top 10 Most Creative People in Twitter list. He was also named CEO of the Year at the Annual Budgies World Low Cost Airline Awards held in London; and CNBC Travel Business Leader of 2011 at CNBC's Travel Business Leaders Award Asia Pacific held in Singapore.

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

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

He was named Airline Industry Leader of the Year at the 4th Aviation 100 Awards in January 2014, and Brand Builder of the Year at the 2014 World Branding Awards. In 2015, he made it onto 2015 TIME 100, the magazine's annual list of the 100 most influential people in the world. Most recently, he was recognised by the U.S. - ASEAN Business Council with the 'Fourth Pillar' award for his extraordinary contribution towards the growth of ASEAN. He is the second recipient of the award after the Administration of U.S. President Barack Obama.

He is a Non-Independent Non-Executive Director of both Tune Protect Group Berhad (formerly known as Tune Ins Holdings Berhad) and AirAsia X Berhad.

Aireen Omar, Malaysian, aged 42, was appointed as Chief Executive Officer and Executive Director of the Company effective from 1 July 2012. Prior to this, she was the Regional Head of Corporate Finance, Treasury and Investor Relations of the Company. She is also a member of the Safety Review Board.

She is an Economics graduate of the London School of Economics and Political Science and also holds an MA in Economics from New York University.

Aireen joined AirAsia Berhad in January 2006 as Director of Corporate Finance, where her portfolio expanded quickly to also include Treasury, Fuel Procurement and Investor Relations functions. Taking on these roles, she was instrumental in shaping the development of AirAsia into one of the fastest growing and most highly-acclaimed airlines globally.

She began her career at Deutsche Bank Securities Inc, where she served as an Associate from 1997-2000 in New York and London, her last position being at the Equity Arbitrage Proprietary Trading Desk focusing on international equities, equity derivatives and equity-linked products. Upon her return to Malaysia in 2001, she served several major local financial institutions including the Maybank Group.

Aireen received an Outstanding Achievement Award (CEO category) at the inaugural Malaysian Women of Excellence 2014. She was awarded Corporate Treasurer's 25 Most Influential Women in Treasury 2015 and 'Masterclass Woman CEO of the Year' award for two consecutive years (2014 & 2015) at the Selangor Excellence Business Awards.

She is a member of the Board of Directors of Malaysia Tourism Promotion Board (Tourism Malaysia), AirAsia Global Shared Services Sdn Bhd, Think BIG Digital Sdn Bhd, Tune Money Sdn Bhd, Ground Team Red Sdn Bhd (formerly known as Aras Sejagat Sdn Bhd) and Asia Aviation Capital Limited.

AIREEN OMAR

Executive Director &
Chief Executive Officer

Malaysian

DATO' ABDEL AZIZ@ABDUL AZIZ BIN ABU BAKAR

Non-Independent Non-Executive Director

Malaysian

Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar, Malaysian, aged 62, was appointed a Non-Executive Director of the Company on 20 April 2005. On 16 June 2008, he was re-designated as Non-Executive Chairman and, subsequently, as a Non-Independent Non-Executive Director in November 2013. He is also a member of the Audit Committee and Nomination and Remuneration Committee. Prior to this, he served as a Director of the Company from 12 December 2001 to 11 October 2004; and then as an Alternate Director to Dato' Pahamin Ab. Rajab from 11 October 2004.

Dato' Aziz is currently the Executive Chairman of VDSL Technology Sdn Bhd. He served as Chairman of Performance and Artistes Rights Malaysia Sdn Bhd (PRISM), a collection society for performers of recorded music, and the Academy of Malaysian Music Industry Association (PAIMM) for more than 10 years until end 2012 and January 2011, respectively.

From 1981 to 1983, he was the Executive Director of Showmasters (M) Sdn Bhd, an artiste management and concert promotion company. He subsequently joined BMG Music and was General Manager from 1989 to 1997, and Managing Director from 1997 to 1999. He received a Diploma in Agriculture from Universiti Pertanian Malaysia in 1975, a BSc in Agriculture Business from Louisiana State University, USA in 1978, and an MBA from the University of Dallas, USA in 1980.

He is also currently an Executive Chairman of Naim Indah Corporation Berhad and a Director of Yayasan Astro Kasih.

DATO' FAM LEE EE

Senior Independent
Non-Executive Director

Malaysian

Dato' Fam Lee Ee, Malaysian, aged 55, was appointed an Independent Non-Executive Director of the Company on 8 October 2004. He was re-designated as Senior Independent Non-Executive Director on 20 August 2014. He is a member of the Audit Committee and Chairman of the Nomination and Remuneration Committee of the Board.

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

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

Dato' Fam is also a Non-Independent Non-Executive Director of AirAsia X Berhad.

Dato' Mohamed Khadar Bin Merican, Malaysian, aged 60, was appointed an Independent Non-Executive Director of the Company on 16 February 2016. He is the Chairman of Audit Committee and member of the Safety Review Board. Prior to this, he served as an Independent Non-Executive Director of the Company from 10 September 2007 to 20 August 2014.

Dato' Mohamed Khadar is a Member of the Institute of Chartered Accountants in England and Wales and is also a Member of the Malaysian Institute of Accountants.

Dato' Mohamed Khadar has had more than 40 years of experience in financial and general management. He served as an auditor and a consultant in an international accounting firm, before joining a financial services group in 1986. Dato' Mohamed Khadar has held various senior management positions in Pernas International Holdings Berhad (now known as Tradewinds Corporation Berhad) between 1988 and April 2003, including those of President and Chief Operating Officer. In 2013, Dato' Mohamed Khadar, in his capacity as the Chairman of RHB Capital, was named as the "Chairman of The Year" by the Minority Shareholders Watchdog Group at its MalaysianAsean Corporate Governance Index Awards 2013.

Dato' Mohamed Khadar's other directorships in public companies are RHB Capital Berhad, RHB Bank Berhad, RHB Investment Bank Berhad, Astro Malaysia Holdings Berhad, Sona Petroleum Berhad, Rashid Hussain Berhad (In Members' Voluntary Liquidation) and RHB OSK Securities (Thailand) Public Company Limited (Chairman).

DATO' MOHAMED KHADAR BIN MERICAN

Independent
Non-Executive Director

Malaysian

STUART L DEAN

Independent
Non-Executive Director

American

Stuart L Dean, American, aged 63, was appointed an Independent Non-Executive Director of the Company on 15 June 2015. He is the Chairman of the Safety Review Board and member of the Investment Committee.

Mr. Dean graduated magna cum laude from Duke University in 1975 with a BA in Economics and Political Science and as a member of Phi Beta Kappa. He obtained an MBA from Harvard in 1979.

Mr. Dean has over 35 years of experience working across GE businesses in the US and Asia in senior positions in sales, marketing, product general management, services marketing and general management. He retired from GE in April 2015.

Mr. Dean started in an advanced sales and marketing entry program in GE Appliances in 1979. He was the Marketing Manager for the Dishwasher business in 1983.

Mr. Dean was appointed Specialty Appliance Manager with responsibility for developing a new line of high-end built-in appliances called the GE Architecture Line. He then was appointed Product General Manager in 1988.

He took a business development role in Singapore in late 1991 and became President of GE Capital, Southeast Asia, in 1993. Following his assignment in GE Capital, he became President, GE Indonesia in February 1995.

In May 2002, he became President and CEO, GE ASEAN and was given responsibility for all of ASEAN, based in KL.

Mr. Dean also serves on the board of MIDA and the Advisory Boards of Duke University Trinity College and Harvard Business School Asia.

Amit Bhatia, British, aged 36, was appointed an Independent Non-Executive Director of the Company on 9 June 2014. He is also the Chairman of the Investment Committee.

A multi award-winning entrepreneur and one of Britain's most influential Asian figures (GG2 Power List 2014), Amit is Chairman of Hope Construction Materials, Britain's leading independent supplier of cement, concrete and aggregates. He founded the firm in 2013, becoming the first new entrant to the industry for more than a decade.

Amit studied Economics at Cornell University, USA, following which he joined Credit Suisse First Boston in London. He incubated the Swordfish group of companies in 2005 as Founder and Senior Managing Partner.

Amit is involved in a wide range of charitable organisations. He is Founder and Benefactor of his own UK registered charity Global Relief Initiative and Ambassador of the KP24 Foundation. He is also a member of the External Advisory Council on Internationalisation for Cornell University and a member of the Lionel Curtis Group at Chatham House.

AMIT BHATIA

Independent
Non-Executive Director

British

DATO' SRI GNANARAJA A/L M. GNANASUNDRAM

Independent
Non-Executive Director

Malaysian

Dato' Sri Gnanaraja A/L M. Gnanasundram, Malaysian, aged 35, was appointed an Independent Non-Executive Director of the Company on 21 December 2015. He is a member of the Nomination and Remuneration Committee.

Dato' Sri Gnanaraja graduated Bachelor of Laws from the University Of Hertfordshire (UK).

Dato' Sri Gnanaraja brings a wealth of experience in investment and has a strong record of helping businesses grow and transform in the corporate industry. His strengths are in strategic and financial planning. He has extensive expertise in general management, structured finance, corporate finance and bridge financing across multiple markets including in Malaysia, Singapore, Hong Kong and India.

Dato' Sri Gnanaraja is a corporate trained multi-disciplined professional, specially well versed with the socio-economic and political environment in ASEAN. He advises many corporations on the importance of observing political environment in the business world. This extensive global combination of experience has enabled him to act as a Senior Advisor to a number of public and private companies in the Asia-Pacific region.

Dato' Sri Gnanaraja was conferred the highest senior state title Sri Sultan Ahmad Shah (SSAP) that ranks first in order of award which carries the prestigious title of "Dato' Sri" by His Royal Highness Duli Yang Maha Mulia Sultan Haji Ahmad Shah Al-Musta'in Billah Ibni Al-Marhum Sultan Abu Bakar Ri'ayatuddin Al-Mu'adzam Shah.

Notes:

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

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

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

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

SENIOR MANAGEMENT TEAM

DATUK KAMARUDIN BIN MERANUN

NON-INDEPENDENT EXECUTIVE CHAIRMAN
AirAsia Berhad

Details of Datuk Kamarudin Bin Meranun are disclosed in the Director's Profile on page 55 of this Annual Report.

TAN SRI (DR.) TONY FERNANDES

NON-INDEPENDENT EXECUTIVE DIRECTOR AND GROUP CHIEF EXECUTIVE OFFICER
AirAsia Berhad

Details of Tan Sri (Dr.) Tony Fernandes are disclosed in the Director's Profile on page 55 of this Annual Report.

AIREEN OMAR

EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER
AirAsia Berhad

Details of Aireen Omar are disclosed in the Director's Profile on page 55 of this Annual Report.

SENIOR MANAGEMENT TEAM

TASSAPON BIJLEVELD

CHIEF EXECUTIVE OFFICER
Thai AirAsia

Tassapon joined Thai AirAsia as Chief Executive Officer when the airline took off in 2003. He is entrusted with overseeing all aspects of the airline's operations as well as boosting growth in Thailand. Prior to joining Thai AirAsia, Tassapon was Managing Director of Warner Music (Thailand) Co Ltd for five years. Within three years, he managed to turn around the company from bottom ranking among all international music companies to achieving the top position. Tassapon has more than 12 years' experience in the consumer product industry. He worked in various countries in the region for two Fortune 500 companies - Adams (Thailand) Co Ltd and Monsanto (Thailand) Co Ltd. He was a pioneer at Monsanto, setting up the division from scratch before building it into a multimillion dollar business in just a few years.

Tassapon holds a Master's in Marketing, and is currently a part-time lecturer at several leading universities in Thailand. He is well-known for his leadership and team-building abilities. Thai AirAsia's success is a result of a passionate, motivated team with strong rapport.

SUNU WIDYATMOKO

CHIEF EXECUTIVE OFFICER
Indonesia AirAsia

Sunu Widyatmoko joined Indonesia AirAsia in 2013 as its Chief Financial Officer, and in less than a year was appointed as the airline's Chief Executive Officer, replacing Captain Dharmadi who has assumed the role of Commissioner. Sunu is responsible for overseeing the operations of Indonesia AirAsia and leading its development. He brings with him more than 17 years of experience in corporate finance advisory to national and global corporations. Prior to joining Indonesia AirAsia, he was Director of Investment Banking at PT Bahana Securities, a state-owned enterprise focusing on investment banking, capital market and securities brokerage services. At PT Bahana Securities, Sunu played an instrumental role in bringing big-scale enterprises public, including airlines. He was also involved in mergers and acquisitions, project financing and debt restructuring of leading institutions.

Sunu obtained a Master of Business Administration from the University of Illinois, Urbana-Champaign, USA, and a Bachelor's degree from Brawijaya University, Malang, Indonesia.

JOY CAÑEBA

CHIEF EXECUTIVE OFFICER
Philippines AirAsia

AirAsia operations in the Philippines took a major step forward in 2015 when under the leadership of its CEO Joy Cañeba, Philippines AirAsia finally completed the transition to a single Air Operator's Certificate (AOC) following the consolidation of AirAsia and ZestAir operations.

Using her expertise in legal and corporate affairs, Joy led the team through the complex regulatory process and often challenging environment of streamlining operations to manage cost and institute reforms to further improve the delivery of products and services.

Joy is particularly proud of her team's efforts to gain Philippines AirAsia approval by the European Union and European Aviation Safety Agency (EASA) during their observation visit in June – a testament that Philippines AirAsia operates at a higher standard than what is required.

Joy believes that a strong, innovative service culture within the organisation will set Philippines AirAsia apart from the others. She personally leads a team that oversees passenger satisfaction by reviewing customer feedback on a weekly basis. Joy was the external legal counsel of AirAsia before she was appointed COO and assumed the CEO post in 2014.

MITTU CHANDILYA

CHIEF EXECUTIVE OFFICER
AirAsia India

The dynamic and results-oriented MD & CEO of AirAsia India made headlines as the youngest CEO in Indian aviation, at the age of 32. In a short span of two years, Mittu was elevated to the post of MD. With strong analytical and problem solving skills, Mittu is a high achiever who has consistently demonstrated exceptional strength in driving results and leading regional and global teams across the world. Equipped with a unique mix of leadership experiences ranging from a successful entrepreneurial start-up to country, regional and global leadership roles within multinational organisations and, finally, to high-impact management consulting experience, Mittu spearheads the operations of AirAsia India along with his young and dynamic team.

Hailing from a working class family in Chennai, Mittu won a grant for a start-up at 19 and the prototype he built was later bought by an FMCG company. At 25, Mittu was one of the youngest general managers at Ingersoll Rand where he managed the business unit's Asia Pacific (AP) Strategy, P&L, Business Development, Market Intelligence and Product, Pricing and Channel. One of the best-in-class & vibrant acquisition processes that Mittu developed for the company was implemented across the organisation. Later, at 29, Mittu was appointed by Egon Zehnder as the Principal (Management Consultant) for the Hospitality, Airlines and Aviation sectors as well as the Leader of the Services Practice Group for Asia Pacific and the Leader of the Industrial Practice Group for South East Asia. Mittu also held the important post of Chairman of Advisory Boards for C-Level executives at listed companies.

SENIOR MANAGEMENT TEAM

ROZMAN OMAR

GROUP CHIEF FINANCIAL OFFICER

As the Group CFO, Rozman oversees regional corporate finance, treasury, procurement and AirAsia Global Shared Services. He was part of the key management team that spearheaded the initial public offering (IPO) of AirAsia Berhad on Bursa Malaysia. He was also one of the key personnel involved in the formation of AirAsia's joint ventures in Thailand and Indonesia. Upon completion of AirAsia's IPO in November 2014, he was made Chief Financial Officer of PT Indonesia AirAsia responsible for all the financial and corporate legal aspects of the company. Rozman has over 22 years of extensive corporate finance experience. Upon completion of his ACCA exams in 1984, he joined Arab-Malaysian Merchant Bank Berhad for six years and then moved on to other financial institutions before rejoining Arab-Malaysian Merchant Bank Berhad as General Manager, Corporate Finance from 1994 to 1996. Rozman later joined Innosabah Corporate Services Sdn Bhd as its Managing Director until 1999, before becoming part of InCAM Consulting Sdn Bhd until 2003.

HOW KIM LIAN

CHIEF FINANCIAL OFFICER

Kim Lian joined AirAsia as our Chief Financial Officer on 1 March 2015. Prior to this, he was with PricewaterhouseCoopers (PwC) Consulting, leading the Finance Consulting practice in Malaysia. He has over 19 years of experience in finance function improvement, programme management and Enterprise Performance Management, carrying out a variety of assignments in various countries across the world. At PwC, Kim Lian led numerous organisational and finance transformation projects in industries such as logistics, aviation and the government department. He also led in the integration of mergers and Enterprise Performance Management engagements to assist companies in gaining better insight into their business. Prior to joining PwC Malaysia, Kim Lian worked in China on various projects with China Unicom. He is a Certified Practising Accountant and a Certified Internal Auditor, as well as a member of the Malaysian Institute of Accountants and the Institute of Internal Auditors.

BO LINGAM

PRESIDENT AND GROUP CHIEF OPERATING OFFICER

Bo, as the Group COO, oversees customer experience, IT, engineering, operations control centre, ground operations, inflight services, flight operations and security. He has worked extensively in the publication and music industry at various production houses. He joined AirAsia in 2001 as Ground Operations Manager. Prior to his current appointment as Group COO & President, Bo held several other key roles at AirAsia including as Regional Director - Guest Services and Senior Manager - Purchasing and Supplies before he was seconded to Thai AirAsia to oversee and assist in the initial set-up of Thai AirAsia's operations in Bangkok.

SIEGTRAUND TEH

GROUP CHIEF COMMERCIAL OFFICER

Siegtraund joined AirAsia in May 2007 as Marketing Manager. In 2009, she became Group Marketing Manager and assumed the role of Group Chief Commercial Officer in 2013. She is responsible for revenue management, group marketing, sales, distribution, ancillary income, digital, network planning, and brand & communications.

Siegtraund was influential in transforming the decentralisation of commercial functions to maximise the central marketing expertise alongside the localised market knowledge. She lead teams within Marketing and Commercial functions, driving the successful and profitable business that expanded our footprint across the Asia Pacific region.

Prior to AirAsia, Siegtraund spent six years in the FMCG industry with EAC Holdings, DKSH Marketing and RedBull. She holds a Bachelor's Degree in Business Administration from Ottawa University, USA and a Postgraduate Diploma from the University of Leicester, UK.

SENIOR MANAGEMENT TEAM

CAPTAIN ADRIAN JENKINS

GROUP DIRECTOR, FLIGHT OPERATIONS

(also Director, Flight Operations, AirAsia Berhad)

Captain Adrian joined AirAsia in 1996, when the airline was still owned by HICOM Holdings Berhad. He has served AirAsia in various positions including Instructor and Company Check Airman, Assistant Chief Pilot - Training and Standards, and Assistant Chief Pilot - Operations. He was also closely involved in setting up Thai AirAsia's flight operations and pilot training. In 2006, he was made Regional Head of Flight Operations. In January 2015, he was given the responsibility of taking on the role of the Group Director of Flight Operations where he is responsible for the safe and efficient operation of AirAsia's aircraft by its pilots and cabin crew, and for ensuring compliance with national and international regulatory requirements and procedures.

AMIR FAEZAL BIN ZAKARIA

GROUP HEAD, PEOPLE & LEGAL AFFAIRS

Amir joined AirAsia as a Legal Counsel in 2005. His role as Group Head of People includes being responsible for the harmonisation of culture and organisational processes across the Group so that matters relating to rewards, employee relations, talent management and development are made uniform and simple for the benefit of the 14,500 Allstars across the region.

Amir and his team of in-house counsels also provide the Group with legal support on corporate finance, mergers and acquisitions and various aspects of operational and commercial transactions. In addition, he oversees the Group's regulatory and compliance functions.

Prior to joining AirAsia, Amir spent 13 years as a legal practitioner in a number of Malaysian legal firms including Rashid & Lee (now Shahrizat Rashid & Lee) and Zaid Ibrahim. Amir graduated with an LLB (Hons) from Leeds Metropolitan University, UK and has been a member of the Honourable Society of Lincoln's Inn since 1992. He was called to the Malaysian Bar in 1993.

ANAZ BIN AHMAD TAJUDDIN

GROUP HEAD, ENGINEERING

(also Head, Engineering, AirAsia Berhad)

Anaz joined AirAsia as an Avionics Maintenance Engineer during its infancy, in 2003. Trained at Air Services Training in Perth, Scotland, he became a Licensed Aircraft Engineer at the age of 21, following which he worked with MAS in Kuala Lumpur, Jet Airways in Mumbai, Monarch Airlines Engineering Limited in London, and Bahrain Airport Services. In AirAsia, Anaz was responsible for the Entry into Service of the A320 in 2005, and for creating the Warranty & Contracts Department. Soon after, he was made Head of Engineering at AirAsia X, where he was instrumental in setting up the Engineering Department and obtaining the airline's Air Operator's Certificate (AOC). In 2012, he was appointed as the Group Head of Engineering, responsible for the Engineering Department within the AirAsia and AirAsia X Groups overseeing planning, warranty & reliability, technical services, technical procurement, projects, communications and IT for Engineering.

TAN ENG ENG

GROUP HEAD, INTERNAL AUDIT

Eng Eng is responsible for providing independent and objective assurance on the adequacy and effectiveness of the Group's overall system of internal controls, risk management and governance, reporting to the Audit Committee and to the Group CEO. She has 17 years of audit experience in various industries including financial institutions, manufacturing, automotive, construction and property, and broadcasting. Prior to joining AirAsia, she led the Astro Group Corporate Assurance's Regional Operations and Special Projects team from 2008 to 2012. Eng Eng has a BA in Economics (Hons) from the University of Malaya, and an MBA from the University of Strathclyde, UK. She is a member of the Association of Chartered Certified Accountants (ACCA) and the Institute of Internal Auditors Malaysia (IIAM).

SENIOR MANAGEMENT TEAM

SPENCER LEE TECK LOONG

HEAD, COMMERCIAL

Spencer oversees the entire Malaysia Commercial function and is accountable for its profit and loss. He joined AirAsia in 2006 as a Marketing Manager and moved on to set up the Ancillary Income Department. In 2013, he was appointed as Head of Marketing and a year later was promoted to Head of Commercial. Spencer has pioneered a number of projects in AirAsia, especially ancillary products, and was instrumental in setting up the AirAsia BIG loyalty programme. He also won the best co-brand credit card programme with Citibank, the best use of TV with Media Prima, Social Media and Digital awards during his marketing period at AirAsia. He has over 15 years of experience in fields that include marketing, advertising, sales, communication, mobile and loyalty programmes. Recently, he became a member of the Malaysian Advertisers Association, a Board Member of the Audit Bureau of Circulation (Malaysia) and member of the World Federation of Advertisers (WFA). He graduated with a Bachelor's in Advertising and Marketing from Curtin University of Technology Perth, Australia.

CAPTAIN SAIFUL JOHAR BIN ABDUL LATIF

DIRECTOR, SAFETY

Captain Saiful was appointed Director of Safety at AirAsia in December 2012, entrusted with improving safety awareness within the Company and ensuring that the Safety Management System (SMS) is integral to the work culture. He joined AirAsia in February 2002 as a First Officer on the Boeing 737 fleet and was promoted to Captain on the same fleet in August 2003. In 2006, he was appointed as Assistant Chief Pilot of Operations, before taking over as Chief Pilot of Operations in January 2007. He transferred to the Safety Department in August 2009 to take on the position of Chief Pilot for Flight Safety.

ELINA EFFENDI

HEAD, INVESTOR RELATIONS

Elina joined AirAsia in 2012 in the Corporate Finance department under the Next Generation Leaders (NGL) programme. She was posted to the Investor Relations function where she currently oversees and manages various investor engagement initiatives, undertakes research and performs analyses on the economy, aviation industry and financial markets. In addition, she is assisting the Group CEO and CEO in liaising with various governmental and non-governmental bodies on matters of the industry. Elina assumed her current role as Head of Investor Relations in March 2015. Prior to AirAsia, Elina started her career with CIMB Investment Bank under The Complete Banker (TCB) Management Trainee programme, with experience in investment banking, business banking and communications. Elina holds a BSc in Actuarial Science (Honours) from the University of Kent, UK. Prior to that, she earned a Diploma in Actuarial Science from UiTM where she received the Vice Chancellor Award in addition to the Dean's List Award for every semester.

MOHD AZIZ BIN LAIKAR

HEAD, COMMUNICATIONS

Aziz joined AirAsia in September 2011 with vast background in public relations. In his role as Head of Communications, he leads a professional in-house team responsible for developing communication strategies that help advance AirAsia's reach. He plans and strategises the positioning of AirAsia to the public through corporate profiling, apart from establishing marketing communication plans to enhance the visibility of the airline's extensive route network. He also manages relationships with the global media pool. Aziz brings with him 13 years of experience in the communication industry. His practice in public relations began with the Naza Group of Companies, followed by Reputation Mercatus Malaysia, an award-winning public relations consultancy where he landed the position of CEO at the age of 26.

SENIOR MANAGEMENT TEAM

CAPTAIN CHIN NYOK SAN

GROUP HEAD, CARGO

Captain Chin joined AirAsia in 1996 as Director of Flight Operations. In 2005, he was made Head of Business Development and in 2013, he assumed his current position as Group Head of Cargo, overseeing both the commercial and operational aspects of the Group's cargo business. He has been responsible for establishing the Air Operating Certificate of AirAsia Berhad, Thai AirAsia, Indonesia AirAsia and AirAsia X. Capt Chin has over 40 years of flying experience in the airline industry. He is a Licensed Airline Transport Pilot of multiple types of jet aircraft, has experience as a Training Captain and was also an Authorised Examiner.

FRANCIS LOH

HEAD, GUEST SERVICES

Francis joined AirAsia in 2013. He carries with him vast experience in various organisations and industries, starting with the Star Publications, then venturing into financial services with corporate organisations such as Citibank, Standard Chartered Bank and Diners Club. He has held senior roles in managing products, growing new businesses, improving processes and managing customer service. Francis is well-equipped to understand, analyse and ultimately bring about positive change in offering great, consistent customer service that is a differentiator during these competitive times. He holds a BSc in Systems Management from the University of South Alabama, US and an Associate in Business Administration from the Institute of Business Administration, New South Wales, Australia. He has also attended the Said Business School at Oxford University.

FARHANA AHMAD FAISAL

HEAD, FLIGHT ATTENDANT

Farhana joined AirAsia as a cabin crew member in 1997. She was promoted to Senior Cabin Crew in 2001 and in 2004 ventured into safety training at the then AirAsia Academy (today Asian Aviation Centre of Excellence or AACE). She served as a trainer for two years before being promoted to Lead Instructor in 2006, ensuring cabin crew training is conducted according to Department of Civil Aviation (DCA) regulations while also meeting the company's standards. After serving four years in training, in 2010, Farhana stepped into operations again. In 2013, she was given the mandate to manage the Cabin Crew Department consisting of approximately 1,000 Allstars. She now heads the department with two assistant managers, 25 executives and approximately 1,400 dynamic cabin crew. Farhana has grown together with the company and still finds it exciting to serve her team and learn something new every day.

JAGAN PERSATH

GROUP HEAD, SECURITY

Jagan joined AirAsia in May 2007 and is today Group Head of Security, responsible for every aspect of corporate security, ensuring all the airlines within AirAsia Group comply with the legal requirements of their host states. This is achieved through sound corporate policy and standardisation of security practices, timely advice, effective security performance and counter measures to deal with potential threats to the airlines or our contractors. Prior to joining AirAsia, Jagan was with Malaysia Airlines Aviation Security from 1978 till 2006, responsible for operations, enforcement, compliance and standards, investigations, prosecution, audits, station set-ups and conducting security assessments on all routes. He is an ICAO Aviation Security Specialist and global subject matter expert on aviation security. Under his leadership, AirAsia has been licensed by the Department of Civil Aviation Malaysia to conduct AVSEC Courses. The Security Department has also passed all international and national security audits conducted on AirAsia. Jagan holds an LLB (Hons) from the UK and is a Barrister with Lincoln's Inn.

THAILAND
SENIOR MANAGEMENT TEAM

Captain Tanapat Ngamplang

—

Executive Vice President

Preechaya Rasametanin

—

Executive Vice President

Pattra Boosarawongse

—

Chief Financial Officer

Captain Surapun Patoomwat

—

Head of Flight Operations

Banyat Hansakul

—

Head of Engineering

THAILAND SENIOR MANAGEMENT TEAM

Thiladee Pantumchinda

—

Head of People Department

M L Bovornovadep Devakula

—

Head of Business Development

Santisuk Klongchaiya

—

Head of Commercial and Ancillary

Suwit Srisarakam

—

Head of Ramp and Ground Service Equipment

Witchunee Kuntapeng

—

Head of Guest Service

Pipat Khunprakan

—

Head of Innovation, Commercial and Technology

INDONESIA
SENIOR MANAGEMENT TEAM

Perbowoadi

—

Director of Engineering

Captain Rd Achmad Sadikin

—

Director of Safety and Security

Captain Ridzeki Tresno Wibowo

—

Director of Flight Operations

Andy Adrian Febryanto

—

Director of Commercial

PHILIPPINES
SENIOR MANAGEMENT TEAM

Captain Dexter Comendador

Chief Operations Officer

Gerard F Penaflor

Head of Commercial

Jereme Toreja

Head of Engineering

Captain Goner B Monreal

Director of Flight Operations

Barbara S Sanchez

Head of People Department

Captain Johansen Hernandez

Director of Safety

INDIA
SENIOR MANAGEMENT TEAM

Sumant Misra
—
Director of Flight Operations

Mukesh Nema
—
Head of Corporate and Flight Safety

Kesavan Sivanandam
—
Head of Ground Operations

Sudalaiya Pillai Alagia Nambi
—
Chief Security Officer

Thotta Narasimhalu Nagesh
—
Quality Assurance Manager

Nirbhay Gupta
—
People Department Manager

Divya Kumar
—
Public Relations Manager

NAVIGATING PRICE UNCERTAINTIES TOGETHER

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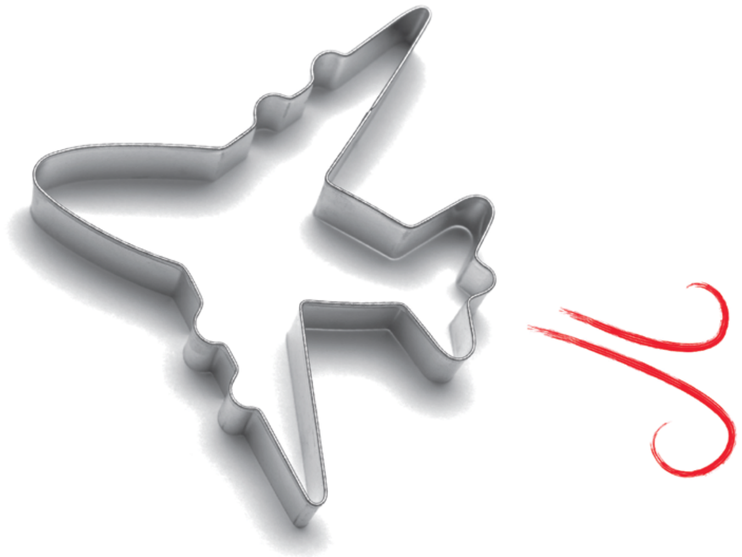
BAIN & COMPANY



Shared ambition, true results

Bain & Company is proud to support AirAsia in its mission to help everyone fly

DISCOVER

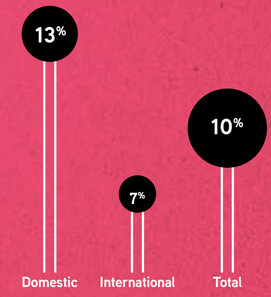
LOVE & PASSION

TOTAL FLEET

14

A320

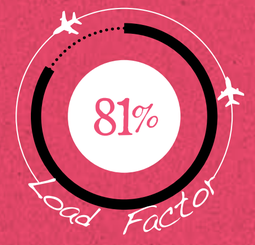
market share



number of

Allstars

1,190



NOTES:

1. AS AT 31 DECEMBER 2015. NUMBER OF PASSENGERS CARRIED, LOAD FACTOR, NUMBER OF ALLSTARS, NETWORK, TOTAL FLEET
2. SOURCE OF MARKET SHARE: PAXIS, BASED ON NUMBER OF PASSENGERS, JANUARY 2015 TO DECEMBER 2015

Philippines AirAsia

NETWORK

Routes
18

Hubs
3

New Routes
3
in 2015

Destinations
15

Countries and Territories
6

TOTAL GUESTS CARRIED

in 2015

3.6

million

Shaun & Krzysal

Driven to Create Memorable Moments

Love was certainly in the air when Shaun Quah Wee Kiat and his partner Krzysal Bernadette Drabik met while training to be pilots at the Asian Aviation Centre of Excellence (AACE). They started dating after their first encounter and today, three years later, have sealed their relationship with a kiss. Or rather, with a lip balm, CiUM, that they created together to make kisses more memorable. When they first started dating, Krzysal was flying for Philippines AirAsia while Shaun was with AirAsia, and they got to meet only five days in a month. But with CiUM, now available in AirAsia Duty Free, their precious time together was made even more meaningful. Here, the couple shares some destinations they have enjoyed together, adding to their special moments...

THE INSPIRATION BEHIND CiUM - BY SHAUN

"Long distance relationships can be really challenging. I met a young attractive lady three years ago who happened to be a pilot with Philippines AirAsia.

We only got to meet five days in a month, which got us thinking, how do we create special moments? I decided to create something special, something that would draw people closer, make them feel good about themselves and improve relationships.

I felt, why don't we enhance what is truly important to us? Imagine being able to make your kissing experience much more special and much more memorable. Imagine you have CiUM. So simple. Yet so incredible. One flavour for the ladies, one for the men. When it combines, you get a burst of flavour that will make the kissing experience more sensual and exciting. Lips used to get dry at 38,000ft in the air. Not anymore."

PENANG, MALAYSIA

We were walking in an alley when we stumbled across a beautiful temple. Krzysal decided to stop for a moment to capture something beautiful and what she didn't realise is that I was capturing something even more beautiful, which is her.

LOMBOK, INDONESIA

Witnessing a magical wedding that took place on this beach, we decided to capture the moment. The groom was Indonesian and the woman a Caucasian. It just shows that no matter where you come from, you can always find your significant other.

ANGKOR WAT, CAMBODIA

We arrived at 5am to see the sunrise over Angkor Wat. We had to walk inside through the dark, trusting each other, hand in hand. In life, you never know what lies ahead and you need a partner you can rely on to move forward.

CAMBODIA

This old lady was fishing as we passed by her while horse riding. We stopped to talk to her. She told us a beautiful story about her love for her husband. Her husband, who had recently passed away liked to fish at this pond. Now that he's gone, she feels his presence here.

GROWING TOGETHER

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Bird & Bird is a leading international aviation law firm - working as one team in Singapore, Malaysia, Hong Kong and London to support the growth of AirAsia.

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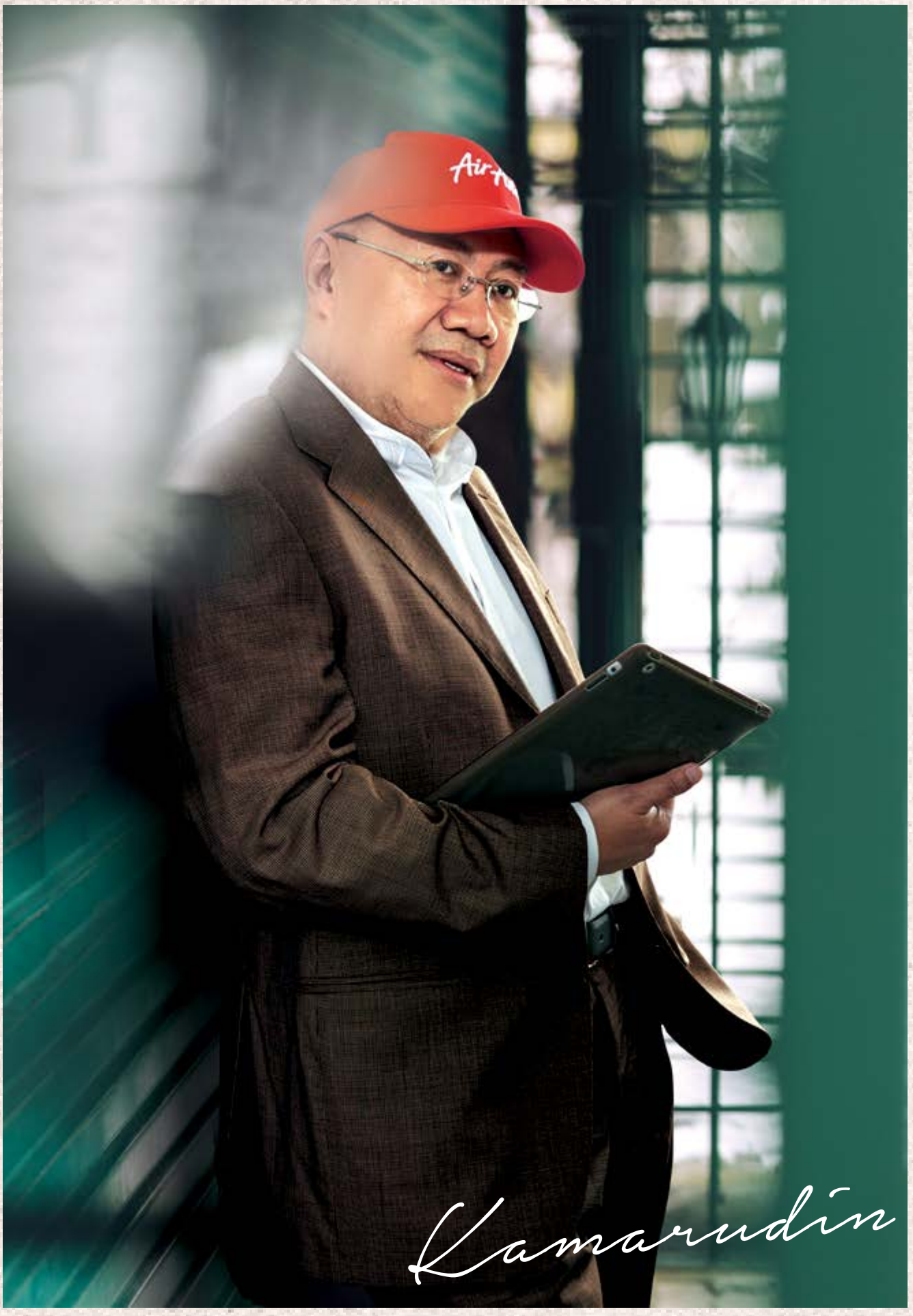
CHAIRMAN'S



Datuk Kamarudin Bin Meranun

Non-Independent
Executive Chairman

Assalamualaikum Warahmatullahi Wabarakatuh.

Dear Friends

It's that time of the year again when I get to share with you my thoughts on AirAsia – what we've achieved, what we hoped to achieve and plan to, in the coming years. Every year, it becomes a little more difficult to write this statement, not for any other reason than that there is always so much more to say. Although we have just finished our 14th year of operations, the fact that we manage to pack so much in 365 days continues to amaze me. And, yet, the reason is quite clear: our people.

STATEMENT

EVERY YEAR, I HAVE MENTIONED HOW FANTASTIC OUR TEAM OF ALLSTARS IS. THAT'S BECAUSE, EVERY YEAR, THEY RENEW MY FAITH IN THEM,PROVING IN MORE WAYS HOW FORTUNATE WE ARE – THE FOUNDERS AND MANAGEMENT OF AIRASIA – TO HAVE BROUGHT TOGETHER SUCH A WONDERFUL GROUP OF PEOPLE.

There are many ways in which the theme of our annual report – Discover – can be applied to AirAsia and what we do. But the most important of these, I believe, is the discovery time and again of the immense talent and resilience we have before us, which in many ways reflect the talent and resilience of the region we serve – Asean and, now, increasingly Asia.

Following a year that has widely been accepted as being one of the worst for aviation in the region (I'm talking about 2014), we had our job cut out for us in 2015. The year 2015 itself had its fair share of challenges – what with the earthquake in Nepal, outbreak of MERS in Korea, volcanic eruption in Indonesia, Erawan shrine bombing in Bangkok, the haze, depreciation of the Ringgit and other local currencies, and certain regulatory restrictions… all compounded by ongoing overcapacity in air travel.

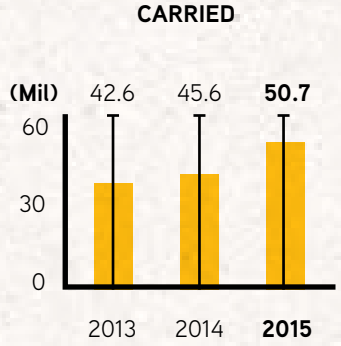
Yet, with the dedication, passion and sheer hard work of our more than 14,500 Allstars, Alhamdulillah, we managed once again to chart a very respectable year of growth for the Group both operationally and financially.

After the QZ 8501 tragedy in December 2014, we were amazed by the way in which our Allstars from across the Group came together – on their own accord – to lend a hand in whatever way they could, be it to provide emotional support to their colleagues, or to take on duties and provide some relief to their friends. This demonstration of selfless unity was truly something I had never experienced in all my working years, and inspired the management to leverage on the 'power of 1' that we so clearly have in the organisation.

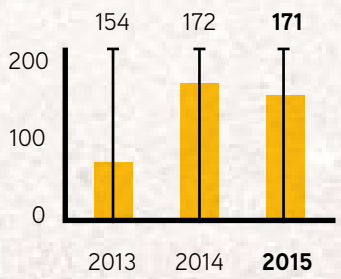
While sticking with the lean business model that has guided us from day one, we focused on ways that we could create further cost efficiencies via greater integration of our operations across the Group. Standard operating procedures were streamlined; and we also started to share more resources, especially between us and AirAsia X, to optimise what we already have and eliminate any unnecessary redundancies.

AIRASIA GROUP

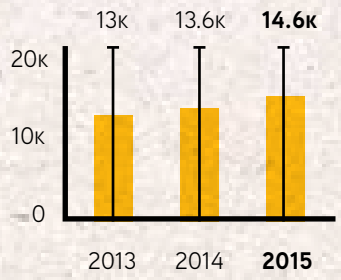
PASSENGERS CARRIED



TOTAL FLEET



AIRASIA ALLSTARS



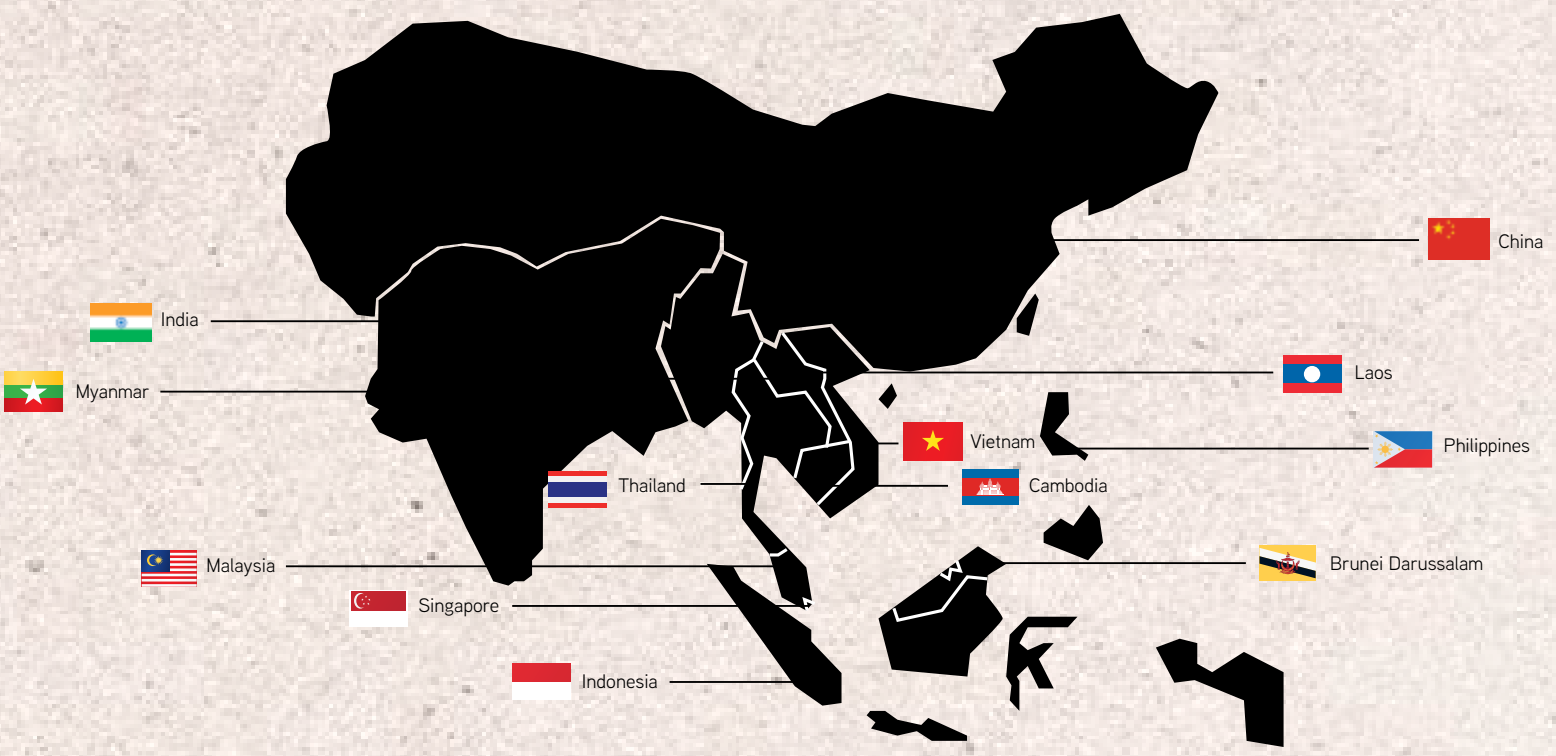
We strengthened this by looking at ways and means to innovate with technology, automating even more functions, which serves the dual purpose of releasing our Allstars to concentrate on more meaningful work while increasing guest convenience and ease of travel. Some Allstars were redeployed to areas that will help us build our revenue, such as ancillary services and parallel investments including the online travel agency business we have entered into with Expedia (AirAsia Expedia), our aviation training centre (the Asian Aviation Centre of Excellence), and the loyalty programme we run with Think Big Digital (AirAsia Big). Although ancillary revenue increased by only RM1 per guest from 2014 to 2015, many new initiatives – and a couple of new products – were just recently introduced and we expect to derive more substantial financial rewards from these efforts in 2016 and years to come.

FINANCIAL PERFORMANCE

I am pleased to share that, despite the tough operating environment, the Group performed well in 2015. The Malaysia operations in particular pulled in some extremely encouraging results, aided to a large extent by extenuating factors such as falling oil prices, recovery in outbound travel from China and capacity reduction in the regional industry from the second half of the year onwards. This led to particularly strong 4Q results, with a record quarterly profit after tax of RM554.20 million, which marked a 229% increase from 4Q 2014.

Our Thai operations also performed well, despite a slight dent in figures in the last quarter of the year following the explosion at the Erawan Shrine in Bangkok and severe haze in the south of the country. For the full year, its revenue improved 16% to THB 29,507 million, while net profit grew 494% to THB 2,014.4 million, compared to THB 335.0 million in 2014. Our other operating affiliate airlines, meanwhile, are making steady progress – with both Indonesia AirAsia and Philippines AirAsia gaining ground in their turnaround plans, and AirAsia India growing stronger by the day.

CHAIRMAN'S



WE ARE TODAY THE LARGEST LOW-COST CARRIER IN ASIA AND THE FOURTH LARGEST AIRLINE IN THE CONTINENT, SURPASSING ALL LEGACY AIRLINES OTHER THAN THREE THAT ARE BASED IN THE WORLD'S MOST POPULATED COUNTRY, CHINA.

Taking into account the results of all our operations, our Group revenue grew 16.2% from RM5.42 billion in 2014 to RM6.30 billion, while profit after tax surged by 553.7% from RM82.8 million to RM541.3 million. Based on our performance, the Board is pleased to recommend a dividend of 4 sen per ordinary share of RM0.10 for the financial year ended 31 December 2015.

KEY HIGHLIGHTS

Throughout our 14 years of existence, we have not wavered from our initial pledge to enable everyone to fly. Therefore, it was with incredible pleasure that we celebrated our 300 millionth guest in August 2015. From having flown about 250,000 guests a year when we first started out, now we are flying 50.7 million guests. This in itself is phenomenal growth, but our guest figures are set to increase even more with the contributions of AirAsia India and, very soon, operations based in Japan. Our presence in the Indian and Japan markets effectively takes us into the much wider Asian region, increasing our target population to some 4.4 billion people.

With a 7% increase in capacity during the year, the Group – encompassing the Malaysian operation as well as our regional affiliates, namely Thai AirAsia, Indonesia AirAsia, Philippines AirAsia and AirAsia India – is now flying a total of 221 routes connecting 112 destinations across 20 countries. We are today the largest low-cost carrier in Asia and the fourth largest airline in the continent, surpassing all legacy airlines other than three that are based in the world's most populated country, China.

REGIONAL UPDATES

As reflected in its financial performance, it was a good year in general for Thai AirAsia, which remained profitable throughout, boosted by the increase in tourists from China. Although competition in the country is intensifying, our affiliate has acquired a strong following among China's travellers and routinely has full loads on flights both to and from its northern neighbour. Reflecting strong fundamentals, Thai AirAsia opened its fifth hub in Pattaya, adding to the existing hubs in Bangkok, Phuket, Chiang Mai and Krabi. This enables the airline to open up more routes along the eastern stretch of the country and its neighbours.

It was a tough year for Indonesia AirAsia, whose turnaround was affected by various regulatory requirements imposed on the industry, among which was the positive equity ruling. Having met that requirement our associate is now focusing once again more intently on rationalising its routes and cost reduction initiatives, which include disposing of a number of aircraft. Its route rationalisation coupled with aggressive marketing led to a return in demand for flights, enabling it to reach 80% loads by Q4 2015.

A key highlight for Philippines AirAsia during the year was receiving full approval to merge with AirAsia Zest in December. This will positively boost the airline's efforts to turnaround by enabling greater cost efficiencies in operations which will now fall under one AOC. Meanwhile, Philippines AirAsia is also forging ahead with a re-fleeting exercise to rid itself of 11 old aircraft inherited from Zest Air and to configure an all-A320 Airbus fleet, in keeping with the other airlines in AirAsia Group. It is also establishing a niche route network focusing on leisure destinations. Results of these efforts have been seen from Q3 2015 onwards, and in its full-year performance. Despite a 19% increase in capacity in 2015 as compared to 2014, its load factor grew 11 percentage points to 81%. This contributed to a 21% hike in revenue per available seat kilometre (RASK) at PHP2.01 and a 51% increase in total revenue at PHP2.29 billion.

The AirAsia brand is proving to weave its magic in India, too, with our affiliate tripling its capacity and more than quadrupling the number of guests carried, resulting in an increase in load factor to 81%. During the year, the airline opened its second hub in the capital city, New Delhi, from which it can serve more routes towards the north of the country, focusing on the more under-served Tier II cities. We feel very bullish about the potential of AirAsia India given the sheer number of people in the country – 1.3 billion and

STATEMENT

growing – as well as their strong links with Asean. Although currently hampered by a 5/20 ruling which requires a domestic airline to have been functional at least five years and to operate 20 aircraft before it can serve international routes, we are hopeful that this regulation will be repealed in the near future given the widespread benefits it would have on the entire travel and tourism industry.

A WORLD-CLASS BRAND

While growing regionally, it's also with great pleasure that we have seen AirAsia gain greater recognition in the global aviation space, both as a world-class airline and, as a result of our proven model and the positive impact we have on local communities, also as a thought leader.

Among the key accolades received in 2015 was being named, for the seventh year running, the World's Best Low-Cost Carrier by Skytrax. The pride we feel in winning this award, year after year, has not diminished because it is based on the votes of travellers. That we are the preferred LCC seven years running among millions of travellers worldwide is something that we truly cherish.

We didn't think it could get better than this… until end October, when we won for having Asia's Leading Cabin Crew at the World Travel Awards (Asia & Australasia) Gala 2015. This is an open award for all airlines, and in fact AirAsia was the first LCC to be nominated let alone win it! Once again, this is a reflection of the quality of our Allstars. Syabas to the team – it's simply beyond words to be given recognition for something we have always aspired to, namely to provide the best service while being affordable.

Going a step further, AirAsia's leaders are now being sought to share their views on the industry at international events such as the World Bank Group Tourism Forum and APEC CEO summit. This doesn't just reflect the quality of our people but the success of the LCC model that we have developed which has passed the test of 14 years which, quite honestly, in an industry as challenging and unpredictable as aviation, is the most stringent test there is. What it proves, I believe, is that we have struck on the right formula to make it work. Focusing on our own people and the people we serve, AirAsia has stamped its sustainability and is here to stay.

OUTLOOK

The financial outlook for the year 2016 in general is quite challenging for the regional airline industry. Although fuel prices are expected to remain low, serving as a positive boost in terms of reducing costs, ongoing macroeconomic headwinds are such that we remain cautious about currency volatilities.

To buffer ourselves against unpredictable regional currency movements, we intend to further reduce costs via greater adoption of the digital platform while building our ancillary base. We have many plans in the pipeline to increase our Seat Options, provide value packs and develop a more strategic baggage pricing which will enhance our ancillary revenue significantly. At the same time, we are pressing ahead with initiatives to streamline the operations of all associate companies, eliminating any duplication in functions and adopting best practices Group-wide. This includes developing a single customer service standard which will ensure that our guests, no matter which AirAsia airline they fly, will enjoy the same quality of service throughout the entire AirAsia journey, from the time they make a booking till they arrive at their destination.

We already have the most comprehensive network among all airlines in Asean. With the commencement of operations in Japan and India looking at deregulation, we will be able to consolidate a stronger presence in the wider Asian region, and enable even more people to fly.

We have a bright future ahead, not just for the airline but our people. I cannot express enough how much our Allstars mean to us. Let me however say that, as we grow, we would like to see our amazing Allstars grow with us. Much of our successes to date have been the result of enabling them to realise their dreams. This is something we will continue to do. Keep aspiring for more, and rest assured that we will do all we can to help you achieve your dream goals.

To my colleagues on the Board, the management of all companies within the Group, and our Allstars, my deepest and most sincere 'thank you'. In syaa Allah, together we can continue to grow this Group and take it to greater heights.

Wabillahi Taufiq Walhidayah Wassalamualaikum Warahmatullahi Wabarakatuh.

AMONG THE KEY ACCOLADES RECEIVED IN 2015 WAS BEING NAMED, FOR THE SEVENTH YEAR RUNNING, THE WORLD'S BEST LOW-COST CARRIER BY SKYTRAX.

Given our performance, the Board of Directors is pleased to recommend a dividend of **4 sen per ordinary share of RM0.10** for the financial year ended 31 December 2015.

AIRASIA GROUP

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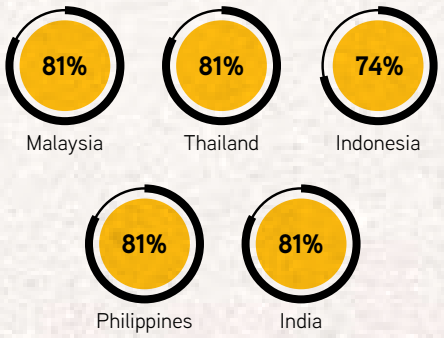
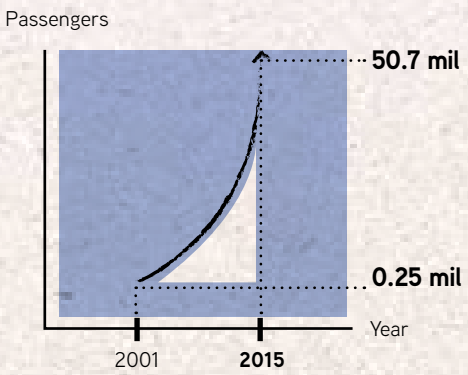


PASSENGERS GROWTH



CEO'S

Aireen Omar

Chief Executive Officer
& Executive Director

"Discovering new places is a given for any airline, and is something that AirAsia has proven to excel in as we link increasingly more underserved destinations with the rest of Asean and Asia. But while the discovery of unique routes has become a defining feature of the airline, there is a more meaningful way in which the theme of our annual report, Discover, resonates with AirAsia. It lies in our work culture, and the way in which we inspire our people to discover more about themselves – their hidden talents and inner strength that allow them to achieve so much more than they ever thought possible."

REPORT

THIS VERY POWERFUL SENSE OF DISCOVERY BRINGS OUT THE BEST IN OUR ALLSTARS AND, IN TURN, HELPS AIRASIA AS AN ORGANISATION TO KEEP GETTING BETTER AT WHAT WE DO, NAMELY TO FINE-TUNE OUR BUSINESS MODEL OF ENHANCING EFFICIENCIES AND KEEPING COSTS LOW TO ENABLE EVERYONE TO FLY.

As we have discovered and innovated new ways of doing things, we have grown from strength to strength, overcoming the many challenges that just go with the terrain. Most recently, it has allowed us to emerge from a tough environment of overcapacity and a depreciating Ringgit not just relatively unscathed but actually leaner and better prepared for the future.

Irrational capacity industry-wide meant low average fares, which impacted our earnings until the second half of 2015, when a major competitor buckled under the pressure and embarked on a massive route cutting programme. Our response – to this as well as the Ringgit's depreciation over the course of the year – has been to create greater efficiencies throughout the organisation, from our systems and processes, to our service and route network.

We terminated sectors that had less than stellar performance while introducing exciting new destinations. We also intensified efforts to automate our operations, for example with auto bag drop and home baggage tag services. We created greater synergies by merging our operations with that of our sister airline, AirAsia X; and increased the utilisation of each aircraft to an average of 12 hours 27 minutes flying time per day as opposed to 12 hours 16 minutes in 2014. With one aircraft less compared to year 2014, we actually grew our number of flights by 7% – both from new routes and by increasing the frequencies of popular ones – and saw a 10% increase in number of guests flown as well as a two percentage point increase in load factor from 79% in 2014 to 81%.

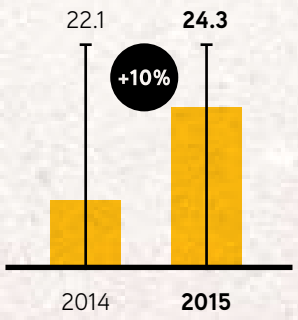
A real cause of celebration in the face of heightened guest numbers was welcoming on board our 300 millionth guest, Indonesian art director Jodie Lazuardi, who flew from Kuala Lumpur to Jakarta on 10 August.

Despite our cost cutting measures, we stayed true to our philosophy of giving our guests the best deal and, in a move that caused waves in the industry, removed our fuel surcharge as of 26 January 2015, which had the effect of further lowering our average fare. This put some pressure on our financial performance... until the third quarter of the year, when the more rational industry-wide capacity, a rebound in Chinese travellers as well as the lure of our new destinations combined to greatly enhance our revenue and operating profit. The year ended on an extremely positive note, when we celebrated a record-breaking quarterly profit after tax of RM554.20 million, which was 229% higher than what we had achieved in Q4 2014.

We made history by becoming the first low-cost carrier (LCC) to be awarded Asia's Leading Cabin Crew by World Travel Awards (Asia & Australia)

MALAYSIA AIRASIA

PASSENGERS CARRIED
(million)



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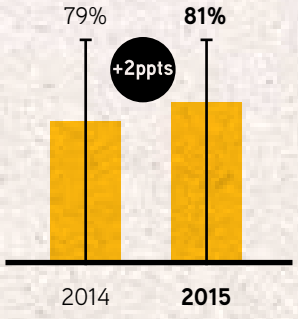


Taking the year as a whole, I'm very pleased to share that, even with average fare reduced by 5%, we were able to increase our revenue per available seat kilometre (RASK) by 8% and trim our cost per available seat kilometre (CASK) by 4%. Although the low fuel price environment certainly helped in managing our CASK, our own conscious and concerted efforts to bring down costs – from an already low base, it must be said – also played a significant role.

In addition, with the Government's commitment and support given to enhance connectivity to and from Langkawi, we look forward to building Langkawi as a hub. We have launched our first international route from here to Guangzhou, China, with flights beginning in January 2016. We have always viewed this island as a strategic destination to grow our network and we hope that we can help transform Langkawi into a sought-after tourist destination.

Cost and operational efficiencies aside, the one discovery that made us truly proud during the year was to learn that international travellers share our belief that the AirAsia crew is simply the best in Asia. On 30 October, we made history by becoming the first low-cost carrier (LCC) to be awarded Asia's Leading Cabin Crew by World Travel Awards (Asia & Australasia). We have never seen our low-cost model as being a deterrent to maintaining the highest quality in every aspect of our operations – from ground functions to customer service, in-flight service and safety practices. This award validates that belief. More than anything, though, it reflects the quality of our amazing team of Allstars. To every single one of our 14,500 Allstars, this award is for you.

CEO'S REPORT

FINANCIAL PERFORMANCE

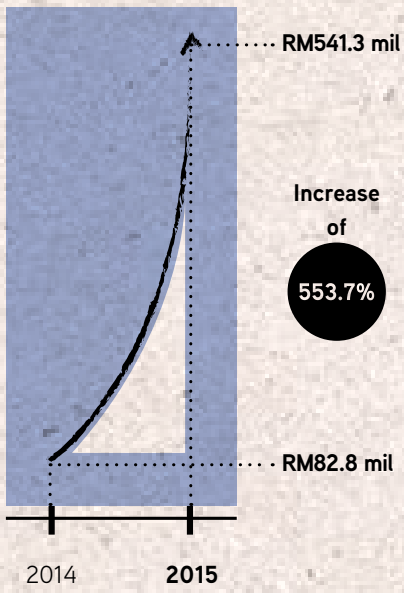
The 10% growth in number of guests flown during the year – to reach 24,254,506 – as well as increase in ancillary income per passenger from RM46 to RM47 enabled AirAsia Berhad to record a 16% increase in revenue from RM5.42 billion in 2014 to RM6.30 billion. Meanwhile, our stringent cost cutting measures as well as the low fuel price regime enhanced our profit margins, allowing us to achieve a 553.7% increase in profit after tax from RM82.8 million to RM541.3 million. Our profit before tax (PBT), however, was impacted by the recognition of current and prior year losses of Indonesia AirAsia of RM797.7 million. Even so, we recorded a perfectly healthy PBT of RM215.2 million, as compared to RM22.7 million in 2014.

During the year, AirAsia Berhad subscribed to IDR2,058 billion nominal value perpetual capital securities in Indonesia AirAsia to ensure the airline met the regulator's equity ruling. With increased investment in Indonesia AirAsia, we have been required to recognise all its prior unrecognised losses amounting to RM797.7 million in our 2015 consolidated income statement.

Meanwhile, our cash flow and net gearing have also improved significantly. As at end December 2015, our USD denominated borrowings had reduced by 20% from USD3.18 billion at end 2014 to USD2.54 billion. This was aided by a substantial sale and leaseback exercise carried out on 16 older aircraft during the year. The exercise, as well as the increased cash from operations enabled us to improve our cash position by 81% year-on-year to RM2.43 billion, while reducing our net gearing ratio to 2.29 times, from 2.50 times as at end 2014.

AirAsia Berhad recorded a **16%** increase in revenue from **RM5.42 billion in 2014 to RM6.30 billion in 2015.**

PROFIT AFTER TAX



NEW ROUTES & OTHER EXPANSION

During the year, we launched a total of 14 new routes – three to China, two each to India and Thailand, and one each to Indonesia, the Philippines, Taiwan, Vietnam, Bangladesh, Sri Lanka and the Maldives. Of these, 10 were unique, i.e. routes that were not connected before, namely Kuala Lumpur to Chongqing and Changsha in China; Kuala Lumpur to Kaohsiung (Taiwan), Goa (India), Pattaya (Thailand), Pontianak (Indonesia) and the Maldives; Johor Bahru to Bangkok (Thailand); Penang to Ho Chi Minh City (Vietnam); and Langkawi to Guangzhou (China).

At the same time, we increased the frequencies of 16 different routes, both domestic as well as within the region. Among these was one unique route, between Johor Bahru and Ho Chi Minh City, which was increased from four times a week to daily.

Most of our new routes, as well as increased frequencies strengthen our connectivity within Asean, further entrenching AirAsia as the Asean airline, providing more links to the people of the region than any other carrier, legacy or otherwise. We are also creating more links with our North and South Asian neighbours, boosting tourism from these markets into Asean while affording the people of Asean the ability to experience a wider range of destinations that are far enough from home to be exotic yet close enough for there to be historical and cultural links creating more meaningful discoveries.

Having set up Langkawi, we will be looking to establishing more new routes from the island to the rest of Asean and, eventually, into the broader region with a focus on two of our key Asian markets, namely China and India.

BUILDING ASEAN CONNECTIVITY

At the end of 2015, the ASEAN Economic Community (AEC) officially came into being, marking a turning point in the region's history. This is significant for AirAsia as AEC unites our region's 10 member states into a single, competitive economic zone with a combined GDP of over USD2.6 trillion, making it the seventh largest in the world and the third largest in Asia. Given that we have always seen ourselves as an Asean airline, with a fixed vision of greater intra-Asean connectivity, we are very excited by the AEC.

We look forward to the full implementation of the ASEAN Single Aviation Market (ASAM)* in the community. Among the biggest components of ASAM are an Open Skies Policy that supports unrestricted air connectivity within the region, and the harmonisation of aviation standards. We believe these would be highly beneficial to the people of Asean as they would bring down the cost of travel while elevating safety and enhancing trade as well as economic development.

Under our own steam, AirAsia is doing much to uplift this region we call home. We have Allstars from all 10 Asean member states; we provide unrivalled connectivity via 221 routes to 112 destinations and 3,426 one-way flights per week between Asean destinations including China and India. More than this, we have been promoting social entrepreneurship in the region via AirAsia Foundation. Last year, our efforts were enhanced by organising a full-day conference and marketplace to create greater visibility of social entrepreneurs in the region among the public, and at the same time establish a dialogue between successful businesses and this group on how we can all work together to make economic systems more equitable, sustainable and inclusive.

The event on 7 November 2015, called 'Destination: GOOD – ASEAN Social Enterprise in Kuala Lumpur', attracted the participation of over 30 social enterprises from across ASEAN, and drew the attendance of over 500 visitors. Organised in partnership with ThinkCity and MaGIC Social Entrepreneurship, the event formed the basis for the development of new social enterprise commercial platforms in 2016.

ENHANCED GUEST OFFERINGS

As part of efforts to enable guests to discover the joys of travelling, we seek continuously to enhance their travel experience with us. Towards this end, in 2015, we extended existing services while launching a number of new facilities that make it easier for guests to book flights on AirAsia and complete their travel plans, while providing additional privileges to targeted groups.

We have expanded the auto bag drop that we introduced in Johor Bahru last year to four more airports – Langkawi, Kota Kinabalu, Kuching and klia2. The aim is to make this service available to guests throughout Malaysia in the near future.

We are also growing the Fly-Thru service by introducing more city pairings as well as increasing the number of hubs that offer this service, which is proving to be very popular. The number of guests opting for Fly-Thru has increased in almost all our hubs, including Bangkok, Jakarta, Bali and, as of 2015, Manila. Kuala Lumpur still sees the largest number of connections and we plan to further grow this number given the capacity of klia2 to handle a high number of transit passengers.

We signed an agreement with UnionPay International to allow guests from China to book flights on airasia.com using their UnionPay cards. To support this partnership, TPAAY Asia is issuing a multi-currency prepaid card in collaboration with UnionPay, while our BIG Loyalty Programme will recognise points collected on the card.

Building on the AirAsia Waran Perjalanan Udara Awam (WPUA) which we launched for government officers

CEO'S REPORT

in 2007, we signed on 20 local public universities to the programme, enabling more than 650,000 staff members and students to benefit from the privileges offered by WPUA.

ANCILLARY

Ancillary services remain an important additional source of revenue for us, serving as a buffer against uncertainties in the industry such as fuel price and currency exchange movements. Given its importance, we have dedicated teams whose sole responsibility is to develop attractive ancillary offerings and ensure good take-up rates. As a result of their efforts, revenue from ancillary services has been rising steadily over the years and, in 2015, increased by 11.2% year-on year to RM1.14 billion, representing 18% of AirAsia Berhad's total revenue.

Check-in baggage continued to be the largest contributor to ancillary revenue, its contribution last year enhanced by a more strategic pricing mechanism which allowed us to see 9% growth in revenue from Baggage Supersize from RM431 million in 2014 to RM469 million. This was followed by the connecting fee for Fly-Thru which improved by 28% from RM36 million to RM47 million.

We also derived significant increases in revenue from third-party ancillary services such as insurance and advertising, which grew 39% and 187% respectively to RM79.7 million and RM4.8 million.

Meanwhile a number of new services were added to our portfolio, including an Empty Seat option, enabling guests to purchase one or two seats in a row for a fee; the AirAsia Electronic Gift Voucher (eGV); and island transfer for guests travelling from Kuala Lumpur to Koh Samui and Koh Phangan in Thailand. This takes away the hassle of guests having to deal with separate travel agents to get to their beach destinations.

Ramping up our digital offerings, we have extended our on-board WiFi package with the roKKI Combo Plan which now enables guests to send emails, tweets and to chat on more social media platforms. We also added new features to our mobile app that automatically link flights to the calendar, for example, and enable guests to include various add-ons to their bookings easily.

ASSOCIATED REVENUE

In addition to our ancillary income, we derive supplementary revenue from joint ventures formed with third parties capitalising on our resources. To date, we have a number of adjacency businesses and the three main ones are AirAsia Expedia, formed in partnership with the world's leading online travel agency (OTA), Expedia; Think BIG Digital, which manages our loyalty programme, AirAsia BIG, co-owned by the Tune Group; and the Asian Aviation Centre of Excellence (AACE), our aviation training grounds run in partnership with leading Canada-based aviation simulation training provider, CAE Inc.

AirAsia Expedia, established in 2011, has been growing in strength over the years with an increasing number of sites and added functionalities. In 2015, it rolled out its full range of services in Taiwan; added more products to its portfolio (with a focus on ground excursions and activities); and launched an innovative function, the Scratchpad, which allows guests to 'make notes' of their online travel research, and return to these on subsequent visits to the site. Expedia also introduced a loyalty programme, Expedia+, on all its branded sites to reward guests who make bookings with various special privileges on flights, hotels, tours and packages.

AirAsia BIG is to date one of the few loyalty programmes offered by LCCs, offering real value to members – with priority access to AirAsia sales, the ability to redeem flights to more than 100 destinations for as low as 500 BIG Points without any blackout period and, most recently, receiving a 'final call' every month to redeem their points with special offers of up to 85% discount. The team at AirAsia BIG has also been working hard to increase the network of retail, finance and travel partners involved in the scheme to make it easier for members to collect more points. As a result of their efforts, membership to the programme has been increasing steadily along with gross billings.

AACE does not cater only to our Allstars, but offers pilot training and other programmes to third parties too. Given the increasing demand for pilots in the region, it has a ready market of trainees. In 2015, it saw a 26.2% increase in number of pilots trained, contributing to a 34% increase in revenue. The training academy in Sepang is the largest of its kind in Southeast Asia, and is supported by a branch in Seletar, Singapore as well as the Philippine Academy for Aviation Training (PAAT) at the Clark Special Economic Zone, in which AACE has equity.

In September 2014, we set up an aircraft leasing house in Labuan, the Asia Aviation Capital Limited (AACL), to manage all leasing activity conducted with our associate airlines. By February 2015, we had appointed a full management team covering Structured Finance and Capital Markets, Business Development, Legal, Finance and Technical functions. The team has worked hard to ensure that, in the 16 months of operations until December 2015, AACL has acquired 41 aircraft in its portfolio, including 29 that are on lease management. These serve seven airline clients that include Pakistan International Airlines. AACL ended the financial year with total assets of USD336 million and gross revenue of USD75 million.

ENGAGING IN MEANINGFUL PROGRAMMES

Before ending this report, I would like to add another aspect of discovery at AirAsia that has brought a lot of meaning to many of us, namely discovering ways in which we can touch lives over and above enabling people to fly. A genuine desire to give back to the people living around us has seen AirAsia become more involved in local communities over the years. Two campaigns in 2015 illustrate this perfectly: #AirAsiaMAKNA and #GREEN24.

The aim of #AirAsiaMAKNA was to raise funds for MAKNA, the National Cancer Council Malaysia, while also creating awareness of cancer, the benefits of early detection, and the possibility of fighting the disease. We also wanted people to know that there is help out there for patients who need financial aid to treat cancer, and that MAKNA provides emotional support in addition to funds, not just for the patients but their families.

This campaign truly brought many Allstars together. Because of the prevalence of cancer, almost everyone in AirAsia knows someone – either a relative or friend – who has battled with, or is currently battling, the disease. Some of our colleagues have even had cancer themselves. Doing something positive to help therefore carried real meaning. The project was, in fact, initiated by our Allstars and organised entirely by them. Even the T-shirts we sold to raise funds were designed in-house. The team that led this project had targeted to raise RM100,000. Instead, we collected a total of RM197,945.64, which is being used to care for about 100 cancer patients.

CEO'S REPORT

As its name implies, #GREEN24 was environment related. Through this project, we hoped to create greater awareness among our local communities of the urgency to act to halt or reverse climate change. What was most powerful about this campaign was the fact that we were able to use our extensive network to get not only our Allstars across the region to do their bit for the environment but also to rope in the public to get into the act. Over a 24-hour period from 6pm on 29 January till 6pm on 30 January, numerous activities – such as recycling, car-pooling, a reef clean-up and tree-planting – were carried out in Malaysia, Thailand, Indonesia, the Philippines, India, Singapore, China, Macau, Hong Kong, Japan, Korea, Vietnam, Myanmar, Cambodia, Nepal and Sri Lanka to create a greener, healthier environment.

This is just a start; we are continuing with efforts to make everyone aware we all have the ability to make a difference by doing whatever we can, no matter how small, to reduce our impact on the environment. Very recently, we started collecting recyclables on all AirAsia flights; and we are already planning another impactful #GREEN24 programme for 2016. All this builds on fuel-efficient efforts that we began from as early as 2010. Working with GE, we have been cutting down on our fuel consumption via initiatives such as one engine taxiing, which allows us to save about 6kg (or 8 litres) of fuel per minute; and Required Navigation Performance (RNP), which entails taking the shortest route to land into an airport, through which we are currently saving about 182 litres of fuel and 575kg of CO_2 per flight.

As with projects run by AirAsia Foundation, our idea with corporate social responsibility (CSR) is to create meaningful and long-term impact. Events such as these define what we are as a company, and what we stand for. They demonstrate that we are not just about making profits, but about using the connectivity and relationships we have to bring real change and create better lives.

OUTLOOK

Following the pick-up in travel demand towards the second half of 2015, and more rational capacity, we are confident of the general outlook for the year 2016. This is supported by the continuing drop in fuel price. The Group as a whole has hedged 76% of our fuel needs at USD54 per barrel, as opposed to 50% at USD88 per barrel in 2015, which is set to save us a total of RM1.8 billion. Volatility of the Ringgit's exchange rate against the USD remains a concern, however, we have hedged a substantial amount of our USD loans, with 36% of aircraft loans hedged at a USD:RM exchange rate of 3.2348 and another 35% are naturally hedged as the aircraft are leased to our associates which will be paying for them in USD.

Operationally, we plan to strengthen our six hubs and continue to grow our network with more attractive routes while adding frequencies on sectors that are popular. A key focus will be to strengthen our secondary hubs, namely Johor Bahru, Kota Kinabalu, Langkawi and Penang. We have an edge over others in connecting these hubs with regional destinations because of our huge network that we just have to tap into. With Fly-Thru, moreover, we are in a better position than ever to link more routes together, further enhancing our growth potential. We are fortunate in that klia2 has the capacity to cater for more transit passengers, and we plan to leverage on this to help us become the carrier of choice within Asia-Pacific.

While increasing our fleet size by just one aircraft, we will work towards further improving our aircraft utilisation as we develop more domestic and regional routes. Domestically, we aim to strengthen air connectivity between Peninsular and East Malaysia; regionally, we seek to entrench our No. 1 position within Asean, as well as grow our presence in India and China.

In terms of cost reduction, we are in the midst of negotiations with various airport authorities to lower our airport and other related fees. At the same time, we are looking at more ways in which we can automate our own internal processes as well as guest processes, for example by extending the auto bag drop service in all Malaysian hubs, and by setting up more kiosks and facilities for the e-Boarding Pass.

Finally, we are enhancing our online payment channel to add to our guests' convenience. This would help achieve another aim, namely to increase longer-tem forward bookings.

In other words, we have our goals set for 2016 and, as the year has already unfolded, are making progress in each focus area. AirAsia has been through some tough times but has emerged even stronger and with a more clearly defined idea of how we want to achieve our next phase of growth. We will, of course, need the full support of our Allstars to get there, but from experience we have absolutely no doubt on this score.

I would like personally to thank our simply fantastic team of Allstars for their unwavering passion and dedication to AirAsia, which has seen us through yet another difficult phase. On the same note, I would like to express deep gratitude to my mentors – Tan Sri (Dr.) Tony Fernandes and Datuk Kamarudin Meranun – for their invaluable help in guiding the airline through thick and thin. It's not always been smooth sailing, but in the process of overcoming all manner of hurdles we have re-discovered our inherent strengths as a team, and face the future with a renewed sense of confidence and vigour.

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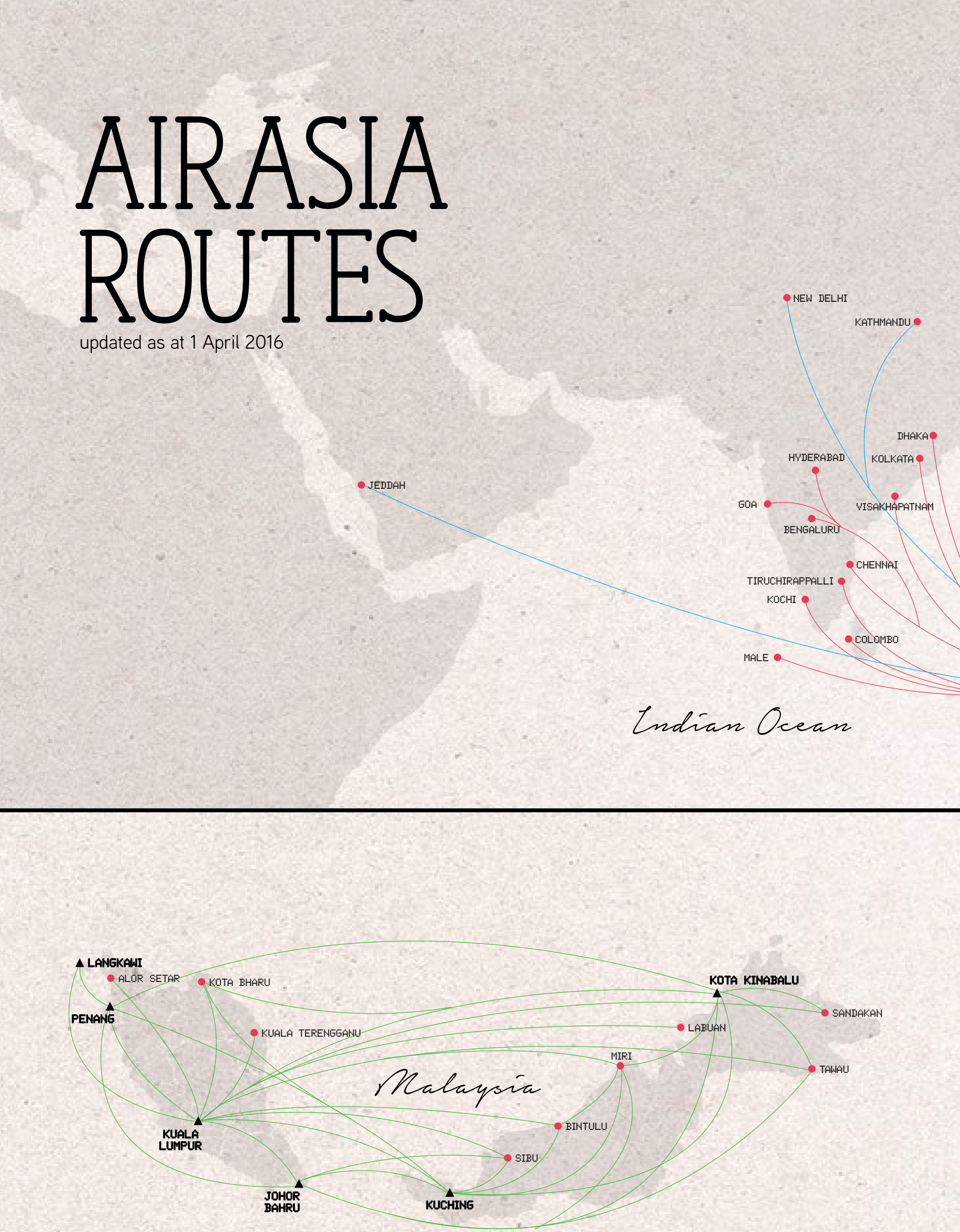
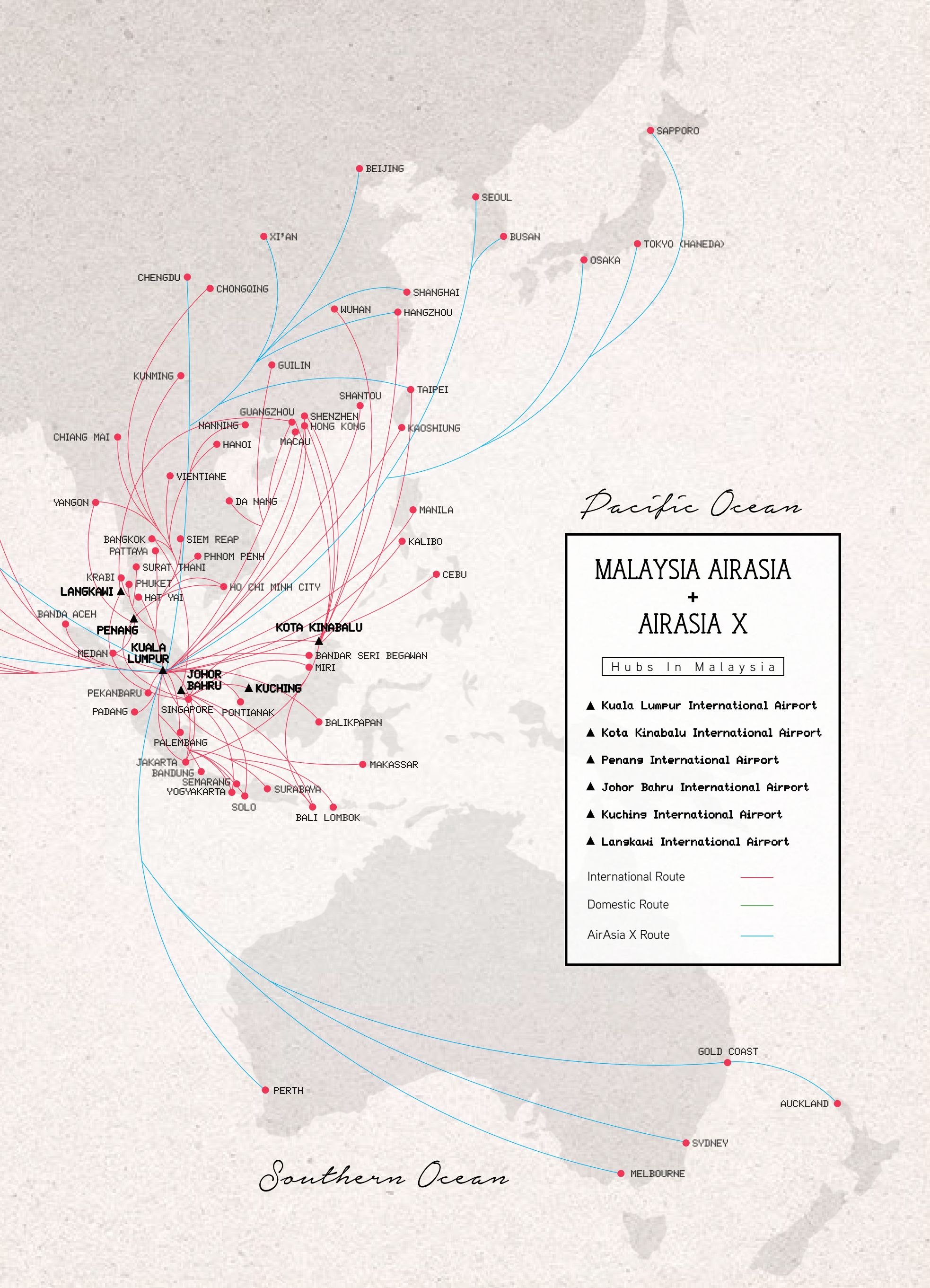
AIRASIA ROUTES

updated as at 1 April 2016




SAPPORO
BEIJING
SEOUL
BUSAN
XI'AN
TOKYO (HANEDA)
OSAKA
CHENGDU
CHONGQING
SHANGHAI
WUHAN
HANGZHOU
GUILIN
KUNMING
TAIPEI
SHANTOU
GUANGZHOU
SHENZHEN
HONG KONG
NANNING
KAOSHIUNG
CHIANG MAI
MACAU
HANOI
VIENTIANE
YANGON
DA NANG
MANILA
BANGKOK
SIEM REAP
KALIBO
PATTAYA
PHNOM PENH
SURAT THANI
CEBU
KRABI
PHUKET
HO CHI MINH CITY
LANGKAWI
HAT YAI
BANDA ACEH
PENANG
KOTA KINABALU
KUALA LUMPUR
MEDAN
BANDAR SERI BEGAWAN
MIRI
JOHOR BAHRU
KUCHING
PEKANBARU
PADANG
SINGAPORE
PONTIANAK
BALIKPAPAN
PALEMBANG
JAKARTA
MAKASSAR
BANDUNG
SEMARANG
YOGYAKARTA
SURABAYA
SOLO
BALI
LOMBOK
Pacific Ocean
MALAYSIA AIRASIA
+
AIRASIA X
Hubs In Malaysia
▲ Kuala Lumpur International Airport
▲ Kota Kinabalu International Airport
▲ Penang International Airport
▲ Johor Bahru International Airport
▲ Kuching International Airport
▲ Langkawi International Airport
International Route
Domestic Route
AirAsia X Route
GOLD COAST
PERTH
AUCKLAND
SYDNEY
MELBOURNE
Southern Ocean

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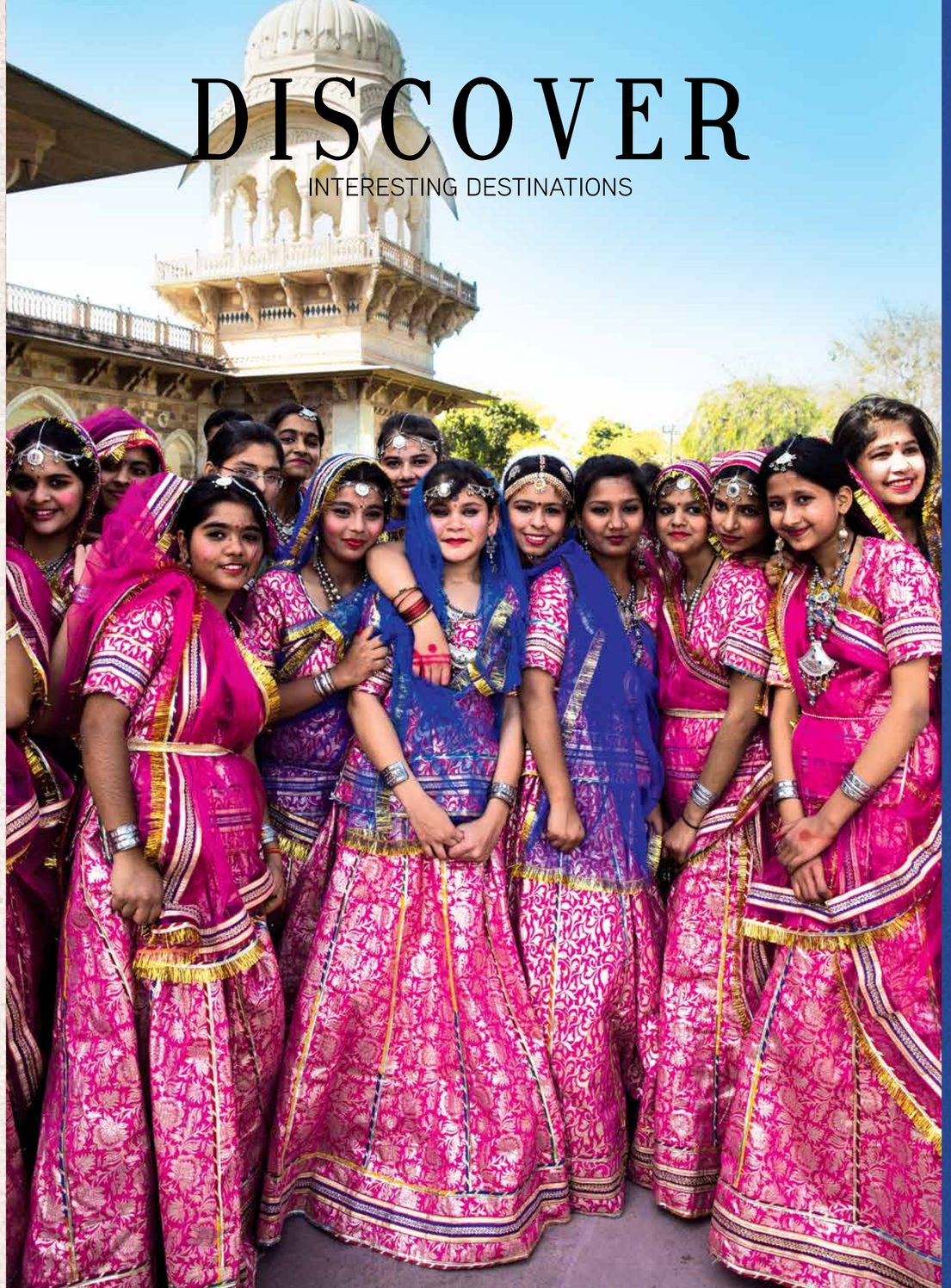
DISCOVER

INTERESTING DESTINATIONS

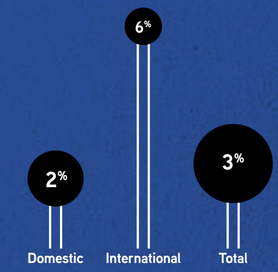


TOTAL FLEET

6

A320

market share



number of

Allstars

683

NOTES:

1. AS AT 31 DECEMBER 2015: NUMBER OF PASSENGERS CARRIED, LOAD FACTOR, NUMBER OF ALLSTARS, NETWORK, TOTAL FLEET
2. SOURCE OF MARKET SHARE: PAXIS, BASED ON NUMBER OF PASSENGERS, JANUARY 2015 TO DECEMBER 2015

AirAsia India

NETWORK

Routes
13

Hubs
2

Destinations
11

Countries and Territories
1

New Routes
6
in 2015

TOTAL GUESTS CARRIED

in 2015

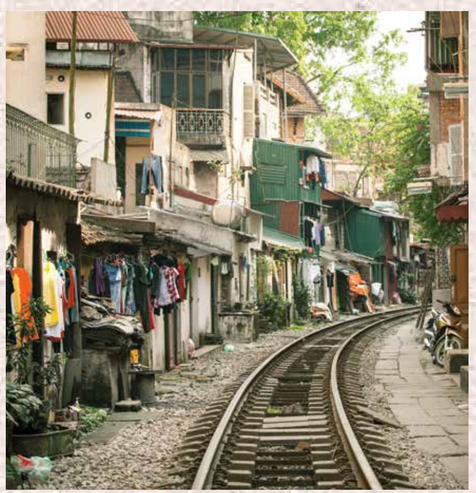
1.5
million

IMPHAL, MANIPUR, INDIA

Time seems to have stood still in Imphal, the capital of the state of Manipur in north-eastern India which lies in a valley surrounded by blue-green hills. But most interesting here are the people, the ethnic Meetei (or Meitei) who, because of the proximity with China, look Chinese and speak a Sino-Tibetan (officially Tibeto-Burman) language.

The Wondrous World of Asia Beckons

Within Asia are hundreds of little-known gems – either man-made or natural – which add to the lure of this region. Here are just a sprinkling of wondrous destinations that you can explore and experience with AirAsia.



RAILWAY TRACKS, HANOI, VIETNAM

Vietnam's capital is known for its centuries-old architecture and a charming yet chaotic Old Quarter. But it also has another unique attraction – a railway line that winds through narrow passages cutting across residential and commercial areas, used by trains that pass just inches away from buildings on either side.

JAI MAHAL, JAIPUR, INDIA

Jaipur, the capital of Rajasthan, is also known as the Pink City. Slightly less known is the fact that the stately Jai Mahal (or Water Palace) that sits in the middle of Man Sagar Lake in the city has four secret floors hidden underwater!

IJEN CRATER, BANYUWANGI, INDONESIA *(via Bali)*

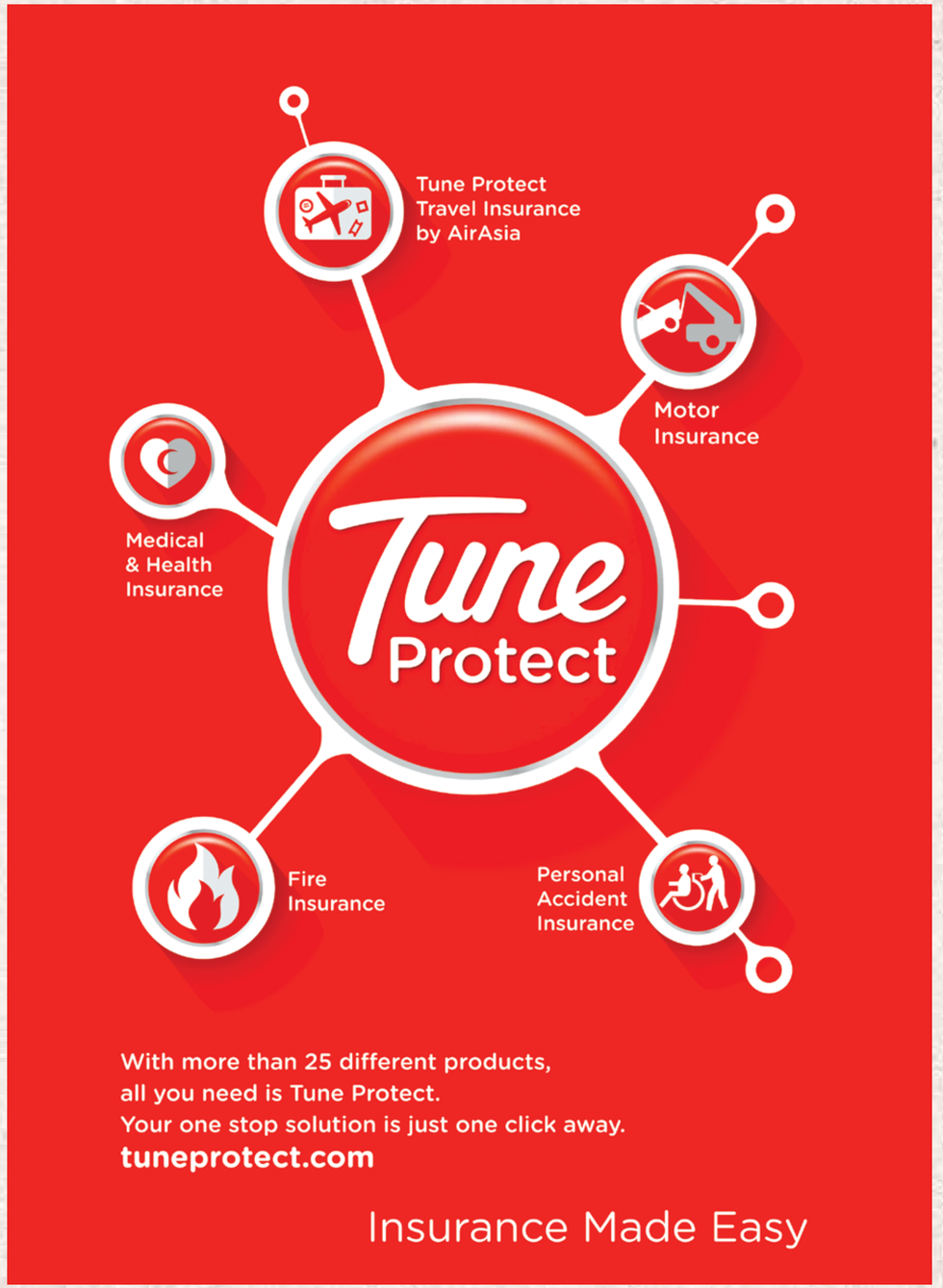
In the heart of the Ijen Crater is a sky-blue lake which looks inviting but is actually very acidic, containing a high sulphur content. Some of this sulphur escapes as gas from cracks in the volcano, igniting in blue flames that create a mystical feel.

CHOCOLATE HILLS, BOHOL, THE PHILIPPINES *(via Cebu)*

The unusual uniformly-shaped chocolate hills in the middle of Bohol create an extraordinary landscape unique to the small island. Though normally covered with grass, at the end of the dry season, they turn brown hence the name. It is thought there are about 1,268 such hills in the area.

GLOWING PLANKTON, VAADHOO ISLAND, MALDIVES

Situated in the Raa Atoll, Vaadhoo Island, measuring 1,450 metres in length and 400 metres in width, is notable for its marine bioluminescence generated by phytoplankton. Every day, after sunset, the glowing plankton transforms the island into a magical paradise.



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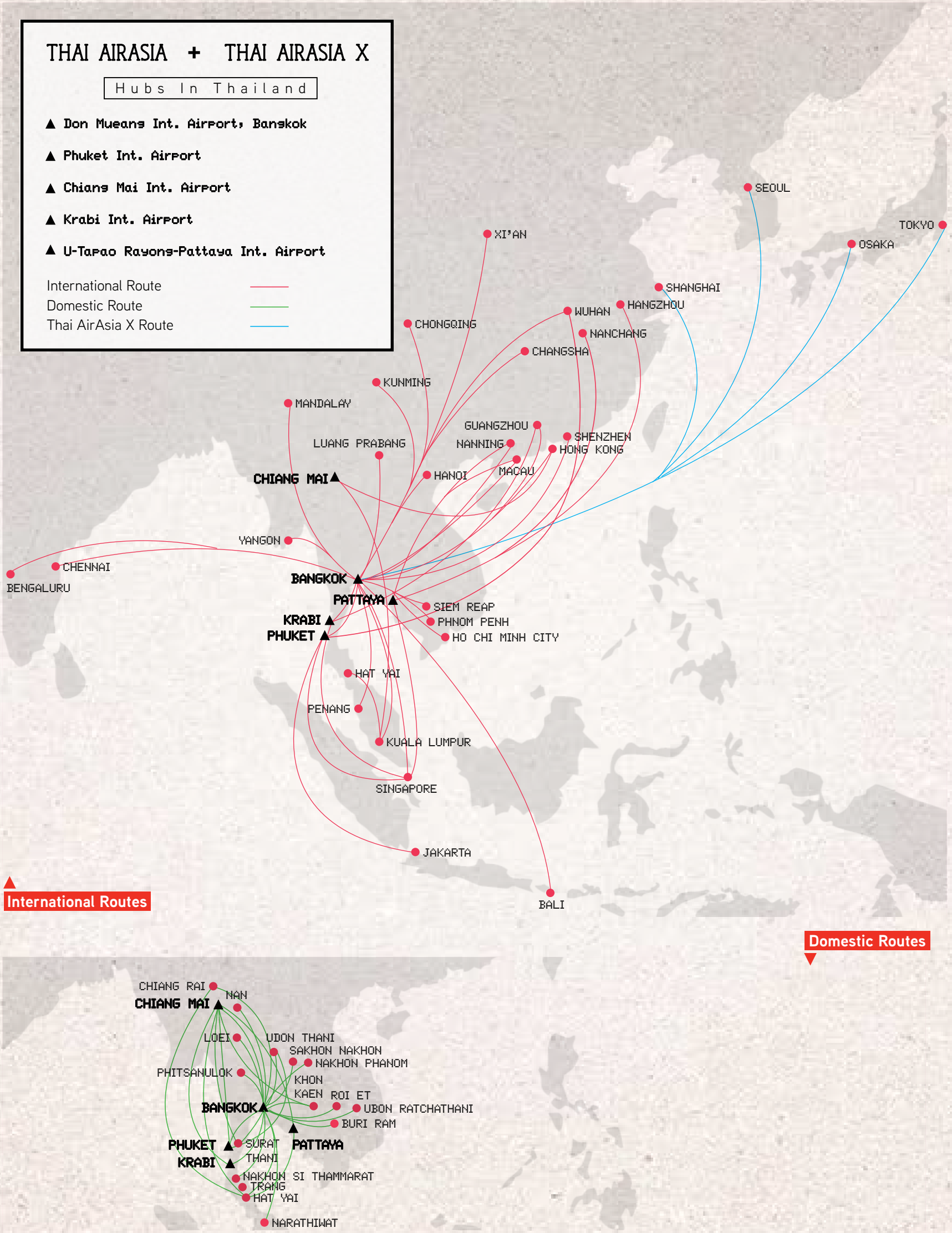
BUSINESS REVIEW

THAI

AirAsia


THAI AIRASIA + THAI AIRASIA X
Hubs In Thailand
▲ Don Mueang Int. Airport, Bangkok
▲ Phuket Int. Airport
▲ Chiang Mai Int. Airport
▲ Krabi Int. Airport
▲ U-Tapao Rayong-Pattaya Int. Airport
International Route
Domestic Route
Thai AirAsia X Route
SEOUL
TOKYO
OSAKA
XI'AN
SHANGHAI
HANGZHOU
WUHAN
CHONGQING
NANCHANG
CHANGSHA
KUNMING
MANDALAY
GUANGZHOU
SHENZHEN
LUANG PRABANG
NANNING
HONG KONG
MACAU
CHIANG MAI
HANOI
YANGON
CHENNAI
BENGALURU
BANGKOK
PATTAYA
SIEM REAP
KRABI
PHNOM PENH
PHUKET
HO CHI MINH CITY
HAT YAI
PENANG
KUALA LUMPUR
SINGAPORE
JAKARTA
BALI
International Routes
Domestic Routes
CHIANG RAI
NAN
CHIANG MAI
LOEI
UDON THANI
SAKHON NAKHON
NAKHON PHANOM
PHITSANULOK
KHON
KAEN
ROI ET
BANGKOK
UBON RATCHATHANI
BURI RAM
PHUKET
SURAT
PATTAYA
THANI
KRABI
NAKHON SI THAMMARAT
TRANG
HAT YAI
NARATHIWAT

Rediscovering the Silk Route

SINCE TIME IMMEMORIAL, CHINA AND THE PEOPLE OF WHAT IS NOW ASEAN HAVE ENJOYED CLOSE TRADE LINKS FORMING PART OF THE SILK ROUTE. THOSE DAYS OF BARTER TRADE THAT TOOK WEEKS OF OVERLAND OR SEA JOURNEY HAVE GONE. BUT IN THE PLACE OF SILK AND SPICES CARRIED ACROSS THOUSANDS OF KILOMETRES BY CAMELS AND CARAVANS, WE NOW HAVE A MORE CONVENIENT JOURNEY OPEN TO ALL, NOT JUST TRADERS.

Today, we are seeing a resurgence in 'travel trade' between Asia's dominant economy and its Southeast Asian neighbours, by air. And Thai AirAsia is playing a significant role in this renaissance, connecting large numbers of holiday-makers from China to the region via its hubs in Thailand.

Krabi, Thailand

Thai AirAsia was named the 'Best of Airline' by some 5.56 million users of China's Weibo, which is akin to a hybrid of Facebook and Twitter. These social netizens gave their vote of confidence to our affiliate in the Best of Thailand Awards as Voted by Chinese Tourists, the first survey of its kind organised by the Tourism Authority of Thailand (TAT) in June 2015.

The recognition is significant given the increasing number of Chinese who are travelling the world. Just in 2015, there were 120 million outbound tourists from China with bigger wallets to spend than their predecessors, many headed to Thailand – their No.2 most favourite destination. During the year, Chinese tourists made up more than a quarter of total visitor arrivals in the country, their number increasing by a staggering 71% from 2014. And our affiliate managed to capture a good portion of this influx, with nationals from China representing 24% of total guests carried on both domestic and international routes, marking a 45.5% increase from the number in 2014.

Given the importance of the China connection, Thai AirAsia has been increasing its capacity to this market by establishing more routes linking not only its capital but also popular tourist destinations with cities in its northern neighbour. During the year, of a total of 12 routes launched, three were to China from its new base, Pattaya. These contributed to a grand total of 17 routes to China as at end 2015.

Pattaya has been set up as Thai AirAsia's fifth hub – after Bangkok, Phuket, Chiang Mai and Krabi – to provide greater connectivity to the entire stretch of destinations located on the eastern reaches of the country. Our affiliate was fortunate to be able to convert U-Tapao Airport from an old military and security base for its purpose. This required a significant physical revamp which was accompanied by a PR campaign involving the media and local residents to create hype over their new commercial airport.

Floating Market, Hat Yai, Thailand

Along with U-Tapao Airport's official opening as a commercial travel hub, our affiliate also launched seven routes from this base. Other than the three to China – Nanning, Nanchang and Macau – the new routes were to Singapore, Udon Thani, Chiang Mai and Hat Yai, all of which have been well received. The sky bridges from Pattaya to Nanning, Nanchang, Udon Thani and Hat Yai represent unique routes, providing links to local communities and tourists that have never existed before.

In addition, Thai AirAsia introduced five new routes from Bangkok (Don Mueang) to Nan, Loei, Roi Et and Buri Ram in Thailand; as well as to Bengaluru, deepening its connectivity with the Indian sub-continent. These provide international tourists with greater access to lesser-known but equally stunning tourist destinations. Loei, in the mountainous region of the country's north-east, for example has been said to hold the greatest tourism potential of all of Isan. Meanwhile, frequencies to dominant destinations in the domestic and Indochina regions were increased, comprising Bangkok–Nakhon Phanom; Bangkok–Phuket and Bangkok–Phnom Penh.

Although China is a key market for Thai AirAsia, it also has very popular routes to Indochina, Indonesia and India, which are valuable to the airline and which it intends to further strengthen.

While expanding its route network, Thai AirAsia kept up its operational efficiencies to maintain an edge in an increasingly competitive aviation environment. Over the years, it has built a strong reputation for 'Truly Low Fares, Trusted Quality' built on an impeccable on-time record and safety standards. The year 2015 was no exception, with a high on-time performance of 87%.

Meanwhile, various marketing efforts were undertaken to create awareness of its services and encourage Thais to indulge in their wanderlust. An entertaining video clip on its Web check-in facility, featuring an interactive check-in machine that got guests to smile, dance and answer some tongue-in-cheek questions, was so popular it went viral and even won a Thailand YouTube Ads Leaderboard award for 2015. Our affiliate's Weekday Travel promotion was also successful by playing up the comfort and convenience of travelling on weekdays, and offering attractive fares for guests who decided to do so.

To further enhance sales, Thai AirAsia extended its offline sales distribution network by opening a new travel and service centre at the Gimyong market in central Hat Yai, which attracts large numbers of both locals and tourists. The offline market continues to be important in a country where internet penetration is still not very high.

These efforts to increase sales, coupled with new routes and increased frequencies to popular destinations, led to a 22% increase in the total number of guests carried year-on-year to 14.8 million. The number was particularly encouraging as it surpassed the management's target of 14.5 million. This also enabled the airline not just to maintain its high passenger load factor, but actually to increase it by one percentage point to 81%.

Although heightened competition led to a slight decrease in average fare of 3%, Thai AirAsia still increased its revenue for the year by 16% to THB29,507 million, from THB25,356 million in 2014. Even more impressively, as a result of strong guest numbers and solid load factor, its net profit surged by 494% to THB1,991 million year-on-year (y-o-y), from THB 335 million.

As part of its strategy to increase international visitor numbers, Thai AirAsia collaborates with government bodies, and specifically the Tourism Authority of Thailand (TAT) as well as the Ministry of Tourism and Sports, and the Ministry of Culture.

In July, together with TAT, it organised a Thailand Shopping Paradise roadshow in China specifically to attract more Chinese travellers during the Green Season (off-peak, monsoon season). Thai celebrities made guest appearances at the roadshow destinations to add to the hype. Thai AirAsia also engaged extensively with key opinion leaders and relevant agencies that support persons with disabilities to be able to provide facilities and amenities that would ensure a quality experience for all its guests.

In addition, our affiliate partnered with CIMB Thai to hold a seminar for public and private bodies as well as business operators on developing tourism to Krabi. The discussions also touched on how AirAsia's hub in Krabi could further expand its connectivity with domestic and international destinations.

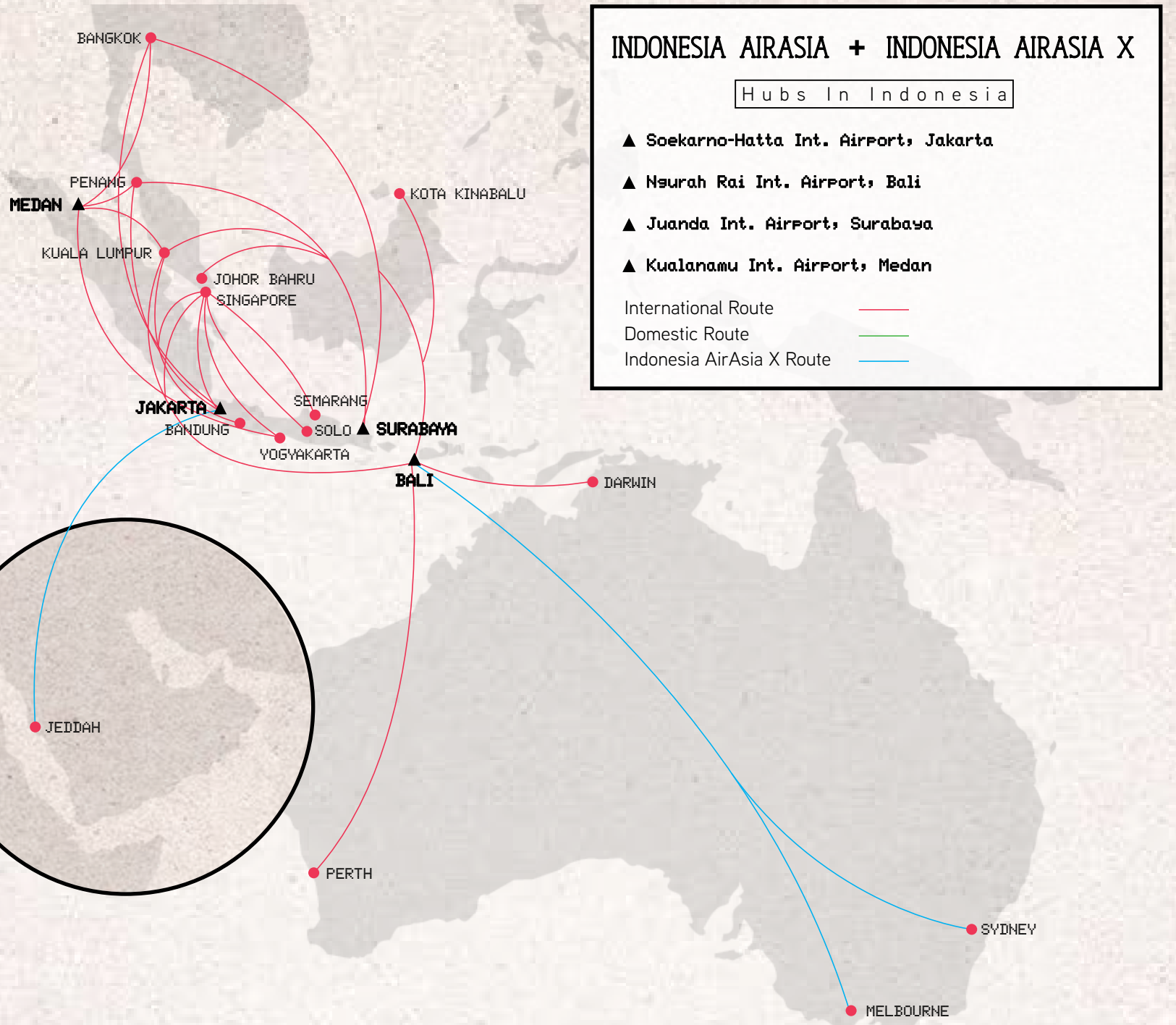
In January 2016, the Tourism and Sports Ministry announced that it expects the number of international arrivals in 2016 to exceed 32 million, representing a 7% increase from 2015, mainly from a continued surge of Chinese tourists.

Thai AirAsia intends to be very much a part of this phenomenon as it further develops the China market and gains a stronger foothold in India and its Asean neighbours. To support its network growth, the airline plans to receive five new Airbus A320 aircraft in 2016, bringing its total fleet size to 50.

Behind the scenes, Thai AirAsia will be intensifying its investment in innovation and technology to be able to introduce new services such as baggage drop, which will not only add to guests' convenience but also help to reduce its capital expenditure and maximise profits – supporting its strict business plans and strategies to ensure the greatest value.

BUSINESS REVIEW

INDONESIA


INDONESIA AIRASIA + INDONESIA AIRASIA X
Hubs In Indonesia
▲ Soekarno-Hatta Int. Airport, Jakarta
▲ Ngurah Rai Int. Airport, Bali
▲ Juanda Int. Airport, Surabaya
▲ Kualanamu Int. Airport, Medan
International Route
Domestic Route
Indonesia AirAsia X Route
BANGKOK
PENANG
MEDAN
KUALA LUMPUR
JOHOR BAHRU
SINGAPORE
KOTA KINABALU
JAKARTA
BANDUNG
SEMARANG
SOLO
SURABAYA
YOGYAKARTA
BALI
DARWIN
JEDDAH
PERTH
SYDNEY
MELBOURNE
International Routes
Domestic Routes
MEDAN
PEKANBARU
PALEMBANG
JAKARTA
BANDUNG
YOGYAKARTA
SOLO
SURABAYA
BALI

At the Heart of Indonesia

WHAT MAKES AIRASIA TRULY SPECIAL IS NOT JUST THAT WE ENABLE EVERYONE TO FLY, BUT THAT WE DO SO WITH HEART. AND NOWHERE IS THIS MORE EVIDENT THAN AT INDONESIA AIRASIA. OVER ITS 11-YEAR EXISTENCE, OUR AFFILIATE HAS BECOME INCREASINGLY INVOLVED IN THE LIVES OF THE PEOPLE THAT MATTER MOST – NAMELY ITS GUESTS, ALLSTARS AND THE LOCAL COMMUNITIES – AND THE RESULTS SHOW.

Despite having been through some tough times recently as a result of aviation incidents, natural disasters, overcapacity among airlines and a generally softer economy regionally, Indonesia AirAsia continues to grow from strength to strength. The reason being: it has captured the trust and loyalty of the people.

Tana Toraja, Makassar, Indonesia

Indonesia AirAsia has become a strong champion of the underdog, empowering the marginalised to improve their lives. It is also the only airline in Indonesia with a female Airbus captain, a fact that it celebrated on a day to commemorate women empowerment. On 21 April, which has been designated as Kartini's Day (Kartini being a revered feminist who initiated a movement for women's equality during Dutch rule), an all-female crew and piloting team took control of flight QZ 7526 from Jakarta to Bali, led by Captain Dewi Meiliani.

It is also committed to enhancing the socio-economic well-being of Indonesians more generally, helping the Government of Indonesia lift people out of poverty and move them into a quickly expanding middle class. While itself providing employment to 2,003 Allstars, Indonesia AirAsia supports efforts to grow the tourism sector which has become increasingly important to the local economy, providing employment to no less than 9.8 million people in 2014, a figure that was to rise to 10.1 million in 2015, according to the World Travel and Tourism Council.

More specifically, it has been collaborating with the Government on the Wonderful Indonesia campaign by promoting Indonesian destinations across the AirAsia Group network. During the year, it was once again the title sponsor of the AirAsia Bali Beach Run held on 6 September, the largest beach run in Indonesia which attracted no less than 1,800 participants. And it contributed to the Djakarta Warehouse Project (DWP) 2015, a hip dance music festival that drew a crowd 76,000 strong over two days on 11-12 December. Such efforts have helped to buoy tourism, which grew by a significant 10.29% in 2015, seeing a total of 10,046,759 tourist arrivals. In turn, travel and tourism contributed approximately 9% to the country's GDP.

Nusa Dua, Bali, Indonesia

As for its guests, no effort is spared to make their journeys with Indonesia AirAsia as comfortable, convenient and safe as possible. This year, to further enhance guests' flying experience and as part of the Group's overall commitment to going 'green', Indonesia AirAsia introduced the paper-less e-boarding pass which means those without check-in luggage can proceed straight to their departure gate. First launched in May for domestic flights operated from Soekarno-Hatta International Airport in Jakarta, the service was made available for all domestic and international flights as of September.

On board, new dishes from all over Asean were added to its menu, to give the perennial best-selling Nasi Padang Uda Ratman a run for its money.

Perhaps even more importantly to guests, Indonesia AirAsia listens to their feedback and responds accordingly, even if it means adjusting its routes. Based on guest preferences, during the year, the airline let go of two domestic routes to be able to increase the frequency of flights connecting Jakarta with Yogyakarta, which has much greater demand; and launch a new unique route, between Surabaya and Bangkok, on 24 July. Following this route rationalisation, Indonesia AirAsia now operates 33 routes, of which 11 are domestic and 22 international.

While its revamped route network helped to increase its average base fare from IDR 651,225 in 2014 to IDR 662,871, Indonesia AirAsia maintained its special carnivals and promos to offer truly exceptional deals that make flying even more affordable. On 22-25 October, guests were treated to the fifth instalment of the AirAsia Travel Fair, which this year was held in Surabaya. The event was so successful that, despite the lower than low fares, the airline earned no less than IDR 3 billion in sales. This was complemented by the much awaited quarterly Free Seats Campaigns.

Over and above the unique routes and affordable fares, Indonesians and visitors to the country keep flying Indonesia AirAsia because of its strongest asset – its Allstars. Following QZ 8501, a series of videos were released on YouTube under the #togetherwestand campaign showing how passionate the Allstars are about their job, the strong bonds they share with their colleagues and the respect they have for the airline. These garnered 90% positive responses from netizens. Later, Indonesia AirAsia launched another campaign, known simply as its People Campaign which, once again, introduced its sterling cast of Allstars to the public.

As a result, strong bonds have been re-established with the public and helped the airline to grow despite a challenging environment. While the nation saw its lowest GDP growth yet since the global financial crisis, and the Indonesian rupiah (IDR) dropped 11% in value against the US Dollar over the course of the year, Indonesia AirAsia managed to increase its ancillary income per passenger by 8% from IDR 157,721 in 2014 to IDR 169,667, grow its fares, and improve its unit passenger revenue 3% from IDR 808,946 to IDR 832,537.

It also continued to be the airline of choice for visitors flying into Indonesia, carrying no less than 3.9 million international travellers, the highest number of all airlines serving international routes into the country. At the same time, catering to domestic travel, it flew 2.2 million guests on domestic flights.

More importantly, by maintaining a high level of service quality and continuously enamouring its guests with warm hospitality, Indonesia AirAsia continued to be recognised by the marketplace. During the year, it was named The Best Airline by Adisucipto International Airport, Yogykarta, for the third year running; Indonesia Leading International Low Cost Airline by Indonesia Travel and Tourism Awards Foundation (ITTA); and the Best National Airline at the Bali International Customers Satisfaction Award (BICSA) 2015.

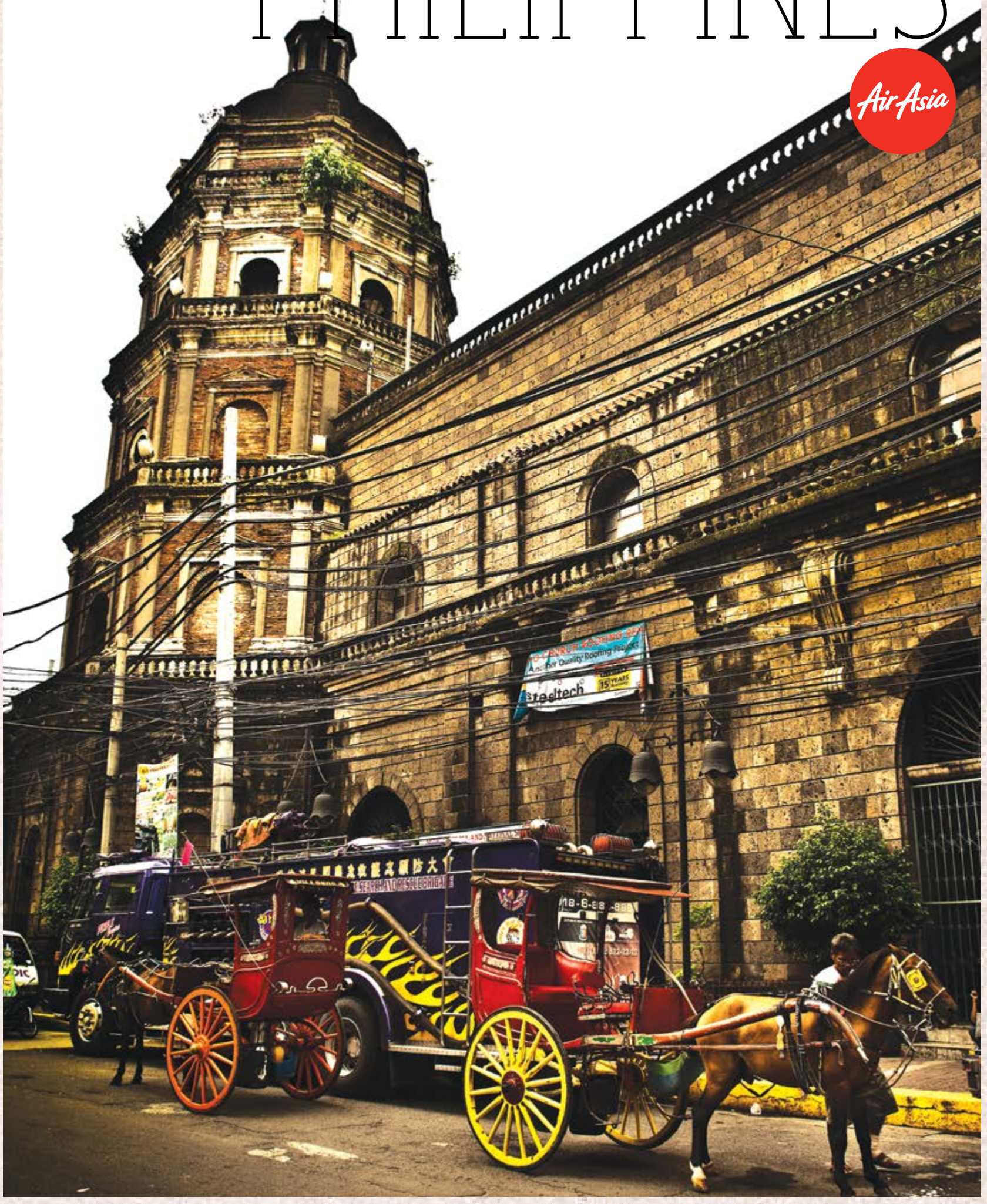
Behind the public eye, our affiliate has stepped up efforts to further enhance its safety procedures and systems, an ongoing process at all our airlines. Earlier in the year it engaged former US Federal Aviation Administration (FAA) regulators and Bureau Veritas to carry out a comprehensive review of its safety platform and recommend further improvements. While awaiting the report, our affiliate introduced new safety-related modules to its recurrent training syllabus and intensified its initial type training. It has also implemented the AIRMAN system, which enables the airline to monitor aircraft fault messages in real time.

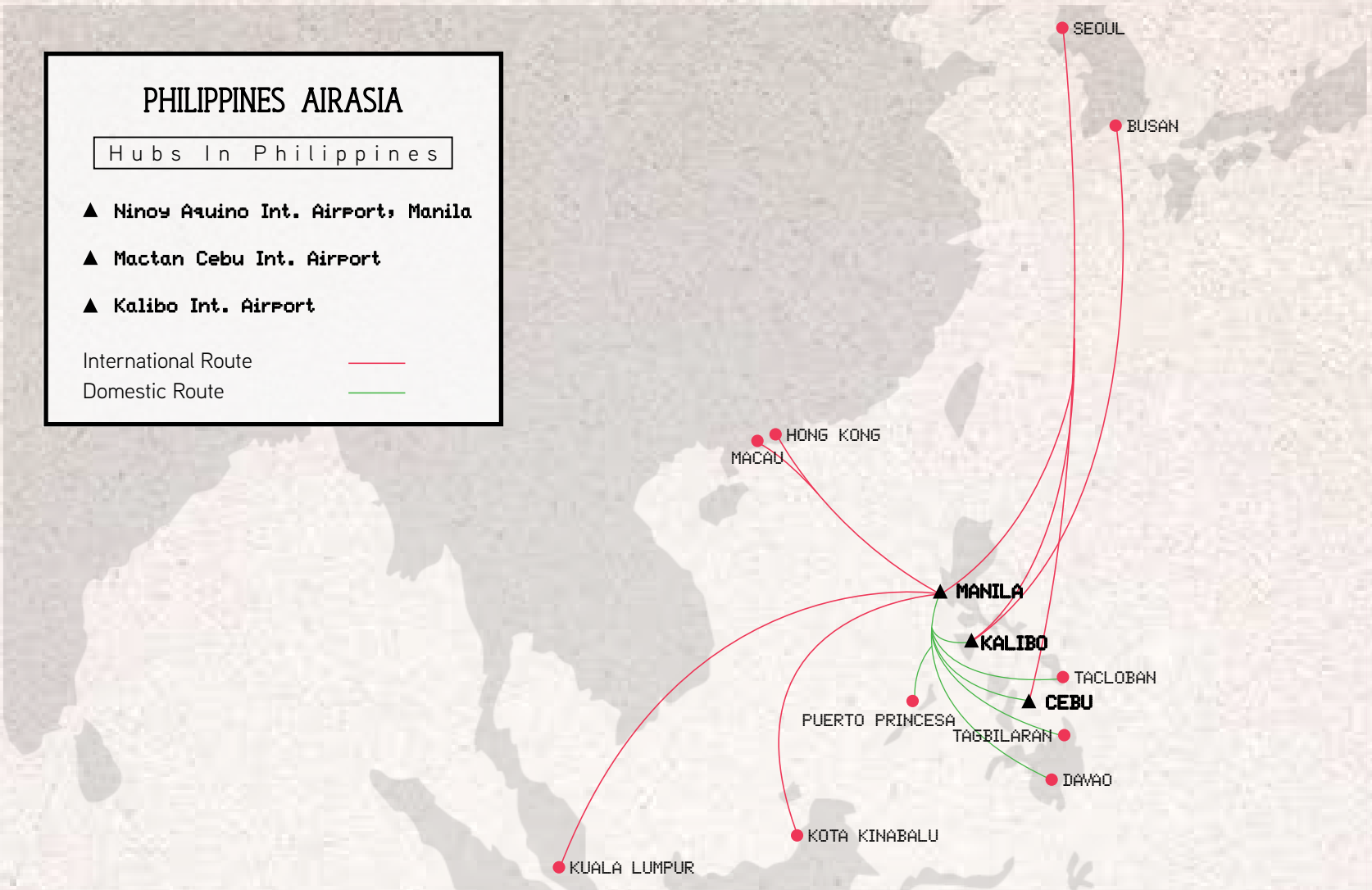
In other words, many changes have been implemented at Indonesia AirAsia to strengthen its fundamentals. In 2016, it aims to consolidate these changes and further reinforce its position as Indonesia's leading low-cost airline for international travel. Without bringing in any new aircraft, it will optimise the use of its existing fleet and leverage on the Group's extensive route network to create unmatched air travel connectivity for Indonesians and visitors to travel to and from the country. With Indonesia AirAsia X now plying routes from Bali to Melbourne and Sydney, it will also look to attract a higher number of guests from Australia onto its network to reach more destinations within the region.

The Indonesian Government is targeting 20 million foreign tourists annually by 2019, and Indonesia AirAsia is determined to be integral to this growth. With its Allstars behind its every move, we feel confident it will achieve this vision.

BUSINESS REVIEW

PHILIPPINES





Puerto Princesa, Palawan, Philippines

Growing with its Communities

AS THE WORLD AWAKENS TO THE NATURAL WONDER THAT IS THE PHILIPPINES, ONE AIRLINE IS STEADILY BECOMING THE AIRLINE OF CHOICE AMONG THE NATION'S EQUALLY WONDERFUL PEOPLE. STARTING OFF RELATIVELY SMALL AND 'UNDER THE RADAR' IN 2012, THIS AIRLINE – WITH TRADEMARK PASSION FOR PEOPLE AND COMPASSION FOR THE UNDER-SERVED – HAS SLOWLY BEEN GAINING A LARGER SHARE OF THE NATION'S HEART, AND ALSO ITS AVIATION MARKET. THAT AIRLINE IS... OUR AFFILIATE, PHILIPPINES AIRASIA.

During the year, which marked a milestone achievement – when Philippines AirAsia finally got approval by all the relevant authorities to fully merge with Zest and form a single entity under the same Air Operator's Certificate (AOC) – our affiliate also began to see the results of efforts to truly integrate into the national landscape. The number of guests carried during the year increased significantly year-on-year, from 3.30 million to 3.59 million, which enabled the airline to boost its passenger load, from 70% as at end 2014 to 81%, despite a 30% increase in capacity from the addition of new routes.

Jeepney in Manila, Philippines

The fact is, more Filipinos are travelling with Philippines AirAsia because of its distinctive AirAsia brand of service and growing network which focuses increasingly on incredibly attractive tourist destinations, providing a genuine boost to local tourism and helping to grow local economies. It has helped also that, in June 2015, the airline received one of the highest endorsements of its safety standards by earning an 'excellent' remark following an audit by the European Aviation Safety Agency (EASA).

Ati-Atihan Festival, Philippines

Distinguishing itself from the rest as an 'enabler' that seeks to inspire growth of smaller communities, Philippines AirAsia has launched into a number of collaborations with local tourism and related organisations, becoming a genuinely involved partner in efforts to promote the country's amazing island destinations. The country has as much to offer global travellers as its Asean neighbours yet lags behind in terms of visitor arrivals.

Determined to close the gap, in March 2015, our affiliate signed an agreement with the Provincial Government of Palawan and Palawan Tourism Council to promote tourism to the collection of islands. In addition to providing its signature low fares to Puerto Princesa throughout the year, Philippines AirAsia is also helping owners of the local hotels as well as tour operators market themselves in Manila and around the country via a series of travel expos and promotional activities.

Later, similar partnerships were signed with the Provincial Government of Bohol and the Tacloban Tourism Council. Bohol is a province in the Central Visayas region famous for its beaches, chocolate (limestone) hills and the world's smallest primate, the tarsier; while Tacloban was one of the most ravaged sites when typhoon Yolanda swept through the nation in November 2013, and where now much effort is being made by the local community to revive their economy via tourism.

In addition, towards year end, Philippines AirAsia also became the official airline partner of the Ati-Atihan Festival, said to be the mother of all festivals in the Philippines. Aside from providing free air travel for some of the invited guests to this 10-day fiesta from 8-17 January 2016, it also offered special promotional fares for the general public. The aim is for more travellers to experience the way in which Filipinos celebrate life, and understand the culture of the people in a more meaningful way.

Also as part of efforts to boost local entrepreneurship, on 21 August, Philippines AirAsia unveiled an aircraft livery featuring the vibrant blues of the Henann Group of Resorts' logo. The home-grown group boasts world-class accommodation in Boracay, Bohol and Palawan.

While serving to bring the world to the Philippines, our affiliate has also been working hard to get Filipinos to enjoy the sights and delights of international travel, especially within the region. In September, four amateur Filipino photographers were selected to take part in a #AirAsiatravelphotographer campaign, each assigned one of four destinations – either Yogyakarta, Kuala Lumpur, Bangkok or Hong Kong – where they spent three days under the tutelage of professional photographers as they captured the beauty of these cities. While the experience was truly amazing for the four young men and women, the publicity generated and photos taken served to educate other Filipinos about the people, food, landscapes and architecture that they can now experience for themselves.

And, as Philippines AirAsia continues to grow, more and more travel options are being opened to the local populace.

From having only two Airbus A320 aircraft serving two domestic routes when it was established in March 2012, the airline now operates 15 aircraft and a total of 17 routes, of which 11 are international. During the year, Manila was linked with Hong Kong once a day while three new daily flights were launched from the capital to Davao. This network enhancement came about despite a re-fleeting programme to dispose of older aircraft inherited from Zest Air (which was renamed AirAsia Zest) thus achieve a single aircraft type in order to generate operational efficiencies, consistent with the rest of the AirAsia Group.

Meanwhile, in keeping with its credo to provide the best value and world-class service that every Filipino and visitor to the country deserves, the airline enhanced its in-flight menu with a selection of sumptuous national and universal dishes with the launch of a new menu, called Santan. New items include Bangus Sisig, made of chunks of boneless milkfish sautéed in onions seasoned with salt, pepper and spices, Buffalo Chicken Strips and Barbeque Cola Beef.

Adding to guest convenience, on 14 May our affiliate introduced the paperless e-boarding pass that allows guests without check-in-baggage to proceed straight to the boarding gate without having to queue at the check-in counter or desk at the airport. The service is available to guests with the AirAsia Mobile App as they receive their e-boarding pass on their mobile phones.

These initiatives contributed to the increase in number of guests flown which, in turn, led to a 47% hike in ticket revenue. In addition, total ancillary revenue also inched up by 1% while that from cargo grew by 13%. Together, these positive growth factors led to a 51% increase in total revenue at PHP2.29 billion, and a 21% growth in revenue per available seat kilometre (RASK) at PHP2.01. At the same time, guided by the management's turnaround plan, Philippines AirAsia's cost per available seat kilometre (CASK) decreased by 25% to PHP2.11, while further operating losses reduced to PHP110.64 million.

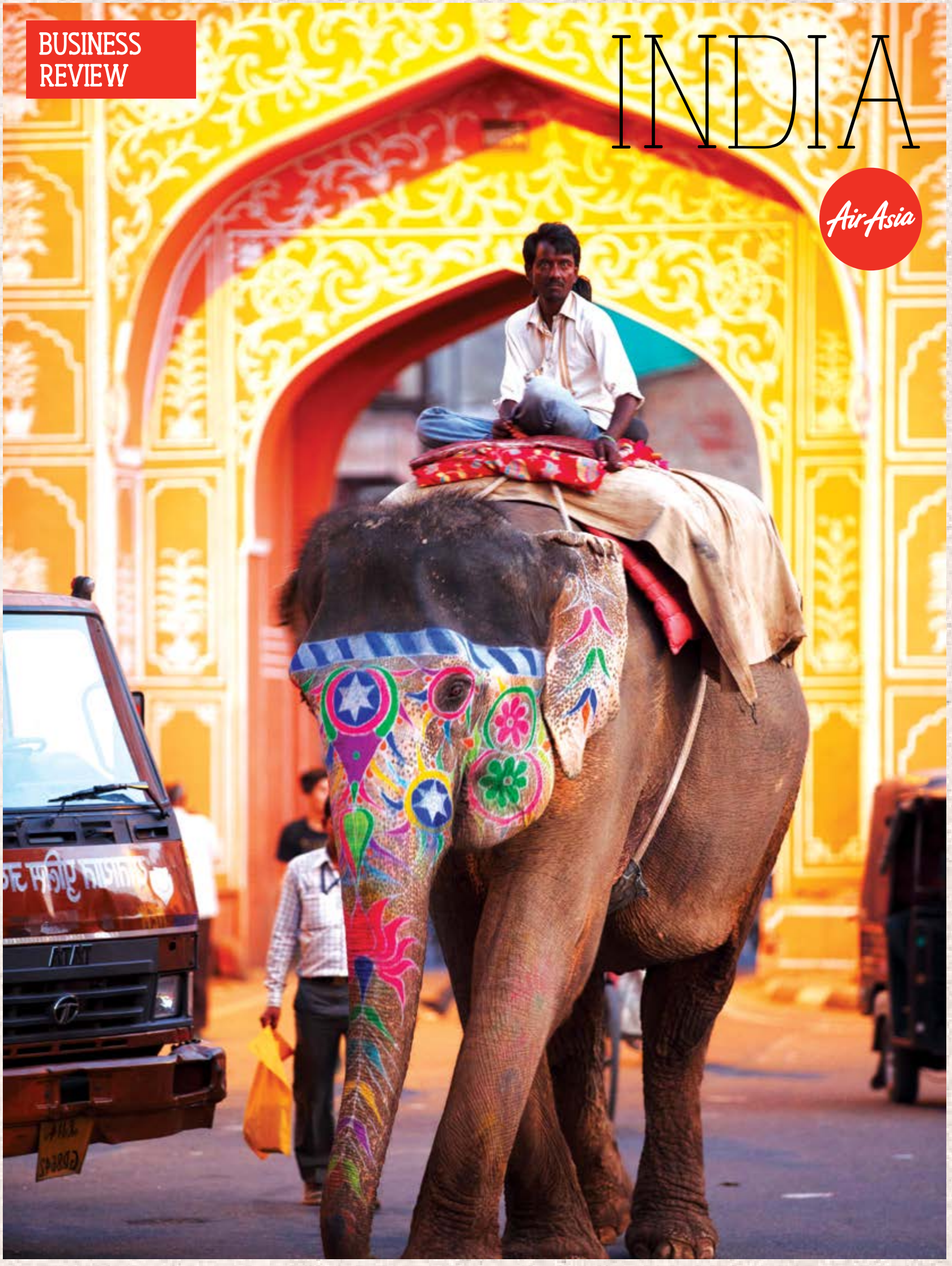
Philippines AirAsia is optimistic about the year 2016 and beyond given the potential for growth of tourism into the country, as well as that of air travel within the archipelago nation. Given China's booming outbound tourism market, our affiliate is focusing on creating sky bridges between the destinations it is promoting such as Kalibo and Puerto Princesa with the north Asian nation. To satisfy the demand for additional capacity, it will acquire five more aircraft in 2016 to bring its total fleet to 17.

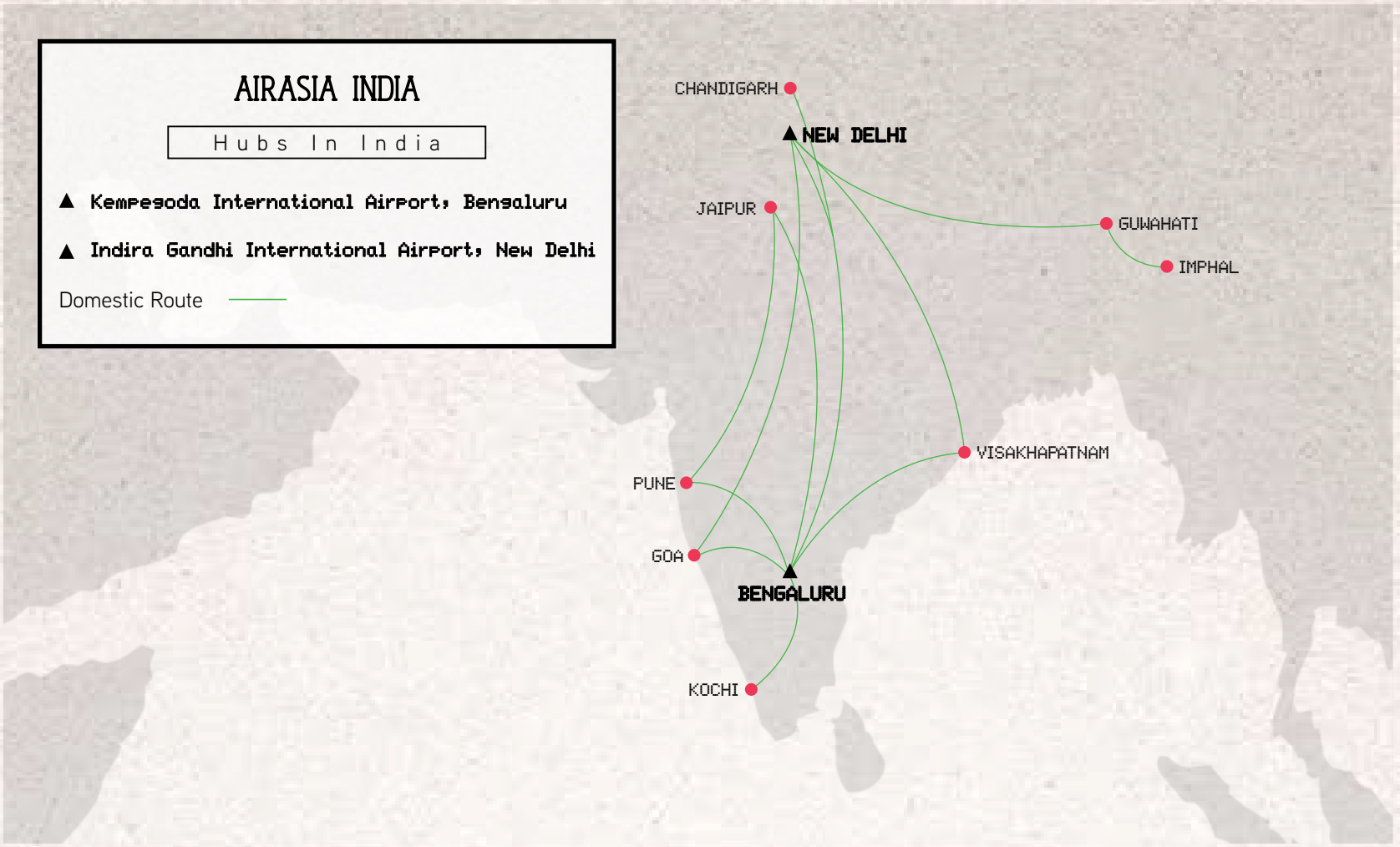
In the longer term, the Philippine Government supports Open Skies in Asean. If implemented as envisioned, Open Skies will mean more destinations and frequencies, and the creation of more jobs for local communities. Better connectivity to the Philippines would help the Department of Tourism achieve its target of drawing in six million international tourists, up 13% from 5.3 million in 2015, along with a 10% increase in foreign receipts to USD6.5 billion in 2016.

Needless to say, given its commitment to local communities in the Philippines in particular, and to tourism to the country in general, Philippines AirAsia is determined to help the Department of Tourism realise this, and future, goals. In the process, it is realising its own potential to enable everyone to fly by gaining greater trust and respect by the country's close to 100 million amazingly warm and resilient people.

BUSINESS REVIEW

INDIA





Hawa Mahal, Jaipur, India

Beyond India's Metro Cities

A QUIET REVOLUTION IS TAKING SHAPE ACROSS INDIA, SOME OF ITS SIGNS BEING DISCERNED BY ANALYSTS AND TREND WATCHERS. THIS IS THE EMERGENCE OF TIER II AND III CITIES AS THE NEXT ENGINE OF GROWTH OF THE NATION'S ECONOMY.

Smart Cities Council and Indicus Analytics, the country's leading economic research and data analytics firm, have named 20 cities that are gearing up to overshadow the current eight metros in terms of growth potential, while other reports indicate these cities will see the largest growth in urbanisation, the largest number of start-up companies, and the biggest demand for various services.

Mohiniyattam classical dance, Kerala, India

Naturally, they will also need better air connectivity to link their people with the rest of India and beyond which spells good news for our affiliate, AirAsia India. Already serving three of the 'emerging 20' that have been named – Jaipur, Visakhapatnam (Vizag) and Chandigarh – AirAsia India's mission to become a truly Pan Indian airline providing convenient and affordable air transport to underserved communities bodes well both for the local denizens and for the airline.

The airline's decision to focus on Tier II cities in India was a strategic response to competition in the aviation industry, which includes five low-cost carriers (LCCs) out of a total of nine commercial airlines. This competition is heaviest in the tried and tested 'traditional' routes connecting India's most populated urban metros. By opting to focus on more non-traditional routes, AirAsia India not only escapes from the cluttered sectors but also has the benefit of serving large numbers of rural Indians who are migrating into smaller cities in droves.

During the year, our affiliate introduced a new route from its original hub Bengaluru to Vizag, a port city on the shores of the Bay of Bengal in Andhra Pradesh which also attracts tourists because of its pristine beaches and jungle treks. To meet demand, the airline increased its capacity on this route, introducing second daily flights as of 14 August 2015. This was followed by a morning service between Delhi and Vizag. New Delhi became AirAsia India's second hub in May, enabling our affiliate to serve more destinations in northern India, a vision it satisfied by launching New Delhi–Guwahati on 21 May. Guwahati is the largest city in Assam and widely acknowledged as the gateway to north-eastern India. A second daily flight between these two cities was launched in November. Creating a more intricate web of sky bridges in this region, our affiliate introduced the Guwahati–Imphal route in June. Imphal is the capital of the state of Manipur which lies on the eastern most part of north India, bordering Myanmar.

In total, AirAsia India now offers 12 routes in India connecting 10 destinations, with Delhi–Bengaluru being the only sky bridge between two metro cities. The launch of four new destinations (Delhi, Guwahati, Imphal and Vizag) and six new routes – Bengaluru to Vizag and Delhi; Delhi to Goa, Guwahati and Vizag; and Guwahati to Imphal – in the year was supported by the addition of three new Airbus A320 aircraft. One of these has been dedicated to JRD Tata, bearing the livery of the father of Indian aviation who served 50 years as Chairman of Tata Sons, one of the three partners of AirAsia India.

Despite the increase in capacity, the airline was able to maintain a healthy passenger load as increasingly more travellers are discovering AirAsia's signature brand of quality service. In 2015, AirAsia India flew a total of 1,396,742, guests, which was more than four times the number flown in 2014!

Bangalore Palace, Bengaluru, India

While popular routes would partially account for the numbers, so does AirAsia India's continuous investment in keeping guests delighted with new services. In June 2015, it introduced AirAsia's Red Carpet which affords guests true VIP treatment; and on 15 August, while hordes of Indian citizens thronged the streets in demonstration of their patriotic loyalty on Independence Day, our affiliate rolled out its own loyalty programme – AirAsia BIG – making it the first LCC in the country to reward guests with special privileges. These efforts were topped off in November with the launch of our new mobile app offering more features, smoother functionality and an improved interface – all geared towards providing guests with a greater flying experience.

AirAsia India also expanded its range of inflight cuisine, introducing delectable dishes which earned our affiliate recognition for having the Best Airline Meals in India by online travel aggregator goibibo.com. This was, in fact, just one of several accolades received from the local aviation industry, all within its first full-year of operation. AirAsia India won in two categories each at the India Travel Awards – South and North, held on 28 April and 8 December, respectively. At the South Awards, the airline was named the Best Emerging Airline while former CEO Mittu Chandilya was recognised as being the Best Airline Professional; and at the North Awards it won for Best LCC while Chandilya was named the Face of the Future.

Of course, strategic marketing also helped to make known the airline's expansion and new offerings. To commemorate the establishment of New Delhi as a new hub and the launch of three routes from the Indian capital, the airline ran a 'Rs1 per km' campaign. This meant fares from as low as Rs1,700, which is comparable to first and second class rail ticket fares, a real feat considering that the popularity of Indian rail is due to its very affordable rates. Then, to celebrate its first anniversary, fares dropped even more – to as low as Rs900 – for guests who booked through the mobile app. These rates were so attractive that, though made available only during a three-day window from 12-14 June, the campaign generated more than Rs13 million. But, of course, the biggest hit of the year was the Big Sale, through which 9,200 seats were sold in a week, generating more than Rs207 million.

In addition to attrative sales promotions, AirAsia India has won a place in the hearts of this cricket-enamoured nation by sponsoring the King's XI Punjab, an Indian Premier League finalist.

With effective planning, moreover, it has been able to stretch its start-up capital over a period of 18 months, lasting till the end of 2015, without the airline accruing any debts.

We are optimistic of a very bright future for our newest affiliate. Many factors lend further support to its growth gaining in momentum in the near future. Perhaps most pertinently, India's economy is picking up with GDP growth measuring an estimated 7.7% in 2015 and some predicting it will overtake China as the world's fastest growing economy. Even if this does not pan out, the fact remains that wealth among the middle classes of this huge market with a population of over 1.3 billion is growing, as strong an indicator as any that demand for air travel, both domestic and international, will soar. Combining India's population with that of Asean, our affiliate has a potential market of some 1.9 billion people, which is more than a quarter (27%) of the total world population.

Currently, the airline is restricted by the '5/20 ruling' which requires airlines to have served the local market five years and operate at least 20 aircraft before they can go international. However, the ruling is expected to be revoked along with a new National Civil Aviation Policy (NCAP) to be introduced in the near future, given massive lobbying against it. The fact is, a repeal would benefit the entire aviation industry, creating much more scope for all airlines to grow thereby offering better access and more flexible flying options to the nation.

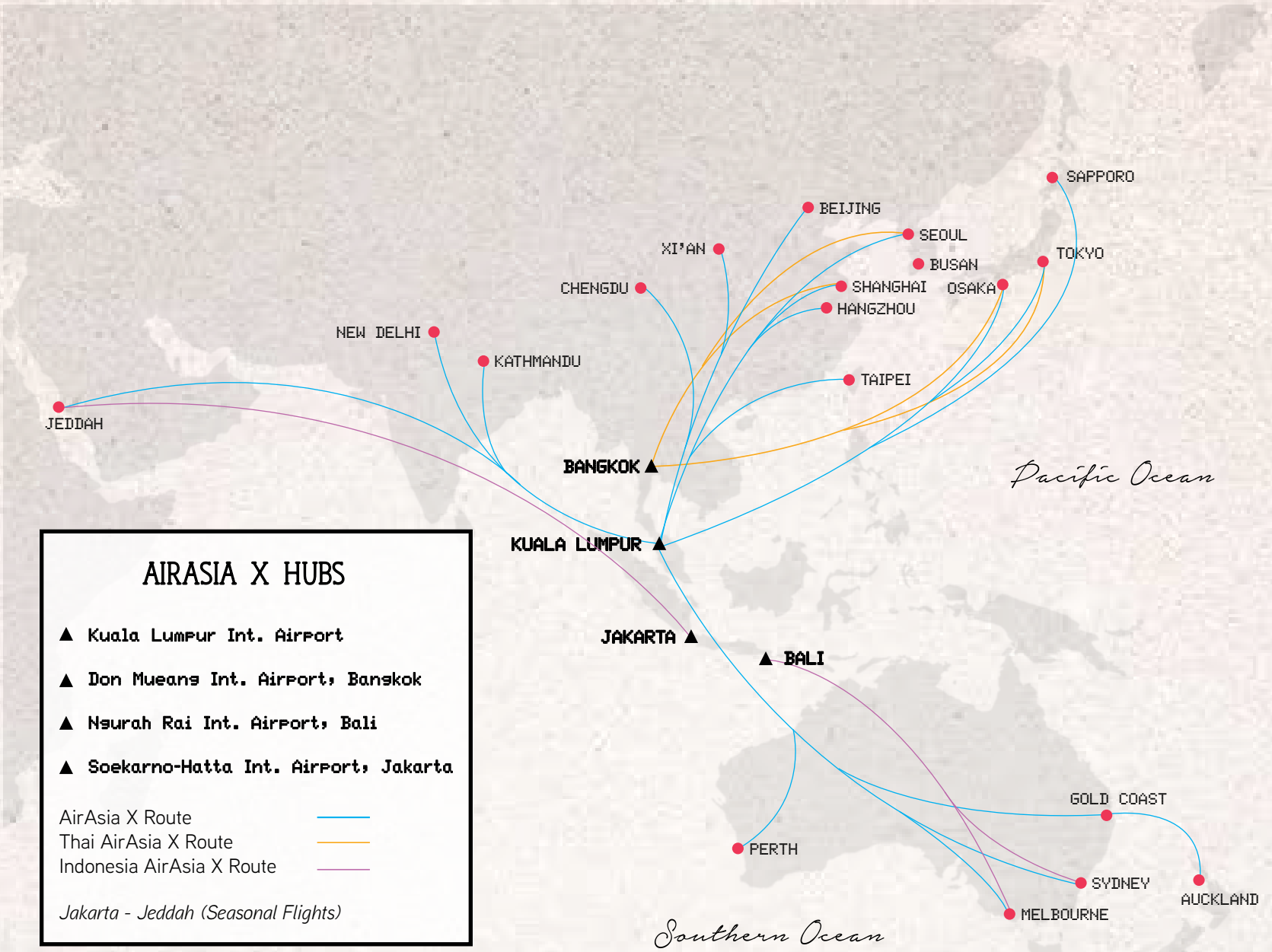
Adding to this, India enjoys a long tradition of friendly ties with its Asean neighbours, setting the scene for vibrant two-way tourism across borders. Efforts at promoting tourism between India and Asean are also in line with India's Act East policy and aspiration of gaining 1% share of international tourism by year 2020, and 2% by 2025.

Meanwhile, the airline's immediate plans are to expand its route network in the country to serve latent demand, while increasing the frequency of popular sectors. It also aims to introduce more ancillary products to boost its revenue, with an even more exciting menu, e-vouchers and a wider range of seat options waiting in the wings.

One of the goals of the new NCAP is to cultivate an aviation ecosystem that is able to support 300 million domestic flights by 2022. With its vision to become a Pan Indian airline serving the underserved, AirAsia India is just the airline to contribute to this national goal. The airline believes avidly that there is much of India waiting to be discovered, and given the opportunity, it would like to play a role in unravelling these exciting discoveries.

BUSINESS REVIEW

AIRASIA X



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

On the Brink of a Turnaround

A NEW ERA BEGINS FOR OUR LONG-HAUL SISTER AIRLINE, WITH A NEW MANAGEMENT AND A COMPREHENSIVE TURNAROUND PLAN THAT IS PRODUCING RESULTS. SLIGHTLY MORE THAN A YEAR OF INTENSE ROUTE RATIONALISATION, REVENUE ENHANCING AND COST-CUTTING ACTIVITY, MALAYSIA AIRASIA X (MAAX) ACHIEVED A HUMBLE NET PROFIT OF RM197 MILLION IN THE FOURTH QUARTER OF 2015, AFTER EIGHT CONSECUTIVE QUARTERS OF LOSSES.

The turnaround had been necessitated by overcapacity and a price war in the routes served by MAAX, compounded by a weakening Ringgit and various issues that dampened the travel industry. These included the airline incidents in 2014, followed by the Nepal earthquake in April 2015, and MERS outbreak in South Korea in May 2015. Thai AirAsia X (TAAX) and Indonesia AirAsia X (IAAX), meanwhile, were impacted by regulatory issues. Thai airlines in general were affected by route restrictions to Japan and South Korea following an International Civil Aviation Organization (ICAO) audit that downgraded the safety ranking of Thailand's Department of Civil Aviation. In Indonesia, the Ministry of Transport renewed its concerns on a number of regulations, over and above which IAAX had to manage a dented image in Australia following a delay in the launch of flights from Bali to Melbourne.

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

A main component of this multi-phase plan was network consolidation which included the termination of non-profitable routes – from Kuala Lumpur to Adelaide, Nagoya and Narita – and reviewed frequency allocations. Two routes more suited to Airbus A320 operations – from Kuala Lumpur to Chongqing and Colombo – were shifted to AirAsia; and three high potential routes – Kuala Lumpur to New Delhi, Sapporo and Auckland – were launched. To maximise revenue, AirAsia X is extending its reach to a wider market via strategic partnerships with prominent travel agents. In Australia, which accounts for 30% of total revenue, it is now collaborating with the Flight Centre Travel Group and BYOjet, both of which have online and offline sales and marketing channels. AirAsia X also embarked on wet leasing its excess capacity from the route rationalisation, the initiative serving not just to earn revenue but also in US Dollars, which helps counter the foreign exchange losses accrued from the depreciating Ringgit.

In addition, the Group embarked on a couple of high-profile marketing initiatives in collaboration with AirAsia. These included the appointments of Korean football icon Park Ji-Sung and Grammy-winning musician 'Hitman' David Foster as its global ambassadors. Park Ji-Sung, who is widely revered in North Asia, is ideal to further develop this market, while Foster's string of awards in the entertainment industry makes him a suitable choice to promote AirAsia and AirAsia X's Premium products – inclusive of the latter's Premium Cabin and Premium Flatbeds which have been voted the best in the world among low-cost carriers three years in a row.

Another successful campaign was to introduce AirAsia X's new CEO, Benyamin Ismail, to the Australian market... in a manner that captured his fun and easy-going personality. Towards the beginning of the year, Ben toured the country tweeting his travels and offering special promotions to catch the imagination of Australians wanting to travel to destinations within the AirAsia Group's network including Bali. The campaign not only helped to drive sales but also renewed Australians' faith in the Group.

While the Group had already been operating on a lean, no-frills model, a thorough review of processes revealed there were still ways in which it could further increase efficiencies and cut costs. To improve crew utilisation and avoid out-of-town overnight stay expenses, the crew strength on certain flights was reduced from nine to eight; and same-day flight turnarounds were implemented where possible. Further negotiations are ongoing to reduce ground handling, airport, D-factors charges, and aircraft rental, among others. In addition, AirAsia X and AirAsia have embarked on joint operations to share our resources. By merging our ground services and ramp operations as well as our marketing function, AirAsia X has been able to reduce its headcount by 176 within the space of a year.

Another key area in which AirAsia X has been able to reduce costs is fuel. The Airbus A330-300 which makes up its fleet is already one of the most fuel-efficient aircraft in existence. However, the team has been able to further reduce its fuel consumption by fuel tankering, i.e. re-fuelling in destinations that offer the most competitive prices. It also plans to reduce the weight of its aircraft by replacing voluminous hardcopy charts on board with Electronic Flight Bags (EFBs). This will enable the airline to save as much as 8.25kg of fuel per sector.

Collectively, these cost reduction efforts have further strengthened AirAsia X's position as the lowest unit cost long-haul airline in the world, with a cost per available seat kilometre (CASK) for the year of USD3.53 cents, which was 10% lower than its CASK of USD3.94 cents in 2014.

Among the early wins of the turnaround programme have been a strong return of business across all markets in Q4. Looking at key performance indicators in the quarter, average base fare has improved 22% year-on-year (y-o-y) resulting in 15% growth in revenue per available seat kilometre (RASK) y-o-y which, accompanied by lower costs, led to a small profit. This translated into our full-year net loss decreasing to RM350 million from RM519 million in 2014.

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

Meanwhile, a rights issue carried out in the second quarter of the year raised RM391 million, and was used to rationalise operations.

Most importantly, the irrational competition and unsustainable low fares that had plagued the industry since late 2013 finally wound down in the second half of the year when competitors reduced capacity. This marked a turning point for AirAsia X, which is now looking set to grow again... practically on a clean slate.

A NEW ERA BEGINS

Along with the new year, AirAsia X is strategising a new network expansion plan and further increasing revenue by pushing its ancillary services, as well as enhancing its sales and marketing efforts.

The inaugural Kuala Lumpur–New Delhi flight took off in early February 2016, followed by Auckland on 22 March. At the same time, the team is working to increase AirAsia X's presence in China and the Middle East. As more routes are introduced, there are also plans to grow Fly-Thru with more city pairings coupled with aggressive marketing to increase general awareness of the service.

To extract even more value from other ancillary products, along with AirAsia, it has introduced a more dynamic pricing mechanism for check-in baggage and value-bundled packages. New and exciting dishes will be added to the in-flight menu, with a refreshed pricing scheme. And there are plans to provide in-flight entertainment on all routes, not just Australia, while enhancing the Duty Free offerings. Again with AirAsia, the Group will leverage on Foster as our ambassador for Premium products, and establish a Premium lounge for added comfort and convenience of Premium guests.

To grow its sales in key markets, AirAsia X seeks to enter into more partnerships with travel-related agents especially in India, New Zealand, Japan and China, and work with its new partners on aggressive marketing efforts.

All this is to be accomplished with minimal cash outlay so as to build the airline's cash position. Supporting this strategic decision, fleet growth will be restricted in 2016 and 2017.

In other words, AirAsia X has its roadmap well planned and, despite uncertainties in the operating environment as well as ongoing currency volatilities, it is entering the year 2016 on a cautiously optimistic note. With greater vigilance, the dedication of its people and support of AirAsia, there is reason to believe that its turnaround has truly begun.

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BUSINESS REVIEW

BIG LOYALTY PROGRAMME

Big Just Got Bigger

AirAsia BIG rewarded the lucky 300 millionth guest, Jodie Lazuardi, a 30-year-old art director in Jakarta, with three million AirAsia BIG Points for a once-in-a-lifetime experience

Did you know that if you subscribe to a year's The Economist, you stand to earn 10,000 AirAsia BIG Points? Or that if you write reviews for TripAdvisor you can earn about 1,500 AirAsia BIG Points a month? And that with only 6,500 AirAsia BIG Points you can fly from Kuala Lumpur to any one of Ho Chi Minh, Krabi, Medan or Hat Yai, among other destinations?

Earning points to redeem flights has never been easier, thanks to our AirAsia BIG Loyalty Programme. Launched in November 2011 by Think BIG Digital Sdn Bhd, a joint venture between AirAsia Berhad, Tune Group and Canada-based loyalty management company Aimia Inc, AirAsia BIG is to date one of the few loyalty programmes offered by low-cost carriers. But, more than that, it is truly big on value.

The loyalty programme has no blackout period which makes all seats redeemable by points, among other member-exclusive privileges such as priority access to AirAsia sales and flight redemptions from as low as 500 AirAsia BIG Points. What is more, the team at AirAsia BIG is forever looking at ways to build more perks into the programme. As of 2015, members will receive a Final Call every month offering redemption sales with up to 85% discounts, and will be rewarded with BIG bonus points to help them realise their dream destination during their birthday month. Meanwhile, highly engaged members enjoy a 20% redemption rebate during special promotions.

BIGGER VOICE

In order to strengthen the presence and purpose of BIG, it has been incorporated in AirAsia's guest journey. Guests can easily log in to their BIG accounts via a single sign-on feature through airasia.com, stay informed of their AirAsia BIG Points earned from AirAsia email itinerary confirmations, and learn more about AirAsia BIG via on-ground buntings, banners, LED boards and tent cards that have been strategically placed at the airport. AirAsia BIG messages are carried through in the aircraft, too, emblazoned boldly on the overhead cabins and meal trays.

To boost the effectiveness of its member communication, the AirAsia BIG team has established in-house analytics and Customer Relationship Management (CRM) capabilities, while kick-starting member segmentation and lifecycle management.

The team has also gone on to bigger things to emphasise the BIG brand. In August, when AirAsia reached a milestone with 300 million guests flown, AirAsia BIG rewarded the lucky 300 millionth guest, Jodie Lazuardi, a 30-year-old art director based in Jakarta, with three million AirAsia BIG Points for a once-in-a-lifetime experience.

Efforts such as these contributed to AirAsia BIG bagging three awards at the Advertising + Marketing Magazine's Marketing Excellence Awards 2015 — Silver for Best Use of Social Media, and Bronzes for Loyalty Programme of the Year as well as Best Regional Loyalty Marketing Campaign.

BIGGER PARTNERSHIPS

OCTOBER SAW THE LAUNCH OF AN EXCITING FIRST OF ITS KIND COLLABORATION WITH EDARAN TAN CHONG MOTOR, THE MILLIONAIRE DRIVE. THROUGH THE CAMPAIGN, CUSTOMERS WHO PURCHASED AND REGISTERED THEIR NISSAN CARS IN THE MONTH OF OCTOBER WERE IN THE RUNNING TO WIN FROM A TOTAL OF 1,000,000 BIG POINTS.

The Grand Prize winner, announced in November, went home with 300,000 BIG Points, which is equivalent to five return flights to Tokyo, Sydney, Beijing, Seoul or numerous local destinations.

AirAsia BIG also entered into several new strategic regional partnerships, which helped to further diversify its programme partners from finance to travel and the retail sectors. New credit card partners include UOB, Siam Commercial Bank and Fubon Bank (Taiwan); the retail partner list now encompasses names such as Microsoft, Canon, Lazada and Aurora; while Rocketmiles, Roomorama and Avis Rental Cars feature among the new travel partners.

BIG Loyalty Programme

BIGGER NUMBERS

These initiatives have started to bear fruit, with AirAsia BIG seeing double digit growth in BIG membership year-on-year, based on an average of 171,000 new members signing up every month resulting in a current total membership base of 15.6 million. These BIG members were actively acquired from online and on-ground activation campaigns and activities through the AirAsia Group, co-brand partnerships and other partnerships. This was accompanied by a 98% increase in number of BIG Points issued year-on-year and 102% growth in gross billings.

The year saw an 80% increase in number of BIG Points redeemed, with Fixed Points and Final Calls being significant contributors. This, in turn, led to an 84% increase in revenue recognised by AirAsia BIG.

The most significant contributors to AirAsia BIG's achievements in 2015 were its co-brand programmes with CIMB Niaga (Indonesia) and Bangkok Bank (Thailand), which accounted for 12% of total points issued. Meanwhile, BIG Fixed Points and Final Call together contributed to 33% of total seats redeemed in 2015. And, the inclusion of BIG in AirAsia's customer journey spurred a significant growth of over 150% in airline issuance.

BIGGER AMBITIONS FOR 2016

Building on the momentum of strong growth gained in 2015, AirAsia BIG has set its sights on increasing its points issuance and gross billings by over 60% in 2016. In order to achieve these targets, the team will focus more intently on driving its co-brand programmes. Come 2016, AirAsia BIG also aims to increase its points conversion, drive direct earn issuance, enhance its programme value proposition with the AirAsia Group, and build core capabilities for long-term success.

BUSINESS REVIEW

AIRASIA EXPEDIA

Discover New Experiences

Introduction of Expedia+

Did you know there is a strong Italian influence in the architecture of Bangkok, and that you can engage a personal guide to take you to these sites and explain them to you in detail? Or that you can breakfast with orangutans at the Singapore Zoo? Perhaps you would rather have a yoga class atop a paddleboard on the waters off Sanur beach in Bali; or tour the island in a rugged Volkswagen Type 181 convertible?

These are just some of the activities that travellers can book through AirAsia Expedia to make their holidays that much more interesting and memorable. AirAsia Expedia is a joint venture (JV) between the world's leading online travel agency (OTA), Expedia, and AirAsia. Its website also hosts AirAsiaGo, a small yet growing OTA targeting the budget-conscious.

The partnership, established in 2011, is mutually beneficial as it strengthens Expedia's presence in our home markets while widening our distribution reach through its global network. Touted as a 'marriage made in heaven' when it was solemnised, the JV has been growing steadily over the years, with an increasing number of sites in the region as well as increasing functionalities. This year, for example, Expedia launched its full product service in Taiwan in June, providing Taiwanese customers full air content on the Expedia Taiwan site, as well as the benefits of its bundled packages.

Expedia has also been adding more enticing products to its portfolio, with a recent focus on activities (such as the ones described above). These add to an exceptionally large inventory of more than 269,000 hotels and 475 airlines. With such extensive offerings, Expedia prides itself as a 'One Stop Shop' for all the needs a traveller could possibly have – inclusive of on-ground transport and insurance. What is more, these are made available at the most competitive rates. Expedia offers travellers the assurance that they are getting the best value for their travel dollars through a programme in which, if a guest is able to find a lower price for a given package on any other online travel site, it will match this more attractive rate.

Key to Expedia's strong value proposition is adapting the latest technologies to create greater convenience for guests. Over the last few years, it has been making waves with its award-winning mobile app which allows for various functions including payment-on-the-move and continuous shopping. With its mobile responsive websites, Expedia is able to support shopping on all types of mobile devices even those with screens as small as 3.5 inches.

This year, to increase traffic to AirAsiaGo, an app was launched in January 2015 which enables guests to make standalone air, hotel as well as activities bookings. The app went on to win a Bronze for the Best App/Content by A Consumer Brand at the MOB-EX Awards 2015.

And as of early January 2015, online shoppers in the region can enjoy a seamless experience on both mobile and desktop via the Scratchpad service. Based on lab research that studied travellers' behaviour, the Scratchpad allows our guests to 'make notes' of their online travel research, just as they would with pen and paper, and enables them to return instantly to the hotels, flights and packages they had looked at before, with the same dates used during their last search, but – and here's the wonder of technology – at the most current prices.

REWARDING LOYAL CUSTOMERS

DURING THE YEAR, AIRASIA EXPEDIA ALSO ROLLED OUT ITS LOYALTY PROGRAMME, EXPEDIA+, ON ALL ITS BRANDED SITES. MEMBERSHIP FOR REWARDS IS FREE; AND MEMBERS DO NOT JUST EARN POINTS FROM MAKING BOOKINGS ON EXPEDIA'S SITE BUT STAND TO BENEFIT FROM A NUMBER OF SPECIAL PRIVILEGES.

For a start, when a member logs onto the Expedia site, he/she will automatically get exclusive members-only deals and bonus offers. These include what Expedia calls its Unreal Deals, namely the day's absolute best packages with savings up to the price of either the flight or hotel stay. What makes Expedia+ extra special is that it uniquely allows travellers to both earn and redeem on hotel and flight bookings (where permitted). On top of that, customers can earn points when they book for others and redeem their points by booking travel for friends and family.

CAMPAIGNS & AWARDS

A key campaign held during the year, which ran for two-and-a-half months from July to mid-September, was to celebrate Singapore's 50th year of Independence. To add to the patriotic fever, AirAsia Expedia gifted the people of Lion City with great travel deals catering to the different traveller segments. The campaign comprised six themes, each lasting two weeks. This was complemented by a social media initiative, #MissingMySG, encouraging fans to share what they miss most about Singapore while travelling.

In mid-October, AirAsia Expedia launched a new brand icon for AirAsiaGo, SUPER SAVERMAN, with campaigns running in Thailand till mid-December offering travel package discounts of up to 70%. The aim was to drive awareness of AirAsiaGo and leverage on the year-end holiday season. The campaign was boosted by Skytrain wrapping, which is helping to drive AirAsiaGo's key messages across Bangkok until end April 2016.

In total, AirAsia Expedia won 10 awards in 2015 across Asia. Most significant among these was being recognised as the Best OTA in Asia at the Travel Weekly Asia Reader's Choice Awards, widely seen as the most authoritative ranking of travel suppliers in the Asia-Pacific region.

READY FOR MORE

The regional travel environment was certainly challenging in 2015, encompassing currency weaknesses that drove lower-cost domestic/regional travel as well as geopolitical and natural events which palled travel at least temporarily. Yet, driven by conscientious product expansion, strategic marketing initiatives, and improved mobile and desktop platforms, AirAsia Expedia performed very well, with both the Expedia and AirAsiaGo brands surpassing all their key performance indicator (KPI) targets. These included top and bottom line growth, packaged business sales, new shopper acquisition, mobile downloads and social media-based acquisitions.

Jonty's speech as CEO of Expedia Asia

As we enter 2016, AirAsia Expedia will continue to expand, with a full-service launch in Korea planned for the second half of 2016, and additional site upgrades throughout Southeast Asia. With continued investments in brand building, bringing more supply and choice into the marketplace for consumers, and expanding its local team presence across the region, the company is upbeat on prospects for the year, and is confident it will be able to celebrate its fifth anniversary in July with a firm foundation on which it can build to become Asia's most favoured online travel booking solution.

Placing further emphasis on its mobile platforms, AirAsia Expedia hopes to improve its mobile penetration, engagement and conversion. It also plans to enhance its Net Promoter Score by ensuring that the voice of the consumer is considered in developing products and tools.

So... if there are any particular activities that you are really looking forward to engaging in on your next holiday escapade, just send the Expedia team a note. Who knows? It may be added to their already comprehensive list of travel must-dos.

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BUSINESS REVIEW

ASIAN AVIATION CENTRE OF EXCELLENCE

Earning More Stripes

Full-flight Airbus A320 simulators

Rescue and emergency simulation and training

The pick-up in demand for pilots within the region post-2014 has been positive for our training arm, the Asian Aviation Centre of Excellence (AACE), which ran substantially more pilot training programmes during the year, boosting both revenue and profit. For the first time since it was established in 2011, revenue crossed the RM100 million mark.

This increase in demand was not a one-off. According to Boeing, it will continue to escalate over the next 20 years, driven by the region's growing middle classes who clamour to travel. In its 2015 Boeing Pilot & Technician Outlook, the aircraft manufacturer anticipates a need for 226,000 new commercial airline pilots and 238,000 new technicians in the Asia-Pacific region through to 2034. These numbers represent approximately 40% of global needs and are more than that of North America, Africa and Europe combined.

While the demand in itself spells good news for AACE, the fact that the region's capacity to cater for this demand is severely limited makes it even better. A 2011 study released by the International Civil Aviation Organization (ICAO), the United Nation's aviation agency, noted that the region at the time was capable of training only 5,000 pilots per year.

Aware of the wide gap between supply and demand, in 2011, AirAsia collaborated with leading global aviation training centre CAE to set up AACE at the KLIA Complex in Sepang. The idea was not just to meet our own training needs but also those of the region. Hence when AACE saw an opportunity to partner with the Philippine Academy for Aviation Training (PAAT), it grabbed it, acquiring a 50% interest in this training centre located at the Clark Special Economic Zone in December 2014. At the time, PAAT was serving the training needs of Cebu Pacific, one of the partners in PAAT. With AirAsia in the picture, it extended its services to Philippines AirAsia while continuing to also cater to other airlines operating to and from this country.

Other than its main hub in Sepang and the branch in the Philippines, AACE operates satellite centres in Glenmarie Shah Alam, Selangor as well as one in Seletar, Singapore. Together, the four centres are equipped with 12 simulators and are able to handle various types of pilot training.

AACE in Sepang is the largest training centre of its kind in Southeast Asia, offering a full range of aviation related training for pilots, cabin crew, guest services, ramp agents and engineers. Built in January 2005, it offers state-of-the-art equipment and facilities that include five full-flight Airbus A320 simulators, one full-flight A330 simulator, a 10-foot deep pool custom-made for rescue and emergency simulation and training, computer labs and 32 training rooms.

IN 2015, IT MADE WAVES WITH THE ACQUISITION OF A NEW A330-7000XR SIMULATOR, WHICH BOASTS NEXT-GENERATION FEATURES SUCH AS A RE-DESIGNED INSTRUCTOR OFFICE WITH SUPPORT FOR MOBILE DEVICES AND REAL-TIME DATA ANALYSIS AND FEEDBACK, AS WELL AS A CAE FLIGHTSCAPE INSIGHT™ DEBRIEFING STATION EQUIPPED WITH SIMULATOR OPERATIONAL QUALITY ASSURANCE (SOQA) TO ASSESS TRAINING EFFECTIVENESS.

The simulator in AACE is the first of its kind to be deployed worldwide and is expected to attract even more pilot trainees. Since it opened, in fact, AACE has welcomed a steadily increasing number of future pilots, with only a slight dip in 2014 due to the particularly tough aviation environment. Now, the demand looks set to increase again.

In 2015 itself, AACE saw a 26.2% increase in number of pilots who undertook Type Rating training, from 320 pilots in 2014 to 404 pilots, contributing to a 34% increase in revenue to RM88.4 million. While AirAsia still channelled the bulk of pilot trainees, there was a marked increase in training of pilots from third parties too. Among these were three new airline customers, namely Indian low-cost carrier Indigo Airlines, Hong Kong Airlines and Singapore Airlines.

Boosting its non-pilot revenue, AACE strengthened its collaboration with Aviation Australia by promoting its EASA Part 147 Engineering licensing programme more aggressively. It is also currently negotiating with AirAsia to conduct the CAT 'A' Engineering licensing programme which it hopes to kick off in 2016.

In addition, AACE offers non-aviation training programmes for corporate organisations. In March 2014, it obtained 'Approved Training Provider' status from the Ministry of Human Resource Malaysia to conduct trainings under the Human Resources Development Fund (HRDF). To date, no less than 10 programmes have been held under this banner while AACE continues to explore other alternative revenue streams.

Total revenue for the year grew by 25% to RM107.1 million while AACE's net income stood at RM48.5 million. Both its top and bottom line results exceeded AACE's own targets by 25.7% and 151.3% respectively. Of the total revenue, RM58.8 million was from AirAsia Group and RM48.3 million from third parties.

While seeking to grow, AACE has also worked hard to strengthen its credentials; and in December 2015 was rewarded by being ISO 9001:2003 Quality Systems certified. The certification places our training organisation on a firmer footing to capture a bigger share of the aviation training market in Asean by setting up more centres within this region.

There is also much scope to increase its simulator utilisation, and AACE is looking at innovative ways to achieve this. Having made some strategic investments in assets in the last few years, our training arm has certainly earned its stripes in the aviation training industry. And as this sector expands, we expect AACE to grow with it.

Airbus A320 cockpit

BUSINESS REVIEW

SOCIAL MEDIA

Always There for You

During the long weekend on which India's Independence Day fell, our Social Media team was out in full force at one of the most crowded train stations in Delhi, the capital city. Every year, at every long weekend, there will be many train cancellations or delays, leaving hundreds stranded in the country's main train stations. Our team therefore had a mission: to enable a family whose train was delayed or cancelled to fly in order to be able to celebrate a reunion back home. They found just one family, whose train to Goa had been cancelled. When our team offered them free flights, they couldn't believe their luck. Interestingly, the father, Mr Rambeer Singh, works in an airport but had never flown anywhere before.

The entire episode was captured on video and posted on Facebook, touching the hearts of thousands of others who could relate to this family's ordeal. The responses we got from the campaign was fantastic. Suddenly AirAsia India became a friend in need.

The #FreedomToFly campaign reflects what social media means to AirAsia. We engage with our guests and fans on social media not just to market products (although this is, of course, one of its many functions) but to truly connect with the growing AirAsia fan base. By constantly communicating with our friends and fans, we are able to get closer to them, understand them and add colour to their lives... both online and offline.

The campaign was also not unusual in taking our Social Media team to the ground. We regularly organise on-ground events in the different markets that we are in to get to know our fans better. While interacting online enables us to respond instantaneously to our guests, meeting them in physical reality deepens our relationship with them by enabling us to put human faces to our virtual communications.

In Bangkok, the team put smiles on many faces when it shot a cute, candid video of the antics of three 'pandas' (symbolic of China) interacting with the public on busy streets as part of a wider campaign to promote Thai AirAsia's destinations in China. The video, posted on YouTube, depicted the pandas bottle-feeding a baby, giving out balloons to bemused passers-by, helping to sweep the roads and even breaking out into a mob dance. It generated much hype and, more importantly, increased general awareness of the airline's connectivity with China.

Another campaign to increase awareness, this time of the AirAsia Asean Pass which was launched in February, was the Asean Traveller. For a month from 11 June, fans were requested to submit video entries from which our team selected the best five social media characters, namely a Beach Specialist, Pro-Foodie, Selfie Expert, Instagram Artist and Extreme Daredevil, who subsequently would go to experience the convenience of travelling across Asean with the pass for free. The campaign truly caught the imagination of those bitten by the travel bug, drawing over 2,000 entries for each category, creating a buzz about the travel pass.

And, of course, when the Free Seat campaigns come by, or when we launch new routes or other services, these are captured on our social media before any other public domain, a sure way of keeping our fans glued to our platforms.

GIVEN THE VERY SOCIAL NATURE OF AIRASIA AS A COMPANY, OUR SOCIAL MEDIA INITIATIVES MAY LOOK NATURAL AND EFFORTLESS. THE FACT IS THAT MUCH THOUGHT GOES INTO KEEPING OUR CHANNELS OF COMMUNICATION RELEVANT AND EXCITING. THE TEAM DOES NOT ONLY FOCUS ON CREATING FANFARE, IT ALSO HAS TO KEEP A FIRM EYE ON THE BASICS OF GROWING ITS FAN BASE AND ENSURING STRONG CONTENT IN ALL THE MARKETS WE ARE IN.

Towards this end, it keeps a close track on social media trends as they emerge, especially in our foreign markets, and adopts home-grown platforms that are popular among the local communities. In 2015, for example, they added Kakao Story in South Korea and Viber Public Chat in the Philippines, making AirAsia active on 12 social media platforms namely Facebook, Twitter, Weibo, YouTube, Instagram, LINE, WeChat, Google+, Pinterest and LinkedIn, in addition to the two newbies. This had the desired effect, helping to increase our fan base by a significant 279%.

In terms of numbers, we were most excited about growth seen in Thailand, where we hit one million Facebook fans this year. To celebrate the milestone, we gave away 100 limited edition Thai AirAsia Facebook jackets with 'Like' cards and... naturally... ran a campaign to qualify our fans for the freebies. This itself attracted over 2,000 submissions.

Key to the success of our social media interaction is to stay true to three golden rules – to listen, be transparent and engage. In so doing, our fans have come to realise that we really do hear what they have to say. Because of their trust in our commitment to respond, they constantly tweet us feedback on their booking, check-in and on-board experience – some of these live, requiring immediate action. And we do step up to the occasion whenever we can. For example, when a particular guest tweeted there was a long queue at a certain station, we forwarded the feedback to the relevant station head and, immediately, extra staff were assigned to assist our guests.

By responding immediately and with a genuine desire to help, we have been able to convert negative experiences into memorable occasions. Philip Allen, for example, tweeted being unhappy with the way his baggage was handled, following which one of our Allstars provided him with all the assistance possible to manage the situation, inspiring Philip to subsequently tweet: "Mr. Hakim's zeal and fortitude sets the bar when it comes to customer service."

Our efforts to connect with fans and friends have led to several awards over the years. In 2015, six more were added to the list.

In October, we were placed among the Top 3 Airlines in Asia Pacific for excellence in social media and won for the Best Handling of a Crisis Situation at the SimpliFlying Awards, held in Las Vegas. Meanwhile, the most prolific tweeter in AirAsia – our Group CEO Tan Sri (Dr.) Tony Fernandes – was presented a special individual award for Leadership in Social Media. The SimpliFlying Awards, established in 2010, are the longest-running awards dedicated to airlines on social media.

AirAsia also won the Malaysia Social Media Week (MSMW) 2015 Social Media Excellence Award in Malaysia while in the Philippines our affiliate garnered the Over-all Share of Voice Awardee (Airline Category) and Most Positively Perceived Page (Airline Category) from AllFamous Digital in May.

Having got it right in our social interaction with guests, we are now targeting to do the same for the people closest to our hearts – our Allstars. Intent on creating a vibrant social media environment within the Group itself, our Social Media team is working hard on social advocacy among employees. Collaborating with the Google team and our own internal Culture team, the aim is to get our over 17,000 Allstars to connect more frequently with each other using Google Enterprise. By sharing our stories and experiences, we will become an even closer-knit family, always there not only for our guests but for each other too.

#FreedomToFly Campaign

BUSINESS REVIEW

ANCILLARY

Creating More Value

SANTAN: AirAsia's restaurant in the sky

LAST YEAR, IT WAS GOURMET COFFEE. THIS YEAR, IT IS GOURMET FOOD. WE'RE TALKING ABOUT WHAT OUR GUESTS CAN EXPECT ON BOARD OUR FLIGHTS.

As of November 2015, we have extended our menu with award-winning dishes. Knowing how much Asians love our food, and how visitors to the region are also enamoured by the delicate interplay of spices in our cuisine, we decided to sponsor a segment of popular TV show MasterChef Asia, in which contestants were asked to prepare a favourite dish they had discovered from their travels. The winning entry was a typical north Indian meal of Stuffed Paratha with Dhal and Tomato Chutney, by Priya Barve of India. After winning over the judges' tastebuds, this delectable item was made available on certain AirAsia Group flights.

AirAsia is constantly on the look-out for new additions to the portfolio of what we call our ancillary services. These are the little 'frills' that guests can choose to make their flight more enjoyable, convenient and even more secure, at a minimal cost. While serving to enhance our guests' experience, ancillary offerings play an important role in our overall operations as they represent a significant source of income to the Group.

In 2015, we derived a total of RM1.139 billion from our ancillary business, which represented 18% of the Group's total revenue. To keep growing our ancillary income, we have dedicated teams that look into building the business. Their focus is on three areas: introducing new ancillary products, adding to existing products, and optimising the pricing structure of products.

NEW PRODUCTS

Other than stuffed parathas, we expanded our menu with Teriyaki Chicken Rice Cake, Smoked Chicken Pizza Sandwich, Tomato Rice with Ayam Percik, Chicken Satay Wrap, Vegetable Pasta with Roast Chicken, Thai Basil Chicken with Rice, Javanese Ayam Penyet with Rice, Nasi Dagang with Chicken Curry, and Bukhara Chicken Briyani. For the Christmas season, we also launched Shepherd's Pie.

These dishes were introduced as part of a rebranding of our in-flight menu from AirAsia Cafe to Santan, a more sophisticated name that reflects our desire to serve an enhanced gourmet experience featuring cuisine from across Asean. Along with the name change, we also introduced sweet endings to meals with a Maximise Your Meal option. Despite these changes, guests can rest assured that perennial favourites, such as Pak Nasser's Nasi Lemak and Kamal's Mee Goreng Mamak, have earned a permanent place on our menu. While they may be considered street food, they definitely qualify as gourmet offerings for having delighted millions of our guests over the years!

To avoid wastage, all AirAsia guests are encouraged to pre-book their meals. This allows them to save up to 20% as compared to purchasing their meals on board, while also guaranteeing that they will get to enjoy their favourites dishes.

We also introduced a new Empty Seat option, which enables guests to purchase

one or two seats in a row during web check-in. This service, launched in mid-November, supplements Pick A Seat which allows guests to choose where they sit, and whether they would like a Hot Seat, which affords more leg room, or a more Standard option.

Meanwhile, catering specifically to guests flying from Kuala Lumpur to one of the Thai islands of Koh Samui or Koh Phangan, we have partnered with transport operators in Surat Thani to enable the beach-seekers to book coach rides from the airport to the ferry terminal, and then ferry transfers to the islands. These Island Transfers save holiday-makers the hassle of having to deal with different operators on the ground and reduces the time taken to get to their final destination.

And to allow guests to share in the joys of travelling with AirAsia, we launched the AirAsia Electronic Gift Voucher (eGV) in mid-November. The timing was ideal for those struggling to find the perfect Christmas gift for their loved ones.

PRODUCT AUGMENTATION

In 2014, we made waves when we became the first airline in Malaysia to offer WiFi on board our planes. At only RM8, guests had access to 3MB of data usage on WeChat, WhatsApp and LINE. In July 2015, this service was extended with the addition of Twitter and KakaoTalk. Finally, in December 2015, the roKKI Combo Plan was introduced offering guests 10MB data usage for RM18 with access to Gmail, Outlook, WhatsApp, WeChat, LINE, KakaoTalk, Viber and Twitter apps. This WiFi service is available on about 2,600 flights each month, a number that will increase as more aircraft are equipped with the technology required to support the offering.

Targeting Premium guests (business travellers), we have strengthened our value-add services for Premium Flex. By choosing this option, guests get to enjoy several ancillary services packaged together, namely seat selection, in-flight meals and priority boarding. In 2015, we added Fastrack immigration to this list, debuting the service at klia2, Johor Bahru and Kuching where dedicated counters have been set up for Premium guests to check in. The intention is to prepare more airports to offer this facility.

OPTIMISING REVENUE

Check-in baggage is the highest ancillary revenue earner for the Group. However, we realised that we could further increase our income from this service by fine-tuning the pricing mechanism employed. Accordingly, in 2015, this was adjusted leading to a 9% growth in revenue from Baggage Supersize from RM431 million in 2014 to RM469 million.

AirAsia Electronic Gift Voucher

Fly-Thru, which allows guests to connect from one flight within the AirAsia Group onto another without having to check-in again, is also becoming an important revenue earner. To maximise the potential of earning connecting fees from this service, we are increasing the number of city pairings that allow guests to literally 'fly-thru', and have added a new Fly-Thru hub – Manila – to the existing hubs in Kuala Lumpur, Bangkok, Jakarta and Bali. During the year, guests made 1.62 million Fly-Thru connections, resulting in a 28% increase in revenue year-on-year from the fees to RM47.3 million.

RedBox, the courier service we introduced in August 2014, has also done very well in its first full year, earning RM12.8 million in revenue. While establishing itself as a competitive e-commerce logistics provider for customers such as Zalora, the RedBox team has also extended its service to personal users, with the Personal Parcel and Pinoy Parcel, the latter catering to Filipinos working abroad who wish to send items back home. For both e-commerce and personal customers, a new service called Red Cube was launched specifically for parcels weighing more than 50kg. This, in fact, was its biggest revenue contributor for the year.

We also derived more revenue from third-party driven ancillary services such as insurance and advertising. Concerted efforts by our partners resulted in a higher travel protection take-up rate as well as use of advertising space on AirAsia aircraft, our website, travel 3Sixty° magazine and collaterals (such as meal trays, overhead lockers and passenger steps). Consequently, our commission from insurance grew 39% year-on-year from RM57.4 million to RM79.7 million; and 79% year-on-year from advertising. The greatest increase in advertising revenue was from the online channel, which expanded by 187% from RM1.7 million to RM4.8 million.

BUNDLES OF GOODIES

In 2016, we will be adopting a new concept in ancillary service to add even more value to our guests, by bundling certain services together and offering attractive discounts for the packages as opposed to getting them a la carte.

At the same time, we will continue to optimise our income from increasingly popular products such as check-in baggage, seat options, insurance and advertising, and further expand our product portfolio with more on-ground services, for example transport. There are plans to grow our airport transfer service via coach and train as well as by taxi, while we look to extend the Island Transfer currently available in Surat Thani to Langkawi, for guests wishing to travel to Koh Lipe. Premium guests, meanwhile, can look forward to even better offerings with Premium Flex.

These initiatives will be complemented by the most basic upgrade of all, namely that of our portal. We will continue to review and enhance the user-friendliness of our website and ensure the most seamless transition to sites for booking our ancillary items.

P.S. Santan and Barista In The Sky were shortlisted in the 2016 Onboard Hospitality Awards under the Catering Innovation of The Year category, with our Barista service making it as a Top 3 finalist. This was occasion to be proud as Onboard Hospitality (OBH) is a leading industry magazine covering airline, rail and cruise hospitality worldwide, and AirAsia was the only low-cost carrier in the world to be shortlisted as finalists for the award.

The good news is, soon, you will be able to order your in-flight meal and take it away with you too. Next on the menu is a new packaging which will allow guests to re-heat their favourite AirAsia meals back in their hotels or home. A great way to land a gourmet yet affordable meal!

Extra Seat Option which enables guest to purchase one or two seats in a row for a fee

SUSTAINABILITY REPORT

When AirAsia was established 14 years ago...

★★★ WE MADE A PLEDGE TO ENABLE EVERYONE TO FLY. ★★★

TODAY. WE HAVE FLOWN MORE THAN 312 MILLION GUESTS TO 112 DESTINATIONS IN 20 COUNTRIES AND TERRITORIES; AND ARE THE LARGEST AIRLINE - LEGACY OR OTHERWISE - IN ASEAN. WE HAVE BEEN ABLE TO ACHIEVE THIS GROWTH FOR THE SIMPLE REASON THAT OUR BUSINESS MODEL - OF MINIMISING COSTS WHILE ENHANCING EFFICIENCIES - HAS PROVEN TO BE EFFECTIVE AND SUSTAINABLE.

While maintaining a lean business model, however, we have further built our brand by establishing and enhancing relationships with key stakeholders. We truly are a people airline and are driven to provide the best service to our guests and to ensure they have the best experience flying with us. At the same time, we believe we are only as good as our Allstars and are committed to providing them the most stimulating and rewarding work environment – one in which they are able to live their passions and realise their ambitions to achieve both personal and professional satisfaction.

In recent years, we have extended the reach of our people initiatives to include local communities in the countries that form part of our network. This has been a natural progression of a driving principle behind the company, namely to serve the underserved and uplift the lives of the marginalised.

At the same time, as an airline, we acknowledge we have a duty to minimise as far as possible our carbon footprint in order to protect and preserve the environment. Fuel efficiency is, in fact, integral to our business model as fuel makes up about 40% of our total costs. While we have been conscious of minimising our fuel consumption from day one, our efforts have intensified over the years as part of ongoing efforts to ensure the most efficient cost structure.

Our people and environmental efforts go a long way towards building the Group at a fundamental level, reinforcing our sustainability. These efforts will be described in greater detail in the following pages, under four main categories of the Community, Workplace, Marketplace and Environment.

DEVELOPING VIBRANT COMMUNITIES

Our community efforts are helmed by the AirAsia Foundation which was established in 2012. The foundation actively seeks out social enterprises in Asean that are empowering marginalised communities and provides them with seed grants to enhance their efforts and help them attain self-sufficiency.

Since 2012, the foundation has supported the work of 10 social enterprises in six countries – Malaysia, Vietnam, Cambodia, Indonesia, Myanmar and the Philippines – benefitting 968 family and community members. Some of the earlier projects have attained sufficient growth momentum to subsist on their own while others continue to receive financial and related support. Each year, the foundation increases the number of beneficiaries added to its list; in 2015, the new recipients included Animal Projects & Environment Education (APE Malaysia) and Sapanapro Joint Stock Company (Sapanapro), based in Vietnam.

Hoses Serving Environment & Species (HOSE)

In this project, APE Malaysia seeks to enhance the well-being of animals kept in captivity by providing zoos, animal rehabilitation centres and sanctuaries with enrichment tools made from upcycled decommissioned fire hoses. While serving the animals, the project also has positive environmental repercussions as non-biodegradable waste (rubber hoses) are saved from being added to landfills. Funds from the foundation will be used to develop a range of pet toys using fire hoses and other recyclables from old aircraft such as seat belts, leather seat covers and life jackets. Proceeds from sales of these items will be used to enhance APE Malaysia's current efforts while upgrading its website to enable e-commerce functions and training a team of disadvantaged persons to help in the production of toys.

Bamboo bicycles are produced from Tam Vong bamboo which grows in abundance in Binh Thuan province

Red Dao Herbal Therapy and Spa
A number of ethnic minorities living in the mountainous region in northern Vietnam subsist on one rice crop a year. With low education levels and poor command of Vietnamese and foreign languages, these communities are unable to attain and hold stable jobs. Sapanapro has been helping the Red Dao community in the Sapa hillstation to capitalise on their knowledge of herbs and traditional therapies by commercialising their herbal therapies. As of 2014, it had 72 local households as shareholders and suppliers of herbal raw materials. With the foundation's grant, the social enterprise plans to improve the Ta Phin village's herbal spa facilities, train the local community members in sustainable harvesting methods and improve the packaging and sales of Red Dao herbal products, among others. This initiative will help about 200 families.

PREVIOUS PROJECTS

Plae Pakaa (Fruitful) Show. Cambodian Living Arts has helped revive traditional Cambodian performing arts by recruiting young performers and having them tutored by old masters. Without funds, however, it was restricted in terms of the number of performers it could train. The foundation's grant, delivered in October 2012, was used to train 100 students in classical and folk dances, traditional Khmer opera and classical music; as well as to build a permanent stage for their performances at the National Museum of Cambodia. With more performers, the troupe was able to stage more shows and significantly enhance its revenue. As of September 2013, the troupe was self-sustaining.

Tonibung Renewable Energy Fund. Funds from the foundation are used by indigenous communities living in remote locations in Borneo to purchase micro-hydro turbines. The electricity generated allows them to develop small agro-based businesses to enhance their income. With added income, they are able to repay the Tonibung Renewable Energy Fund which then provides fresh loans to other communities living without electricity. This project, which started in July 2013 is still ongoing. It has to date benefitted 62 families.

Kotagede Conservation. The project, run by ArkomJogja, aims to develop tourism to Kotagede, one of the oldest walled cities in Java which houses a number of traditional artisans. The foundation's grant has been used for extensive documentation and a mapping exercise as well as to train youth from the enclave to serve as tourist guides. The project was expanded into a second phase in 2015 to help traditional silversmiths revitalise their craft [see below].

Silversmith Cooperative. The foundation has provided the silversmith community in Kotagede with fresh funds, and brought in technical expertise from the UK, courtesy of the British Council Indonesia, to help 17 craftsmen modernise their designs to have greater appeal. From July 2015, the debut collection of silver charms from Selaka Kotagede is being sold on board AirAsia and Indonesia AirAsia flights. This project is ongoing.

Muser Shade Grown Coffee. In March 2014, the foundation provided a grant to Muser Coffee Hill, which has been buying coffee beans from a small community of farmers in the Muser Hill in Thailand, roasting the beans and marketing the end product. The grant was used to purchase a new roasting machine to triple the social enterprise's production capacity. The foundation has also involved social enterprise incubator, ChangeFusion, to help Muser Hill Coffee increase it sales channels and re-brand its coffee. From January 2016, the new drip coffee has been made available on all Thai AirAsia flights. This project, which is benefitting 200 families in six villagers, is ongoing.

Bamboo Bicycle Workshop. In January 2014, the foundation provided a grant to social enterprise Thien Chi, which is helping to create full-time employment for seasonal farm workers in the Ham Thuan Nam district of Vietnam, making bamboo bicycles. The funds were used to create a second workshop and train new staff. By the end of the grant period in March 2015, the workshop was employing eight permanent and one part-time staff, had doubled its salaries on average, and provided the workers with insurance. Profits from the workshop are channelled towards health and education programmes in the province.

Artisans Across Asia. In the Philippines, Rags2Riches, Inc (R2R) has been helping marginalised women make beautiful handicraft using recycled materials. With funds from our foundation, the social enterprise has been able to train even more women and enjoy a ready-made sales channel via AirAsia flights. Items made by R2R are the first among those produced by the social enterprises that we support to be marketed on our flights. The grant period stopped in December 2014.

Destination: Good
Taking its efforts to promote social enterprise a step further, AirAsia Foundation together with ThinkCity and MaGIC Social Entrepreneurship organised a conference and marketplace called 'Destination: GOOD – ASEAN Social Enterprise in Kuala Lumpur'. The full-day event on 7 November 2015 brought together 30 social enterprises from the region – including those being supported by the foundation – as well as successful businesses to discuss the future of entrepreneurship in Asean and how big businesses and social enterprises can work towards creating more equitable, sustainable and inclusive economic systems. Among key panelists in the discussions were Richard Eu, Group CEO of Eu Yan Sang International Ltd of Singapore; Shinta Kamdani, CEO of Sintesa Group of Indonesia; Vichien Phongsathorn, Group CEO of Premier Group of Thailand; and our own Group CEO Tan Sri (Dr.) Tony Fernandes.

Stylish accessories fashioned from clean scraps sourced from garment factories

Local farmers harvest shade-grown coffee beans in Muser Mountain

Shade-grown coffee is said to have complex flavours

QPR coaching clinic

Relief Efforts
Over the years, AirAsia has provided use of our aircraft to facilitate humanitarian aid and natural disaster relief efforts. In 2015, we continued in similar vein. In addition to raising RM902,447 in support of MERCY Malaysia for the East Coast Relief Fund, as reported in last year's sustainability report, AirAsia Foundation raised over RM895,662 under the 'To Nepal With Love' campaign which helped rehabilitation efforts following the devastating earthquake on 25 April 2015. Funds from the campaign were channelled via Open Learning Exchange Nepal (OLE Nepal) to help rebuild schools in the Gorkha district. In addition, we provided free air travel to aid workers from accredited relief organisations headed to Kathmandu.

Following the floods in Myanmar which critically affected over one million people, AirAsia and Thai AirAsia sent supplies including clothes and blankets to local relief teams for distribution in the Ayeryawaddy Division and elsewhere. Meanwhile our local team in Myanmar delivered essentials to the Sagaing Division, benefitting over 380 families in the affected area.

In Malaysia, we collaborated with Malaysia Volunteer Fire and Rescue Association (MVFRA) to transport relief items to Kota Kinabalu in the aftermath of the earthquake in Sabah. And in India, our associate AirAsia India provided free airlift of over 9,000kg of cargo to the northern state of Manipur from Delhi and Guwahati following the floods in August which displaced half a million people. This was followed by a similar relief mission to Chennai following its inundation in November.

Meaningful Support to MAKNA
A key corporate responsibility programme undertaken during the year, initiated and driven by our Allstars, was #AirAsiaMAKNA, which aimed to support the work of the National Cancer Council via financial aid as well as heightened awareness of what it does. This includes providing curative, preventive, research and support services to cancer patients, their families, high-risk groups and also the general public within Malaysia and the region. Its mission is to fight cancer and reduce related pain, morbidity and the suffering that cancer patients undergo.

We managed to raise a total of RM197,945.64 through the campaign from the sale of T-shirts designed in-house at 23 locations in Kuala Lumpur, Sarawak, Penang, Pahang, Johor and Indonesia, as well as on MAKNA's online store. At each ground location, MAKNA was present with a booth to distribute leaflets and to inform the public about cancer. The involvement of celebrities in this campaign meant that we were able to reach out to over 7 million of their followers. An Instagram contest organised in conjunction with #AirAsiaMAKNA further heightened awareness of the initiative, drawing posts from as far as Brazil.

Lending further steam to this cause, we also teamed up with Media Prima Berhad to support the 'Travelling Beruang' campaign aimed to raise public awareness about children with cancer in Malaysia. We made available the cuddly 'Travelling Beruang' (bear) for purchase on board AirAsia flights, with proceeds again channelled to MAKNA.

Focusing on Children
A number of corporate social responsibility (CSR) programmes carried out by the Group focus on uplifting the lives of underprivileged children.

Our Thai associate, especially, runs a number of ongoing initiatives targeting children. These include the Thai AirAsia Young Cultural Ambassadors programme in which youth with the interest and ability in traditional performing arts are trained by master artists and go on to promote Thai culture at international events. In 2015, the young ambassadors performed at the Thai Festival in Tokyo in May; the Thailand and Indonesia Youth Cultural Exchange held in Bali in June; and the Thai Festival in Seoul in August.

In collaboration with the Book for Thailand Foundation, it provides Thai youth with quality reading material in English with the aim of instilling a reading habit while also improving English language proficiency. 2015 was the second year in which Thai AirAsia supported the 'Connecting our Wisdoms' project by providing free air transport for more than 70,000 books donated to the foundation over the course of the year which needed to be distributed to agencies and institutions across the country.

Together with the Royal Thai Marine Corps, Sattahip Naval Base and the Tourism Authority of Thailand of Rayong Province, our associate also took 60 students from rural Chiang Mai and Udon Thani on an educational trip to U-Tapao Airport, where they got to learn about the history of the Royal Thai Navy, the Royal Thai Marine Corps, Sattahip Naval Base and Rayong.

In India, AirAsia India supported the 'Save the Girl Child' campaign by organising a mega run in collaboration with Maruti Vihar Sarbojanin Durgotsav to heighten awareness of discrimination against women. The event attracted the participation of 1,500 runners.

Other Community Programmes
30 Allstars from the Group participated in a community project to paint newly built homes for the people of Kelantan who were affected by the East Coast Floods in early 2015. The project was organised in collaboration with MERCY Malaysia.

In Thailand, volunteers from our associate contributed their time to teach English to tourism operators, local guides and youth in communities with tourism potential in an effort to help them attract and communicate efficiently with foreign visitors. In this 'English on Air' initiative, the syllabus for the English course is designed by faculty members of Chulalongkorn University. In 2015, the programme was run in Ban Hua Thung, Chiang Mai; Ban Kuka Sign in Roi Et; and Ban Prom Lok in Nakhon Si Thammarat.

Supporting Talent
Just as we have been promoting tourism to Asean and helping local communities to develop, we also believe in the potential of the region to produce world-class sporting talent and have been supporting numerous individuals as well as teams to give them the exposure and inspiration they need to truly excel.

Leveraging on our relationship with the Queens Park Rangers (QPR), we have been running the AirAsia - QPR Coaching Clinic Tour since 2013. Under the programme, coaches from QPR in the Community Trust hold football clinics in Thailand, Malaysia, Singapore and China with the aim of unravelling real talent and providing them the opportunity to spend a week training at QPR's Academy in London. These football talents also get the chance to visit the football club's grounds in Loftus Road and meet the QPR first team. The idea is for the once-in-a-lifetime experience to motivate our youth to aspire for excellence. In 2015, eight young footballers from the region were chosen to go on this trip.

We have also become more involved in promoting badminton and unravelling talent in this sport since setting up the AirAsia Badminton Academy in 2012. To date, the academy in Petaling Jaya has trained more than 250 players and produced world-class badminton players representing the Malaysian national team. Via special badminton clinics organised for the public, our coaches are able to identify up-and-coming talents to be trained and nurtured under the academy.

At a more professional level, we have been providing sponsorship to the ASEAN Basketball League since 2009; and have been the Official Shirt Sponsor of QPR for the last five seasons. In 2014, we got involved in bike racing by becoming the official airline sponsor for the Shell Advance Asia Talent Cup, which provides a pathway for talented teenaged riders into competitive racing.

We also feel extremely proud to be able to support our own AirAsia Allstars Football Club, which started out as an informal company team but, fuelled by the passion and dedication of the players, became registered in the Selangor state league, and in 2015 was promoted to the Liga FAM national league (third tier in Malaysian Football). It is now a professional club.

During the year, we also extended our efforts to develop talent beyond the sporting realm. For the first time, we launched the AirAsia Runway Ready Designer Search to discover and promote fashion talent in the country. Upon announcing the designer search in May 2015, we received over 340 submissions from which 62 designers were shortlisted and 10 finalists were selected to present their collection at the KL Fashion Week Ready to Wear 2015 Runway on 16 August. At the show, three top winners were announced. The most talented young designer is not only spending a year as an apprentice to fashion guru Jovian Mandagie but will also be able to present a full collection at the KL Fashion Week Ready to Wear 2016.

AirAsia management team from different AOCs attended the Asia School of Business - MIT Sloan School of Management workshop on 'Leading & Managing Change'

A TRULY ALLSTAR WORKPLACE

At AirAsia, when we say our people are our most valued assets, we are not merely paying lip service. We truly value our Allstars and are committed to providing a work environment in which everyone is given a 'voice' and is positively encouraged to make this voice heard. We value the opinions and perspectives of our culturally diverse workforce, and have a flat hierarchy in which there is constant dialogue across minimal levels. The open layout of our offices further supports free and honest communication, with Allstars of all levels – from non-executives to senior managers – all sitting next to each other.

We have a very strong 'can-do' culture which means that we often stretch our Allstars to achieve more than they may have thought they were capable of doing. At the same time, we provide our people the opportunity to discover their own passions and talents and the space to pursue their dreams. We believe every individual has immense potential, and only require the right environment in which to realise their inherent abilities. That is why, it comes as no surprise to us that we have nurtured dispatch boys into first officers (pilots), baggage handlers into cabin crew managers, a senior flight attendant into CEO of one of our associate companies... and we even have a former Miss Thailand Universe flying our planes as a captain.

We believe strongly in recruiting the right talent into the organisation. When we were a young airline, our Group CEO himself personally recruited a number of Allstars who went on to fill leadership positions. Today we employ numerous channels to bring on board fresh graduates and more senior candidates. These include participation in career fairs, advertisements placed in various media, roadshows, and engagement with universities as well as headhunters and talent managers such as TalentCorp Malaysia. What we look for in our people are ambition and drive, yet also a humbleness to be forever ready to learn, and a strong sense of being a team player, feeling excited about being part of a larger group and being happy to say of achievements: "Yeah, I was a part of that!"

We believe in bringing out the leader in every individual Allstar in the Group. This is done via training programmes that cater to four levels in the organisation: non-executives, executives, managers and senior managers. These leadership programmes, as well as other training modules presented on a regular basis, are developed by our own people who have volunteered to be part of the Group's Leadership & Talent Development (LTD) team.

During the year, LTD collaborated with Cranfield University, a leading British postgraduate institution, to develop a Leading Across the Business programme which focuses on Leadership and International Aviation Safety. The inaugural programme, run with participants from across the Group, received very positive response. Meanwhile, we are also collaborating with the Asia School of Business, established in Kuala Lumpur in 2015 by Bank Negara Malaysia in partnership with MIT Sloan School of Management, to sponsor one Allstar to complete its MBA programme.

To help instil a learning culture, we offer five Formal Learning Days (FLDs). This means our Allstars are entitled to take five working days a year for development purposes. However, we are flexible about FLDs and are willing to consider allotting more time to Allstars who deserve a longer time allotment to increase their professional capabilities.

Further enhancing a culture of learning, we have adopted the full suite of Google apps in the workplace which enables Allstars to share their knowledge and collaborate with each other via Google+; to hold discussions and video calls on Google Hangout; and to work together on documents using Google Docs, Sheets and Forms.

New KPI Setting

We are a meritocratic company that rewards our Allstars based on performance. In other words, we are very much performance-driven. We realise, however, that to obtain the kind of performance that serves the Group's ultimate goals, we need to set clear goals and deliverables for each Allstar. To help streamline key performance indicators for everyone across the Group, in 2015, the CEOs and heads of department at the Group and country levels engaged in an extensive exercise to provide their input and agree on new standards.

As a result, we now have Company KPIs, Department KPIs, Individual KPIs as well as Non-Negotiables ie Safety and Governance and Values. KPIs of Allstars have also been linked so that there is direct inter-correlation between a manager's KPIs and that of his/her subordinates. To make our Performance Management framework more accessible, we are exploring various cloud-based solutions that will transform the entire system onto a mobile, interactive and easy-to-use platform.

We Go Together

We believe it is important to provide opportunities for our Allstars to engage in activities that are not work related in order to create a healthy work-life balance. Such activities have the added benefit of reinforcing interpersonal relationships and enhancing team spirit. Our Culture Department is responsible for organising a variety of events that cater to different interests and that enable our Allstars to develop their personal talents. These events generally take the form of CSR activities (which are reported in the Community and Environment sections of this report), sporting as well as creative activities.

Highlights of the year was a three-day trek up Mount Salak in West Java, Indonesia which saw 94 Allstars derive the personal satisfaction from achieving a tough challenge; the annual yoga retreat which this year took 50 Allstars to Phuket for a three-day stretch; and the Allstar Cooking Challenge, held in conjunction with AirAsia's sponsorship of MasterChef Asia, in which 30 gourmands cooked up a feast. And, to reinforce a culture of safety, on 29 August, Allstars from RedFort got together to clear the klia2 tarmac of any foreign object debris that could potentially damage our aircraft.

Among the sporting events held were:

- Allstar Regional Badminton Tournament – Bangkok, 30 May - 150 participants
- Allstar Asean Bowling Championship – Kuala Lumpur, 8 August – 144 Allstars in 36 teams
- Allstars Regional Futsal Tournament – Jakarta, 31 October – 224 Allstars in 32 teams

Finally, for a truly fun and purely social do, 5,000 Allstars converged at the Kuala Lumpur Convention Centre on 16 January 2016 to celebrate AirAsia's 14th anniversary.

Diversity, Part of our DNA

Group-wide, we currently employ 14,584 Allstars who come from across Asean as well as India, Japan and Ireland, among other countries. We positively encourage diversity in the workplace as we believe individuals with different backgrounds and experience add to our collective intellectual capital, while providing for a vibrant mix of perspectives that enrich the basis of our everyday decisions.

At AirAsia itself, we employ 6,657 Allstars who mirror the cultural diversity of the nation, with 55.36% Malays, 14.84% Chinese, 13.38% Indians, 5.93% Bumiputera-Others, and 10.49% foreign nationals. In terms of age, most of our Allstars fall under the 26-30 years bracket (32.05%), followed by the 31-40 years bracket (31.90%), 21-25 years bracket (22.70%), 41-50 years (8.98%), 51-60 years (2.16%), below 20 years (1.68%), 61-70 years (0.51%) and above 70 years (0.01%).

We are also a strong advocate of gender equality and have a positive policy on providing equal career opportunities to women. Across the Group, our female to male ratio stands at 1:2, while in Malaysia it is roughly 3:7.

Diverse Allstar workforce

A STRONGER PRESENCE IN THE MARKETPLACE

Over the years, AirAsia has been establishing a deeper and more meaningful presence in the marketplace. This started out by our becoming the airline with the most extensive network in Asean, but has gradually evolved into our actually helping to shape the market. Our leaders are highly sought for their experience and insights at international events. Group CEO Tan Sri (Dr.) Tony Fernandes has been named as one of TIME magazine's 100 most influential people. AirAsia CEO Aireen Omar is considered by Corporate Treasurer as one of the 25 Most Influential Women in Treasury. The airline itself continues to win numerous international awards and accolades.

Our leadership in the marketplace stems from an organisational culture that places great emphasis on governance, safety, open communication, innovation and genuine customer-centricity.

Governance & Transparency

AirAsia has always been transparent in our actions. We engage frequently with the media, analysts and regulators and are open with our shareholders on our performance and strategies. We present our quarterly financial results to analysts and investors and our annual results at our annual general meetings. We also provide detailed analyses of our financial performance to Bursa Malaysia every quarter.

In our press releases and investor briefings, we are candid about pertinent corporate developments such as turnaround plans. We have a strong Corporate Communications team that responds quickly and openly to members of the media when they approach us for added information regarding our operations or indeed our opinions on industry-related matters. Our Investor Relations team, meanwhile, is well-known among investors and analysts – not just within Malaysia, but also the region and beyond – because of our high level of engagement with them. Every year, on average, we attend numerous investor conferences and roadshows at which we share our business profile and aspirations to the investing community.

Risk Management

AirAsia faces many uncertainties inherent in the business of a scheduled air operator. As taking risks is integral to our business, we have made it the responsibility of every Allstar to practise good risk management. Supporting this risk-conscious culture, we have in place 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.

The Group Risk department (Group Risk) is a centre of expertise on risk management for the AirAsia Group of airlines. Its mission is to help the Group reduce our cost of risk and maintain high operational resilience.

By working with each of our affiliates and regional functions, Group Risk aims to achieve consistency across the board with local accountability in enterprise risk management, business continuity planning, information security management and aviation insurance administration.

In November, Group Risk shared a fully-revised Group Risk Management Policy with all AirAsia affiliate airlines. This will be used as a basis for the preparation of future frameworks, policies and procedures on risk management, as well as the development of tools to improve risk analysis and reporting, and dialogue on risk matters moving forward.
Group Risk's programme goals are to foster a strong risk management culture in AirAsia and ensure event-ready procedures and operations through:

- Collating accurate data for developing and reporting the AirAsia Group risk profile
- Providing risk advisory, training and technical support to management and employees to improve analytical and risk reporting capabilities across the Group
- Establishing a business recovery centre at the Group's training centre, the Asian Aviation Centre of Excellence, as an alternative site to RedFort
- Identifying business continuity risks for key functions such as Flight Operations, Information and Communications Technology (ICT), as well as for key hub and stations, including our subsidiary, AirAsia Global Shared Service Sdn Bhd
- Reviewing business continuity plans, developing Group incident management procedures to improve response and recovery measures to disruptions
- Standardising IT security policies across the Group
- Conducting regular system and product vulnerability assessments
- Quarterly reporting on Payment Card Industry Data Security Standard (PCI DSS) compliance
- Achieving ISO 27001:2013 certification for information security management systems in 2016
- Establishing a Group insurance office to provide support to all our affiliates on all aviation insurance related issues, collate data to identify insurance cost of risk, and monitor trends to reduce losses

Group Risk organised a visit by international aviation insurance underwriters to AACE

Revenue & Process Assurance

The key objectives of the Revenue and Process Assurance department are to ensure the company's internal processes are efficient, effective and adequately controlled. This includes zero tolerance to revenue leakage and process non-compliance. To safeguard revenue assurance, the department has a Card Fraud team and a Continuous Monitoring team.

Having adopted the Visa and MasterCard fraud compliance programme, the Card Fraud department aims to maintain our overall fraud to sales ratio consistently below the threshold set by Visa and MasterCard. The team relies on the CyberSource Fraud Detection System to flag suspicious credit card transactions. Detailed analysis is performed to determine the modus operandi of emerging fraud cases and new fraud rules are created to further enhance our card fraud detection.

In 2015, the Card Fraud team participated in the Airline Action Day, when its members worked closely with Interpol for information sharing and intercepting guests who travelled with bookings paid with fraudulent credit cards. The project also involved cooperation and assistance from Polis Di Raja Malaysia (PDRM) and AirAsia Security Department.

Meanwhile, the Continuous Monitoring team focuses on the offline sales channels (sales offices, airport counters, call centres, etc) for changes made to bookings by staff with SkySpeed (booking reservation) system access. The team generates a total of 10 revenue exception reports daily to monitor revenue leakages and non-compliance to the company's standard operating procedures (SOP). Exceptions are highlighted to the department heads and station managers every month for their review and further action. The Internal Audit Department is also notified of any exceptions noted for further action where necessary.

On process assurance, the team walks through the end-to-end process workflow with process owners during our review of policies and procedures to ensure the process owners are able to manage and align their operations more effectively to achieve their business KPIs and objectives. This includes assisting stakeholders evaluate results, identify process gaps/challenges and propose and implement enhancements to improve/address issues highlighted before the SOPs are formalised. Department heads have been made aware of the need to forward their SOPs for the team's review prior to the SOPs being formalised.

Innovation - for our Guests and our Processes

AirAsia being named the World's Best Low-Cost Airline by Skytrax seven years in a row stands not only for our low fares but also the quality service that we offer throughout guests' journey with us. We have always been driven by innovation and continue to look for better ways for our guests and the company itself to do things, as with greater efficiencies come greater convenience and cost savings.

roKKi.com Token

During the year, various innovations were introduced in our customer-facing interfaces beginning with our website – often the first point of interaction with guests. We moved our booking engine to dotrez which is faster and easier to use while also introducing a number of newly automated processes that add to our guests' convenience while lowering our operating costs. These included the mobile app and e-boarding pass, which allow guests without check-in baggage to proceed straight to the departure gate without having to go through any check-in counter; and the self bag-drop as well as home tag service in Johor Bahru, where now guests get to enjoy a complete self-service experience which we intend to replicate in all our stations throughout Malaysia as well as our regional and Asian bases.

For our BIG Loyalty Programme members, we have introduced a number of new innovations that make it easier for them to know where they can fly to with the points they have accumulated, and that remind them to redeem their points. The year saw us launch Fixed Points, a fix-tiered grid that lists destinations that are open to BIG members who have a certain amount of points; as well as the Final Call, which offers exclusive deals of up to 85% discount on certain flights.

On board our flights, we have extended the range of WiFi offerings made available. From 3MB of data usage on WeChat, WhatsApp and LINE in 2014, guests now have access to 10MB data usage inclusive of Gmail, Outlook, WhatsApp, WeChat, LINE, KakaoTalk, Viber and Twitter apps. This service is available on about 2,600 flights a month, and will be extended as more aircraft are equipped with the technology required to support the offering.

Further enhancing the guest experience, we also introduced a couple of new innovative services such as the Empty Seat option, enabling guests to purchase one or two seats in a row for a small fee; and island transfers. Guests flying to certain islands – such as Koh Samui and Koh Phangan – can now book their land and sea transport at the same time as they book their flights to make the entire trip to the islands more effortless.

Within the company itself, we seek continuously to introduce new and better ways of doing things to create efficiencies.

A major internal change in 2015 was to 'Googlise' AirAsia, a first step towards becoming a truly digital airline. By Googlising our internal communication, we enable our Allstars to collaborate more effectively. A number of workshops have been held to train our Allstars to use the full suite of Google apps at work. But that is just the first step. The idea is for the Group eventually to be driven by big data so as to be able to personalise our service delivery, closing the gap between us and our guests.

At the same time, we still encourage our Allstars to sit down together, physically, and exchange ideas to generate more innovative change that will allow us to further enhance our productivity. One initiative that has taken off is AirAsia Brain, a crowdsourcing platform that allows our Allstars to share, collaborate and present their ideas. To keep them motivated, we adopt all good ideas generated and reward our Allstars for their positive contributions.

Guest Satisfaction

Every year, we measure our guests' satisfaction via a net promoter score (NPS), which indicates how likely it is that a guest will recommend AirAsia to family or friends. This score is obtained by sending our guests an online survey in which they are asked to rate various aspects of their journey with us. This not only provides invaluable feedback on their satisfaction level but also indicates what matter most to our guests, highlights where our pain points are, and allows us to improve our service. The survey, conducted on a quarterly basis, measures guests' experience during check-in, boarding, on the flight and upon arrival. In addition, it solicits comparisons between AirAsia and our competitors.

In 4Q 2015, we obtained a 6.5% response rate with 132,678 guests making the effort to complete the questionnaire sent a day after their flight. The score is determined by the total number of guests who are extremely likely to recommend our services (promoters) minus those who are not likely to do so (detractors). Although our overall score dropped by four percentage points for the year as compared to 2014, our Overall Inflight Cabin Condition and Overall Inflight Cabin Experience still fetched high ratings of above 80%. We will be enhancing our questions in 2016 to be able to obtain more extensive feedback on our service. New questions will be added for feedback on guests' booking experience, their views on our BIG Loyalty Programme and Duty Free, as well as their baggage experience upon arrival at their destination.

Continuous Improvement

In line with our commitment to optimal efficiency, in 2010 we embarked on a Continuous Improvement Programme (CIP) which aims to streamline our entire operation. This extensive initiative encompasses a Cost Out & Avoidance (COA) Programme being undertaken in collaboration with GE, which targets to reduce our costs by USD20 million between June 2012 and May 2017.

Key to the success of this programme is the buy-in and performance of our Allstars. Accordingly, various efforts have been initiated to create greater awareness of CIP, to train more Allstars to become change agents, and to recognise all positive contributions to the company. The process starts with the Lean Six Sigma (LeSS) programme, under which heads of department nominate Allstars for Green Belt and Black Belt training to achieve specific process improvement goals. Allstars who have successfully completed such training and are implementing improvement projects are then recommended to attend the Change Acceleration Process workshops at which they are introduced to new tools and processes that will help them achieve their goals.

During the year, 21 Allstars obtained the LeSS Green Belt, contributing to a total of 166 Allstars who have been LeSS trained. Meanwhile, 72 Allstars underwent the Change Acceleration Process training.

In terms of results, the Malaysia operations derives USD400,000 savings per annum each from aircraft performance deterioration (APD) pairing and cargo panel reduction; while Thai AirAsia and Indonesia AirAsia save about the same amount each from pairing for BOI tax incentives and balance owing procedure improvement, respectively. Meanwhile, auxiliary power unit (APU) savings across all associate companies have increased to USD2 million a year. Total savings from the CIP to date amount to USD6,858,343.02.

A number of projects have been earmarked for year 2016 including more efficient wheelchair services; enhanced crew management; improving our on-time performance with better communication flow; greater in-flights sales using big data analysis; and pushing seat selection services more effectively for enhanced ancillary income.

AirAsia volunteers cultivate seedings and built rainwater harvester with Free Tree Security

AN ENVIRONMENT OF CONSCIOUSNESS

We acknowledge that, as an airline, we have a duty to ensure our operations are carried out in the most environmentally-responsible manner. Climate change to us is not so much an inconvenient but incontrovertible truth that needs to be addressed by all corporations that are committed to safeguarding a healthy future.

The most important way in which we can minimise our environmental footprint is by ensuring the highest level of efficiency in fuel usage. This is, in fact, something we have been doing since we were established 14 years ago, as fuel represents one of our biggest costs. The use of the Airbus A320 aircraft was guided primarily by the fact that it is one of the most fuel-efficient narrow-body aircraft in the world. Not only are our aircraft fuel-efficient, we also keep our fleet young – with a Group average age of 55 months – as younger aircraft have more efficient engines.

Further enhancing the fuel efficiency of our aircraft we have configured our seats to be able to accommodate the most number of guests, so we can fly more people with less fuel. The fuel we use, moreover, is the highest grade kerosene which emits less CO2 than gasoline in cars.

In 2012, we became the first airline in the world to take delivery of an Airbus A320 aircraft equipped with Sharklet wingtips, which reduce fuel burn and emissions by improving the aerodynamics of the aircraft. With these aircraft, we save about up to 5% of fuel (or 147 litres) for every flight, which translates into a reduction of 464kg of CO2 emissions. Today, we are maintaining our pioneering status as one of the most fuel-efficient airlines by being one of the first in the world to operate the Airbus A320neo aircraft with the new CFM engine, which further cuts our fuel burn by 16-20%, enabling us to save up to 666 litres of fuel per flight.

Supplementing our fuel-efficient aircraft, we have been collaborating closely with GE to create innovative ways in which we can further minimise our fuel consumption. Some of the initiatives implemented are described below:

One engine taxi. This entails taxi-ing out and in with only one engine. When taxi-ing out, the second engine is turned on only when the aircraft reaches the runway and is about to take off. In the reverse direction, one engine is switched off about three minutes after landing. This initiative enables us to save about 6kg (or 8 litres) of fuel per minute while also reducing our engine maintenance costs and noise pollution.

Required Navigation Performance (RNP). We have spent over USD30 million over the last five years to develop more efficient flight procedures for landing in all 14 airports that we operate into in Malaysia and four each in Thailand and the Philippines. RNP leverages on finding the shortest possible track to land. The first RNP flight in Malaysia was in October 2013. Through RNP we are saving about 182 litres of fuel and 575kg of CO2 per flight.

Reducing aircraft weight. The lighter the aircraft, the less fuel it burns. Hence we are looking at ways to minimise the load carried on board. One such initiative is to reduce our paper weight. The documents required by our pilots weigh about 23kg. In 2014, we replaced this with electronic Flight Folders (eFF) and last year upgraded our eFFs wth a 'Smarter Fleet' version which allows pilots to access their briefing package on board the aircraft, or from home, the hotel, or the crew briefing room. We are also reducing the volume of potable water carried on flights, adjusting the amount according to the length of the flight.

Cooling off. On the ground, if the ambient temperature in the aircraft is comfortable, we switch off one of two air conditioners in the aircraft.

As a result of these efforts, in 2015, we reduced our CO2 emissions by 22,602 tonnes which is equivalent to 113,000 trees. These savings will continue to increase every year.

Internal Efforts to Go Green

Within our offices, various initiatives have been implemented to reduce the unnecessary use of resources and minimise waste. They include the following:

- ***Sale of scheduled waste.*** As of 2012, waste oil from all aircraft is being sold to vendors registered with the Department of Environment (DoE). In 2015, we sold 18,000 litres of waste fuel and 6,700 litres waste oil.
- ***Use of green paper.*** Since January 2015, all our stations and hubs in Malaysia have implemented the use of Forest Stewardship Council Malaysia (FSC)-certified Fuji Xerox printing paper made of fibre.

- ***Saving & recycling paper.*** We have reduced our paper usage from 28,550 reams in 2014 to 15,740 reams in 2015. We also sell unused boxes, newspaper and shredded paper to be recycled. In 2015, a total of 13,765kg worth of paper and boxes was sold.
- ***Green Fridays.*** On Fridays, Allstars at RedFort are encouraged to bring their own tumblers and food containers to save on a RM1 fee imposed on plastic containers and paper cups in the cafeteria.
- ***Commuting together.*** A carpool community has been created on Google+ for Allstars to find carpool mates. We are also in discussion with the ERL concessionaire to be granted cheaper monthly passes for Allstars.
- ***Green waves.*** We are instilling a green mindset at work by organising talks, seminars and workshops on cultivating green habits. Signs have been put up throughout RedFort to remind Allstars to conserve energy, reduce waste and recycle.
- ***Green washrooms.*** Hand dryers have been installed in the washrooms at RedFort to reduce usage of toilet rolls.

Moving forward, we aim to push for green procurement by which we will select only environment-friendly products and service providers. In addition, we plan to organise at least two environment-themed regional activities for Allstars, eg river cleaning and tree planting.

#GREEN24

Towards end 2015, we launched a Group-wide initiative to heighten awareness of climate change among our Allstars as well as the general public. The main aim of the campaign, #GREEN24, was to inspire individuals to implement change in their own personal space and to spread this little effort wider by getting people around them to do the same. The programme started at RedFort with a series of initiatives such as bring-your-own-mug day. It was followed by our first public activity via a clean-up at the Kanching waterfall in Rawang in November 2015, during which about 150 volunteers from across the Group (including the Tune Group of Companies) collected close to 600kg of garbage in about two hours.

This then escalated into an extensive 24-hour initiative from 6pm on 29 January to 6pm on 30 January, during which all our global offices (including the Tune Group of Companies) took on climate actions to promote sustainability. This large-scale project, which made the most of our extensive network, garnered many positive results and got #GREEN24 to trend on Twitter and other social media channels.

#Green24 campaign to promote environmental sustainability awareness

In Malaysia, on 29 January we collected used T-shirts from our Allstars to be recycled by APE Malaysia into toys for animals while on 30 January we organised a #GREEN24 Community Event in Bangsar at which 20 environmental partners provided visitors with green tips, and we collected materials for recycling from the public. Environmental projects across the Group included the distribution of re-usable AirAsia bags in Jakarta, to a reef clean-up off Samed Island in Thailand, and planting of 200 mangrove trees in Ho Chi Minh City.

Waterfall clean-up activity at the Kanching Rainforest Waterfall

MOVING FORWARD, WE HAVE A REEF CLEAN-UP PROJECT PLANNED FOR MAY, AND SMALLER-SCALE PROJECTS IN THE MONTHS LEADING UP TO ANOTHER LARGE-SCALE #GREEN24 AT YEAR END!

BUSINESS REVIEW

OUR SAFETY COMMITMENT

Safety is of primary concern at AirAsia and is managed via our Safety Management System (SMS). Under the SMS, we continuously identify hazards through audits and safety reports submitted by Allstars, which are risk assessed and monitored for trends, resulting in mitigation actions before any identified risk can escalate into incidents or accidents.

The critical safety functions of senior management are in the areas of strategy and leadership. Senior management provide a vision for safety management and the resources required to maintain our targeted level of safety. Meanwhile, all Allstars are aware that the health and safety of the organisation is everyone's responsibility.

Our SMS is built on a sound and just reporting framework, which ensures that any hazard or safety deficiency detected is brought to the attention of those with the authority to make changes. Unusual trends in Flight Data, for example, are analysed and reported to the Flight Operations Management for prompt corrective action. The flight crew concerned will be consulted, and new procedures may be introduced to address previously unknown weak points or areas of uncertainty.

We recognise human stress as an area of concern and address it through a Critical Incident Stress Management (CISM) module developed by the Human Factors section. Psychologists are engaged to apply the CISM, not only for our flight and cabin crew, but to all other Allstars.

Our approach to safety further ensures that authority and accountability co-exist. I pledge that no disciplinary action will be taken against any Allstar for reporting a safety hazard or concern to this company's management. I pledge also that no member of staff will be asked to compromise on our safety standards to 'get the job done'.

An essential component of our SMS is training. We train our Allstars so they are able to perform their tasks in a safe and efficient manner. Training modules for our crew are continuously updated and refreshed to include recommendations made following accidents and serious incidents within the industry, to ensure they are equipped with the knowledge to manage all possible scenarios.

Medical incidents are reviewed and shared with the cabin crew during classes and the importance of first aid is emphasised, while the content of the medical kits on board aircraft are reviewed to ensure that they are able to be of assistance in times of need. Incidents and accidents are also shared with ground Allstars during training to allow them to understand their role in preventing and managing similar occurrences where compliance to procedures is key.

While the management makes available this training, it is our Allstars' individual responsibility to then follow all prescribed safe work practices. There is, further, always an open and active channel for discussing and reporting safety matters including the review of impractical procedures.

The ultimate responsibility for safety in the Company rests with me as the Chief Executive Officer/Accountable Manager. Meanwhile, the responsibility for making our operations safer for everyone lies with each one of us - from heads of department and/or managers to front-liners. Each head of department and/or manager is responsible for a safe work environment in his or her area of responsibility and, through oversight from the Safety Department, ensures that all reasonable steps are taken to prevent incidents and accidents.

Our approach to safety is that it is a never-ending journey. This means that we continuously work to strengthen

WE ARE COMMITTED TO ENSURING THAT SAFETY EXCELLENCE IS INTEGRAL TO OUR DAY-TO-DAY AVIATION ACTIVITIES, AS WE REALISE THIS IS CRUCIAL TO THE SUSTAINABILITY OF OUR BUSINESS. SAFETY VALUES ARE AT THE CORE OF THIS COMPANY, UNDERLINING OUR COMMITMENT TO PROVIDING OUR ALLSTARS AND GUESTS WITH THE SAFEST POSSIBLE ENVIRONMENT.

our 100% safety-conscious culture throughout the Group. In 2015, we established a Government Regulatory and Certification Envoys (GRACE) team to pro-actively anticipate and address safety, flight operational and engineering issues across all aircraft operating companies under our banner. Through the team, we aim to promote better information-sharing between safety and technical departments across the Group, while also communicating regularly with regulatory authorities across the region.

We are committed to ensuring that safety excellence is integral to our day-to-day aviation activities, as we realise this is crucial to the sustainability of our business. Safety values are at the core of this company, underlining our commitment to providing our Allstars and guests with the safest possible environment.

SAFETY POLICY STATEMENT

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

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

Our commitment is to:

a. Develop and embed a safety culture in all our aviation activities that recognises the importance and value of effective aviation safety management and acknowledges that safety is paramount at all times.

b. Clearly define for all Allstars their accountability and responsibility for the development and delivery of aviation safety strategies and performance.

c. Ensure that all Allstars are provided with adequate and appropriate aviation safety information and training, are competent in safety matters and are only allocated tasks commensurate with their skills.

d. Establish and implement a hazard identification and risk management process to minimise the risks associated with aircraft operations to a point that is as low as reasonably practicable/achievable, and conduct safety reviews to ensure that relevant action is taken.

e. Ensure that sufficient skilled and trained resources are always available to implement safety strategies, policies and processes.

f. Establish and measure our safety performance against realistic objectives and/or targets.

g. Ensure that the externally supplied systems and services that may have an impact on the safety of our operations meet appropriate safety standards.

h. Actively develop and improve our safety processes to conform to world-class standards while complying with and, wherever possible, exceeding legislative and regulatory requirements and standards.

i. Foster and encourage the maximum level of reporting and transparency with non-punitive safety/hazard reporting and by nurturing a just culture in the airline.

AIREEN OMAR
Chief Executive Officer

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STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("the Board") of AirAsia Berhad ("the Company" or "AirAsia") is committed to ensure good corporate governance are applied throughout the Group. Save as disclosed otherwise, the Board considers that it has complied throughout the year under review with the principles and recommendations as set out in the Malaysian Code on Corporate Governance 2012 ("the Code"), Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and Corporate Governance Guide: Towards Boardroom Excellence ("CG Guide"). The following sections explain how the Company applies the principles and supporting principles of the Code, MMLR and CG Guide.

A. DIRECTORS

Roles and Responsibilities of the Board

The Board retains full and effective control over the affairs of the Company and the Group, to formulate policies and strategy, to actively oversee and monitor management's performance and has assumed the following to ensure the effectiveness of the Board and to discharge its fiduciary and leadership functions:

- Reviewing and adopting strategic corporate plans and programmes for the Company;
- Approving the Company's annual budget, including major capital commitments and carries out periodic review of the achievements against business targets;
- Approving new ventures;
- Approving material acquisitions and disposals of undertakings and properties;
- Identifying principal risks and to ensure implementation of appropriate internal control system and mitigation measures to manage these risks;
- Overseeing and evaluating the conduct of the Company's business;
- Monitoring and if necessary approving changes to the management and control structure within the Company and its subsidiaries, including key policies, delegated authority limits;
- To consider emerging issues which may be material to the business affairs of the Group;
- To ensure that the Company has a proper succession plan for its senior management and Executive Director;
- Developing and implementing of an investor relations program;
- Reviewing adequacy and integrity of the Company's management information and system of internal controls; and
- Any other matters which are required to be approved by the Board pursuant to the applicable rules, laws and regulations.

The Board Charter of the Company can be downloaded from the Company's website. The Board Charter will be reviewed on an annual basis.

Board Balance and Meetings

The Board consists of nine (9) Members, the details are given on page 55 of this Annual Report as follows:-

- One (1) of the Board Member is the Non-Independent Executive Chairman;
- One (1) is the Non-Independent Executive Director and Group Chief Executive Officer;
- One (1) is the Executive Director and Chief Executive Officer;
- One (1) is the Non-Independent Non-Executive Director;
- One (1) is the Senior Independent Non-Executive Director; and
- Four (4) are the Independent Non-Executive Directors.

Five (5) of the Non-Executive Directors fulfill the criteria of independence as defined in the MMLR. The high proportion of Independent Non-Executive Directors (more than fifty percent) provides for effective checks and balances in the functioning of the Board and reflects AirAsia's commitment to uphold excellent corporate governance.

Dato' Fam Lee Ee is the Senior Independent Non-Executive Director to whom all concerns of shareholders and other stakeholders may be conveyed.

Dato' Fam Lee Ee has served the Board as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years and he was approved by the shareholders of the Company during the 22nd Annual General Meeting held on 3 June 2015 to continue serving as a Senior Independent Non-Executive Director of the Company. The Board has recommended him to continue to act as a Senior Independent Non-Executive Director based on the following justifications:

(a) He has fulfilled the criteria under the definition of Independent Director as stated in the MMLR, and thus, he would be able to function as a check and balance;
(b) He has vast experience in a diverse range of businesses and legal matters and therefore would be able to provide a constructive opinion; he exercises independent judgment and has the ability to act in the best interest of the Company;
(c) He has devoted sufficient time and attention to his professional obligations for informed and balanced decision making;
(d) He has continued to exercise his independence and due care during his tenure as an Independent Non-Executive Director of the Company and carried out his professional duties in the best interest of the Company and shareholders; and
(e) He has shown great integrity of independence and had not entered into any personal related party transaction with the Company.

STATEMENT ON CORPORATE GOVERNANCE

Dato' Fam Lee Ee is also the Chairman of the Nomination and Remuneration Committee ("NRC").

The Board had appointed Dato' Sri Gnanaraja A/L M. Gnanasundram as an Independent Non-Executive Director of the Company on 21 December 2015. Subsequent to the resignation of Mr. Uthaya Kumar A/L K Vivekananda on 4 January 2016, Dato' Mohamed Khadar Bin Merican was appointed as an Independent Non-Executive Director of the Company on 16 February 2016.

The Company observes the requirements of the Code to have majority independent directors in the event the Chairman is not an independent Director of the Company which the Company has complied.

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

The roles of the Chairman, Group Chief Executive Officer ("GCEO") and the Chief Executive Officer ("CEO") are separate with a clear division of responsibilities between them. This segregation of duties ensures an appropriate balance of role, responsibilities and accountability at the Board level, such that no one individual has unfettered powers of decision.

The Limits of Authority manual ("LOA manual") is in place and defines decision making limits for each level of management within the Group. The LOA manual provides a clear guidance to the management as to the matters over which the Board reserves authority and those which it delegates to management. The LOA manual serves as a guideline to enable control over capital and operational expenditure and other key approval points. These limits cover among others, authority for payments, investment, capital and revenue expenditure spending limits, budget approvals, contract commitment and other non-financial authority. This LOA manual provides a framework of authority and accountability within the organisation and facilitates decision making at the appropriate level in the organisation's hierarchy.

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

The Non-Executive Directors are persons of high calibre and integrity. They collectively bring their professional experience in legal and finance, general management and exposure in both commercial and private sector. The Non-Executive Directors devote sufficient time and attention as necessary in order to perform their duties. Other professional commitments of the Non-Executive Directors are provided in their biographies on page 55 of this Annual Report. The Board requires that all Independent Directors are independent in character and judgement; who do not participate in the day-to-day management of the Company and do not involve themselves in the business transactions or relationships with the Group, in order not to compromise their independence.

The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in maintaining its competitive advantage. Our diverse Board includes and makes good use of differences in skills, regional and industry experience, background, 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 Board, through the NRC, will take steps to ensure that women candidates are sought as part of its recruitment exercise. Selection of women candidates to join the Board will be, in part, dependent on the pool of women candidates with the necessary skills, knowledge and experience. The ultimate decision will be based on merit and contributions the candidate can bring to the Board.

The NRC also reviews the composition of the Board and the Board's committees 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. During the financial year, the NRC had also reviewed and assessed the independence of the Independent Directors of the Company.

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

The Board holds regular meetings of 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 or consideration.

The Board maintains a formal schedule of matters specifically reserved for the Board's decision to ensure that the direction and control of the Company is firmly in its hands.

STATEMENT ON CORPORATE GOVERNANCE

During the financial year ended 31 December 2015, the Board held a total of eight (8) meetings and the details of Directors' attendances are as set out below:

Name:	No. of Meetings Attended
Datuk Kamarudin bin Meranun	5 Note 1
Tan Sri (Dr.) Anthony Francis Fernandes	6 Note 1
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	8
Dato' Fam Lee Ee	6
Dato' Sri Gnanaraja A/L M. Gnanasundram	- Note 2
Aireen Omar	8
Robert Aaron Milton	5 Note 3
Amit Bhatia	7
Uthaya Kumar A/L K Vivekananda	8
Stuart L Dean	2 Note 4

Note 1: 2 Special Board of Directors' Meetings in the year 2015, Datuk Kamarudin Bin Meranun and Tan Sri (Dr.) Anthony Francis Fernandes were not present as they were required to abstain from all the deliberations in related party transactions.
Note 2: Dato' Sri Gnanaraja A/L M. Gnanasundram was appointed on 21 December 2015.
Note 3: Mr. Robert Aaron Milton resigned on 3 June 2015.
Note 4: Mr. Stuart L Dean was appointed on 15 June 2015.
Note 5: Mr. Uthaya Kumar A/L K Vivekananda resigned on 4 January 2015.

Supply of Information

Prior to the Board Meetings, all Directors will receive the agenda and a set of Board meeting papers containing information for deliberation at the Board Meetings. This is to accord sufficient time for the Directors to review the Board papers and seek clarifications that they may require from the Management or the Company Secretary. The Board has appointed a qualified Company secretary who is a Fellow of the Malaysian Institute of Chartered Secretaries and Administrators. Urgent papers may be presented and tabled at the Board meetings under supplemental agenda. The Board meeting papers are presented in a concise and comprehensive format. Board meeting papers tabled to the Directors include progress reports on the Group's business operations; detailed information on business propositions; quarterly and annual financial statements, corporate proposals including where relevant, supporting documents such as risk evaluations and professional advice from solicitors or advisers and report on the directors' dealings in securities, if any. The Company Secretary ensures that all Board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are recorded and maintained in the statutory register at the registered office of the Company.

The Directors are required to disclose to the Board should they be interested in any transaction to be entered into directly or indirectly by the Company. An interested Director will abstain from all deliberations and voting on the said transaction. In the event that shareholders' approval is required for a corporate proposal, the interested Director, if he is a shareholder as well, shall abstain from voting on the resolution pertaining to the corporate proposal and ensure persons connected to them similarly abstain from voting on the resolution.

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

Appointments to the Board

The Group has implemented procedures for the nomination and election of Directors via the NRC. The NRC will assess the nominee(s) for directorship and Board Committees membership by reviewing the profile and interviewing the nominee(s) and thereupon submitting their recommendation to the Board for decision.

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

Directors' Training

All the Directors have attended the Mandatory Accreditation Programme for Directors of Public Listed Companies ("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.

STATEMENT ON CORPORATE GOVERNANCE

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

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

Name	Programmes	
Datuk Kamarudin Bin Meranun	• Crisis Communications Workshop • "The Story" Conference • Bumipreneurs of Tomorrow (Bahtera) Conference	
Tan Sri (Dr.) Anthony Francis Fernandes	• World Economic Forum, Davos • Regional ASAM Conference, Bangkok • ASEAN Aviation Summit 2015, Langkawi • Credit Suisse 18th Asian Investment Conference, Hong Kong • ABC Asean Business Club Forum, Singapore • EASA-FAA International Aviation Safety Conference, Brussels • World Economic Forum, Dalian • LCC Airport Summit, Bangkok • CLSA Investors Forum, Hong Kong • Whats Next Conference, Cyberjaya • Global Transformation Forum, Kuala Lumpur • APEC, Manila • ASEAN Summit, Manila • Global Malayalee Symposium, Kuala Lumpur • RHB Banking Group Leaders Talk, Kuala Lumpur	
Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	• CG Breakfast Series with Directors - The Boards Response in Light of Rising Shareholder Engagements	
Dato' Fam Lee Ee	• "Market Outlook" talk organised by United Overseas Bank (Malaysia) Berhad • Annual Meeting of Malaysia-China Joint Business Council Meeting in Kuala Lumpur • Malaysia-China (Guangdong) Economic & Trade Cooperation Conference in Guangzhou, PRC • CG Breakfast Series with Directors: Future of Auditor Reporting - The Game Changer for Boardroom organised by Bursa Malaysia, The Malaysian Institute of Certified Public Accountants (MICPA) and the Malaysian Institute of Accountants (MIA)	• Malaysia-China High Level Economic Forum in Kuala Lumpur • World Chinese Economic Summit in London
Aireen Omar	• World Economic Forum (Annual Meeting @ Davos) 2015 • Maybank's ASEAN Capital Market CEO Summit 2015 • ASEAN Treasury Summit • LIMA – The ASEAN Aviation Summit 2015 • Credit Suisse 18th ASIAN Investment Conference • 2nd Annual Myanmar Civil Aviation Development Conference 2015 • World Economic Forum on East Asia • ASEAN Business Club Forum 2015 • CLSA Investors Forum 2015 • World Economic Forum (Industry Strategy Meeting) • Hainan – ASEAN Entrepreneurs' Forum • 16th Annual Asia Pacific Airfinance Conference • AEAN Business & Investment Summit	**Aireen was one of the speakers for the following training programmes:** • My ASEAN Internship Official Launch Ceremony • ASEAN Treasury Summit • 2nd Annual Myanmar Civil Aviation Developmen Conference 2015 • LIMA – The ASEAN Aviation Summit 2015 • ASEAN Business Club Forum 2015 • UEM Group Lecture Series • The First iLead Conference 2015 • CAPA LCC Airports Congress 2015 • World Bank Group – Global Tourism & Development Event @ Washington DC
Dato' Sri Gnanaraja A/L M. Gnanasundram	• MAP	
Stuart L Dean	• MAP • Invitation To The New Auditor's Report – Sharing The UK Experience organised by Audit Oversight Board, Securities Commission Malaysia	

All Directors were also updated by the Company Secretary on changes to the MMLR and relevant guidelines on the regulatory and statutory requirements. The external auditors also briefed Audit Committee ("AC") members on the significant changes in financial reporting standards as well as tax matters, if any.

STATEMENT ON CORPORATE GOVERNANCE

Apart from the above, during the financial year under review, Mr. Amit Bhatia did not attend other training programmes as he had not identified any training courses that were of particular benefit to his role as Director of AirAsia.

Re-election of Directors

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

Board Committees

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

The AC comprises two Independent Non-Executive Directors and one Non-Independent Non-Executive Director.

The Chairman of the AC would report to the Directors at Board meetings, of any salient matters raised at the AC meetings and which require the Board's notation, approval or decision.

The Board has delegated the responsibility of reviewing the effectiveness of risk management to the AC. The AC also reviews the risk management framework, processes and reports.

Further information on the composition, summary terms of reference and other information relating to the AC are set out on pages 149 to 152 of this Annual Report.

The NRC comprises three Non-Executive Directors, namely:

Chairman: Dato' Fam Lee Ee
(Senior Independent Non-Executive Director)

Members: Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar
(Non-Independent Non-Executive Director)
Dato' Sri Gnanaraja A/L M. Gnanasundram
(Independent Non-Executive Director)

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

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

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

For Remuneration:
- To review and to consider the remuneration of Executive Directors in accordance with their skills, experience and responsibilities and make recommendations to the Board on the remuneration packages of each Executive Director.
- To provide an objective and independent assessment of the benefits granted to the Executive Directors.
- To conduct continued assessment of individual Executive Directors to ensure that remuneration is directly related to corporate and individual performance.
- Annual review of the overall remuneration policy for Directors for recommendation to the Board.

The Company maintains transparent procedures in determining the remuneration policy for Directors. Executive Directors play no part in decisions on their own remuneration. 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.

STATEMENT ON CORPORATE GOVERNANCE

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

Chairman: Mr. Stuart L Dean
(Independent Non-Executive Director)

Member: Cik Aireen Omar
(Executive Director and CEO)
Dato' Mohamed Khadar Bin Merican
(Independent Non-Executive Director)

Other members include relevant operations personnel, safety and security specialists from AirAsia and from our affiliates in Thailand, Indonesia and Philippines. A report is provided to the Board each quarter.

The Investment Committee ("IC") was established on 20 August 2014 to review, evaluate, recommend and monitor any investment(s) made or to be made by the Company and/or its subsidiaries. The Committee comprises two Independent Non-Executive Directors and one Executive Director, namely:

Chairman: Mr. Amit Bhatia
(Independent Non-Executive Director)

Members: Tan Sri (Dr.) Anthony Francis Fernandes
(Non-Independent Executive Director and GCEO)
Mr. Stuart L Dean
(Independent Non-Executive Director)

B. DIRECTORS REMUNERATION

The remuneration package comprises the following elements:

1. Fee

The fees payable to each of the Non-Executive Directors for their services on the Board are based on the basic Board fee and their respective additional responsibilities on the Board's committees during the year. Any proposed revision would be recommended by the NRC to the Board for final approval by shareholders of the Company at the AGM.

2. Basic salary

The basic salary for each Executive Director is recommended by the NRC and approved by the Board, taking into account the performance of the individual, the inflation price index and information from independent sources on the rates of salary for similar positions in other comparable companies internationally. Salaries are reviewed annually.

3. Bonus scheme

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

4. Benefits-in-kind

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

5. Service contract

The Executive Chairman, GCEO and CEO each have a three-year service contract with AirAsia.

STATEMENT ON CORPORATE GOVERNANCE

6. Directors' share options

There are currently no share options for the Directors.

Details of the Directors' remuneration are set out in Note 2 of the Audited Financial Statements on pages 188 to 189 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 2.

C. SHAREHOLDERS

Investor Relations

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

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

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

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

AGM

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

At the AGM, the GCEO and the CEO will conduct a brief presentation on the Group's performance for the year and future prospects. The Chairman and all Board Committee chairmen where possible will be present at the AGM to answer shareholders' questions and hear their views during the meeting. Shareholders are encouraged to participate in the proceedings and engage with dialogue with the Board and Senior Management. The extract of the minutes of AGM for the year 2015 is available on the Company's website.

D. ACCOUNTABILITY AND AUDIT

Financial Reporting

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

Timely release of announcements on quarterly financial reports reflects the Board's commitment to provide transparent and up-to-date disclosures of the performance of the Company and its group of subsidiaries.

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

AC and Internal Control

The Board's governance policies include a process for the Board, through the AC to review regularly the effectiveness of the system of internal control as required by the Code. A report on the AC and its summary terms of reference is presented on pages 149 to 152 of this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE

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

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

The Statement on Risk Management and Internal Control is set out in pages 153 to 154 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 Group's audit plans, audit findings, financial statements as well as to seek their professional advice on other related matters. From time to time, the external auditors inform and update the AC on matters that may require their attention.

The Board is satisfied that the external auditors has met all the qualification criteria for appointment of an external auditors and hereby recommends to the shareholders at its coming AGM for its re-appointment for the financial year ending 31 December 2016 at a remuneration to be determined by the Directors.

E. OTHERS

Corporate Disclosure Policy and Procedures

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

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

Code of Conduct/Ethics

The Company had formalised ethical standards through a Code of Conduct and will ensure its compliance. The Code of Conduct is published on the Company's website. The Directors are also required to observe the Code of Ethics established by the Companies Commission of Malaysia in furtherance of their duties.

Whistleblowing Program

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

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

- Compile all reports received and submit to the Chairman of the AC; and
- Report to Management on behalf of the AC 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.

This statement is made in accordance with a resolution of the Board of Directors of AirAsia dated 31 March 2016.

AUDIT COMMITTEE REPORT

SUMMARY OF TERMS OF REFERENCE OF THE AUDIT COMMITTEE

A. Composition

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

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

(iii) fulfills other requirements as prescribed or approved by the Exchange.

B. Roles and responsibility

The primary roles and responsibilities of the Committee with regards to the AirAsia Group's Internal Audit department, External Auditors, Financial Reporting, Related Party Transactions, Risk Management, Annual Reporting and Investigations are as follows:

Internal Audit

- Mandate the Internal Audit department to report directly to the Committee;
- Review the adequacy of the scope, functions, competency and resources of the Internal Audit department, and that it has the necessary independence and authority to carry out its work, which should be performed professionally and with impartiality and proficiency;
- Review Internal Audit Reports and ensure that appropriate and prompt remedial action is taken by Management on lapses in controls or procedures that are identified by Internal Audit;
- Review the Internal Audit Reports relating to the AirAsia Group's affiliates;
- Review the appraisal or assessment of the performance of Members of the Internal Audit function;
- Approve the appointment or termination of the Group Head - Internal Audit and Senior Staff Members of Internal Audit;
- Take cognisance of resignations of Internal Audit staff and the reasons for resigning;
- Review the results of ad-hoc investigations performed by internal auditors and the actions taken relating to those investigations;
- Review the results of internal assessment performed on the internal audit function;
- Review the results of the external assessment performed on the internal audit function;
- Review the adequacy of the Internal Audit Charter; and
- Approve the Internal Audit Charter, which defines the purpose, authority, scope and responsibility of the Internal Audit function within the Group.

External Auditor

- To consider the appointment of the External Auditor, Audit fees, resignation or dismissal of the External Auditor;
- To submit a copy of written representation or submission of External Auditors' resignation to the Exchange;
- Monitor the effectiveness of the External Auditors' performance and their independence and objectivity;
- To discuss with the External Auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- Review major findings raised by the External Auditors and management's responses, including the status of the previous audit recommendations;
- To discuss problems and reservations arising from the interim and final audits, and any matter the External Auditor may wish to discuss (in the absence of management where necessary);
- To provide a line of communication between the Board and the External Auditors;
- Review the extent of assistance and co-operation extended by the Group's employees to the External Auditors;
- The Committee shall review and monitor the provision of non-audit services by the External Auditors and to ensure that they comply with the external audit independence policy; and
- The Committee is responsible for requesting from the Group's external auditors on a periodic basis, a formal written statement delineating all relationships between the External Auditors and the Group, consistent with International Standard on Auditing 260 modified as appropriate by the Malaysian guidelines for auditors independence, and to obtain confirmation from them that they are, and have been, independent throughout the conduct of the audit engagement.

AUDIT COMMITTEE REPORT

Financial Reports and Bursa Malaysia Announcements

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

- any change in accounting policies and practices, and the implementation of such changes;
- significant and unusual events;
- significant adjustments arising from the audit;
- litigation that could affect the results materially;
- the going concern assumption;
- compliance with accounting standards, other legal requirements and regulatory requirements;
- where necessary, make appropriate recommendations to the Board for approval; and
- review and ensure corporate disclosure policies and procedures of the Group (as they pertain to accounting, audit and financial matters) comply with the disclosure requirements as set out in the MMLR.

Related Party Transactions

- To review any related party transactions and conflict of interest situations and, where appropriate, make recommendations to the Board for approval that such transactions are at arm's length and are in the best interest of the Group or Company; and
- To review the process used to procure the shareholders' mandate for recurrent related party transactions.

Risk Management

- To develop and inculcate a risk awareness culture within the Group;
- To review risk management strategies, frameworks and policies of the Group to ensure key risks are systematically identified, monitored and controlled;
- To ensure resources and systems are in place for the risk management function; and
- To oversee specific risk management concerns raised by business units.

Annual Report

- Report the Audit Committee's activities for the financial year.
- The Committee must prepare for the Board's consideration and approval, a draft of the Audit Committee Report to be set out in the Group's annual report. This draft report must disclose amongst others:
- The Committee's composition, including the name, designation (indicating the chairman) and directorship of the members (indicating whether the directors are independent or otherwise);
- The Committee's terms of reference;
- The number of Committee meetings held during the financial year, details of attendance of each Committee member and the details of relevant training attended by each Committee member;
- A summary of Committee's activities in discharging its functions and duties for the financial year; and
- A summary of the activities of the internal audit function or activity.
- To review the Statement on Risk Management and Internal Control and the Statement on Corporate Governance prior to their inclusion in the Company's Annual Report.

Investigations

- To consider major findings of internal investigations and management's response; and
- To review the Company's procedures for detecting fraud and whistle blowing.

Internal Control

- To evaluate the overall adequacy and effectiveness of the system of internal controls including information technology controls, the Group's financial, audit and accounting organisations and personnel and the Group's policies and compliance procedures with respect to business practices, through a review of the results of work performed by internal and external auditors and discussions with key Senior Management; and
- To review the employee code of business practice, vendor code of business practice, the whistle-blowing policy and the outcome of any defalcation cases investigated.

Review of the Committee

- To conduct a self-assessment exercise to evaluate the Committee's overall effectiveness in discharging its responsibilities and report the results of the self-assessment to the Board.

AUDIT COMMITTEE REPORT

Annual Review of the Terms of Reference of the Committee

- Review and reassess the adequacy of the terms of reference of the Committee on a periodic basis, and where necessary obtain the assistance of management, the Group's external auditors and external legal counsel, and recommend proposed changes to the Board for approval.

Other Matters

To consider any other matters as directed by the Board.

C. Authority and powers of the Audit Committee

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

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

Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the MMLR, the Committee is authorised to promptly report such matters to the Exchange.

D. Meetings

a) The Committee shall meet at least four (4) times a year and at such other times as the Chairman shall decide;
b) The quorum for an Audit Committee Meeting shall be at least two (2) members. The majority present must be Independent Directors;
c) The External Auditor has the right to appear and be heard at any meeting of the Committee;
d) The Group Chief Executive Officer/Chief Executive Officer has to attend the meetings to assist in the deliberations and resolutions of matters raised;
e) The Group Chief Financial Officer, Chief Financial Officer and the Group Head of Internal Audit of the Group and the Company shall attend the meetings to assist in deliberations and resolution of matters raised. However, at least twice a year, the Committee shall meet with the External Auditors without the presence of management;
f) The Company Secretary shall act as Secretary of the Committee;
g) The Secretary of the Committee shall be entrusted to record all proceedings and minutes of all meetings of the Committee; and
h) The Committee at each Board Meeting will report a summary of significant matters discussed at the Committee meetings.

The Terms of Reference summarised above were revised and approved by the Board of Directors of AirAsia on 19th day of November 2014.

ACTIVITIES OF THE AUDIT COMMITTEE DURING THE YEAR

A summary of the activities performed by the Committee during the financial year ended 31 December 2015 ("Financial Year") is set out below.

Composition of the Audit Committee and Attendance of meetings

A total of thirteen (13) meetings were held for the Financial Year. The members of the Committee together with the details of their attendance at the Committee meetings held during the year were as follows:

Name	Directorship	No. of Meetings attended
Uthaya Kumar A/L K Vivekananda *(Chairman of the Committee)*	Independent Non-Executive Director	13[Note 1]
Dato' Fam Lee Ee	Senior Independent Non-Executive Director	12
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	Non-Independent Non-Executive Director	13

Note 1: Mr. Uthaya Kumar A/L K Vivekananda resigned as the Independent Non-Executive Director of the Company and ceased as the Chairman of the Committee on 4 January 2016. Dato' Mohamed Khadar bin Merican was then appointed as the Independent Non-Executive Director of the Company and Chairman of the Committee on 16 February 2016.

AUDIT COMMITTEE REPORT

The Committee meets on a scheduled basis at least once in every two months. The GCEO, CEO, the Group Chief Financial Officer ("GCFO"), the Chief Financial Officer ("CFO") and the Group Head of Internal Audit are invited to attend the meetings to assist in the deliberations as and when necessary. The External Auditors are also invited to discuss their Audit Plan, Audit Report, Management Letter, Internal Control Report and other reports as and when necessary.

Internal Audit

- Approved the Group's Internal Audit Plan, scope and budget for the financial year.
- Reviewed the results of Internal Audit Reports and monitor the implementation of management action plans in addressing and resolving issues.
- Reviewed the adequacy and competencies of Internal Audit function to execute the Annual Audit Plan.

Risk Management

- Reviewed and evaluated the Risk Management Framework and Policy.
- Reviewed the key risk profile for the Company.
- Reviewed the Statement on Risk Management and Internal Control and Audit Committee Report for inclusion in the 2015 Annual Report.

External Audit

- The Committee reviewed Messrs PricewaterhouseCoopers ("PwC") overall work plan and recommended to the Board their remuneration and Terms of Engagement as External Auditors.
- The Committee considered in detail the results of the audit, PwC's performance and independence and the effectiveness of the overall audit process.
- The Committee recommended PwC's re-appointment as Auditors to the Board and this resolution will be put to shareholders at the AGM.
- The Committee was also updated by PwC on changes to the relevant guidelines on the regulatory and statutory requirements, including updates on the Malaysian Reporting Financial Statements.
- Deliberated and reported the results of the annual audit to the Board of Directors.
- Met with the External Auditor without the presence of management to discuss any matters that they may wish to present.

Financial Reporting

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

Related Party Transactions

- Reviewed the related party transactions entered into by AirAsia Berhad Group in conformity to the established procedures in adherence to the MMLR.

INTERNAL AUDIT FUNCTION

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

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

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

The Audit Committee reviews and approves the IA's human resource requirements to ensure that the function is adequately resourced with competent and proficient Internal Auditors. Total operational costs of the IA department for 2015 was RM1,948,033.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board remains committed to complying with the Code which "... requires listed companies to maintain a sound risk management framework and internal control system to safeguard shareholders' investment and the Company's assets" and guided by the Bursa Malaysia's MMLR Paragraph 15.26 (b) and Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers. The Board is pleased to issue the following Statement on Risk Management & Internal Control for the financial year ended 31 December 2015.

RESPONSIBILITY

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

This process has been in place throughout the year and up to the date of approval of this Statement on Risk Management and Internal Control for inclusion in the Annual Report and is regularly reviewed by the Board. Management is responsible for assisting the Board implement policies and procedures on risk and control by identifying and assessing the risks faced, and in the implementation of suitable remedial actions to enhance operational controls and risk management. Indeed, the first level of assurance comes from business operations which perform the day-to-day operational risk through comprehensive system of internal controls. The Board is informed of major issues on internal controls, regulatory compliance and risk taking.

The Board has received assurance from the GCEO, CEO, GCFO and CFO that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

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 Group's assets.

INTEGRATING RISK MANAGEMENT WITH INTERNAL CONTROL SYSTEM

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

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

KEY RISK MANAGEMENT & INTERNAL CONTROL PROCESSES

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

Risk Management

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Internal Audit

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

The Board and Operational Committees

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

Other Key Controls

- Policies and procedures of core business processes are documented in a series of Standard Operating Procedures and implemented throughout the Group. These policies and procedures are subject to regular reviews, updates and continuous improvements to reflect the changing risks and operational needs;
- Heads of Department present their annual budget, including financial and operating targets and capital expenditure plans for the approval of the CEO. The Group annual budget is prepared and tabled for Board approval. These budgets and business plans are cascaded throughout the organisation to ensure effective execution and follow through. Actual performance is compared against budget and reviewed by the Board;
- The Group has implemented a formal performance appraisal system for all levels of employees;
- The Group undertakes adequate insurance and ensures physical safeguard on assets are in place to ensure that the assets are sufficiently covered against any mishap that will result in material losses. AirAsia Aviation Insurance provides coverage for 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; and
  - Aviation War, Hi-jacking and Other Perils Excess Liability (Excess AVN52); and
- The Group acknowledges the importance of leveraging on Information Technology (IT) to promote effectiveness and efficiency of business operations. Heavy reliance on IT may pose emerging cyber security threats, hence AirAsia Cyber Risk Management programme is in place to manage the cyber security risk, the Cyber Risk Management programme includes:
  - Establishing Information Security Management System to design, implement and maintain a coherent set of policies, processes to manage information risks; and
  - Conducting penetration test, system vulnerability assessment and review to minimize IT security incidents.

The statement also caters for the state of internal controls in material associated companies. The associates are in progress of fully adopting the Group's risk management and internal control. The disclosure in this statement does not include the risk management and internal control practices of the Group's material joint venture. There was no material loss incurred as a result of internal control weaknesses.

ADDITIONAL COMPLIANCE INFORMATION

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

1. UTILISATION OF PROCEEDS FROM CORPORATE PROPOSAL

There were no proceeds raised by the Company from corporate proposals during the financial year ended 31 December 2015 ("Financial Year").

2. SHARE BUY-BACK

During the Financial Year, the Company had obtained approval at its Extraordinary General Meeting held on 15 December 2015 to purchase up to ten percent (10%) of its issued and paid-up share capital at the point of purchase pursuant to Section 67A of the Companies Act, 1965, Chapter 12 of the MMLR and subject to any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities. The Company did not exercise any share buy-back during the Financial Year.

3. DEPOSITORY RECEIPT PROGRAMME

The Company did not sponsor any depository receipt programme during the Financial Year.

4. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES EXERCISED

The Company did not issue any options, warrants and convertible securities during the Financial Year.

5. SANCTIONS AND/OR PENALTIES

There were no public sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies during the Financial Year.

6. NON-AUDIT FEES

The amount of non-audit fees incurred for services rendered to the Company by the External Auditors for the Financial Year were RM642,000 for tax advisory services rendered.

7. VARIATION IN RESULTS

There were no profit estimations, forecasts or projections made or released by the Company during the Financial Year.

8. PROFIT GUARANTEE

During the Financial Year, the Group and the Company did not give any profit guarantee.

9. 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' interests still subsisting at the end of the Financial Year.

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

At the Annual General Meeting ("AGM") held on 3 June 2015, 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.

ADDITIONAL COMPLIANCE INFORMATION

The breakdown of the aggregate value of the RRPTs entered into by the Group during the financial period from 3 June 2015 to 31 December 2015 is as follows:

	Transacting Parties	Nature of RRPTs	Class and relationship of the Related Parties	Actual Value
Revenue/income				
1.	AirAsia X Berhad ("AAX")	Provision of the following range of services by our Company to AAX: (a) Commercial - Sales and distribution - Sales support - Direct channel - Branding and Creative • 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 (b) Treasury - Fuel procurement - Fuel hedging (c) Quality Assurance - Credit card fraud unit (d) Cargo (e) Manpower cost (affiliate of companies in China) (f) IT Internal Audits (g) Ground Operations (h) Group Inflight Ancillary (i) Engineering (j) Legal (k) Operations Control Centre (l) Corporate Quality (m) Flight Attendant Department (n) Innovation, Commercial and Technology - Involves all services related to information technology	**Interested Directors and Major Shareholders** Tan Sri (Dr.) Tony Fernandes Datuk Kamarudin **Interested Major Shareholder** Tune Air	RM4,254,000
2.	AAX	Provision of the rights by our Company to AAX as a licensee to operate scheduled air services under the trade name and livery of AirAsia	**Interested Directors and Major Shareholders** Tan Sri (Dr.) Tony Fernandes Datuk Kamarudin **Interested Major Shareholder** Tune Air	RM2,624,000
3.	AAX	Provision of charter services to Beirut, Lubnan to be provided by AAX for the Malbatt contingent	**Interested Directors and Major Shareholders** Tan Sri (Dr.) Tony Fernandes Datuk Kamarudin **Interested Major Shareholder** Tune Air	RM280,000

ADDITIONAL COMPLIANCE INFORMATION

	Transacting Parties	Nature of RRPTs	Class and relationship of the Related Parties	Actual Value
Revenue/income				
4.	AAX	Provision of the following shared services by AGSS to AAX: (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 and Major Shareholders** Tan Sri (Dr.) Tony Fernandes Datuk Kamarudin **Interested Major Shareholder** Tune Air	RM2,444,000
5.	Tune Protect Group Berhad (formerly known as Tune Ins Holdings Berhad) ("TPB")	Provision of the right to access our Company's customer database by our Company to TPB to conduct telesales marketing on TPB's and/or third party insurance products and the provision of management services by TPB to our Company's travel insurance business	**Interested Directors and Major Shareholders** Tan Sri (Dr.) Tony Fernandes Datuk Kamarudin **Interested Major Shareholder** Tune Air	RM23,000
6.	Tune Insurance Malaysia Berhad	Provision of travel insurance to our customers for journeys originated from Malaysia resulting in sales commission received by our Company	**Interested Directors and Major Shareholders** Tan Sri (Dr.) Tony Fernandes Datuk Kamarudin **Interested Major Shareholder** Tune Air	RM11,769,000
7.	Thai AirAsia X Co. Ltd ("TAAX")	Provision of the rights by our Company to TAAX as a licensee to operate scheduled air services under the trade name and livery of AirAsia	**Interested Directors and Major Shareholders** Tan Sri (Dr.) Tony Fernandes Datuk Kamarudin **Interested Major Shareholder** Tune Air	USD1,884,000
8.	TAAX	Provision of price risk management through fuel hedging by our Company with hedging counterparties, on behalf of TAAX	**Interested Directors and Major Shareholders** Tan Sri (Dr.) Tony Fernandes Datuk Kamarudin **Interested Major Shareholder** Tune Air	-
9.	PT Indonesia AirAsia Extra ("IAAX")	Provision of price risk management through fuel hedging by our Company with hedging counterparties, on behalf of IAAX	**Interested Directors and Major Shareholders** Tan Sri (Dr.) Tony Fernandes Datuk Kamarudin **Interested Major Shareholder** Tune Air	-
10.	IAAX	Provision of the rights by our Company to IAAX as a licensee to operate scheduled air services under the trade name and livery of AirAsia	**Interested Directors and Major Shareholders** Tan Sri (Dr.) Tony Fernandes Datuk Kamarudin **Interested Major Shareholder** Tune Air	USD361,000
11.	AirAsia (India) Limited ("AAI")	Provision of price risk management through fuel hedging by our Company with hedging counterparties, on behalf of AAI	**Interested Directors** Tan Sri (Dr.) Tony Fernandes Amit Bhatia	-

ADDITIONAL COMPLIANCE INFORMATION

	Transacting Parties	Nature of RRPTs	Class and relationship of the Related Parties	Actual Value
Revenue/income				
12.	AAI	Provision of leasing of aircraft by AACL	**Interested Directors** Tan Sri (Dr.) Tony Fernandes Amit Bhatia	USD11,637,000
13.	AAI	Provision of the following services by our Company to AAI: (a) Network Regulatory; (b) Quality & Assurance; (c) Treasury; (d) Engineering; (e) Operations Control Centre; (f) Audit (Investigation); (g) Flight Attendant Department; and (h) Inflight Business.	**Interested Directors** Tan Sri (Dr.) Tony Fernandes Amit Bhatia	-
14.	AAI	Provision of the following shared services by AGSS to AAI: (a) Finance and accounting support operation services; (b) People department support operation services; and (c) Information and technology operation support services.	**Interested Directors** Tan Sri (Dr.) Tony Fernandes Amit Bhatia	RM1,623,000
15.	Tune Money Sdn. Bhd. ("Tune Money")	Sale and distribution of Tune Money's prepaid card products to our customers resulting in a share of net profits from such sales with our Company	**Interested Directors and Major Shareholders** Tan Sri (Dr.) Tony Fernandes Datuk Kamarudin **Interested Major Shareholder** Tune Air	RM10,000
16.	Think BIG Digital Sdn. Bhd. ("Think BIG")	Revenue from ticket sales and/or other ancillary sales arising from redemption of loyalty points from Think BIG, which operates and manages a loyalty program branded as the BIG Loyalty Program	**Interested Directors and Major Shareholders** Tan Sri (Dr.) Tony Fernandes Datuk Kamarudin **Interested Major Shareholder** Tune Air	RM1,140,000
Expense				
17.	QPR Holdings Limited	Provision of full shirt sponsorship by our Company to Queens Park Rangers Football Club ("QPR") which is contingent upon QPR being promoted into the premier league (GBP3,050,000) and bonuses which is contingent upon QPR winning the Capital One Cup and/or FA Cup (GBP1,550,000)	**Interested Directors and Major Shareholders** Tan Sri (Dr.) Tony Fernandes Datuk Kamarudin	GBP200,000
18.	Think BIG	Purchase of loyalty points from Think BIG, which operates and manages a loyalty program branded as the BIG Loyalty Program	**Interested Directors and Major Shareholders** Tan Sri (Dr.) Tony Fernandes Datuk Kamarudin **Interested Major Shareholder** Tune Air	-

ADDITIONAL COMPLIANCE INFORMATION

	Transacting Parties	Nature of RRPTs	Class and relationship of the Related Parties	Actual Value
19.	Rokki Avionics	Purchase and maintenance of an inflight entertainment and connectivity solutions	**Interested Directors and Major Shareholders** Tan Sri (Dr.) Tony Fernandes Datuk Kamarudin	USD3,254,000
20.	Caterhamjet Global Ltd. ("CaterhamJet")	Provision of Bombardier Global Express aircraft operated by CaterhamJet and maintenance support for the aircraft to our Company	**Interested Directors** Tan Sri (Dr.) Tony Fernandes Datuk Kamarudin	RM9,092,000
21.	Tune Group Sdn. Bhd. ("Tune Group")	Secondment of personnel from Tune Group to our Company for the purposes of operating Bombardier Global Express aircraft operated by CaterhamJet	**Interested Directors** Tan Sri (Dr.) Tony Fernandes Datuk Kamarudin	RM1,646,000

The shareholdings of the interested Directors and interested Major Shareholders in the Company as at 18 March 2016 are as follows:

	Direct		Indirect	
	No. of Shares	**%**	**No. of Shares**	**%**
Interested Directors				
Tan Sri (Dr.) Anthony Francis Fernandes	1,600,000	0.06	*525,042,082	18.87
Datuk Kamarudin Bin Meranun	2,000,000	0.07	*525,042,082	18.87
Interested Major Shareholder				
Tune Air Sdn. Bhd.	525,042,082	18.87	-	-

Note:

* Deemed interested via their interests in Tune Air Sdn. Bhd., being the Major Shareholder of our Company pursuant to Section 6A of the Companies Act, 1965.

Please refer to the note of Section 2.3 of the Circular to shareholders dated 12 May 2015 and 29 April 2016 respectively on the directorships and shareholdings of the interested directors and interested major shareholder in the transacting parties.

DIRECTORS' REPORT

The Directors hereby submit their annual report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of providing air transportation services. The principal activities of the subsidiaries are described in Note 9 to the financial statements. There were no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year	541,280	72,609

DIVIDENDS

The dividends on ordinary shares paid by the Company since the end of the previous financial year were as follows:

	RM'000
In respect of the financial year ended 31 December 2014,	
- a first and final single-tier dividend of 3 sen per ordinary share each on 2,782,974,080 ordinary shares of RM0.10 each, paid on 2 July 2015	83,489

The Directors now recommend a first and final single-tier dividend in respect of the financial year ended 31 December 2015 of 4 sen per share on 2,782,974,080 ordinary shares of RM0.10 each amounting to RM111,318,963, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company.

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

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

Datuk Kamarudin Bin Meranun	
Tan Sri (Dr.) Anthony Francis Fernandes	
Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	
Dato' Fam Lee Ee	
Aireen Omar	
Amit Bhatia	
Stuart L Dean	Appointed on 15 June 2015
Dato' Sri Gnanaraja A/L M. Gnanasundram	Appointed on 21 December 2015
Dato' Mohamed Khadar Bin Merican	Appointed on 16 February 2016
Robert Aaron Milton	Resigned on 3 June 2015
Uthaya Kumar A/L K Vivekananda	Resigned on 4 January 2016

DIRECTORS' REPORT

DIRECTORS' BENEFITS

During and at the end of the financial year ended 31 December 2015, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 2 and Note 32 to the financial statements.

DIRECTORS' INTERESTS IN SHARES

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

	Number of ordinary shares of RM0.10 each			
	At 1.1.2015	**Acquired**	**(Disposed)**	**At 31.12.2015**
Direct interests in the Company				
Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	95,000**	10,000	(105,000)	-
Tan Sri (Dr.) Anthony Francis Fernandes	1,600,000***	-	-	1,600,000
Datuk Kamarudin Bin Meranun	2,000,000***	-	-	2,000,000
Robert Aaron Milton	100,000****	-	(100,000)	-
Aireen Omar	-	50,000	-	50,000
Stuart L Dean	-	40,000	-	40,000
Indirect interests				
Tan Sri (Dr.) Anthony Francis Fernandes*	531,212,082	-	(2,670,000)	528,542,082
Datuk Kamarudin Bin Meranun*	531,212,082	-	(2,670,000)	528,542,082

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

** Shares held under CIMSEC Nominees (Tempatan) Sdn Bhd

*** Shares held under CIMB Group Nominees (Tempatan) Sdn Bhd

**** Shares held under HDM Nominees (Asing) Sdn Bhd.

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

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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

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

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

DIRECTORS' REPORT

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:

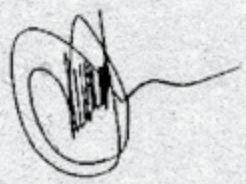
(a) the results of the Group's and Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in the Income Statements and Note 3 to the financial statements; and

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

AUDITORS

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

In accordance with a resolution of the Board of Directors dated 31 March 2016.



DATUK KAMARUDIN BIN MERANUN
DIRECTOR

AIREEN OMAR
DIRECTOR

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A GENERAL INFORMATION

The principal activity of the Company is that of providing air transportation services. The principal activities of the subsidiaries are described in Note 9 to the financial statements. There were no significant changes in the nature of these activities during the financial year.

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

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

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

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

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 31 March 2016.

B 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 the accounting policies below.

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 period. It also requires Directors to exercise their judgment in the process of applying the Group 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 C.

(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 2015:

- Annual Improvements to MFRSs 2010 – 2012 Cycle
- Annual Improvements to MFRSs 2011 – 2013 Cycle
- Amendments to MFRS 119 "Defined Benefit Plans: Employees Contributions"

The adoption of these amendments did not have any impact on the current or any prior year and are not likely to affect future periods.

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2016. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

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

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

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

- 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 contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

  For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

  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 standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

  Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The 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.

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

(d) Basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Basis of consolidation (continued)

(i) Subsidiaries (continued)

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.

(ii) 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.

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Basis of consolidation (continued)

(iii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted using the equity method of accounting together with any long-term interests that, in substance, form part of the Group's net investment in the associate. In this regard, a receivable for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, an extension of the Group's investment in that associate. This does not include receivable for which adequate collateral exists. 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 in investments in associates are recognised in profit or loss.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Costs also include borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (refer to accounting policy Note B(s) 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 financial period in which they are incurred.

Significant parts of an item of property, plant and equipment 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.

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment (continued)

The useful lives for this purpose are as follows:

Aircraft	
- engines and airframe excluding service potential	25 years
- service potential of engines and airframe	8 or 13 years
Aircraft spares	10 years
Aircraft fixtures and fittings	Useful life of aircraft or remaining lease term of aircraft, whichever is shorter
Buildings	
- simulator	28.75 years
- hangar	50 years
Motor vehicles	5 years
Office equipment, furniture and fittings	5 years
Office renovation	5 years
Simulator equipment	25 years
Operating plant and ground equipment	5 years
In-flight equipment	5 years
Training equipment	5 years

Service potential of 8 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 8 years.

Service potential of 13 years represents the period over which the expected cost of the first major airframe check is depreciated. Subsequent to the airframe check, the actual cost incurred is capitalised and depreciated over the subsequent 13 years.

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

Residual values, where applicable, are reviewed annually against prevailing market rates at the balance sheet date for equivalent aged assets and depreciation rates are adjusted accordingly on a prospective basis. For the current financial year ended 31 December 2015, the estimated residual value for aircraft airframes and engines is 10% of their cost (2014: 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 cost of subsequent major airframe and engine maintenance checks as well as upgrades to leased assets are capitalised and amortised over the shorter of the period to the next check or the remaining life of the aircraft.

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such an indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note B(h) on impairment of non-financial assets.

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

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

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible assets

(i) Research and development – internally developed software

Research expenditure is recognised as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in subsequent period.

Capitalised development costs recognised as intangible assets are amortised from the point at which the asset is ready for use on a straight-line basis over its useful life.

(ii) Goodwill

Goodwill arises from a business combination and represents the excess of the aggregate of fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed on the acquisition date. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in profit or loss.

Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at operating segment level. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(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.

Amounts due from associates of which the Company does not expect repayment in the foreseeable future are treated as part of the parent's net investment in associates. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount (see Note B(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 have an indefinite useful life are not subject to amortisation and are tested for impairment annually, or as and when events or circumstances occur indicating that an impairment may exist. 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.

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment of non-financial assets (continued)

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

Leased aircraft

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

(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.

Lessee

Finance leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payment.

Each lease payment is allocated between the liability and finance charges so as to achieve a periodic constant rate of interest on the remaining balance of the liability. The corresponding rental obligations, net of finance charges, are included in payables. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

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 B(e) above. Where there is no reasonable certainty that the ownership will be transferred to the Group, the asset is depreciated over the shorter of the lease term and its useful life.

Operating leases

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

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:

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Leases (continued)

Lessee (continued)

Sale and leaseback transactions (continued)

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.

Lessor

Operating leases

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

(k) Inventories

Inventories which comprise consumables used internally for repairs and maintenance are stated at the lower of cost and net realisable value.

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

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

(l) Financial assets

(i) Classification

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives are also categorised as held for trading unless they are designated as hedges (see Note B(n)). 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 loans and receivables comprise 'trade and other receivables', 'amounts due from associates, joint ventures and related companies' and 'deposits, cash and bank balances' in the balance sheets.

Available-for-sale financial assets

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

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) Financial assets (continued)

(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

Available-for-sale financial assets and 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 profit or loss in the period in which the changes arise.

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

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

(iv) Subsequent measurement – Impairment of financial assets

Assets carried at amortised cost

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

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

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

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. 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 profit or loss.

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial assets (continued)

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

Assets carried at amortised cost (continued)

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

Assets classified as available-for-sale

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

For debt securities, the Group uses criteria and measurement of impairment loss applicable for 'assets carried at amortised cost' above.

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

(v) De-recognition

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

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

(m) Offsetting financial instruments

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

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

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 18 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 statement within 'finance income/(costs)' and 'foreign exchange losses' (Note 5).

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Derivative financial instruments and hedging activities (continued)

Cash flow hedge (continued)

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss 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 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 'finance income/(costs)' and 'foreign exchange losses' (Note 5).

(o) 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 provision for impairment.

(p) Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents comprise cash on hand, bank balances, demand deposits and other short term, highly liquid investments with original maturities of three months or less, less bank overdrafts. Deposits held as pledged securities for term loans granted are not included as cash and cash equivalents.

(q) Provisions

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

(r) Share capital

(i) Classification

Ordinary shares with discretionary dividends are classified as equity.

(ii) Share issue costs

Incremental external costs directly attributable to the issuance of new shares or options are deducted against share premium account.

(iii) Dividends distribution

Distributions to holders of an equity instrument is debited directly to equity, net of any related income tax benefit and the corresponding liability is recognised in the period in which the dividends are approved.

(s) Borrowings and borrowing costs

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.

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Borrowings and borrowing costs (continued)

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

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

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

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

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

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

(t) Current and deferred income tax

The tax expense for the period comprises current and deferred income 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, joint ventures 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 provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. 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 unused investment tax allowance can be utilised.

Deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, joint ventures or associates, except 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 and joint ventures. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference, a deferred tax liability is not recognised.

Deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the parent, investor or joint venturer and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the investor or joint venture is unable to control the reversal of the temporary difference for associates or joint ventures. Only where there is an agreement in place that gives the investor or joint venturer the ability to control the reversal of the temporary difference, a deferred tax liability is not recognised.

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

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Employee benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the financial year in which the associated services are rendered by the employees of the Group.

(ii) Defined contribution retirement plan

The Group's contributions to the Employees' Provident Fund are charged to income statement in the financial year to which they relate. Once the contributions have been paid, the Group has no further obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(v) Revenue and other income

Passenger seat sales are in respect of scheduled passenger flight and chartered flight income and are recognised upon the rendering of transportation services net of discounts. The revenue in respect of seats sold for which services have not been rendered is included in current liabilities as sales in advance.

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

Fuel and insurance surcharges, administrative fees, baggage fees, freight and ancillary sales are recognised upon the completion of services rendered. Related revenue is recognised upon the completion of services rendered and net of discounts.

Rental income and brand license fees are recognised on an accrual basis.

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

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.

(w) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions 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 and joint ventures are separately disclosed after net operating profit.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Foreign currencies (continued)

(ii) Transactions and balances (continued)

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

(iii) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- 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
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences relating to that foreign operation recognised in other comprehensive income and accumulated in the separate component of equity are reclassified to profit or loss as part of the gain or loss on disposal. In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

(x) Trade payables

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

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

(y) Contingent assets and liabilities

The Group does not recognise contingent assets and liabilities other than those arising from business combinations, 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 occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts. A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

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

Subsequent to the initial recognition, the Group measures the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provisions of 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'.

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B 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.

C CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have a material impact to the Group's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are explained below.

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

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

Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives and residual values of aircraft airframes and engines as disclosed in Note B(e), would increase the recorded depreciation charge and decrease the carrying amount of property, plant and equipment. A reduction in 5% in the residual value of aircraft airframes and engines would increase the depreciation charge for the financial year ended 31 December 2015 by RM23,400,000 and RM20,921,000 and decrease the carrying amount of property, plant and equipment as at 31 December 2015 by RM76,000,000 and RM65,000,000 for the Group and Company respectively.

(ii) Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Estimating the future taxable profits involves significant assumptions, especially in respect of regulatory approvals for prospective routes, aircraft delivery, fares, load factor, fuel price, maintenance costs and currency movements. These assumptions have been built based on past performance and adjusted for non-recurring circumstances and a reasonable growth rate.

(iii) Impairment of investment in associates and amounts due from associates

Management reviews the investment in associates amounts due from associates with reference to any evidence of impairment. This evidence may include observable data indicating that there has been an adverse change in working capital of the associates and the local economic conditions that correlate with the potential risk of impairment on the transactions. Impairment assessment is performed on the investment in associates amounts due from associates whenever events or changes in circumstance indicate indicator of impairment. This impairment assessment exercise requires significant judgment in estimating the valuation by the associates, which involved uncertainties and are significantly affected by assumptions used and judgment made regarding estimates of equity value in respect of fares, load factor, fuel price, maintenance costs and currency movements.

(iv) Sales and leaseback

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

INCOME STATEMENTS

for the financial year ended 31 December 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Revenue	1(a)	6,297,658	5,415,744	6,001,933	5,415,744
Other income	1(b)	257,975	178,029	212,153	156,338
Operating expenses					
- Staff costs	2	(759,420)	(667,277)	(732,935)	(642,222)
- Depreciation of property, plant and equipment	8	(703,245)	(719,497)	(691,853)	(718,202)
- Aircraft fuel expenses		(2,000,650)	(2,254,237)	(2,000,650)	(2,254,237)
- Maintenance and overhaul		(196,883)	(149,411)	(196,637)	(149,411)
- User charges	4	(685,013)	(545,279)	(684,342)	(545,279)
- Aircraft operating lease expenses		(330,790)	(198,280)	(102,232)	(198,280)
- Other operating expenses	3	157,012	(233,760)	(695,277)	(260,909)
Operating profit		2,036,644	826,032	1,110,160	803,542
Finance income	5	154,148	121,869	127,004	121,836
Finance costs	5	(724,035)	(533,967)	(713,196)	(533,905)
Net operating profit		1,466,757	413,934	523,968	391,473
Foreign exchange losses on borrowings	5	(1,373,817)	(609,085)	(1,379,038)	(609,087)
Foreign exchange gains on amounts due from associates and joint ventures		601,708	190,293	601,708	190,293
Gain on disposal of interest in a joint venture	11	320,500	-	-	-
Share of results of joint ventures	10	25,492	57,266	-	-
Share of results of associates	11	(825,490)	(29,707)	-	-
Profit/(loss) before taxation		215,150	22,701	(253,362)	(27,321)
Taxation					
- Current taxation	6	(35,852)	(25,638)	(35,838)	(25,638)
- Deferred taxation	6	361,982	85,773	361,809	85,773
		326,130	60,135	325,971	60,135
Net profit for the financial year		541,280	82,836	72,609	32,814
Net profit for the financial year attributable to:					
- Owners of the Company		541,194	82,836		
- Non-controlling interests		86	-		
		541,280	82,836		
Earnings per share attributable to owners of the Company (sen)					
- Basic	7	19.4	3.0		
- Diluted	7	19.4	3.0		

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Net profit for the financial year		541,280	82,836	72,609	32,814
Other comprehensive (loss)/income					
Items that may be subsequently reclassified to profit or loss					
Available-for-sale investments					
- Net change in fair values	12	(203,504)	(132,396)	(203,504)	(132,396)
- Transfer to profit or loss on disposal		-	(42,077)	-	(42,077)
Cash flow hedges		(335,664)	(222,239)	(335,664)	(222,239)
Share of other comprehensive income of an associate		(31,430)	(30,700)	-	-
Foreign currency translation differences		10,130	7,963	-	-
Other comprehensive loss for the financial year, net of tax		(560,468)	(419,449)	(539,168)	(396,712)
Total comprehensive loss for the financial year		(19,188)	(336,613)	(466,559)	(363,898)
Total comprehensive (loss)/income attributable to:					
- Owners of the Company		(19,274)	(336,613)		
- Non-controlling interests		86	-		
		(19,188)	(336,613)		

BALANCE SHEETS

as at 31 December 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	8	10,927,645	12,533,535	9,805,655	12,527,171
Investment in subsidiaries	9	-	-	64,860	23,480
Investment in joint ventures	10	164,024	191,620	81,559	81,559
Investment in associates	11	1,020,640	230,454	712,398	3,760
Available-for-sale financial assets	12	235,097	384,790	235,097	384,790
Intangible assets	13	19,184	7,334	-	-
Deferred tax assets	14	828,950	466,968	828,777	466,968
Receivables and prepayments	15	1,412,242	1,132,504	1,385,308	1,113,924
Deposits on aircraft purchase	16	334,487	500,321	334,487	500,321
Amounts due from associates	17	1,142,119	2,301,528	1,034,869	2,213,755
Derivative financial instruments	18	945,490	381,686	945,490	381,686
		17,029,878	18,130,740	15,428,500	17,697,414
CURRENT ASSETS					
Inventories	19	26,152	18,152	26,152	18,152
Receivables and prepayments	15	617,422	682,909	536,340	638,026
Deposits on aircraft purchase	16	348,820	-	348,820	-
Derivative financial instruments	18	419,112	286,298	419,112	286,298
Amounts due from subsidiaries	20	-	-	406,225	173,953
Amounts due from joint ventures	21	5,708	51,188	5,708	34,432
Amounts due from associates	17	394,970	153,803	297,976	148,907
Amounts due from related parties	20	43,851	3,179	15,787	3,144
Tax recoverable		3,648	-	3,338	-
Deposits, cash and bank balances	22	2,426,696	1,337,849	2,262,641	1,319,085
		4,286,379	2,533,378	4,322,099	2,621,997

BALANCE SHEETS

as at 31 December 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
LESS: CURRENT LIABILITIES					
Trade and other payables	23	1,634,057	773,128	1,523,359	781,578
Sales in advance		664,251	502,810	662,330	501,962
Amounts due to subsidiaries	24	-	-	341,216	-
Amounts due to associates	17	-	55,110	-	55,110
Amounts due to related parties	24	13,661	24,693	13,661	24,693
Borrowings	25	2,377,256	2,274,928	2,251,537	2,274,928
Derivative financial instruments	18	582,491	472,204	582,491	472,204
Current tax liabilities		-	9,380	-	9,712
		5,271,716	4,112,253	5,374,594	4,120,187
NET CURRENT LIABILITIES		(985,337)	(1,578,875)	(1,052,495)	(1,498,190)
NON-CURRENT LIABILITIES					
Trade and other payables	23	1,043,994	1,212,044	1,013,936	1,212,044
Borrowings	25	10,235,579	10,453,090	9,431,567	10,453,090
Derivative financial instruments	18	237,898	248,095	237,898	248,095
Amounts due to associates	17	76,216	83,545	21,622	64,965
		11,593,687	11,996,774	10,705,023	11,978,194
		4,450,854	4,555,091	3,670,982	4,221,030
CAPITAL AND RESERVES					
Share capital	26	278,297	278,297	278,297	278,297
Share premium		1,230,941	1,230,941	1,230,941	1,230,941
Foreign exchange reserve		18,948	8,818	-	-
Retained earnings	27(a)	3,355,740	2,898,035	2,531,212	2,542,092
Other reserves	27(b)	(431,598)	139,000	(369,468)	169,700
		4,452,328	4,555,091	3,670,982	4,221,030
Non-controlling interests		(1,474)	-	-	-
Total equity		4,450,854	4,555,091	3,670,982	4,221,030

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2015

		Attributable to owners of the Company									
		Issued and fully paid ordinary shares of RM0.10 each									
	Note	Number of shares '000	Nominal value RM'000	Share premium RM'000	Foreign exchange reserve RM'000	Cash flow hedge reserve RM'000	Available-for-sale reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2015		2,782,974	278,297	1,230,941	8,818	(172,874)	311,874	2,898,035	4,555,091	-	4,555,091
Net profit for the financial year		-	-	-	-	-	-	541,194	541,194	86	541,280
Other comprehensive income/(loss)		-	-	-	10,130	(367,094)	(203,504)	-	(560,468)	-	(560,468)
Total comprehensive income/(loss)		-	-	-	10,130	(367,094)	(203,504)	541,194	(19,274)	86	(19,188)
Transactions with owners:											
Dividends	28	-	-	-	-	-	-	(83,489)	(83,489)	-	(83,489)
Non-controlling interest arising from business combination	9	-	-	-	-	-	-	-	-	(1,560)	(1,560)
At 31 December 2015		2,782,974	278,297	1,230,941	18,948	(539,968)	108,370	3,355,740	4,452,328	(1,474)	4,450,854
At 1 January 2014		2,781,064	278,106	1,229,068	855	80,065	486,347	2,926,491	5,000,932	-	5,000,932
Net profit for the financial year		-	-	-	-	-	-	82,836	82,836	-	82,836
Other comprehensive income/(loss)		-	-	-	7,963	(252,939)	(174,473)	-	(419,449)	-	(419,449)
Total comprehensive income/(loss)		-	-	-	7,963	(252,939)	(174,473)	82,836	(336,613)	-	(336,613)
Transactions with owners:											
Dividends	28	-	-	-	-	-	-	(111,292)	(111,292)	-	(111,292)
Issuance of ordinary shares - pursuant to the Employee Share Option Scheme	26	1,910	191	1,873	-	-	-	-	2,064	-	2,064
At 31 December 2014		2,782,974	278,297	1,230,941	8,818	(172,874)	311,874	2,898,035	4,555,091	-	4,555,091

COMPANY STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2015

	Note	Issued and fully paid ordinary shares of RM0.10 each		Non-distributable			Distributable	
		Number of shares '000	Nominal value RM'000	Cash flow hedge reserve RM'000	Available-for-sale reserve RM'000	Share premium RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2015		2,782,974	278,297	(142,174)	311,874	1,230,941	2,542,092	4,221,030
Net profit for the financial year		-	-	-	-	-	72,609	72,609
Other comprehensive loss		-	-	(335,664)	(203,504)	-	-	(539,168)
Total comprehensive (loss)/income		-	-	(335,664)	(203,504)	-	72,609	(466,559)
Transactions with owners:								
Dividends	28	-	-	-	-	-	(83,489)	(83,489)
At 31 December 2015		2,782,974	278,297	(477,838)	108,370	1,230,941	2,531,212	3,670,982
At 1 January 2014		2,781,064	278,106	80,065	486,347	1,229,068	2,620,570	4,694,156
Net profit for the financial year		-	-	-	-	-	32,814	32,814
Other comprehensive loss		-	-	(222,239)	(174,473)	-	-	(396,712)
Total comprehensive (loss)/income		-	-	(222,239)	(174,473)	-	32,814	(363,898)
Transactions with owners:								
Dividends	28	-	-	-	-	-	(111,292)	(111,292)
Issuance of shares								
- pursuant to the Employee Share Option Scheme	26	1,910	191	-	-	1,873	-	2,064
At 31 December 2014		2,782,974	278,297	(142,174)	311,874	1,230,941	2,542,092	4,221,030

CASH FLOW STATEMENTS

for the financial year ended 31 December 2015

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before taxation	215,150	22,701	(253,362)	(27,321)
Adjustments:				
Property, plant and equipment				
- Depreciation	703,245	719,497	691,853	718,202
- (Gain)/loss on disposals	(19,654)	4,690	(19,656)	4,690
Amortisation of intangible assets	24	-	-	-
Gain on disposal of available-for-sale financial assets	-	(42,077)	-	(42,077)
Impairment of property, plant and equipment	13,281	-	-	-
Impairment on available-for-sale financial assets	-	10,125	-	-
Impairment of trade and other receivables	17,523	30,651	17,523	24,853
Write-off of amount due from related party	5,247	-	5,247	-
Impairment of amount due from a subsidiary	-	-	-	14,984
Impairment of investment in associates	-	-	875,653	-
Fair value gain on derivative financial instruments	(937,678)	(212,398)	(937,678)	(212,398)
Share of results of joint ventures	(25,492)	(57,266)	-	-
Share of results of associates	825,490	29,707	-	-
Gain on disposal of interest in a joint venture	(320,500)	-	-	-
Net unrealised foreign exchange loss	1,268,394	639,614	1,265,653	640,586
Dividend income from:				
- an available-for-sale financial assets	(4,145)	(4,697)	(4,145)	(4,697)
- an associate	(48,064)	-	-	-
Interest expense	724,035	533,967	713,196	533,905
Interest income	(154,148)	(121,869)	(127,004)	(121,836)
	2,262,708	1,552,645	2,227,280	1,528,891
Changes in working capital:				
Inventories	(8,000)	11,368	(8,000)	11,368
Receivables and prepayments	(114,875)	(258,466)	(200,232)	(208,156)
Trade and other payables	782,652	101,432	676,787	187,931
Intercompany balances	(177,536)	(725,677)	(76,484)	(813,667)
Cash generated from operations	2,744,949	681,302	2,619,351	706,367
Interest paid	(658,177)	(470,613)	(647,338)	(470,551)
Interest received	148,280	106,576	121,135	106,543
Tax paid	(31,114)	(15,234)	(31,114)	(15,234)
Net cash from operating activities	2,203,938	302,031	2,062,034	327,125

CASH FLOW STATEMENTS

for the financial year ended 31 December 2015

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Property, plant and equipment				
- Additions	(613,913)	(2,084,641)	(580,489)	(2,081,254)
- Proceeds from disposals	227,881	119,745	227,881	119,362
Repayment of advances by an associate	71,423	80,937	71,423	80,937
Proceeds from disposal of available-for-sale financial assets	-	44,584	-	44,584
Additional investment in available-for-sale financial assets	(53,811)	-	(53,811)	-
Proceeds from disposal of interest in a joint venture	347,044	-	347,044	-
Dividend received from:				
- an available-for-sale financial assets	4,145	4,697	4,145	4,697
- an associate	48,064	-	-	-
Acquisition of subsidiaries	(30,810)	-	(17,236)	-
Subscription of shares in associates	(78,695)	(30,378)	-	(3,731)
Additional subscription of shares in subsidiaries	(24,144)	-	(24,144)	-
Advances granted to associate	-	(431,258)	-	(431,258)
Refund of deposits on aircraft purchase	-	142,073	-	142,073
Net cash used in investing activities	(102,816)	(2,154,241)	(25,187)	(2,124,590)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from allotment of shares	-	2,064	-	2,064
Proceeds from borrowings	1,458,223	3,129,496	500,161	3,129,496
Repayment of borrowings	(2,677,406)	(1,241,080)	(1,800,203)	(1,241,080)
Dividends paid	(83,489)	(111,292)	(83,489)	(111,292)
Net cash (used in)/generated from financing activities	(1,302,672)	1,779,188	(1,383,531)	1,779,188

CASH FLOW STATEMENTS

for the financial year ended 31 December 2015

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
NET INCREASE/(DECREASE) FOR THE FINANCIAL YEAR	798,450	(73,022)	653,316	(18,277)
CURRENCY TRANSLATION DIFFERENCES	290,397	30,436	290,240	30,436
DEPOSITS, CASH AND BANK BALANCES AT BEGINNING OF THE FINANCIAL YEAR	1,337,849	1,380,435	1,319,085	1,306,926
DEPOSITS, CASH AND BANK BALANCES AT END OF THE FINANCIAL YEAR	2,426,696	1,337,849	2,262,641	1,319,085

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

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Deposits, cash and bank balances (Note 22)	2,426,696	1,337,849	2,262,641	1,319,085
Less: Deposits pledged as securities	(710,986)	(569,471)	(710,986)	(569,471)
Cash and cash equivalents	1,715,710	768,378	1,551,655	749,614

The deposits with licensed banks of the Group and the Company amounting to RM710,986,000 (2014: Group and Company RM569,471,000) are pledged as securities for banking facilities granted to the Group and Company (Note 25).

CASH FLOW STATEMENTS

for the financial year ended 31 December 2015

SIGNIFICANT NON-CASH TRANSACTIONS

(a) On 29 September 2015, the Company subscribed to 49% of perpetual capital security issued by an associate amounting to IDR2,058 billion (RM625 million) as disclosed in Note 11 to the financial statements. The investment in perpetual capital security was satisfied via capitalisation of amounts due from associate.

(b) Disposal of property, plant and equipment to a subsidiary

	Company	
	2015	**2014**
	RM'000	**RM'000**
Proceeds from disposal of property, plant and equipment to a subsidiary	1,105,736	-
Settlement of borrowings and related finance cost by lessor on behalf of the Company	(184,439)	-
Borrowings transferred to subsidiary	(689,172)	-
Amounts due from a subsidiary	(232,125)	-
Net cash proceeds received from disposal of property, plant and equipment to a subsidiary	-	-

(c) Disposal of property, plant and equipment pursuant to the sales and leaseback arrangement

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Carrying amount of property, plant and equipment disposed	1,499,941	-	1,499,941	-
Gain on disposal of property, plant and equipment	27,361	-	27,361	-
Total proceeds from disposal of property, plant and equipment	1,527,302	-	1,527,302	-
Security deposit paid to lessor	(34,506)	-	(34,506)	-
Settlement of borrowings and related finance cost by lessor on behalf of the Company	(1,264,915)	-	(1,264,915)	-
Net cash proceeds received from disposal of property, plant and equipment	227,881	-	227,881	-

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

1 REVENUE AND OTHER INCOME

(a) REVENUE

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Passenger seat sales	3,648,913	2,989,268	3,648,913	2,989,268
Baggage fees	491,787	456,039	491,787	456,039
Aircraft operating lease income	1,423,122	793,020	1,127,397	793,020
Surcharges and fees	180,171	677,241	180,171	677,241
Other revenue	553,665	500,176	553,665	500,176
	6,297,658	5,415,744	6,001,933	5,415,744

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

(b) OTHER INCOME

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Gain/(loss) on disposals of property, plant and equipment	19,654	(4,690)	19,656	(4,690)
Gain on disposal of available-for-sale financial assets	-	42,077	-	42,077
Fees charged to associates providing commercial air transport services	68,770	61,108	68,770	61,108
Others	169,551	79,534	123,727	57,843
	257,975	178,029	212,153	156,338

Other income ('others') includes commission income, advertising income and fees charged to related parties providing commercial air transport services.

2 STAFF COSTS

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Salaries, bonus, allowances and other employee's benefit	686,917	608,555	662,710	586,420
Defined contribution retirement plan	72,503	58,722	70,225	55,802
	759,420	667,277	732,935	642,222

Included in staff costs are Executive Directors' remuneration. The Executive Directors' and Non-Executive Directors' remuneration are as follows:

	Group and Company	
	2015 RM'000	2014 RM'000
Executive Directors		
- salaries, bonus and allowances	12,220	8,531
- defined contribution plan	1,466	1,023
	13,686	9,554
Non-Executive Directors		
- fees	1,246	1,078
	14,932	10,632

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2 STAFF COSTS (CONTINUED)

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

	Executive		Non-executive	
	2015	2014	2015	2014
Range of remuneration				
Below RM150,000	-	-	3	3
RM150,001 to RM200,000	-	-	1	2
RM200,001 to RM250,000	-	-	-	2
RM250,001 to RM300,000	-	-	2	-
RM300,001 to RM350,000	-	-	1	-
RM1,000,001 to RM2,000,000	-	1	-	-
RM2,000,001 to RM3,000,000	1	-	-	-
RM3,000,001 to RM4,000,000	-	1	-	-
RM4,000,001 to RM5,000,000	1	1	-	-
RM5,000,001 to RM6,000,000	-	-	-	-
RM6,000,001 to RM7,000,000	1	-	-	-

3 OTHER OPERATING EXPENSES

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

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Impairment of:				
- Amount due from a subsidiary (Note 20)	-	-	-	14,984
- Investment in associates (Note 11)	-	-	875,653	-
- Available for sale financial assets (Note 12)	-	10,125	-	-
- Property, plant and equipment (Note 8)	13,281	-	-	-
- Trade and other receivables (Note 15)	17,523	30,651	17,523	24,853
Write off of amount due from related party	5,247	-	5,247	-
Rental of land and building	18,126	3,529	16,987	3,529
Auditors' remuneration				
- audit fees				
(i) PricewaterhouseCoopers Malaysia	887	800	776	758
(ii) Others	40	-	-	-
- non-audit fees				
(i) PricewaterhouseCoopers Malaysia	642	1,230	642	1,230
Rental of equipment	1,001	1,791	935	1,791
Advertising costs	52,131	62,929	52,131	62,929
Net foreign exchange (gains)/losses from operations				
- Realised	(14,794)	18,922	(14,794)	18,922
- Unrealised	(425,976)	(28,164)	(425,976)	(28,164)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

4 USER CHARGES

User charges include airport related charges, ground operational charges, aircraft insurance cost, and inflight related expenses.

5 FINANCE INCOME/(COSTS) AND FOREIGN EXCHANGE LOSSES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
(a) Finance income				
Interest income from:				
- deposits with licensed banks	28,058	17,889	28,058	17,889
- amounts due from associates	66,462	88,867	66,462	88,867
Gain from interest rate contracts	3,605	6,824	3,605	6,824
Discounting on deposits	38,091	-	10,982	-
Discounting on non-current payables	13,384	-	13,384	-
Others	4,548	8,289	4,513	8,256
	154,148	121,869	127,004	121,836
(b) Finance costs				
Interest expense				
- bank borrowings	(679,500)	(522,921)	(677,878)	(522,921)
Amortisation of premiums for interest rate caps	(9,090)	(8,192)	(9,090)	(8,192)
Discounting and accretion of interest on deposits	(25,527)	-	(16,742)	-
Bank facilities and other charges	(9,918)	(2,854)	(9,486)	(2,792)
	(724,035)	(533,967)	(713,196)	(533,905)
(c) Foreign exchange losses on borrowings				
Borrowings:				
- realised	1,414	(5,339)	(3,203)	(5,339)
- unrealised	(2,292,733)	(707,031)	(2,293,337)	(707,033)
- fair value movement recycled from cash flow hedge reserve	820,766	175,256	820,766	175,256
Gain/(loss) from forward foreign exchange contracts and others	96,736	(71,971)	96,736	(71,971)
	(1,373,817)	(609,085)	(1,379,038)	(609,087)

During the financial year, the Group has hedged the foreign currency spot translation on the lease income for the aircraft that were sub-leased on operating lease basis to its associates companies against the foreign currency spot translation on the aircraft borrowing repayment. This is to hedge the foreign currency risk arising from operating lease income that the Group is exposed to. Gains and losses recognised in the hedging reserve in equity as of 31 December 2015 will be continuously released to the income statement within foreign exchange gains/(losses) on borrowings.

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6 TAXATION

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Current taxation	35,852	25,638	35,838	25,638
Deferred taxation (Note 14)	(361,982)	(85,773)	(361,809)	(85,773)
	(326,130)	(60,135)	(325,971)	(60,135)
Current taxation				
- Current financial year	35,852	25,638	35,838	25,638
Deferred taxation				
- Origination and reversal of temporary differences	(308,539)	80,109	(308,366)	80,109
- Tax incentives	(53,443)	(165,882)	(53,443)	(165,882)
	(361,982)	(85,773)	(361,809)	(85,773)
	(326,130)	(60,135)	(325,971)	(60,135)

The current taxation charge is in respect of interest income which is assessed separately.

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit/(loss) before taxation	215,150	22,701	(253,362)	(27,321)
Tax calculated at Malaysian tax rate of 25% (2014: 25%)	53,788	5,675	(63,341)	(6,830)
Tax effects of:				
- expenses not deductible for tax purposes	333,249	147,803	334,279	147,803
- income not subject to tax	(317,294)	(24,786)	(1,036)	(19,171)
- associates' results reported net of tax	206,373	7,427	-	-
- joint ventures' results reported net of tax	(6,373)	(14,317)	-	-
- tax incentives	2,599	(165,882)	2,599	(165,882)
- non recurring tax benefit	(598,472)	-	(598,472)	-
- change in statutory tax rate	-	(16,055)	-	(16,055)
Taxation	(326,130)	(60,135)	(325,971)	(60,135)

7 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2015	2014
Net profit for the financial year attributable to owners of the Company (RM'000)	541,194	82,836
Weighted average number of ordinary shares in issue ('000)	2,782,974	2,782,245
Basic and diluted earnings per share (sen)	19.4	3.0

The Group does not have in issue any financial instruments on other contracts that may entitle its holder to ordinary shares and therefore, dilutive to its basic earnings per share.

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8 PROPERTY, PLANT AND EQUIPMENT

	At 1 January 2015 RM'000	Additions RM'000	Acquisition of subsidiaries RM'000	Disposals RM'000	Depreciation charge RM'000	Impairment loss RM'000	At 31 December 2015 RM'000
Group							
Carrying amount							
Aircraft engines, airframe and service potential	12,291,382	452,030	-	(1,495,339)	(650,571)	-	10,597,502
Aircraft spares	122,752	25,122	-	(8,986)	(15,544)	-	123,344
Aircraft fixtures and fittings	43,196	24,285	-	-	(12,907)	-	54,574
Buildings	1,655	-	-	-	(42)	-	1,613
Motor vehicles	7,582	450	-	-	(2,300)	-	5,732
Office equipment, furniture and fittings	25,137	43,542	888	(163)	(13,962)	(13,281)	42,161
Office renovation	6,508	398	323	-	(2,553)	-	4,676
Simulator equipment	1,089	-	-	-	(38)	-	1,051
Operating plant and ground equipment	12,462	6,198	-	-	(4,865)	-	13,795
In-flight equipment	384	-	-	-	(184)	-	200
Training equipment	135	169	-	-	(279)	-	25
Work in progress	21,253	61,719*	-	-	-	-	82,972
	12,533,535	613,913	1,211	(1,504,488)	(703,245)	(13,281)	10,927,645

* Included work in progress completed during the financial year amounting to RM4.4million which were reclassified to respective asset classes.

	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment loss RM'000	Carrying amount RM'000
Group				
At 31 December 2015				
Aircraft engines, airframe and service potential	13,965,974	(3,368,472)	-	10,597,502
Aircraft spares	266,993	(143,649)	-	123,344
Aircraft fixtures and fittings	144,676	(90,102)	-	54,574
Buildings	2,114	(501)	-	1,613
Motor vehicles	26,941	(21,209)	-	5,732
Office equipment, furniture and fittings	124,956	(69,514)	(13,281)	42,161
Office renovation	23,754	(19,078)	-	4,676
Simulator equipment	4,967	(3,916)	-	1,051
Operating plant and ground equipment	50,777	(36,982)	-	13,795
In-flight equipment	1,696	(1,496)	-	200
Training equipment	4,588	(4,563)	-	25
Work in progress	82,972	-	-	82,972
	14,700,408	(3,759,482)	(13,281)	10,927,645

NOTES TO THE FINANCIAL STATEMENTS

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8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	At 1 January 2014 RM'000	Additions RM'000	Disposals RM'000	Depreciation charge RM'000	At 31 December 2014 RM'000
Group					
Carrying amount					
Aircraft engines, airframe and service potential	11,049,553	1,990,785	(88,095)	(660,861)	12,291,382
Aircraft spares	125,275	29,302	(4,271)	(27,554)	122,752
Aircraft fixtures and fittings	24,152	31,151	(844)	(11,263)	43,196
Buildings	33,177	51	(30,287)	(1,286)	1,655
Motor vehicles	4,867	5,235	(102)	(2,418)	7,582
Office equipment, furniture and fittings	20,125	14,071	(437)	(8,622)	25,137
Office renovation	8,116	1,477	(385)	(2,700)	6,508
Simulator equipment	1,099	-	-	(10)	1,089
Operating plant and ground equipment	11,490	5,047	(14)	(4,061)	12,462
In-flight equipment	598	65	-	(279)	384
Training equipment	578	-	-	(443)	135
Work in progress	13,796	7,457	-	-	21,253
	11,292,826	2,084,641	(124,435)	(719,497)	12,533,535

	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment loss RM'000	Carrying amount RM'000
Group				
At 31 December 2014				
Aircraft engines, airframe and service potential	15,699,049	(3,407,667)	-	12,291,382
Aircraft spares	303,900	(164,165)	(16,983)	122,752
Aircraft fixtures and fittings	125,341	(82,145)	-	43,196
Buildings	2,114	(459)	-	1,655
Motor vehicles	27,450	(19,868)	-	7,582
Office equipment, furniture and fittings	82,092	(56,955)	-	25,137
Office renovation	23,033	(16,525)	-	6,508
Simulator equipment	4,967	(3,878)	-	1,089
Operating plant and ground equipment	44,795	(32,333)	-	12,462
In-flight equipment	1,896	(1,512)	-	384
Training equipment	4,419	(4,284)	-	135
Work in progress	21,253	-	-	21,253
	16,340,309	(3,789,791)	(16,983)	12,533,535

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	At 1 January 2015 RM'000	Additions RM'000	Disposals RM'000	Depreciation charge RM'000	At 31 December 2015 RM'000
Company					
Carrying amount					
Aircraft engines, airframe and service Potential	12,291,382	452,030	(2,601,076)	(644,738)	9,497,598
Aircraft spares	122,752	25,122	(8,986)	(15,544)	123,344
Aircraft fixtures and fittings	43,196	23,911	-	(12,825)	54,282
Buildings	1,655	-	-	(42)	1,613
Motor vehicles	7,582	450	-	(2,300)	5,732
Office equipment, furniture and fittings	22,743	9,314	(90)	(9,123)	22,844
Office renovation	4,274	340	-	(1,915)	2,699
Simulator equipment	1,089	-	-	(38)	1,051
Operating plant and ground equipment	12,462	6,198	-	(4,865)	13,795
In-flight equipment	384	-	-	(184)	200
Training equipment	135	169	-	(279)	25
Work in progress	19,517	62,955	-	-	82,472
	12,527,171	580,489	(2,610,152)	(691,853)	9,805,655

During the financial year, the Company disposed 12 aircraft with carrying amount of RM1.1 billion (2014: Nil) to its subsidiary, Asia Aviation Capital Limited for a sale consideration of RM1.1 billion.

	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment loss RM'000	Carrying amount RM'000
Company				
At 31 December 2015				
Aircraft engines, airframe and service potential	12,402,743	(2,905,145)	-	9,497,598
Aircraft spares	266,993	(143,649)	-	123,344
Aircraft fixtures and fittings	140,516	(86,234)	-	54,282
Buildings	2,114	(501)	-	1,613
Motor vehicles	26,941	(21,209)	-	5,732
Office equipment, furniture and fittings	86,766	(63,922)	-	22,844
Office renovation	19,794	(17,095)	-	2,699
Simulator equipment	4,967	(3,916)	-	1,051
Operating plant and ground equipment	50,777	(36,982)	-	13,795
In-flight equipment	1,696	(1,496)	-	200
Training equipment	4,588	(4,563)	-	25
Work in progress	82,472	-	-	82,472
	13,090,367	(3,284,712)	-	9,805,655

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31 December 2015

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	At 1 January 2014 RM'000	Additions RM'000	Disposals RM'000	Depreciation charge RM'000	At 31 December 2014 RM'000
Company					
Carrying amount					
Aircraft engines, airframe and service potential	11,049,553	1,990,785	(88,095)	(660,861)	12,291,382
Aircraft spares	125,275	29,302	(4,271)	(27,554)	122,752
Aircraft fixtures and fittings	24,152	31,151	(844)	(11,263)	43,196
Buildings	33,177	51	(30,287)	(1,286)	1,655
Motor vehicles	4,867	5,235	(102)	(2,418)	7,582
Office equipment, furniture and fittings	18,752	12,426	(437)	(7,998)	22,743
Office renovation	4,834	1,471	(2)	(2,029)	4,274
Simulator equipment	1,099	-	-	(10)	1,089
Operating plant and ground equipment	11,490	5,047	(14)	(4,061)	12,462
In-flight equipment	598	65	-	(279)	384
Training equipment	578	-	-	(443)	135
Work in progress	13,796	5,721	-	-	19,517
	11,288,171	2,081,254	(124,052)	(718,202)	12,527,171

	Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment loss RM'000	Carrying amount RM'000
Company				
At 31 December 2014				
Aircraft engines, airframe and service potential	15,699,049	(3,407,667)	-	12,291,382
Aircraft spares	303,900	(164,165)	(16,983)	122,752
Aircraft fixtures and fittings	125,341	(82,145)	-	43,196
Buildings	2,114	(459)	-	1,655
Motor vehicles	27,450	(19,868)	-	7,582
Office equipment, furniture and fittings	78,934	(56,191)	-	22,743
Office renovation	19,454	(15,180)	-	4,274
Simulator equipment	4,967	(3,878)	-	1,089
Operating plant and ground equipment	44,795	(32,333)	-	12,462
In-flight equipment	1,896	(1,512)	-	384
Training equipment	4,419	(4,284)	-	135
Work in progress	19,517	-	-	19,517
	16,331,836	(3,787,682)	(16,983)	12,527,171

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31 December 2015

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Included in property, plant and equipment of the Group and the Company are assets with the following carrying amounts:

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Carrying amount of owned aircraft sub-leased to associates	3,083,383	4,674,014	2,304,378	4,674,014
Aircraft pledged as security for borrowings (Note 25)	10,597,502	12,291,382	9,497,598	12,291,382

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

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

9 INVESTMENT IN SUBSIDIARIES

	Company	
	2015	2014
	RM'000	RM'000
Unquoted investments, at cost	64,896	23,516
Less: Accumulated impairment losses	(36)	(36)
	64,860	23,480
At 1 January	23,480	23,480
Additional investment in subsidiaries	41,380	-
At 31 December	64,860	23,480

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9 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows:

Name of entity	Country of incorporation	Group's effective equity interest 2015 %	Group's effective equity interest 2014 %	Principal activities
Directly held by the Company				
AirAsia Investment Ltd ("AAIL") *	Malaysia	100	100	Investment holding
AirAsia Go Holiday Sdn Bhd ("AGH")	Malaysia	100	100	Tour operating business
AirAsia (Mauritius) Limited *	Mauritius	100	100	Providing aircraft leasing facilities to Thai AirAsia Co. Ltd
AirAsia Corporate Services Limited *	Malaysia	100	100	Facilitate business transactions for AirAsia Group with non-resident goods and service providers
Ground Team Red Sdn Bhd	Malaysia	100	100	Special purpose vehicle for financing arrangements required by AirAsia
Koolred Sdn Bhd	Malaysia	100	100	Investment holding
AirAsia Global Shared Services Sdn Bhd	Malaysia	100	100	To provide shared services and outsourcing for its affiliates
Asia Aviation Capital Limited ("AAC")	Malaysia	100	100	Providing aircraft leasing facilities
MadCience Consulting Sdn Bhd ("MAD") *(a)	Malaysia	100	-	Provision of central depository services for its affiliates
TPaay Asia Sdn Bhd (formerly known as Tune Money Sdn Bhd) ("TPaay") *(b)	Malaysia	100	-	Provision of financial and other related services
Tune Box Sdn Bhd ("Tune Box") (c)	Malaysia	73	-	Trading of multimedia content and equipment
Held by AGH				
AirAsia Exp Pte. Ltd ("AAE") *	Singapore	100	100	Investment holding
Held by AAIL				
AirAsia Capital Ltd *	Malaysia	100	100	Dormant

* Not audited by PricewaterhouseCoopers, Malaysia

(a) On 11 March 2015, a wholly-owned subsidiary of the Company, MAD was incorporated in Malaysia to provide central depository services for its affiliates. The initial share capital of MAD is RM2 comprising of 2 ordinary shares of RM1.00 each.

(b) On 6 October 2015, the Company entered into a Share Sale Agreement to acquire the 81 million ordinary shares and 22 redeemable preference shares in TPaay for a cash consideration of RM6.36 million. The acquisition was completed on 6 October 2015 and TPaay effectively became a 100%-owned subsidiary of the Company. The Company previously had a 40% interest in TPaay via an acquisition in January 2015 for a cash consideration of RM10.0 million.

(c) On 3 December 2015, the Company acquired 876,000 ordinary shares of RM1.00 each, equivalent to 73% of the total issued and paid-up capital of Tune Box, for a total cash consideration of RM876,000.

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9 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (continued)

Details of the assets, liabilities and net cash outflow arising from the acquisition TPaay and Tune Box during the financial year are as follows:

	Fair value/ Book value RM'000
Cash and bank balances	7,236
Intangible assets	1,505
Trade and other receivables	31,493
Property, plant and equipment	1,211
Trade and other payables	(41,778)
Total net assets acquired	(333)
Less: Net assets equity accounted previously	(4,360)
Non-controlling interests acquired	1,560
Goodwill on acquisition	10,369
Purchase consideration for acquisition of subsidiaries	7,236
Purchase consideration for previously held interest in a subsidiary during the financial year	10,000
Less: Cash and cash equivalents of subsidiaries acquired	(7,236)
Net cash outflow on acquisition of subsidiaries	10,000

The purchase price allocation ('PPA') exercise is still ongoing. A provisional goodwill amounting to RM10,369,000 had been recognised in the financial statements as at 31 December 2015.

The Company does not have any subsidiaries with non-controlling interests that are material to the Group. There were no transactions with non-controlling interests during the current financial year.

10 INVESTMENT IN JOINT VENTURES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Unquoted investments, at cost	81,559	111,674	81,559	81,559
Share of post-acquisition profits	82,465	79,946	-	-
	164,024	191,620	81,559	81,559

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10 INVESTMENT IN JOINT VENTURES (CONTINUED)

The joint ventures listed below have share capital consisting solely of ordinary shares, which are directly held by the Group:

Name of entity	Principal place of business/country of incorporation	Group's effective equity interest 2015 %	Group's effective equity interest 2014 %	Principal activities
Directly held by the Company				
Asian Aviation Centre of Excellence Sdn Bhd ("AACOE")	Malaysia	50	50	Aviation training
Held by AAE				
AAE Travel Pte Ltd ("AAE Travel")	Singapore	-*	50	Online travel agency

* Reclassified as investment in associate during the year (Note 11)

All the joint ventures listed above are private companies for which there is no quoted market price available for its shares.

There are no contingent liabilities relating to the Group's interest in the joint ventures.

AACOE is an aviation training centre with operations in Malaysia and Singapore. AACOE is a strategic partner of the Company and provides initial and recurrent training for both pilots and flight attendants. AACOE also provides training to TAA, IAA, PAA, AAIPL and other airline clients in the region.

Summarised financial information for joint ventures

Set out below are the summarised financial information of the joint ventures which are accounted for using the equity method:

Summarised balance sheets

	AACOE 2015 RM'000	AACOE 2014 RM'000	AAE Travel 2015 RM'000	AAE Travel 2014 RM'000	Total 2015 RM'000	Total 2014 RM'000
Current						
Cash and cash equivalents	50,831	58,987	-	126,137	50,831	185,124
Other current assets	59,429	46,105	-	18,961	59,429	65,066
Total current assets	110,260	105,092	-	145,098	110,260	250,190
Financial liabilities (excluding trade payables)	(7,291)	(3,741)	-	(10,644)	(7,291)	(14,385)
Other current liabilities (including trade payables)	(25,486)	(47,658)	-	(35,333)	(25,486)	(82,991)
Total current liabilities	(32,777)	(51,399)	-	(45,977)	(32,777)	(97,376)
Non-current						
Assets	363,382	334,869	-	4,552	363,382	339,421
Liabilities	(112,817)	(108,995)	-	-	(112,817)	(108,995)
Net assets	328,048	279,567	-	103,673	328,048	383,240

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10 INVESTMENT IN JOINT VENTURES (CONTINUED)

Summarised statements of comprehensive income

	AACOE		AAE Travel		Total	
	2015	2014	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	107,103	85,432	-	438,823	107,103	524,255
Depreciation and amortisation	(15,151)	(19,111)	-	(6,606)	(15,151)	(25,717)
Interest income	-	-	-	-	-	-
Interest expense	(3,977)	(4,139)	-	-	(3,977)	(4,139)
Profit before taxation	51,040	24,075	-	43,658	51,040	67,733
Tax income/(expense)	(2,559)	49,190	-	(2,391)	(2,559)	46,799
Profit after taxation and total comprehensive income	48,481	73,265	-	41,267	48,481	114,532
Dividends received from joint ventures	-	-	-	-	-	-

Reconciliations of summarised financial information

	AACOE		AAE Travel		Total	
	2015	2014	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Opening net assets at 1 January	279,567	206,302	-	62,406	279,567	268,708
Profit after taxation and total comprehensive income	48,481	73,265	-	41,267	48,481	114,532
Closing net assets at 31 December	328,048	279,567	-	103,673	328,048	383,240
Interest in joint ventures at 50%	164,024	139,784	-	51,837	164,024	191,620
Carrying value at 31 December	164,024	139,784	-	51,837	164,024	191,620

11 INVESTMENT IN ASSOCIATES

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Unquoted investments, at cost	888,201	169,434	628,774	3,760
Amounts due from associates deemed as net investment in associates	959,277	-	959,277	-
Share of post-acquisition (loss)/profit	(764,708)	91,720	-	-
Share of post-acquisition reserves	(62,130)	(30,700)	-	-
	1,020,640	230,454	1,588,051	3,760
Accumulated impairment losses	-	-	(875,653)	-
	1,020,640	230,454	712,398	3,760

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11 INVESTMENT IN ASSOCIATES (CONTINUED)

The details of the associates are as follows:

Name of entity	Principal place of business/country of incorporation	Group's effective equity interest 2015 %	Group's effective equity interest 2014 %	Principal activities
AirAsia Philippines Inc	Philippines	39.9	39.9	Providing air transportation services, currently dormant
Asian Contact Centres Sdn. Bhd.	Malaysia	50.0	50.0	Providing end-to-end solutions for customers contact management and contact centre
Think Big Digital Sdn Bhd ("BIG")	Malaysia	47.8	47.8	Financial services and managing customer loyalty points
Held by AAE				
AAE Travel Pte Ltd ("AAE Travel")	Singapore	25.0	-*	Online travel agency
Held by AAIL				
PT Indonesia AirAsia ("IAA")	Indonesia	48.9	48.9	Commercial air transport services
Thai AirAsia Co. Ltd ("TAA")	Thailand	45.0	45.0	Commercial air transport services
AirAsia Go Holiday Co. Ltd	Thailand	49.0	49.0	Tour operating business, currently dormant
AirAsia Inc ("PAA")	Philippines	49.0	40.0	Commercial air transport services
AirAsia (India) Private Limited ("AAIPL")	India	49.0	49.0	Commercial air transport services
AirAsia Japan Co., Ltd ("JAA")	Japan	49.0	49.0	Commercial air transport services

* Previously classified as investment in joint venture (Note 10). On 16 February 2015, the Company, through its wholly-owned subsidiary, AAE, entered into a Share Purchase Agreement with Expedia Inc. and Expedia Southeast Asia Pte. Ltd. to divest 6,144,280 ordinary shares of SGD1.00 each in AAE Travel, for a consideration of USD93.75 million (approximately RM347 million). The sale was completed on 10 March 2015, resulting in a gain on disposal of approximately RM321 million. Subsequent to the divestment, the Group's equity stake in AAE Travel was reduced to 25% and the investment in AAE Travel has been reclassified from an investment in joint venture to an investment in associate.

All the associates listed above are private companies for which there are no quoted market price available for their shares.

There are no contingent liabilities relating to the Group's interest in the associates.

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11 INVESTMENT IN ASSOCIATES (CONTINUED)

Additional interests in associates during the financial year ended 31 December 2015

(a) On 25 February 2015, AAIL subscribed to 3,174,927 shares of common stock representing 49% of the paid-up capital in JAA for a cash consideration of JPY490 million (equivalent to RM12.6 million). On 29 September 2015, AAIL subscribed to an additional 14,000,000 shares of common stock representing 49% of the paid-up capital in JAA for a cash consideration of JPY980 million (equivalent to RM36.5 million).

(b) On 29 July 2015, the Company, through its wholly-owned subsidiary, AAIL, invested an additional 496,536,640 ordinary shares in AirAsia (India) Private Limited ("AAIPL") for a cash consideration of USD7.7 million (equivalent to RM29.5 million). The Group's equity interest in AAIPL remains as 49%.

(c) On 29 September 2015, the Company subscribed to 49% of perpetual capital security issued by IAA amounting to IDR2,058 billion (RM625 million) in proportion to its equity shareholding in IAA. IAA has the discretion to defer interest payment and has no obligation to redeem the principal amount. Therefore, the Company's investment in this perpetual capital security is deemed in substance to be as extension to the Company's net investment in IAA and is accounted for as "Investment in Associate". The investment in perpetual capital security was satisfied via capitalisation of amounts due from IAA.

Acquisition of interest and additional investment in associates during the financial year ended 31 December 2014

(a) On 1 July 2014, the Company, through its wholly-owned subsidiary, AAIL, entered into a Shareholders' Agreement and a Share Subscription Agreement with Octave Japan Infrastructure Fund I GK ("Octave"), Rakuten, Inc. ("Rakuten"), Noevir Holdings Co. Ltd. ("Noevir") and Alpen Co. Ltd. ("Alpen") for the purpose of forging a joint venture cooperation between the Company, Octave, Rakuten, Noevir and Alpen to establish a low cost airline in Japan, i.e. AirAsia Japan Co., Ltd. ("JAA"). On 18 July 2014, AAIL subscribed to 3,174,927 shares of common stock and 3,825,073 shares of non-voting convertible stock, representing 49% of the paid-up capital and 33% voting interest in JAA for a cash consideration of JPY490 million (equivalent to RM15.9 million).

(b) On 31 October 2014, the Company, through its wholly-owned subsidiary, AAIL, invested an additional 20,000,036 ordinary shares in AirAsia (India) Private Limited ("AAIPL") for a cash consideration of INR200 million (equivalent to RM10.8 million). The Group's equity interest in AAIPL remains as 49%.

Impairment loss on investment in associates

As at 31 December 2015, the Group's and the Company's investment in associates was tested for impairment due to continuing losses incurred. The recoverable amount of the investment was computed using fair value less cost to sell method based on market multiple approach in valuing the various businesses.

A forward enterprise value/EBITDAR multiple of 7.5 times has been adopted in determining the estimated enterprise value. Subsequently, other surplus assets and net debt items have been adjusted for accordingly in arriving at the equity value and the recoverable amount of investment in associates.

As a result of the impairment assessment, the Company recognised an impairment loss of RM876 million in the income statement on its investment in associates.

The Directors consider TAA, IAA, and PAA as material associates to the Group. TAA, IAA and PAA are all operators of commercial air transport services which are based in Thailand, Indonesia and Japan respectively. These associate companies are strategic investments 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 associates

The tables below provide summarised financial information for those associates that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and not the Group's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

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11 INVESTMENT IN ASSOCIATES (CONTINUED)

Summarised financial information for associates (continued)

Summarised balance sheet

	IAA		PAA		TAA	
	2015	2014	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Current						
Cash and cash equivalents	32,576	60,782	1,620	2,205	723,295	508,551
Other current assets	320,920	209,381	1,249,220	1,113,070	216,715	249,531
Total current assets	353,496	270,163	1,250,840	1,115,275	940,010	758,082
Financial liabilities (excluding trade payables)	(1,246,125)	(218,693)	(1,589,997)	(1,286,923)	(219,935)	(185,213)
Other current liabilities (including trade payables)	(175,455)	(1,055,004)	(19,155)	(27,427)	(776,539)	(683,532)
Total current liabilities	(1,421,580)	(1,273,697)	(1,609,152)	(1,314,350)	(996,474)	(868,745)
Non-current						
Assets	1,209,321	599,753	215,538	213,280	2,291,082	1,839,295
Liabilities	(494,425)	(432,576)	(52,049)	(120,839)	(1,597,644)	(1,230,728)
Net assets/(liabilities)	(353,188)	(836,357)	(194,823)	(106,634)	636,974	497,904

Summarised statement of comprehensive income

	IAA		PAA		TAA	
	2015	2014	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	1,464,188	1,757,282	58,720	67,681	3,379,132	2,554,999
Depreciation and amortisation	(28,687)	(27,469)	(34,631)	(31,020)	(126,367)	(81,037)
Interest income	795	477	-	-	13,543	29,658
Interest expense	(58,374)	(64,582)	(24,687)	(41,508)	(54,930)	(21,990)
(Loss)/profit before taxation	(685,736)	(244,146)	(71,107)	(192,683)	230,850	13,997
Tax income/(expense)	7,472	(28,603)	-	-	(21,902)	(484)
Net (loss)/profit for the financial year	(678,264)	(272,749)	(71,107)	(192,683)	208,948	13,513
Other comprehensive income	-	-	306	(256)	(69,845)	(68,222)
Total comprehensive (loss)/income	(678,264)	(272,749)	(70,801)	(192,939)	139,103	(54,709)
Dividends received from associates	-	-	-	-	48,064	-

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11 INVESTMENT IN ASSOCIATES (CONTINUED)

Summarised financial information for associates (continued)

Reconciliations of summarised financial information

	IAA		PAA		TAA	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Opening net (liabilities)/assets at 1 January	(836,357)	(618,797)	(106,633)	(9,764)	497,904	552,609
Investment during the financial year	-	-	-	-	-	-
(Loss)/Profit for the financial year	(678,264)	(272,749)	(70,801)	(192,939)	208,948	13,513
Other comprehensive income/(loss)	-	-	-	-	(69,845)	(68,222)
Foreign exchange differences	(116,714)	55,189	(17,389)	96,069	(33)	4
Additional share capital/perpetual capital security	1,278,147	-	-	-	-	-
Closing net assets/(liabilities) at 31 December	(353,188)	(836,357)	(194,823)	(106,634)	636,974	497,904
Group's interest in associates	48.9%	48.9%	40%	40%	45%	45%
Interest in associates	(172,709)	(408,979)	(77,929)	(42,654)	286,638	224,057
Amounts due from associates deemed as net investment in associates	873,477	-	85,800	-	-	-
Share of unrecognised losses	-	408,979	-	42,654	-	-
Carrying value at 31 December	700,768	-	7,871	-	286,638	224,057

Individually immaterial associates

In addition to the interests in associates disclosed above, the Group also has interests in a number of individually immaterial associates that are accounted for using the equity method.

	Group	
	2015 RM'000	2014 RM'000
Aggregate carrying amount of individually immaterial associates	73,450	6,397
Aggregate amounts of the Group's share of:		
Loss from continuing operations	(38,216)	(35,787)
Other comprehensive income	-	-
Total comprehensive income	(38,216)	(35,787)

12 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Listed equity securities				
At 1 January	384,790	571,895	384,790	561,770
Addition	53,811	-	53,811	-
Disposal	-	(44,584)	-	(44,584)
Fair value loss - recognised in other comprehensive income	(203,504)	(132,396)	(203,504)	(132,396)
Impairment loss charged for the year	-	(10,125)	-	-
At 31 December	235,097	384,790	235,097	384,790

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13 INTANGIBLE ASSETS

	Goodwill RM'000	Internally developed software RM'000	Total RM'000
Group			
Cost			
At 1 January 2015	7,334	-	7,334
Additions - acquisitions (Note 9)	10,369	1,505	11,874
At 31 December 2015	17,703	1,505	19,208
Accumulated amortisation			
At 1 January 2015	-	-	-
Amortisation expense	-	(24)	(24)
At 31 December 2015	-	(24)	(24)
Carrying amount as at 31 December 2015	17,703	1,481	19,184
Cost			
At 1 January 2014/31 December 2014	7,334	-	7,334
Accumulated amortisation			
At 1 January 2014/31 December 2014	-	-	-
Carrying amount as at 31 December 2014	7,334	-	7,334

The Company has no intangible assets.

The carrying amount of goodwill allocated to the Group's cash-generating unit is as follows:

	Group	
	2015 RM'000	2014 RM'000
Cash-generating unit		
AirAsia Investment Ltd	7,334	7,334
TPaay Asia Sdn Bhd	5,275	-
Tune Box Sdn Bhd	5,094	-

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14 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	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	828,950	466,968	828,777	466,968

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

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
At start of financial year	466,968	381,195	466,968	381,195
Credited/(charged)to income statements (Note 6)				
- Property, plant and equipment	308,539	(80,109)	308,366	(80,109)
- Tax incentives	53,443	165,882	53,443	165,882
	361,982	85,773	361,809	85,773
At end of financial year	828,950	466,968	828,777	466,968
Deferred tax assets (before offsetting)				
Tax incentives	1,392,124	1,338,681	1,392,124	1,338,681
Tax losses	8,803	8,803	8,803	8,803
	1,400,927	1,347,484	1,400,927	1,347,484
Offsetting	(571,977)	(880,516)	(572,150)	(880,516)
Deferred tax assets (after offsetting)	828,950	466,968	828,777	466,968
Deferred tax liabilities (before offsetting)				
Property, plant and equipment	(571,977)	(880,516)	(572,150)	(880,516)
Offsetting	571,977	880,516	572,150	880,516
Deferred tax liabilities (after offsetting)	-	-	-	-

As disclosed in Note C to the financial statements in respect of critical accounting estimates and judgments, the deferred tax assets are recognised on the basis of the Group's previous history of recording profits, and to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Estimating the future taxable profits involves significant assumptions, especially in respect of fares, load factor, fuel price, maintenance costs and currency movements. These assumptions have been built based on past performance and adjusted for non-recurring circumstances and a reasonable growth rate.

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15 RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Non-current:				
Trade receivables	-	28,141	-	28,141
Less: Allowance for impairment	-	(3,697)	-	(3,697)
	-	24,444	-	24,444
Prepayments	1,261,540	975,500	1,261,540	975,500
Deposits for maintenance of aircraft	90,472	62,643	90,472	62,643
Other deposits	60,230	69,917	33,296	51,337
	1,412,242	1,132,504	1,385,308	1,113,924
Current:				
Trade receivables	145,852	128,963	120,398	90,031
Less: Allowance for impairment	(35,493)	(3,316)	(35,254)	(3,316)
	110,359	125,647	85,144	86,715
Other receivables	248,066	176,216	226,185	162,392
Less: Allowance for impairment	(1,906)	(30,587)	(1,906)	(22,307)
	246,160	145,629	224,279	140,085
Prepayments	180,232	320,237	153,294	320,060
Deposits - cash collateral for derivatives	-	44,594	-	44,594
Other deposits	80,671	46,802	73,623	46,572
	617,422	682,909	536,340	638,026

Credit terms of trade receivables range from 30 to 60 days (2014: 30 to 60 days).

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

Receivables that are neither past due nor impaired amounted to RM504,355,000 and RM438,533,000 (2014: RM428,644,000 and RM365,358,000) for the Group and Company respectively. These are substantially companies with good collection track records with the Group and Company.

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15 RECEIVABLES AND PREPAYMENTS (CONTINUED)

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

Receivables that are past due but not impaired amounted to RM83,537,000 and RM68,281,000 (2014: RM91,032,000 and RM91,032,000) for the Group and Company. These relate to a number of independent customers which have no recent history of default. The ageing analysis of these receivables that are past due but not impaired is as follows:

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
1 to 90 days	27,822	30,263	14,370	30,263
91 to 120 days	16,290	9,086	15,977	9,086
121 to 180 days	10,138	11,519	8,966	11,519
181 to 365 days	13,080	9,340	12,753	9,340
Over 365 days	16,207	6,380	16,215	6,380
	83,537	66,588	68,281	66,588

Receivables that are past due but not impaired included in non-current asset at the balance sheet date in the previous financial year relates to an amount due from a customer of RM24,444,000 for which arbitration proceedings have been completed in the current financial year. Following this, RM17,876,000 was recovered and the remaining balance was impaired and subsequently written off.

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

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

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Over 365 days	37,399	37,600	37,160	29,320
Less: Allowance for impairment	(37,399)	(37,600)	(37,160)	(29,320)
	-	-	-	-

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

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

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
At 1 January	37,600	21,930	29,320	19,448
Utilised	(17,724)	(14,981)	(9,683)	(14,981)
Impairment (Note 3)	17,523	30,651	17,523	24,853
At 31 December	37,399	37,600	37,160	29,320

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

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15 RECEIVABLES AND PREPAYMENTS (CONTINUED)

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.

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.

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

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	144,036	195,538	131,608	189,758
US Dollar	387,197	211,769	318,548	154,263
Others	56,659	112,369	56,658	112,369
	587,892	519,676	506,814	456,390

Prepayments include advances for purchases of fuel and prepaid engine maintenance to the service provider.

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

16 DEPOSITS ON AIRCRAFT PURCHASE

Deposits on aircraft purchases represent refundable deposits paid for aircraft to be delivered to the Company. These deposits are denominated in US Dollars.

17 AMOUNTS DUE FROM/(TO) ASSOCIATES

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Amounts due from associates				
- current	394,970	153,803	297,976	148,907
- non-current	1,142,119	2,301,528	1,034,869	2,213,755
	1,537,089	2,455,331	1,332,845	2,362,662
Amounts due to associates				
- current	-	(55,110)	-	(55,110)
- non-current	(76,216)	(83,545)	(21,622)	(64,965)
	(76,216)	(138,655)	(21,622)	(120,075)

Amounts due from associates include an amount of RM492.7 million (2014: RM458.7 million) relating to advances to PT Indonesia AirAsia ("IAA") for purchase of aircraft in 2011 for the financing of aircraft purchase and are repayable over terms ranging from 7 years to 9 years at interest rates between 6.16% to 6.65% per annum. From this amount, RM419.6 million (2014: RM401.5 million) is repayable after 12 months. The Company holds the aircraft as collateral. Other amounts due from associates were charged interest at 6% per annum.

In addition, the amounts due from associates include advances to AirAsia Inc. ("PAA") of RM722.5 million (2014: RM588.6 million) and RM615.3 million (2014: RM431.3 million) for the Group and the Company respectively. These advances are repayable over a term of up to 10 years from drawdown date. These advances are subject to interest of 6% per annum.

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17 AMOUNTS DUE FROM/(TO) ASSOCIATES (CONTINUED)

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

Amounts due from associates that are neither past due nor impaired of the Group and Company amounted to RM1,313,208,000 and RM1,174,887,000 (2014: RM1,212,867,000 and RM1,125,035,000) respectively.

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

Amounts due from associates of the Group and Company that are past due but not impaired amounted to RM223,881,000 and RM157,959,000 respectively (2014: RM1,242,464,000 and RM1,237,627,000). The ageing analysis of these amounts is as follows:

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Up to 1 year	223,881	1,152,690	157,959	1,147,853
Over 1 year	-	89,774	-	89,774
	223,881	1,242,464	157,959	1,237,627

The Group and Company have not made any impairment as management is of the view that these amounts are recoverable.

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

There are no amounts due from associates of the Group and Company that are past due and impaired.

The maximum exposure to credit risk at the reporting date is the carrying value of the amounts due from associates mentioned above.

The currency profile of the amounts due from/(to) associates is as follows:

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Amounts due from associates				
- US Dollar	1,533,906	2,451,131	1,329,662	2,358,462
- Ringgit Malaysia	3,183	4,200	3,183	4,200
	1,537,089	2,455,331	1,332,845	2,362,662
Amounts due to associates				
- US Dollar	(76,216)	(138,655)	(21,622)	(120,075)

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18 DERIVATIVE FINANCIAL INSTRUMENTS

	Group and Company			
	2015		2014	
	Assets	Liabilities	Assets	Liabilities
	RM'000	RM'000	RM'000	RM'000
Non-current				
Interest rate swaps - cash flow hedges	613	(194,082)	988	(199,743)
Interest rate swaps - held for trading	-	(43,816)	-	(48,352)
Interest rate caps - held for trading	575	-	1,732	-
Forward foreign exchange contracts - cash flow hedges	778,338	-	326,310	-
Forward foreign exchange contracts - held for trading	165,964	-	52,656	-
Total	945,490	(237,898)	381,686	(248,095)
Current				
Interest rate swaps - held for trading	-	(27,347)	-	(27,574)
Forward foreign exchange contracts - held for trading	37,569	(1,029)	7,364	-
Commodity derivatives cash flow hedges	356,308	(517,468)	-	-
Commodity derivatives - held for trading	25,235	(36,647)	278,934	(444,630)
Total	419,112	(582,491)	286,298	(472,204)

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedge item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months. Derivatives held for trading are those which do not qualify for hedge accounting.

	2015		2014	
	Notional amount	Fair value	Notional amount	Fair value
	RM'000	RM'000	RM'000	RM'000
Interest rate caps	361,025	575	338,689	1,732
Interest rate swaps	3,753,974	(264,632)	3,360,539	(274,681)
Cross currency interest rate swaps	431,441	132,609	476,242	27,384
Forward foreign exchange contracts	2,443,449	848,232	2,786,088	358,946
Commodity derivatives	3,565,705	(172,572)	3,012,001*	(165,696)

*: in barrels

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18 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(i) Forward foreign exchange contracts and cross currency interest rate swaps

The notional principal amounts of the outstanding forward foreign exchange contracts and cross currency interest rate swaps at 31 December 2015 were RM2.875 billion (2014: RM3.262 billion).

As at 31 December 2015, the Group has hedged approximately 58% (2014: 51%) of its USD liabilities pertaining to its aircraft and engine loans into Malaysian Ringgit ("RM") by using long dated foreign exchange forward contracts and cross currency interest rate swaps to manage its foreign currency risk. The latest weighted average of USD:RM forward exchange rate is 3.2364 (2014: 3.2375). Gains and losses recognised in the hedging reserve in equity on hedging instruments as of 31 December 2015 will be continuously released to the income statement within foreign exchange gains/(losses) on borrowings until the full repayment of the term loans (refer Note 25 to the financial statements).

(ii) Interest rate contracts

The notional principal amounts of the outstanding interest rate contracts at 31 December 2015 were RM4.115 billion (2014: RM3.699 billion).

The Group has entered into interest rate contracts to hedge against fluctuations in the USD LIBOR on its existing floating rate aircraft financing for aircraft delivered from 2005 to 2015. As at 31 December 2015, the Group has hedged RM 908.3 million (2014: RM916.9 million) of its existing aircraft loans at rates from 1.80% to 5.2% per annum (2014: 1.80% to 5.20% per annum) via interest rate swaps, interest rate caps and cross-currency swaps. As at 31 December 2015, the Group has hedged RM2.798 billion (2014: RM2.485 billion) of the term loans and RM806.1 million (2014: RM722.3 million) of the finance lease liabilities (Note 25). Gains and losses recognised in the hedging reserve in equity on hedging instruments as of 31 December 2015 will be continuously released to the income statement within finance cost until the full repayment of the term loans (refer Note 25 to the financial statements).

(iii) Fuel contracts

The outstanding number of barrels of Singapore Jet Kerosene, Brent and Crack derivative contracts at 31 December 2015 was 3,565,705 barrels (2014: 3,012,001 barrels).

As at 31 December 2015, the Group has entered into Singapore Jet Kerosene fixed swap which represents up to 38% (2014: 50%) of the Group's total expected fuel volume for the financial year 2016. The Group has also entered into Brent option and Crack fixed swap contracts which represent an additional 4% (2014: nil) of the Group's total expected fuel volume for the financial year 2016. 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 2015 are recognised in the income statement in the period or periods during which the hedged forecast transactions affects the income statement.

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19 INVENTORIES

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Consumables, in-flight merchandise and others	26,152	18,152	26,152	18,152

20 AMOUNTS DUE FROM SUBSIDIARIES AND RELATED PARTIES

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Amounts due from subsidiaries	-	-	426,515	194,243
Less: Allowance for impairment	-	-	(20,290)	(20,290)
	-	-	406,225	173,953
Amounts due from related parties	43,851	3,179	15,787	3,144
	43,851	3,179	422,012	177,097

Movements on the allowance for impairment of amounts due from subsidiaries and related parties are as follows:

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
At 1 January	-	-	20,290	5,306
Less: Allowance for impairment	-	-	-	14,984
At 31 December	-	-	20,290	20,290

The amounts due from subsidiaries and related parties are unsecured, interest bearing and have no fixed terms of repayment.

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

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	7,261	454	36,497	49,860
US Dollar	36,590	2,725	385,515	127,237
	43,851	3,179	422,012	177,097

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

21 AMOUNTS DUE FROM JOINT VENTURES

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Amounts due from joint ventures	5,708	51,188	5,708	34,432

Amounts due from joint ventures are unsecured, interest free and have no fixed terms of repayment.

The currency profile of the amounts due from joint ventures is as follows:

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Amounts due from joint ventures:				
- Ringgit Malaysia	5,708	33,770	5,708	33,770
- Singapore Dollar	-	17,418	-	662
	5,708	51,188	5,708	34,432

22 DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed banks	1,030,228	837,066	1,013,300	833,422
Cash and bank balances	1,396,468	500,783	1,249,341	485,663
	2,426,696	1,337,849	2,262,641	1,319,085

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

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	456,224	180,190	435,123	178,453
US Dollar	1,012,605	75,581	899,104	58,616
Chinese Renminbi	765,242	1,017,429	765,242	1,017,429
Others	192,625	64,649	163,172	64,587
	2,426,696	1,337,849	2,262,641	1,319,085

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

22 DEPOSITS, CASH AND BANK BALANCES (CONTINUED)

The weighted average effective annual interest rates of deposits at the balance sheet dates are as follows:

	Group		Company	
	2015	2014	2015	2014
	%	%	%	%
Deposits with licensed banks	2.42	3.21	2.42	3.21

23 TRADE AND OTHER PAYABLES

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Non-current:				
Trade and other payables	1,043,994	1,212,044	1,013,936	1,212,044
Current:				
Trade payables	269,960	100,227	241,884	55,622
Accrual for fuel	62,739	199,749	62,739	199,749
Other payables and accruals	1,301,358	473,152	1,218,736	526,207
	1,634,057	773,128	1,523,359	781,578

Other payables and accruals include accruals for operational expenses, passenger service charge payable to airport authorities and aircraft maintenance accruals.

Included in non-current trade and other payables are aircraft maintenance accrual of RM514,138,000 and RM513,275,000 for the Group and Company respectively.

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

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
RM	1,228,047	524,135	1,106,060	519,484
USD	1,422,595	1,343,101	1,403,826	1,356,202
Others	27,409	117,936	27,409	117,936
	2,678,051	1,985,172	2,537,295	1,993,622

NOTES TO THE FINANCIAL STATEMENTS

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24 AMOUNTS DUE TO SUBSIDIARIES AND RELATED PARTIES

The amounts due to subsidiaries and related parties are denominated in Ringgit Malaysia, unsecured, interest free and are repayable on demand.

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

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Amounts due to subsidiaries and related parties:				
Ringgit Malaysia	-	13,979	302,173	13,979
US Dollar	13,661	10,714	52,704	10,714
	13,661	24,693	354,877	24,693

25 BORROWINGS

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Current:				
Term loans	1,494,047	1,399,003	1,368,328	1,399,003
Finance lease liabilities (Ijarah)	98,615	75,530	98,615	75,530
Commodity Murabahah Finance	53,069	51,389	53,069	51,389
Revolving credit	731,525	749,006	731,525	749,006
	2,377,256	2,274,928	2,251,537	2,274,928
Non-current:				
Term loans	8,893,565	9,131,661	8,089,553	9,131,661
Finance lease liabilities (Ijarah)	783,699	719,117	783,699	719,117
Commodity Murabahah Finance	558,315	602,312	558,315	602,312
	10,235,579	10,453,090	9,431,567	10,453,090
Total borrowings	12,612,835	12,728,018	11,683,104	12,728,018

	Group		Company	
	2015	2014	2015	2014
	%	%	%	%
Weighted average interest rate				
Term loans	4.21	3.95	4.24	3.95
Finance lease liabilities (Ijarah)	6.12	5.60	6.12	5.60
Commodity Murabahah Finance	5.64	4.62	5.64	4.62
Revolving credit	2.55	2.22	2.55	2.22

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

25 BORROWINGS (CONTINUED)

The borrowings are repayable as follows:

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Not later than 1 year	2,377,256	2,274,928	2,251,537	2,274,928
Later than 1 year and not later than 5 years	5,924,452	5,667,740	5,365,719	5,667,740
Later than 5 years	4,311,127	4,785,350	4,065,848	4,785,350
	12,612,835	12,728,018	11,683,104	12,728,018

The currency profile of borrowings is as follows:

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	1,494,381	2,285,827	1,494,381	2,285,827
US Dollar	10,734,446	10,099,768	9,828,501	10,099,768
Euro	167,504	140,204	143,718	140,204
Singapore Dollar	216,504	202,219	216,504	202,219
	12,612,835	12,728,018	11,683,104	12,728,018

Total borrowings as at 31 December 2015 consist of the following banking facilities:

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Fixed rate borrowings	9,987,582	7,137,045	9,259,682	7,137,045
Floating rate borrowings	2,625,253	5,590,973	2,423,422	5,590,973
	12,612,835	12,728,018	11,683,104	12,728,018

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

	Group			
	2015		2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	RM'000	RM'000	RM'000	RM'000
Term loans	8,094,638	8,034,915	5,878,388	5,874,449
Finance lease liabilities (Ijarah)	783,699	837,647	719,116	677,186
	8,878,337	8,872,562	6,597,504	6,551,635

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

25 BORROWINGS (CONTINUED)

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

	Company			
	2015		2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	RM'000	RM'000	RM'000	RM'000
Term loans	7,460,992	7,403,180	5,878,388	5,874,449
Finance lease liabilities (Ijarah)	783,699	837,647	719,116	677,186
	8,244,691	8,240,827	6,597,504	6,551,635

The fair values of the non-current floating rate borrowings approximate their carrying amounts, as the impact of discounting is not significant.

The fair values of the non-current fixed rate borrowings are based on cash flows discounted using borrowing rates that are reflective of the Group's and Company's credit risk at the balance sheet date, at 2.6% to 4.1%% (2014: 4.4% to 5.8%) per annum. The fair values of non-current borrowings are within level 2 of the fair value hierarchy.

The term loans, finance lease liabilities (Ijarah) and commodity murabahah finance are for the purchase of aircraft, spare engines and working capital purposes. The repayment terms of secured term loans, finance lease liabilities (Ijarah) and commodity murabahah finance are on a quarterly or semi-annually basis.

Total borrowings include secured liabilities of the Group and Company of RM11.7 billion and RM10.8 billion respectively (2014: RM11.8 billion and RM11.8 billion). These are secured by the following:

(a) Assignment of rights under contract with Airbus over each aircraft;

(b) Assignment of insurance of each aircraft;

(c) Assignment of airframe and engine warranties of each aircraft; and

(d) Deposits placed with a licensed bank

26 SHARE CAPITAL

	Group and Company	
	2015	2014
	RM'000	RM'000
Authorised:		
Ordinary shares of RM0.10 each:		
At beginning and end of the financial year	500,000	500,000
Issued and fully paid up:		
Ordinary shares of RM0.10 each:		
At beginning of the financial year	278,297	278,106
Issued during the financial year	-	191
At end of the financial year	278,297	278,297

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26 SHARE CAPITAL (CONTINUED)

During the previous financial year, the Company increased its issued and paid-up ordinary share capital from RM278,106,258 to RM278,297,408 by way of issuance of 1,911,500 ordinary shares of RM0.10 each pursuant to the exercise of the Employee Share Option Scheme ("ESOS") at an exercise price of RM1.08 per share. The premium arising from the exercise of ESOS of RM1,873,270 has been credited to the Share Premium account. The Company's share option scheme lapsed on 6 June 2014.

The new ordinary shares issued during the previous financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

There were no issuance of shares during the financial year.

27 RETAINED EARNINGS AND OTHER RESERVES

(a) Retained earnings

Under the single-tier tax system which came into effect from the year of assessment 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders.

(b) Other reserves

	Cash flow hedge reserve RM'000	Available-for-sale reserve RM'000	Total RM'000
Group			
At 1 January 2015	(172,874)	311,874	139,000
Net change in fair value	485,102	(203,504)	281,598
Amounts transferred to income statement	(820,766)	-	(820,766)
Share of other comprehensive income of an associate	(31,430)	-	(31,430)
At 31 December 2015	(539,968)	108,370	(431,598)
At 1 January 2014	80,065	486,347	566,412
Net change in fair value	(46,983)	(132,396)	(179,379)
Amounts transferred to income statement	(175,256)	-	(175,256)
Share of other comprehensive income of an associate	(30,700)	-	(30,700)
Transfer to profit or loss on disposal	-	(42,077)	(42,077)
At 31 December 2014	(172,874)	311,874	139,000
Company			
At 1 January 2015	(142,174)	311,874	169,700
Net change in fair value	485,102	(203,504)	281,598
Amounts transferred to income statement	(820,766)	-	(820,766)
At 31 December 2015	(477,838)	108,370	(369,468)
At 1 January 2014	80,065	486,347	566,412
Net change in fair value	(46,983)	(132,396)	(179,379)
Amounts transferred to income statement	(175,256)	-	(175,256)
Transfer to profit or loss on disposal	-	(42,077)	(42,077)
At 31 December 2014	(142,174)	311,874	169,700

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28 DIVIDENDS

Dividends declared or proposed by the Company are as follows:

	2015		2014	
	Gross dividend per share Sen	Amount of dividend net of tax RM'000	Gross dividend per share Sen	Amount of dividend net of tax RM'000
First and final single tier dividend of 3 sen per ordinary share paid in respect of the financial year ended 31 December 2014 (2014: First and final single-tier dividend of 4 sen per ordinary share in respect of the financial year ended 31 December 2013)	3.00	83,489	4.00	111,292

29 COMMITMENTS AND OPERATING LEASES

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

	Group and Company	
	2015 RM'000	2014 RM'000
Property, plant and equipment:		
- Approved and contracted for	76,136,654	63,257,559
- Approved but not contracted for	18,397,931	14,452,618
	94,534,585	77,710,177

The capital commitments for the Group and Company are in respect of aircraft purchase and the construction of a new office building. The future commitments of aircraft purchase and construction of new office building are as follows:

	Group and Company	
	2015 RM'000	2014 RM'000
Not later than 1 year	1,716,182	1,131,682
Later than 1 year and not later than 5 years	12,855,609	8,072,885
Later than 5 years	61,564,863	54,052,992
	76,136,654	63,257,559

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29 COMMITMENTS AND OPERATING LEASES (CONTINUED)

(b) Non-cancellable operating leases

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

	2015		2014	
	Future minimum lease payments RM'000	Future minimum sublease receipts RM'000	Future minimum lease payments RM'000	Future minimum sublease receipts RM'000
Group				
Not later than 1 year	471,114	1,059,115	179,353	816,986
Later than 1 year and not later than 5 years	2,036,298	4,608,811	667,617	3,140,181
Later than 5 years	418,746	1,683,782	466,627	2,237,442
	2,926,158	7,351,708	1,313,597	6,194,609
Company				
Not later than 1 year	61,666	385,499	179,353	816,986
Later than 1 year and not later than 5 years	272,287	1,645,773	667,617	3,140,181
Later than 5 years	-	1,170,076	466,627	2,237,442
	333,953	3,201,348	1,313,597	6,194,609

Sublease receipts include lease receipts from both owned and leased aircraft receivable from Thai AirAsia Co. Ltd, PT Indonesia AirAsia, AirAsia Inc, Zest Airways Inc and AirAsia (India) Private Limited.

30 SEGMENTAL INFORMATION

Operating segments are reported in a manner consistent with the internal management reporting provided to the chief operating decision maker, which is the Group's Chief Executive Officer ("GCEO") effective 1 July 2015. The GCEO considers the business from a geographical perspective and identified the operating segments by each Air Operator Certificate ("AOC") held under the AirAsia brand. These are categorised as Malaysia, Thailand, Indonesia, Philippines, India and Japan.

The GCEO assesses the performance of the operating segments based on revenue and net operating profit.

Segment analysis by product categories has not been prepared as the Group is primarily engaged in the provision of air transportation services. Reconciliation to the reportable segments relates to the elimination of the associate companies.

Following the change in operating segments during the financial year, comparatives have been re-presented to align with the current year's presentation.

NOTES TO THE FINANCIAL STATEMENTS

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30 SEGMENTAL INFORMATION (CONTINUED)

The segmental information provided to the GCEO for the reportable segments are as follows:

	Malaysia RM'000	Thailand RM'000	Indonesia RM'000	Philippines RM'000	India RM'000	Japan RM'000	Elimination adjustments RM'000	Total RM'000
2015								
Segment results								
Revenue	6,297,658	3,369,183	1,464,188	768,019	318,967	-	(1,423,121)	10,794,894
Operating expenses:								
- Staff costs	(759,420)	(385,096)	(196,253)	(126,384)	(76,138)	(43,728)	-	(1,587,019)
- Depreciation of property, plant and equipment	(703,245)	(126,367)	(28,687)	(36,486)	(2,773)	(946)	-	(898,504)
- Aircraft fuel expenses	(2,000,650)	(1,122,449)	(616,241)	(355,032)	(139,646)	(1,096)	-	(4,235,114)
- Maintenance and overhaul	(196,883)	(266,951)	(224,413)	(143,675)	(29,521)	(868)	457,064	(405,247)
- User charges and other related expenses	(685,013)	(540,704)	(238,698)	(105,043)	(44,847)	(841)	-	(1,615,146)
- Aircraft operating lease expenses	(330,790)	(473,551)	(336,140)	(170,125)	(68,311)	(4,428)	966,057	(417,288)
- Other operating expenses	157,012	(218,125)	(99,438)	(58,554)	(62,793)	(12,277)	68,770	(225,405)
Other income	257,975	71,040	17,683	48,090	3,496	-	(68,770)	329,514
Operating profit/(loss)	2,036,644	306,980	(257,999)	(179,190)	(101,566)	(64,184)	-	1,740,685
Finance income	154,148	13,543	795	50	2,568	2	(34,602)	136,504
Finance costs	(724,035)	(52,189)	(58,374)	(33,851)	(4)	(28)	34,602	(833,879)
Net operating profit/(loss)	1,466,757	268,334	(315,578)	(212,991)	(99,002)	(64,210)	-	1,043,310
Foreign exchange losses	(772,109)	(23,380)	(370,159)	(53,600)	(7,857)	(125)	-	(1,227,230)
Gain on disposal of interest in a joint venture	320,500	-	-	-	-	-	-	320,500
Share of results of joint ventures	25,492	-	-	-	-	-	-	25,492
Share of results of associates	(825,490)	-	-	-	-	-	839,984	14,494
Profit/(Loss) before taxation	215,150	244,954	(685,737)	(266,591)	(106,859)	(64,335)	839,984	176,566

There is no single customer who contributed to 10% or more of the Group's total revenue.

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30 SEGMENTAL INFORMATION (CONTINUED)

	Malaysia RM'000	Thailand RM'000	Indonesia RM'000	Philippines RM'000	India RM'000	Japan RM'000	Elimination adjustments RM'000	Total RM'000
2015								
Segment Assets								
Property, plant and equipment	10,927,645	2,160,469	449,194	226,110	23,143	11,301	-	13,797,862
Deposits, cash and bank balances	2,426,696	900,355	32,576	13,777	34,900	21,349	-	3,429,653
Investment in joint ventures and associates	1,184,664	-	-	-	-	-	(839,984)	344,680
Other assets	6,777,252	394,908	1,023,025	1,316,991	48,089	27,573	(1,449,608)	8,138,230
	21,316,257	3,455,732	1,504,795	1,556,878	106,132	60,223	(2,289,592)	25,710,425
Segment Liabilities								
Borrowings	(12,612,835)	(1,672,237)	(494,425)	(379,597)	-	-	492,682	(14,666,412)
Others	(4,252,568)	(918,939)	(1,421,580)	(2,776,956)	(170,025)	(9,378)	956,926	(8,592,520)
	(16,865,403)	(2,591,176)	(1,916,005)	(3,156,553)	(170,025)	(9,378)	1,449,608	(23,258,932)
2014								
Segment results								
Revenue	5,415,744	2,557,816	1,757,282	591,682	45,432	-	(795,165)	9,572,791
Operating expenses:								
- Staff costs	(667,277)	(283,187)	(181,189)	(115,723)	(35,028)	(9,230)	-	(1,291,634)
- Depreciation of property, plant and equipment	(719,497)	(80,572)	(27,469)	(14,026)	(195)	(88)	-	(841,847)
- Aircraft fuel expenses	(2,254,237)	(1,137,128)	(887,891)	(346,162)	(30,627)	-		(4,656,045)
- Maintenance and overhaul	(149,411)	(187,820)	(198,966)	(119,503)	(3,488)	-	-	(659,188)
- User charges and other related expenses	(545,279)	(356,775)	(148,917)	(94,087)	(5,072)	-	-	(1,150,130)
- Aircraft operating lease expenses	(198,280)	(378,382)	(326,584)	(155,075)	(14,369)	-	795,165	(277,525)
- Other operating expenses	(233,760)	(154,734)	(168,566)	(213,279)	(10,449)	(10,373)	61,108	(730,053)
Other income	178,029	51,672	2,258	-	119	-	(61,108)	170,970
Operating profit/(loss)	826,032	30,890	(180,042)	(466,173)	(53,677)	(19,691)	-	137,339
Finance income	121,869	22,255	477	-	531	-	(58,322)	86,810
Finance costs	(533,967)	(31,550)	(59,144)	(45,312)	(54)	-	58,322	(611,705)
Net operating profit/(loss)	413,934	21,595	(238,709)	(511,485)	(53,200)	(19,691)	-	(387,556)
Foreign exchange (losses)/gains	(418,792)	12,714	(5,439)	(9,210)	(1,406)	-	-	(422,133)
Share of results of joint ventures	57,266	-	-	-	-	-	-	57,266
Share of results of associates	(29,707)	-	-	-	-	-	25,976	(3,731)
Profit/(loss) before taxation	22,701	34,309	(244,148)	(520,695)	(54,606)	(19,691)	25,976	(756,154)

There is no single customer who contributed to 10% or more of the Group's total revenue.

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30 SEGMENTAL INFORMATION (CONTINUED)

	Malaysia RM'000	Thailand RM'000	Indonesia RM'000	Philippines RM'000	India RM'000	Japan RM'000	Elimination adjustments RM'000	Total RM'000
2014								
Segment Assets								
Property, plant and equipment	12,533,535	1,693,852	422,209	221,548	1,905	1,013	-	14,874,062
Deposits, cash and bank balances	1,337,849	527,401	60,782	14,387	57,133	10,463	-	2,008,015
Investment in joint ventures and associates	422,074	-	-	-	-	-	(25,976)	396,098
Other assets	6,370,660	509,909	326,142	1,546,857	6,903	62	(2,289,801)	6,470,732
	20,664,118	2,731,162	809,133	1,782,792	65,941	11,538	(2,315,777)	23,748,907
Segment Liabilities								
Borrowings	(12,728,018)	(1,283,963)	(460,880)	(338,158)	-	-	458,715	(14,352,304)
Others	(3,381,009)	(787,941)	(1,245,393)	(2,565,429)	(78,604)	(937)	1,831,086	(6,228,227)
	(16,109,027)	(2,071,904)	(1,706,273)	(2,903,587)	(78,604)	(937)	2,289,801	(20,580,531)

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30 SEGMENTAL INFORMATION (CONTINUED)

	2015 RM'000	2014 RM'000
(a) Reconciliation of segment revenue to reported revenue:		
Segment revenue	12,218,015	10,367,956
Less: Inter-segment revenue	(1,423,121)	(795,165)
Less: Revenue from associated companies which were not consolidated	(4,497,236)	(4,157,047)
	6,297,658	5,415,744
(b) Reconciliation of segment loss before taxation to reported loss before taxation:		
Segment profit/(loss) before taxation	176,566	(756,154)
Add: Expenses from affiliates which were not consolidated	38,584	778,855
	215,150	22,701
(c) Reconciliation of segment assets to reported total assets:		
Segment assets	25,710,425	23,748,907
Less: Assets of affiliates which were not consolidated	(4,394,168)	(3,084,789)
	21,316,257	20,664,118
(d) Reconciliation of segment liabilities to reported total liabilities:		
Segment liabilities	23,258,932	20,580,531
Less: Liabilities of affiliates which were not consolidated	(6,393,529)	(4,471,504)
	16,865,403	16,109,027

NOTES TO THE FINANCIAL STATEMENTS

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31 SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to the 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 2015 are as follows:

Related companies	Relationship
AirAsia Go Holiday Sdn Bhd	Subsidiary
AirAsia (Mauritius) Limited	Subsidiary
AirAsia Investment Limited	Subsidiary
Koolred Sdn Bhd	Subsidiary
AirAsia Global Shared Services Sdn Bhd	Subsidiary
Asia Aviation Capital Ltd	Subsidiary
MadCience Sdn Bhd	Subsidiary
TPaay Asia Sdn Bhd	Subsidiary
Tune Box Sdn Bhd	Subsidiary
Rokki Avionics Sdn Bhd	Subsidiary
Think Big Digital Sdn Bhd	Associate
PT Indonesia AirAsia	Associate of a subsidiary
AirAsia Inc	Associate of a subsidiary
Thai AirAsia Co. Ltd	Associate of a subsidiary
AirAsia Japan Co. Ltd	Associate of a subsidiary
AirAsia (India) Private Limited	Associate of a subsidiary
AAE Travel Pte Ltd	Associate of a subsidiary
Zest Airways Inc	Associate of an associate
Asian Aviation Centre of Excellence Sdn Bhd	Joint venture
AirAsia X Berhad	Company with common directors and shareholders
Tune Insurance Malaysia Berhad	Company with common directors and shareholders
Queen Park Rangers Holdings Ltd	Company with common directors and shareholders
Thai AirAsia X Co. Ltd	Company with common directors and shareholders
PT Indonesia AirAsia Extra	Company with common directors and Shareholders
Caterhamjet Global Ltd	Company with 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 31(d) below.

Related party transactions also include transactions with entities that are controlled, jointly controlled or significantly influenced directly or indirectly by any key management personnel or their close family members, where applicable.

NOTES TO THE FINANCIAL STATEMENTS

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31 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
(a) Income:				
Aircraft operating lease income for owned and leased aircraft				
- Thai AirAsia Co. Ltd	458,246	374,529	286,874	374,529
- PT Indonesia AirAsia	327,657	324,247	283,937	324,247
- AirAsia Inc/Zest Airway Inc	82,899	80,847	61,928	80,847
- AirAsia (India) Private Limited	67,550	14,782	56,799	14,782
- AirAsia Japan Co. Ltd	3,617	-	-	-
- PT Indonesia AirAsia Extra	22,064	-	-	-
- Others	5,430	-	-	-
Gain on disposal of aircraft to Thai AirAsia Co. Ltd	22,759	11,377	-	-
Fees charged to associates and related party providing commercial air transport services	91,076	69,638	91,076	69,638
Commission on travel insurance for passengers charged to Tune Insurance Malaysia Berhad	18,714	12,985	18,714	12,985
(b) Recharges:				
Recharges of expenses to				
- Thai AirAsia Co. Ltd	159,766	102,456	159,766	102,456
- PT Indonesia AirAsia	111,295	356,240	111,295	356,240
- AirAsia Inc	49,665	31,341	49,665	31,341
- Zest Airways Inc	14,269	20,706	14,269	20,706
- AirAsia X Berhad	7,833	7,576	7,833	7,576
Recharges of expenses by				
- Thai AirAsia Co. Ltd	(8,881)	(14,304)	(8,881)	(14,304)

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31 December 2015

31 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
(c) Other charges/(expenses):				
Maintenance reserve fund charged to				
- PT Indonesia Airasia	157,843	147,839	156,594	147,839
- Thai AirAsia Co. Ltd	177,446	141,866	167,868	141,866
- AirAsia Inc	10,395	8,884	9,678	8,884
- Zest Airways Inc	35,207	22,136	33,732	22,136
- AirAsia (India) Private Limited	23,268	2,079	22,624	2,079
- PT Indonesia AirAsia Extra	7,563	-	-	-
Interest charges to				
- PT Indonesia AirAsia	22,179	34,010	22,179	34,010
- AirAsia Inc	12,423	24,312	12,423	24,312
- MadCience Sdn Bhd	-	-	399	-
Provision of sponsorship to				
Queen Park Rangers Holdings Ltd	(5,620)	(9,003)	(5,620)	(9,003)
Charter air travel services charged by AirAsia X Berhad	(10,940)	(8,827)	(10,940)	(8,827)
Charter air travel services charged by Thai AirAsia X Co. Ltd	(772)	-	(772)	-
In-flight entertainment system and solutions costs charged by Rokki Avionics Sdn Bhd	-	(12,242)	(19,095)	(12,242)
(d) Key management compensation:				
- Basic salaries, bonus, allowances and other employee benefits	24,638	20,523	23,078	19,509
- Defined contribution plan	2,879	2,503	2,692	2,362
	27,517	23,026	25,770	21,871

Included in the key management compensation are Executive Directors' remuneration as disclosed in Note 2 to the financial statements.

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31 December 2015

31 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
(e) Receivables:				
Subsidiaries				
- AirAsia (Mauritius) Limited	-	-	-	40,911
- AirAsia Investment Limited	-	-	100,645	83,249
- MadCience Sdn Bhd	-	-	14,905	-
- AirAsia Global Shared Services Sdn Bhd	-	-	14,469	15,812
- Asia Aviation Capital Limited	-	-	274,104	-
- AirAsia Go Holiday Sdn Bhd	-	-	-	31,358
- Others	-	-	2,102	2,623
Amounts due from subsidiaries	-	-	406,225	173,953
Joint ventures				
- Asian Aviation Centre of Excellence Sdn Bhd	5,708	33,770	5,708	33,770
- AAE Travel Pte Ltd	-	17,418	-	662
Amounts due from joint ventures	5,708	51,188	5,708	34,432
Associates				
- Thai AirAsia Co. Ltd	84,247	11,525	29,710	10,966
- PT Indonesia AirAsia	534,087	1,411,097	510,775	1,410,431
- AirAsia Inc (including Zest Airway Inc)	842,149	950,910	722,454	860,487
- AirAsia (India) Private Limited	64,652	77,001	60,266	75,984
- Think Big Digital Sdn Bhd	3,183	4,200	3,183	4,200
- AirAsia Japan Co. Ltd	6,232	-	6,003	-
- Others	2,539	598	454	594
Amounts due from associates	1,537,089	2,455,331	1,332,845	2,362,662
Related parties				
- Caterhamjet Global Ltd	1,366	454	1,366	454
- Thai AirAsia X Co. Ltd	10,076	-	9,401	-
- PT Indonesia AirAsia Extra	25,115	-	-	-
- AirAsia X Berhad	6,009	-	3,735	-
- Others	1,285	2,725	1,285	2,690
Amounts due from related parties	43,851	3,179	15,787	3,144

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31 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

		Group		Company	
		2015	2014	2015	2014
		RM'000	RM'000	RM'000	RM'000
(f)	Payables:				
	Subsidiaries				
	- AirAsia Go Holiday Sdn Bhd	-	-	302,172	-
	- AirAsia (Mauritius) Limited	-	-	38,813	-
	- Others	-	-	231	-
	Amounts due to subsidiaries	-	-	341,216	-
	Associates				
	- Thai AirAsia Co. Ltd	65,364	83,545	14,645	64,965
	- AirAsia (India) Private Limited	10,852	-	6,977	-
	- Zest Airways Inc	-	55,110	-	55,110
	Amounts due to associates	76,216	138,655	21,622	120,075
	Related parties				
	- AirAsia X Berhad	-	13,979	-	13,979
	- Thai AirAsia X Co. Ltd	-	6,116	-	6,116
	- PT Indonesia AirAsia Extra	13,661	4,598	13,661	4,598
	Amounts due to related parties	13,661	24,693	13,661	24,693

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

32 FINANCIAL INSTRUMENTS

(a) Financial instruments by category

	Loans and receivables RM'mil	Assets at fair value through the profit and loss RM'mil	Derivatives used for hedging RM'mil	Available for sale RM'mil	Total RM'mil
Group					
31 December 2015					
Assets as per balance sheet					
Available-for-sale financial assets	-	-	-	235	235
Receivables excluding prepayments	588	-	-	-	588
Amounts due from associates	1,537	-	-	-	1,537
Amounts due from joint ventures	6	-	-	-	6
Amounts due from related parties	44	-	-	-	44
Deposits on aircraft purchase	683	-	-	-	683
Derivative financial instruments	-	229	1,136	-	1,365
Deposits, cash and bank balances	2,427	-	-	-	2,427
Total	5,285	229	1,136	235	6,885

	Liabilities at fair value through the profit and loss RM'mil	Derivatives used for hedging RM'mil	Other financial liabilities at amortised cost RM'mil	Total RM'mil
Group				
31 December 2015				
Liabilities as per balance sheet				
Borrowings (excluding finance lease liabilities)	-	-	11,731	11,731
Finance lease liabilities	-	-	882	882
Derivative financial instruments	108	712	-	820
Trade and other payables (excluding aircraft maintenance accruals)	-	-	2,042	2,042
Amount due to associates	-	-	76	76
Amount due to a related party	-	-	14	14
Total	108	712	14,745	15,565

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

32 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments by category (continued)

	Loans and receivables RM'mil	Assets at fair value through the profit and loss RM'mil	Derivatives used for hedging RM'mil	Available for sale RM'mil	Total RM'mil
Group					
31 December 2014					
Assets as per balance sheet					
Available-for-sale financial assets	-	-	-	385	385
Receivables excluding prepayments	520	-	-	-	520
Amounts due from associates	2,455	-	-	-	2,455
Amounts due from joint ventures	51	-	-	-	51
Amounts due from related parties	3	-	-	-	3
Derivative financial instruments	-	62	606	-	668
Deposits, cash and bank balances	1,338	-	-	-	1,338
Total	4,367	62	606	385	5,420

	Liabilities at fair value through the profit and loss RM'mil	Derivatives used for hedging RM'mil	Other financial liabilities at amortised cost RM'mil	Total RM'mil
Group				
31 December 2014				
Liabilities as per balance sheet				
Borrowings (excluding finance lease liabilities)	-	-	11,933	11,933
Finance lease liabilities	-	-	795	795
Derivative financial instruments	76	644	-	720
Trade and other payables (excluding aircraft maintenance accruals)	-	-	773	773
Amount due to associates	-	-	139	139
Amount due to a related party	-	-	25	25
Total	76	644	13,665	14,385

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31 December 2015

32 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments by category (continued)

	Loans and receivables RM'mil	Assets at fair value through the profit and loss RM'mil	Derivatives used for hedging RM'mil	Available for sale RM'mil	Total RM'mil
Company					
31 December 2015					
Assets as per balance sheet					
Available-for-sale financial assets	-	-	-	235	235
Receivables excluding prepayments	507	-	-	-	507
Amounts due from subsidiaries	406	-	-	-	406
Amounts due from associates	1,333	-	-	-	1,333
Amounts due from joint ventures	6	-	-	-	6
Amounts due from related parties	16	-	-	-	16
Deposits on aircraft purchase	683	-	-	-	683
Derivative financial instruments	-	229	1,136	-	1,365
Deposits, cash and bank balances	2,263	-	-	-	2,263
Total	5,214	229	1,136	235	6,814

	Liabilities at fair value through the profit and loss RM'mil	Derivatives used for hedging RM'mil	Other financial liabilities at amortised cost RM'mil	Total RM'mil
Company				
31 December 2015				
Liabilities as per balance sheet				
Borrowings (excluding finance lease liabilities)	-	-	10,801	10,801
Finance lease liabilities	-	-	882	882
Derivative financial instruments	108	712	-	820
Trade and other payables (excluding aircraft maintenance accruals)	-	-	1,902	1,902
Amount due to associates	-	-	22	22
Amount due to subsidiaries	-	-	341	341
Amount due to related parties	-	-	14	14
Total	108	712	13,962	14,782

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31 December 2015

32 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments by category (continued)

	Loans and receivables RM'mil	Assets at fair value through the profit and loss RM'mil	Derivatives used for hedging RM'mil	Available for sale RM'mil	Total RM'mil
Company					
31 December 2014					
Assets as per balance sheet					
Available-for-sale financial assets	-	-	-	385	385
Receivables excluding prepayments	456	-	-	-	456
Amounts due from subsidiaries	174	-	-	-	174
Amounts due from associates	2,363	-	-	-	2,363
Amounts due from joint ventures	34	-	-	-	34
Amounts due from related parties	3	-	-	-	3
Derivative financial instruments	-	62	606	-	668
Deposits, cash and bank balances	1,319	-	-	-	1,319
Total	4,349	62	606	385	5,402

	Liabilities at fair value through the profit and loss RM'mil	Derivatives used for hedging RM'mil	Other financial liabilities at amortised cost RM'mil	Total RM'mil
Company				
31 December 2014				
Liabilities as per balance sheet				
Borrowings (excluding finance lease liabilities)	-	-	11,933	11,933
Finance lease liabilities	-	-	795	795
Derivative financial instruments	76	644	-	720
Trade and other payables (excluding aircraft maintenance accruals)	-	-	782	782
Amount due to associates	-	-	120	120
Amount due to a related party	-	-	25	25
Total	76	644	13,655	14,375

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31 December 2015

32 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Credit quality of financial assets

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

	Group		Company	
	2015	2014	2015	2014
	RM'mil	RM'mil	RM'mil	RM'mil
Counterparties without external credit rating				
Group 1	2	1	2	1
Group 2	109	149	83	111
	111	150	85	112
Cash at bank and short term bank deposits				
AAA to A-	1,855	1,323	1,688	1,304
BBB to B3	572	15	575	15
	2,427	1,338	2,263	1,319
Derivative financial assets				
AA+ to A+	115	55	115	55
A to BBB-	868	334	868	334
No rating	382	279	382	279
	1,365	668	1,365	668

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

32 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Credit quality of financial assets (continued)

	Group		Company	
	2015 RM'mil	2014 RM'mil	2015 RM'mil	2014 RM'mil
Amounts due from subsidiaries				
Group 2	-	-	406	174
Amounts due from joint ventures				
Group 2	6	51	6	34
Amounts due from associates				
Group 2	1,537	2,455	1,333	2,363
Amounts due from related parties				
Group 2	44	3	16	3

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

All defaults were fully recovered.

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

33 FINANCIAL RISK MANAGEMENT POLICIES

The Group and Company is exposed to market risk (including fuel price risk, interest rate risk and foreign currency risk), credit risk and liquidity risk. The Group and Company uses financial instruments such as fuel swaps, interest rate swaps and caps, and foreign currency forwards to mitigate its financial risks.

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. Financial 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 seeks 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, credit, liquidity and cash flow risks.

The policies in respect of the major areas of treasury activities are as follows:

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

33 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(a) Market risk (continued)

(i) Fuel price risk

The Group and Company are exposed to jet fuel price risk and seek to hedge their fuel requirements using fuel swaps (Note 18). If a barrel of jet fuel/ Brent oil at 31 December 2014 and 31 December 2015 had been USD5 higher/lower with all other variables held constant, the impact on the post-tax profit and equity for the year are as follows:

	Group and Company			
	2015		2014	
	+USD5 RM'mil	-USD5 RM'mil	+USD5 RM'mil	-USD5 RM'mil
Impact on post-tax profits	3.8	(4.6)	-	-
Impact on other comprehensive income	58.2	(58.2)	52.6	(52.6)

(ii) Interest rate risk

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

Interest rate exposure arises from the Group's and Company's floating rate borrowings and is managed by entering into derivative financial instruments. Derivative financial instruments are used, as far as possible and where appropriate, to generate the desired fixed interest rate profile. Surplus funds are placed with reputable financial institutions.

The Group and Company manages its cash flow interest rate risk by entering into a number of immediate interest rate swap contracts and cross currency swap contracts that effectively converts its existing long-term floating rate debt facilities into fixed rate debt (Note 18).

If interest rate on USD denominated borrowings at 31 December 2015 had been 60 basis points higher/lower with all other variables held constant, the impact on the post-tax profit for the year and equity arising from the cash flow interest rate risk would be minimal when considered with the hedging of the floating rate loans (Note 18).

If interest rate on USD denominated borrowings at 31 December 2015 had been 60 basis points higher/lower with all other variables held constant, the impact on the post-tax profit for the financial year and equity, as a result of an increase/decrease in the fair value of the interest rate derivative financial instruments under cash flow hedges are tabulated below. The impact on post-tax profits arises only from derivative held for trading, and the impact to other comprehensive income arises from derivative designated as hedging instruments:

	Group and Company			
	2015		2014	
	+60bps RM'mil	-60bps RM'mil	+60bps RM'mil	-60bps RM'mil
Impact on post tax profits	13.0	(12.8)	15.3	(15.2)
Impact on other comprehensive income	72.1	(76.2)	71.0	(74.9)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

33 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

The remaining terms of the outstanding interest rate derivative contracts of the Group and Company at 31 December 2015, which are all denominated in USD, are as follows:

	2015 RM'mil	2014 RM'mil
Later than 1 year but less than 5 years:		
Interest rate caps	361	137
Interest rate swaps	1,496	688
Cross currency interest rate swaps	111	-
Later than 5 years:		
Interest rate caps	-	201
Interest rate swaps	2,258	2,673
Cross currency interest rate swaps	321	476
	4,547	4,175

(iii) Foreign currency risk

The Group and Company is 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.

58% (2014: 51%) of USD denominated borrowings are hedged by long dated foreign exchange forward contracts (Note 18).

If RM had weakened/strengthened by 5% against the USD as at 31 December 2015 with all other variables held constant, post-tax profit for the financial year would have been RM293.9 million (2014: RM293.2 million) lower/higher. Similarly, the impact on other comprehensive income would have been RM15.9 million (2014: RM4.8 million) higher/lower due to the cash flow hedging in USD.

If RM had weakened/strengthened by 5% against the RMB as at 31 December 2015 with all other variables held constant, post-tax profit for the financial year would have been RM28.7 million (2014: RM38.9 million) lower/higher.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

33 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(a) Market risk (continued)

(iii) Foreign currency risk (continued)

The Group's currency exposure profile of financial instruments denominated in currencies other than the functional currency is as follows:

	USD RM'mil	SGD RM'mil	RMB RM'mil	Others RM'mil
At 31 December 2015				
Financial assets				
Receivables	387	-	-	57
Deposits on aircraft purchase	683	-	-	-
Amounts due from associates	1,534	-	-	-
Derivative financial instruments	1,365	-	-	-
Amount due from a related party	37	-	-	-
Deposits, cash and bank balances	1,013	43	765	150
	5,019	43	765	207
Financial liabilities				
Trade and other payable (excluding aircraft maintenance accruals)	787	17	-	10
Amounts due to associates	76	-	-	-
Amounts due to related parties	14	-	-	-
Borrowings	10,734	217	-	168
Derivative financial instruments	820	-	-	-
	12,431	234	-	178
Net exposure	(7,412)	(191)	765	29
At 31 December 2014				
Financial assets				
Receivables	212	9	36	67
Amounts due from associates	2,451	-	-	-
Amounts due from joint ventures	-	17	-	-
Derivative financial instruments	668	-	-	-
Amount due from a related party	3	-	-	-
Deposits, cash and bank balances	76	15	1,018	49
	3,410	41	1,054	116
Financial liabilities				
Trade and other payables (excluding aircraft maintenance accruals)	131	39	18	61
Amounts due to associates	139	-	-	-
Amounts due to related parties	11	-	-	-
Borrowings	10,100	202	-	140
Derivative financial instruments	720	-	-	-
	11,101	241	18	201
Net exposure	(7,691)	(200)	1,036	(85)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

33 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(a) Market risk (continued)

(iii) Foreign currency risk (continued)

The Company's currency exposure profile of financial instruments denominated in currencies other than the functional currency is as follows:

	USD RM'mil	SGD RM'mil	RMB RM'mil	Others RM'mil
At 31 December 2015				
Financial assets				
Receivables	319	-	-	57
Amounts due from subsidiaries	375	-	-	-
Amounts due from associates	1,330	-	-	-
Amounts due from related parties	11	-	-	-
Deposits on aircraft purchase	683	-	-	-
Derivative financial instruments	1,365	-	-	-
Deposits, cash and bank balances	900	13	765	150
	4,983	13	765	207
Financial liabilities				
Trade and other payables (excluding aircraft maintenance accruals)	769	17	-	10
Amounts due to subsidiaries	39	-	-	-
Amounts due to associates	22	-	-	-
Amounts due to related parties	14	-	-	-
Borrowings	9,829	217	-	144
Derivative financial instruments	820	-	-	-
	11,493	234	-	154
Net exposure	(6,510)	(221)	765	53
At 31 December 2014				
Financial assets				
Receivables	154	9	36	67
Amounts due from subsidiaries	125	-	-	-
Amounts due from associates	2,358	-	-	-
Amounts due from joint ventures	-	1	-	-
Amounts due from related parties	3	-	-	-
Derivative financial instruments	668	-	-	-
Deposits, cash and bank balances	59	15	1,018	49
	3,367	25	1,054	116
Financial liabilities				
Trade and other payables (excluding aircraft maintenance accruals)	144	39	18	61
Amount due to an associate	120	-	-	-
Amounts due to related parties	11	-	-	-
Borrowings	10,100	202	-	140
Derivative financial instruments	720	-	-	-
	11,095	241	18	201
Net exposure	(7,728)	(216)	1,036	(85)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

33 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(b) Credit risk

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

The Group's and Company's exposure to credit risks or the risk of counterparties defaulting arises mainly from various deposits and bank balances, receivables and derivative financial instruments. As the Group and Company does not hold collateral, the maximum exposure to credit risks is represented by the total carrying amount of these financial assets in the balance sheet.

Credit risks are controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised by monitoring receivables regularly. In addition, credit risks are also controlled as majority of the Group's and Company's deposits and bank balances and derivative financial instruments are placed or transacted with major financial institutions and reputable parties. The Directors are of the view that the possibility of non-performance by the majority of these financial institutions is remote on the basis of their financial strength and support of their respective governments. The credit quality of financial assets that are neither past due nor impaired are disclosed in Note 32(b) to the financial statements.

The Group and Company generally has no concentration of credit risk arising from trade receivables.

(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.

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, including raising funds from the market.

The table below analyses the Group's and Company's payables, non-derivative financial liabilities, gross-settled and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

	Less than 1 year RM'mil	1-2 years RM'mil	2-5 years RM'mil	Over 5 years RM'mil
Group				
At 31 December 2015				
Term loans	1,908	1,657	4,709	3,909
Finance lease liabilities	148	149	417	385
Commodity Murabahah Finance	85	84	245	394
Revolving credit	732	-	-	-
Trade and other payables (excluding aircraft maintenance accrual)	1,512	530	-	-
Amounts due to associates	-	-	-	76
Amounts due to related parties	14	-	-	-
	4,399	2,420	5,371	4,764

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

33 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(c) Liquidity and cash flow risk (continued)

	Less than 1 year RM'mil	1-2 years RM'mil	2-5 years RM'mil	Over 5 years RM'mil
Group (continued)				
At 31 December 2014				
Term loans	1,830	1,520	4,753	4,448
Finance lease liabilities	120	121	380	396
Commodity Murabahah Finance	85	85	254	469
Revolving credit	765	-	-	-
Trade and other payables	773	-	-	-
Amounts due to associates	55	-	-	84
Amounts due to related parties	25	-	-	-
	3,653	1,726	5,387	5,397
Company				
At 31 December 2015				
Term loans	1,746	1,494	4,218	3,655
Finance lease liabilities	148	149	417	385
Commodity Murabahah Finance	85	84	245	394
Revolving credit	732	-	-	-
Trade and other payables (excluding aircraft maintenance accruals)	1,401	501	-	-
Amounts due to subsidiaries	341	-	-	-
Amounts due to associates	-	-	-	22
Amounts due to related parties	14	-	-	-
	4,467	2,228	4,880	4,456
At 31 December 2014				
Term loans	1,830	1,520	4,753	4,448
Finance lease liabilities	120	121	380	396
Commodity Murabahah Finance	85	85	254	469
Revolving credit	765	-	-	-
Trade and other payables	782	-	-	-
Amounts due to associates	55	-	-	65
Amounts due to related parties	25	-	-	-
	3,662	1,726	5,387	5,378

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

33 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(c) Liquidity and cash flow risk (continued)

	Less than 1 year RM'mil	1-2 years RM'mil	2-5 years RM'mil	Over 5 years RM'mil
Group and Company				
At 31 December 2015				
Net-settled derivatives				
Trading	37	19	26	-
Hedging	580	52	63	5
Gross-settled derivatives				
Trading – outflow	-	-	-	-
Trading – inflow	-	-	-	-
At 31 December 2014				
Net-settled derivatives				
Trading	28	20	27	3
Hedging	529	55	60	5
Gross-settled derivatives				
Trading – outflow	-	-	-	-
Trading – inflow	-	-	-	-

(d) Capital risk management

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

In order to optimise the capital structure, or the capital allocation amongst the Group's and Company's various businesses, the Group and Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, take on new debts or sell assets to reduce debt.

The Group's and Company's overall strategy remains unchanged from 2014.

Consistent with others in the industry, the Group and Company monitors capital utilisation on the basis of the net gearing ratio. This net gearing ratio is calculated as net debts divided by total equity. Net debts are calculated as total borrowings (including "short term and long term borrowings" as shown in the Group's and Company's balance sheet) less deposit, cash and bank balances.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

33 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(d) Capital risk management (continued)

The net gearing ratio as at 31 December 2015 and 31 December 2014 was as follows:

	Group		Company	
	2015 RM'mil	2014 RM'mil	2015 RM'mil	2014 RM'mil
Total borrowings (Note 25)	12,613	12,728	11,683	12,728
Less: Deposit, cash and bank balances	(2,427)	(1,338)	(2,263)	(1,319)
Net debt	10,186	11,390	9,420	11,409
Total equity	4,451	4,555	3,671	4,221
Net Gearing Ratio (times)	2.29	2.50	2.57	2.70

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2015 and 31 December 2014.

(e) Fair value measurement

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

Determination of fair value and fair value hierarchy

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);
- 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 2015

33 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(e) Fair value measurement (continued)

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

	Level 1 RM'mil	Level 2 RM'mil	Level 3 RM'mil	Total RM'mil
Group				
31 December 2015				
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	229	-	229
Derivatives used for hedging	-	1,136	-	1,136
Available-for-sale investments	235	-	-	235
	235	1,365	-	1,600
Liabilities				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	108	-	108
Derivatives used for hedging	-	712	-	712
	-	820	-	820
31 December 2014				
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	62	-	62
Derivatives used for hedging	-	606	-	606
Available-for-sale investments	385	-	-	385
	385	668	-	1,053
Liabilities				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	76	-	76
Derivatives used for hedging	-	644	-	644
	-	720	-	720

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

33 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(e) Fair value measurement (continued)

	Level 1 RM'mil	Level 2 RM'mil	Level 3 RM'mil	Total RM'mil
Company				
31 December 2015				
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	229	-	229
Derivatives used for hedging	-	1,136	-	1,136
Available-for-sale investments	235	-	-	235
	235	1,365	-	1,600
Liabilities				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	108	-	108
Derivatives used for hedging	-	712	-	712
	-	820	-	820
31 December 2014				
Assets				
Financial assets at fair value through profit or loss				
- Trading derivatives	-	62	-	62
Derivatives used for hedging	-	606	-	606
Available-for-sale investments	385	-	-	385
	385	668	-	1,053
Liabilities				
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	76	-	76
Derivatives used for hedging	-	644	-	644
	-	720	-	720

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

33 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(e) Fair value measurement (continued)

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

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

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- The fair value of fuel swap contracts is determined using forward fuel price at the balance sheet date, with the resulting value discounted back to present value.

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

34 UNCONSOLIDATED STRUCTURED ENTITIES

The Company has set up Merah 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 A320 aircraft financed under the facility.

The SPC are orphan trust companies in which the Company has no equity interest. The SPC do not incur any losses or earn any income during the financial year ended 31 December 2015. 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 Company does not provide any financial support to the SPC or have any contractual obligation to make good the losses, if any.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

34 UNCONSOLIDATED STRUCTURED ENTITIES (CONTINUED)

The details of the Merah entities are as follows:

Name	Country of incorporation	Purpose
Merah Satu Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tiga Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Empat Sdn Bhd	Malaysia	Aircraft financing special purpose company
Merah Lima Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Enam Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tujuh Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Sembilan 9M-AFX Sdn Bhd	Malaysia	Aircraft financing special purpose company
Merah Sepuluh Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Sebelas Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duabelas Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tigabelas Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Empatbelas Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Enambelas Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Lapanbelas Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duapuluh Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duapuluhsatu Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duapuluhtiga Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duapuluhlima Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duapuluhtujuh Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duapuluhlapan Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Duapuluhsembilan Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tigapuluhsatu Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tigapuluh Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tigapuluhdua Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tigapuluhempat Limited	Labuan, Malaysia	Aircraft financing special purpose company
Merah Tigapuluhenam Limited	Labuan, Malaysia	Aircraft financing special purpose company

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

35 SUBSEQUENT EVENTS

On 3 February 2016, the Company entered into a Share Sale Agreement with Tune Money International Sdn. Bhd. for the acquisition of up to 2,072,000 ordinary shares of RM1.00 each ("Shares") representing 25.8% equity interest in the issued and paid up ordinary share capital of Think BIG Digital Sdn. Bhd. ("BIG") for a cash consideration of RM101.5 million. Subsequent to this, the Company's equity stake in BIG has increased to 71.9% and the investment in BIG will be reclassified from an investment in associate to investment in subsidiary.

On 4 February 2016, the Competition Appeal Tribunal ruled in favour of the Company in connection with the RM10 million fine imposed by the Malaysian Competition Commission (MyCC) which was disclosed as a contingent liability as at 31 December 2014. Following this, the Group and Company have no contingent liabilities as at 31 December 2015.

36 RECLASSIFICATION OF COMPARATIVES

For the financial year ended 31 December 2015, the presentation of the 'share of results of associates' and 'share of results of joint ventures' was changed to better reflect the operating performance of the Group.

Previously, 'share of results of associates' and 'share of results of joint ventures' was included in the operating profit of the Group. Comparatives have been re-presented to align with the current year's presentation.

SUPPLEMENTARY INFORMATION

Disclosed Pursuant to Bursa Malaysia Securities Berhad Listing Requirements

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

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Total retained earnings of AirAsia Berhad and its subsidiaries:				
- Realised	5,771,224	2,906,177	4,237,044	2,633,804
- Unrealised	(1,698,954)	(91,609)	(1,705,832)	(91,712)
	4,072,270	2,814,568	2,531,212	2,542,092
Total share of accumulated gains from associated companies:				
- Realised	(821,968)	3,521	-	-
Total share of accumulated gains from joint ventures				
- Realised	105,438	79,946	-	-
Total retained earnings as per consolidated financial statements	3,355,740	2,898,035	2,531,212	2,542,092

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

STATEMENT BY DIRECTORS

pursuant to section 169(15) of the companies act, 1965

We, Datuk Kamarudin Bin Meranun and Aireen Omar, being two of the Directors of AirAsia Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 163 to 249 are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at 31 December 2015 and of the results and the cash flows of the Group and Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965.

The supplementary information set out in page 250 have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

In accordance with a resolution of the Board of Directors dated 31 March 2016.

DATUK KAMARUDIN BIN MERANUN
DIRECTOR

AIREEN OMAR
DIRECTOR

STATUTORY DECLARATION

pursuant to section 169(16) of the companies act, 1965

I, How Kim Lian, the Officer primarily responsible for the financial management of AirAsia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 163 to 249 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.

HOW KIM LIAN

Subscribed and solemnly declared by the abovenamed How Kim Lian at Kuala Lumpur in Malaysia on 31 March 2016, before me.

PESURUHJAYA SUMPAH
No. W 530
TAN SEOK KETT
MALAYSIA

COMMISSIONER FOR OATHS

Lot 350, 3rd Floor, Wisma MPL,
Jalan Raja Chulan,
50200 Kuala Lumpur.

INDEPENDENT AUDITORS' REPORT

to the members of airasia berhad (incorporated in malaysia) (company no. 284669 w)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of AirAsia Berhad on pages 163 to 249 which comprise the balance sheets as at 31 December 2015 of the Group and of the Company, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 36.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 9 to the financial statements.

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

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

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in page 250 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysia Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

Kuala Lumpur
31 March 2016

IRVIN GEORGE LUIS MENEZES
(No. 2932/06/16 (J))
Chartered Accountant

ANALYSIS OF SHAREHOLDINGS

as at 18 March 2016

DISTRIBUTION OF SHAREHOLDINGS

Class of shares : Ordinary shares of RM0.10 each ("Shares")
Voting rights : One vote per ordinary share

Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares%	% of Issued Share Capital
Less than 100	104	0.32	1,429	0.00
100 – 1,000	7,689	23.57	6,404,769	0.23
1,001 – 10,000	18,284	56.06	85,206,681	3.06
10,001 – 100,000	5,514	16.91	167,791,054	6.03
100,001 to less than 5% of issued shares	1,024	3.14	2,182,470,147	78.43
5% and above of issued shares	1	0.00	341,000,000	12.25
	32,616	100.00	2,782,874,080	100.00

SUBSTANTIAL SHAREHOLDERS

The direct and indirect shareholdings of the shareholders holding more than 5% in AirAsia Berhad ("AirAsia") based on the Register of Substantial Shareholders are as follows:-

	Direct		Indirect	
Names	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
Tune Air Sdn Bhd ("TASB")	528,542,082 [1]	18.87	-	-
Tan Sri (Dr.) Anthony Francis Fernandes	1,600,000 [2]	0.06	528,542,082 [3]	18.87
Datuk Kamarudin bin Meranun	2,000,000 [2]	0.07	528,542,082 [3]	18.87
Wellington Management International, Ltd	148,858,320 [4]	5.35		
Wellington Management Group LLP	-	-	157,599,290 [5]	5.66
Wellington Group Holdings LLP	-	-	157,599,290 [5]	5.66
Wellington Investment Advisors Holdings LLP	-	-	157,599,290 [5]	5.66
Wellington Management Global Holdings, Ltd.	-	-	148,858,320 [5]	5.35

NOTES:

[1] Shares held under own name, Cimsec Nominees (Tempatan) Sdn. Bhd., HSBC Nominees (Tempatan) Sdn. Bhd., Amsec Nominees (Tempatan) Sdn. Bhd., Kenanga Capital Sdn. Bhd., MIDF Amanah Investment Nominees (Tempatan) Sdn. Bhd., and RHB Nominees (Tempatan) Sdn. Bhd.

[2] Shares held under CIMB Group Nominees (Tempatan) Sdn. Bhd.

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

[4] Shares held under Cartaban Nominees (Asing) Sdn. Bhd., Citigroup Nominees (Asing) Sdn. Bhd., HSBC Nominees (Asing) Sdn. Bhd., JP Morgan Chase Bank N.A., Mellon Bank, N.A. and RBC Dexia Investor Services.

[5] Wellington Management Group LLP is registered as an investment advisor with the United States Securities and Exchange Commission under Section 203 of the Investment Advisors Act of 1940, as amended and acts as discretionary investment manager on behalf of various separate accounts. Wellington Management International, Ltd is a direct controlled undertaking of Wellington Management Global Holdings, Ltd., which, in turn, is a direct controlled undertaking of Wellington Investment Advisors Holdings LLP, which, in turn, is a direct controlled undertaking of Wellington Group Holdings LLP, which, in turn, is a direct controlled undertaking of Wellington Management Group LLP.

ANALYSIS OF SHAREHOLDINGS

as at 18 March 2016

DIRECTORS' SHAREHOLDINGS

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

	Direct		Indirect	
	No. of Shares Held	**% of Issued Shares**	**No. of Shares Held**	**% of Issued Shares**
Tan Sri (Dr.) Anthony Francis Fernandes	1,600,000 (1)	0.06	528,542,082 (2)	18.87
Datuk Kamarudin Bin Meranun	2,000,000 (1)	0.07	528,542,082 (2)	18.87
Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	-	-	-	-
Dato' Fam Lee Ee	-	-	-	-
Dato' Mohamed Khadar Bin Merican	-	-	-	-
Dato' Sri Gnanaraja A/L M. Gnanasundram	-	-	-	-
Aireen Omar	50,000	-*	-	-
Stuart L Dean	40,000 (3)	-*	-	-
Amit Bhatia	-	-	-	-

NOTES:

* Negligible.
(1) Shares held under CIMB Group Nominees (Tempatan) Sdn. Bhd.
(2) Deemed interested by virtue of Section 6A of the Act through a shareholding of more than 15% in TASB.
(3) Shares held under Cimsec Nominees (Asing) Sdn. Bhd.

LIST OF TOP 30 LARGEST SHAREHOLDERS

	Name of Shareholders	**No. of Shares Held**	**% of Issued Share Capital**
1.	HSBC Nominees (Tempatan) Sdn. Bhd. *Credit Suisse HK for Tune Air Sdn. Bhd.*	341,000,000	12.25
2.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Employees Provident Fund Board*	122,905,849	4.42
3.	Citigroup Nominees (Tempatan) Sdn. Bhd. *Exempt An for AIA Bhd.*	77,585,500	2.79
4.	Cimsec Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Tune Air Sdn. Bhd (EDG&GCM)*	75,467,203	2.71
5.	CIMB Group Nominees (Tempatan) Sdn. Bhd. *Yayasan Hasanah (AUR-VCAM)*	59,695,300	2.15
6.	HSBC Nominees (Asing) Sdn. Bhd. *BBH and Co Boston for Emerging Markets Portfolio (WTC CTF)*	51,575,964	1.85
7.	Cartaban Nominees (Asing) Sdn. Bhd. *SSBT Fund HG05 for The New Economy Fund*	45,583,400	1.64
8.	Kenanga Capital Sdn. Bhd. *Pledged Securities Account for Tune Air Sdn. Bhd.*	41,005,310	1.47
9.	HSBC Nominees (Asing) Sdn. Bhd. *Exempt An for JPMorgan Chase Bank, National Association (TAIWAN)*	40,754,500	1.46

ANALYSIS OF SHAREHOLDINGS

as at 18 March 2016

LIST OF TOP 30 LARGEST SHAREHOLDERS (CONTINUED)

	Name of Shareholders	No. of Shares Held	% of Issued Share Capital
10.	HSBC Nominees (Asing) Sdn. Bhd. *Exempt An for The Bank of New York Mellon (Mellon ACCT)*	40,740,593	1.46
11.	HSBC Nominees (Asing) Sdn. Bhd. *Exempt An for JPMorgan Chase Bank, National Association (U.K.)*	38,801,117	1.39
12.	HSBC Nominees (Asing) Sdn. Bhd. *HSBC-FS for Value Partners High – Dividend Stocks Fund*	35,927,900	1.29
13.	Citigroup Nominees (Asing) Sdn. Bhd. *UBS AG*	30,004,365	1.08
14.	Cimsec Nominees (Tempatan) Sdn. Bhd. *CIMB Bank for Tune Air Sdn. Bhd. (M1566A)*	29,085,000	1.05
15.	HSBC Nominees (Asing) Sdn. Bhd. *Exempt An for JPMorgan Chase Bank, National Association (U.S.A.)*	25,891,887	0.93
16.	HSBC Nominees (Asing) Sdn. Bhd. *SBL of Morgan Stanley & Co. International Plc*	25,170,500	0.90
17.	Amanahraya Trustees Berhad *Amanah Saham Bumiputera*	25,000,000	0.90
18.	Cartaban Nominees (Asing) Sdn. Bhd. *BBH (LUX) SCA for Fidelity Funds Pacific*	24,631,600	0.89
19.	HSBC Nominees (Asing) Sdn. Bhd. *BBH and Co Boston for GMO Emerging Domestic Opportunities Fund*	23,589,800	0.85
20.	Citigroup Nominees (Asing) Sdn. Bhd. *CBNY for Dimensional Emerging Markets Value Fund*	22,533,919	0.81
21.	Maybank Nominees (Tempatan) Sdn. Bhd. *Pledged Securities Account for Siti Nur Aishah Binti Ishak*	20,979,600	0.75
22.	HSBC Nominees (Asing) Sdn. Bhd. *TNTC for AJO Emerging Markets All-Cap Master Fund, Ltd.*	20,871,400	0.75
23.	Tune Air Sdn. Bhd.	20,589,569	0.74
24.	Cartaban Nominees (Asing) Sdn. Bhd. *GIC Private Limited for Government of Singapore (C)*	20,571,600	0.74
25.	HSBC Nominees (Asing) Sdn. Bhd. *BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund*	18,755,648	0.67
26.	HSBC Nominees (Asing) Sdn. Bhd. *HSBC BK Plc for Saudi Arabian Monetary Agency*	18,623,400	0.67
27.	Cartaban Nominees (Asing) Sdn. Bhd. *Exempt An for State Street Bank & Trust Company (West CLT OD67)*	18,572,400	0.67
28.	Citigroup Nominees (Asing) Sdn. Bhd. *Citibank Europe Plc as Trustee for Standard Life Pacific Basin Trust (CBLDN)*	17,084,500	0.61
29.	Citigroup Nominees (Asing) Sdn. Bhd. *Goldman Sachs International*	16,808,129	0.60
30.	Citigroup Nominees (Asing) Sdn. Bhd. *CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc*	16,760,400	0.60

LIST OF PROPERTIES HELD

Owner of building	Postal address/ location of building	Description/ existing use of building	Tenure/date of expiry of lease	Build-up area	Approximate age of building	Audited net book value as at 31 December 2015 (RM'000)
AirAsia Berhad	Taxiway Charlie, KLIA (part of PT39 KLIA, Sepang) *See Note 1*	Non permanent structure/aircraft maintenance hangar	*See Note 2*	2,400 sqm	13 years	1,563

(1) On the fitness of occupation of the hangar, it is the subject of a year-to-year "Kelulusan Permit Bangunan Sementara" issued by the Majlis Daerah Sepang.

(2) The land area occupied is approximately 2,400 square meters. The land is owned by Malaysia Airports (Sepang) Sdn. Bhd. ("MAB") and the Company has an automatic renewal of tenancy on a month to month basis. Revaluation of properties has not been carried out on any of the above properties to date.

SALES OFFICES & STATIONS

BRUNEI DARUSSALAM
BANDAR SERI BEGAWAN
- No 3, Departure Hall
  Brunei International Airport
  Bandar Seri Begawan
  BS2513, Brunei Darussalam

CAMBODIA
PHNOM PENH
- Phnom Penh International Airport
  National Road No 4
  Kakab Commune Posenchay
  District, Phnom Penh
- No 8 Street 141, Veal Vong Quarter
  7 Makara District, Phnom Penh
- AEON Mall, Ground Floor, #132
  Street Samdach Sothearos
  Sangkat Tonle Bassac
  Khan Chamkarmon, Phnom Penh

CHINA
MACAU
- Macau International Airport Taipa
  Office 20, Mezzanine Level
  Passenger Terminal, Macau

SHENZEN
- Century Holiday International Travel
  Service (Shenzhen), Co Ltd
  XY-10 Junting Hotel, 2085 Eastern
  Road, Luo Hu, Shenzhen 518001

GUANG DONG
- Century Holiday International Travel
  Service (Guang Zhou), Co Ltd
  First Floor, No 8 Zhong Sha
  3 Road, Guang Zhou 510000

- Century Holiday International Travel
  Service (Guang Zhou), Co Ltd
  Shop 105-2, No 50 Ti Yu Road
  West, Tian He District, Guangzhou

BEIJING
- Century Holiday International Travel
  Service (Beijing) Co Ltd
  No 163A Floor of Yi, No 6 Chaowai
  Street, Chao Yang District
  Beijing 100022

CHENGDU
- Century Holiday International Travel
  Service (ChengDu) Co Ltd
  No 172-5 Binjang East Road
  Jinjang District, ChengDu

SHANGHAI
- Century Holiday International Travel
  Service (Shanghai) Co Ltd
  No 739, Changde Road
  Jing'an District, Shanghai

YUNNAN
- Century Holiday International Travel
  Service (Kunming) Co Ltd, No 1108
  Huancheng South Road, Kunming
  Yunnan, China

HANGZHOU
- No 567 Jianguo North Road (near
  Moyaying Bustop), Hangzhou, China

ZHUHAI
- No 399 QiouGuang Road, Zhuhai

CHONGQING
- C3, Hongyadong, No 88 Jia Bin
  Road, Yuzong District, Chongqing

KUNMING
- No 1108 Huancheng South Road,
  Kunming, Yunnan, China

XI'AN
- No 6 Kejishangmao Building
  East of Xidian University
  Community, Keji Road
  Yanta District, Xi'an

INDONESIA
BANDA ACEH
- Bandara Sultan Iskandar Muda
  Blang Bintang, Aceh

BALIKPAPAN
- Departure Terminal, Sepinggan
  International Airport, Jl. Marsma R.
  Iswahyudi, Sepinggan, Balikpapan

LOMBOK
- Departure Terminal, Lombok
  International Airport
  Praya, Lombok
  Nusa Tenggara Barat

PONTIANAK
- Customer Service Office
  Supadio International Airport
  Pontianak, Kalimantan Barat 78381

DENPASAR, BALI
- Bandara I Gusti Ngurah Rai
  Terminal Keberangkatan Domestik
  Bali 80361
- Sun Boutique Hotel, Jl Sunset Road
  No 23, Bali

BANDUNG
- Gedung Beranda Pasundan
  Bandara Husein Sastranegara
  Jalan Pajajaran No 156 Bandung
  Jawa Barat
- Lobby Grand Serela Hotel
  No 56 Jl LL RE Martadinata (Riau)
- No 36A Jl Kopo Bihbul

JAKARTA
- Soekarno-Hatta International
  Airport Terminal 3, Departure Hall
  Airlines Offices, Cengkareng
- Jl Boulevard Raya, Blok LA 4
  No 10 Kelapa Gading, Jakarta Utara
- Komp Rukan Dharmawangsa
  No 43 Jl Dharmawangsa VI
  Jakarta Selatan
- Sarinah Plaza (LG level)
  No 11 Jl Mh Thamrin, Jakarta Pusat
- Head Quarter PT. Indonesia AirAsia,
  No 1 Jl Marsekal Suryadharma
  Tangerang

MAKASSAR
- Sultan Hasanuddin International
  Airport, Departure Terminal
  Makassar, South Sulawesi

MEDAN
- Kualanamu International Airport
  1st floor, Ticketing Lounge
  International Arrival Deli Serdang
- Garuda Plaza Hotel
  No 18 Jl Sisingamangaraja,
  Medan-20213
- Counter Railink Station Medan
  Zona A Ruangan A-7 Lt. 2
  No 1 Jl Stasiun, City Railway
  Station, Medan
- No 548P Jl Asia, Medan
- No 189B Jl Bakaran Batu
  Lubuk Pakam, Medan

PADANG
- Minangkabau International Airport
  Padang, West Sumatra
- No 75B Jl. Veteran, Purus, Padang
  Barat, Padang, West Sumatra

PALEMBANG
- Sultan Mahmud Badaruddin II
  Airport, Palembang, South Sumatra

PEKANBARU
- Sultan Syarif Kasim II, International
  Airport, Jl Perhubungan Udara
  Simpang Tiga, Pekanbaru, Sumatra

SOLO
- Adi Soemarmo International
  Airport, Solo, Central Java
  SURABAYA
- Juanda International Airport
  Terminal 2, Jl Raya Juanda
  Surabaya, Jawa Timur
- Plaza East UG Unit 48
  Tunjungan Plaza 1, Jl Basuki
  Rahmat 8-12 Surabaya
- LG Floor A6-01/A6-50
  Pakuwon Trade Centre Supermall
  No 2 Jl. Puncak Indah Lontar
  Surabaya

MALANG
- No 6 Jl. Sarangan, Lowokwaru,
  Malang

YOGYAKARTA
- Adisutjipto International Airport
  Jl Solo Km9, Yogyakarta 55282
- No 119c Jl HOS Cokroaminoto
  Yogyakarta

SEMARANG
- Ahmad Yani International Airport
  Jl. Puad A. Yani, Semarang
- Komp. Pertokoan Simpang Lima
  Blok C No 1, Semarang

SALES OFFICES & STATIONS

MALAYSIA

JOHOR
- Tune Hotel, Danga Bay
  Lot PTB 22819 Jalan Skudai
  Mukim Bandar Johor Bahru
  80200 Johor
- Senai International Airport
  Lot S7, 81250 Johor Bahru
- No 26 Jalan Bakri
  84000 Muar, Johor
- No 7 Jalan Bestari 1/5
  Taman Nusa Bestari
  81300 Bandar Nusajaya, Johor
- No 37 Ground Floor
  Jln Md.Lazim Saim
  86000 Kluang, Johor

KEDAH
- Lapangan Terbang Sultan Abdul Halim, Level 1, 06550 Kepala Batas Alor Setar, Kedah.
- Langkawi International Airport
  07100 Padang Mat Sirat, Langkawi
- Lot 1F TR01, 1st Floor Central Square Shopping Centre
  No 23 Jln Kg Baru
  08000 Sungai Petani, Kedah

KUALA LUMPUR
- Lot 4, Level 2, Stesen Sentral
  50470 Kuala Lumpur
- Lot No K16 (New Wing) Utility Level Stesen Monorail di atas Jln Sultan Ismail PT88, Seksyen 67 Jalan Sultan Ismail, 55100 Kuala Lumpur
- Lot G027B, Ground Floor Podium Block Plaza Berjaya
  No 12 Jalan Imbi
  55100 Kuala Lumpur
- 71, Jalan Metro Perdana Barat 1
  Taman Usahawan Kepong
  52100 Kuala Lumpur
- Wisma Paradise, Ground Floor
  No 63 Jalan Ampang
  50450 Kuala Lumpur

KELANTAN
- Ground Floor, Lapangan Terbang Sultan Ismail Petra, Pengkalan Chepa, 16100 Kota Bharu, Kelantan

PERAK
- PI Hotel - Ipoh, No 2 Ground Floor, The Host, Jalan Veerasamy
  30000 Ipoh, Perak

TERENGGANU
- Sultan Mahmud Airport, Level 1 Terminal Building
  21300 Kuala Terengganu
  Terengganu

LABUAN
- Labuan Airport Terminal, Level 1
  87008 Wilayah Persekutuan Labuan

NEGERI SEMBILAN
- GF21, Ground Floor Terminal 2
  Jalan Era Square 4, Era Square
  70200 Seremban, Negeri Sembilan

PENANG
- Lot 8, Departure Concourse Penang International Airport, 11900 Bayan Lepas, Penang
- 332, Ground Floor Kim Mansion
  Lebuh Chulia, 10200 Penang
- No 12H-G Jln Tun Dr Awang, 11900 Bayan Lepas, Penang
- A-G-07, Jalan Todak 4, Sunway Business Park, Pusat Bandar Seberang Jaya, 13700 Perai
  Penang

SABAH
- Lot 2, Sandakan Airport 90000
  Sandakan, Sabah.
- FL4, 1st Floor Tawau Airport Building, Jalan Apas Balun
  91100 Tawau, Sabah
- TB228, Lot 5 Ground Floor
  Istana Monaco Hotel
  Jalan Bunga Fajar Complex
  91000 Tawau, Sabah
- Lot G24, Ground Floor Wisma Sabah, Jln Tun Razak
  88000 Kota Kinabalu, Sabah
- Level 2 (Domestic Departure Hall Entrance), Terminal 1 Kota Kinabalu International Airport
  Jalan Petagas Kota Kinabalu
  88100 Kota Kinabalu, Sabah
- Lot G-2, Ground Floor Plaza USIA Building, Jalan Teratai, MDLD 7084
  91100 Lahad Datu, Sabah.

SARAWAK
- GL-02-G Jalan Bintulu, Lapangan Terbang Bintulu, 97000 Bintulu, Sarawak
- Lot GL08, Ground Floor
  Public Concourse
  98000 Miri Airport, Sarawak
- GF Lot 946, Jalan Parry
  98000 Miri, Sarawak
- No 291 GF, Sublot 4 Wisma Ho Ho Lim, Jalan Abell
  93100 Kuching, Sarawak
- Lot GFLO1, Common Departure Area, Level 1 Landslide
  Sibu Airport
  96000 Sibu, Sarawak
- No 36, Lot 1684 (G/F) Jalan Keranji, Brooke Drive 5
  96000 Sibu, Sarawak
- GF, Lot 4034 Parkcity Commercial Square, Phase 5
  97000 Bintulu, Sarawak
- Lot 6813, Ground Floor Synergy Square, Matang Jaya Commercial Centre, Jalan Matang
  93050 Kuching, Sarawak
- Lot L1L C15, Ground Floor Arrival Level, Kuching International Airport, 93250 Kuching, Sarawak

SELANGOR
- G2, Terminal SkyPark
  Lapangan Terbang Sultan Abdul Aziz Shah, 47200 Subang, Selangor
- Jalan KLIA S3, Southern Support Zone, Kuala Lumpur International Airport (KLIA)
  64000 Sepang, Selangor
- Unit 30, Level 2 KLIA2
  Kuala Lumpur International Airport 2 (KLIA2)
  64000 Sepang, Selangor
- Lot No G-35, Mydin Hypermarket, Persiaran Subang Permai USJ1
  47500 Subang Jaya, Selangor
- Lot S141, 2nd Floor Plaza Metro Kajang, Section 7
  Jalan Tun Abdul Aziz
  43000 Kajang, Selangor
- Lot 3B, Ground Floor Wisma Thrifty
  No 19 Jalan Barat
  46200 Petaling Jaya, Selangor

MYANMAR

YANGON
- No 66, 1st Floor 16 Street
  Lanmadaw Township, Yangon
  Myanmar

MANDALAY
- Room 3, 26th (B) Road (between 78th and 79th Road), Mandalay

PHILIPPINES

CAGAYAN DE ORO
- Laguindingan International Airport
  Brgy Moog, Laguindingan
  Misamis Oriental
- DIMDI,J.R. Borja St., Cagayan de Oro City

CEBU
- West Wing Domestic Area, Mactan Cebu Int'l Airport, Pusok, Lapu Lapu City, Cebu
- 3rd Floor Service Lane, Elizabeth Mall N. Bacalso Ave. Cebu City

MANILA
- Naia Terminal 4, Domestic Road
  Pasay City
- G/F Colonnande Residences 132 C. Palanca Street, Legaspi Village
  Makati City
- Unit 126 South Parking Building
  SM Mall of Asia Complex, JW Diokno Boulevard, Pasay City
- Unit 108 SM City North Edsa – The Block, SM City Complex, North Edsa, Pag-Asa 1, Quezon City

DAVAO
- Francisco Bangoy International Airport, Buhangin, Davao City
- 2/L Victoria Plaza, JP Laurel Avenue, Davao City

KALIBO
- 1880 D Maagma St., Kalibo, Aklan

TAGBILARAN
- Talibon Commercial Center 1
  Talibon, Bohol
- Airport Building, 2nd Floor, Airport Road, Tagbilaran City, Bohol

PUERTO PRINCESA
- Bgy Bancao-Bancao, Airport Compound, Puerto Princesa City

TACLOBAN
- DZR Airport
  San Jose Tacloban City

SALES OFFICES & STATIONS

SINGAPORE
- Singapore Changi Airport
  Terminal 1, Rows 13 & 14
  Departure Level 2, Singapore

SRI LANKA
COLOMBO
- Setmil Aviation (Pvt) Ltd, Ground Floor, Setmil Maritime Centre, 256 Srimath Ramanathan Mawatha Colombo 15, Sri Lanka

THAILAND
BANGKOK
- 127 Tanao Road, Phra Nakorn Bangkok 10200
- Suvarnabhumi International Airport Room A1-062 Ground Floor Concourse A, Bangna-Trad Road Racha Teva, Bang Pli Samutprakarn 10540
- Tesco Lotus – Bangkapi, 2nd Floor 3109 Ladpro Road, Bangkapi Bangkok 10240
- Tesco Lotus – Rama1, 3rd Floor 831 Rama 1 Road, Wangmai Pathumwan, Bangkok10330
- Tesco Lotus - Sukhumvit 50 1st floor, 1710, Sukhumvit Road Klong Toey, Bangkok 10110
- Tesco Lotus - Lad Prao, 2nd Floor 1190, Phahonyothin Road, Jompol Jatujak, Bangkok 1090

CHIANG MAI
- Chiangmai International Airport 60, 1st Floor, Tambol Sutep Amphur Muang, Chiang Mai 50200
- 416 Thaphae Road, Chiang Mai

CHIANG RAI
- Chiang Rai International Airport 2305/2 404 Moo 10, Tambol Bandu Amphur Muang, Chiang Rai 57100

HAT YAI
- Hat Yai International Airport 125 Moo 3 Klongla, Klonghoikong Songkhla 90115
- 69 Thumnoonvithi Rd. Hat Yai Songkhal 90110

KRABI
- Krabi International Airport Room No 133, Moo 5, Petchakasem Rd. Nuaklong Sub District, Nuaklong District, Krabi 81130

NAKHON PHANOM
- Nakhon Phanom Airport Level 1 40 M.6 ,Nittayo Road Photak District, Nakhon Phanom 48000

NAKORN SI THAMMARAT
- Nakorn Si Thammarat Airport Muang District, Nakorn Si Thammarat

NARATHIWAT
- Narathiwat Airport, 330 Moo 5 Tambol Kok-Kian, Amphur Muang Narathiwat 96000

PHUKET
- Phuket International Airport 312, 3rd Floor, Tumbol Maikao Amphur Thalang, Phuket 83110
- Unit 9, Laflora Patong Area No 39, 39/1, Thaveewong Rd Patong, Kratoo, Phuket
- Tesco Lotus – Phuket, 2nd Floor 104, Chalermprakiat Road, Rasada Sub District, Muang District Phuket 83000

SURAT THANI
- Surat Thani International Airport 73 Moo 3 Tambol Huatuey, Amphur Punpin, Surat Thani

TRANG
- Trang Airport House No 170, Village No 12, Trang-Paliean Road, Koklor sub-district, Mueang Trang district Trang, 92000

UBON RATCHATHANI
- Ubon Ratchathani Airport, 297 Ubon Ratchathani Airport, Thepyotee Road, Amphur Nai Muang, Ubon Ratchathani 34000

UDON THANI
- Udon Thani International Airport 224 Moo 1, Tambol Makkhang Amphur Muang, Udon Thani 41000

PATTAYA
- Tesco Lotus - South Pattaya 2nd Floor, 408/2 Moo 12, South Pattaya, Sukhumvit Rd, Nongprue Banglamung, Chonburi 20150

VIETNAM
HANOI
- NoiBai Airport, Terminal 1 International Departure Hall 3rd Floor, Hanoi, Vietnam
- 55 Nam Ngu, Cua Nam Ward Hoan Kiem District, Ha Noi City Vietnam

HO CHI MINH
- Tan Son Nhat International Airport Room # 1.4.19
- 84B Bui Vien, District 1 Ho Chi Minh City, Vietnam

DA NANG
- 108 Nguyen Van Linh Da nang City, Vietnam

BANGLADESH
- Erectors House (5th Floor) 18 Kemal Ataturk Avanue, Banani C/A, Dhaka 1213, Bangladesh

MALDIVES
- G. Fasmugoo 1st Floor Bodurasgefaanu Magu Male' 20133, Republic of Maldives

INDIA
- 405, Surya Kiran Building Kasturba Gandhi Marg New Delhi-110001, India
- A/2D, Dr. Md. Ishaque Road, Chowringhee Mansions Block-E, Kolkata – 700016, India
- SCO 59-60, First floor Sector -9D, Chandigarh, India
- M2 Usha Plaza, M.I road Jaipur, India

CALL CENTRE

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 2 515 9999

GLOSSARY

AirAsia Berhad	"The Company" or "AirAsia".
Aircraft at end of period	Number of aircraft owned or on lease arrangements of over one month's duration at the end of the period.
Aircraft utilisation	Average number of block hours per day per aircraft operated.
Available Seat Kilometres (ASK)	Total seats flown multiplied by the number of kilometres flown.
Average fare	Passenger seat sales, surcharges and fees divided by number of passengers.
Block hours	Hours of service for aircraft, measured from the time that the aircraft leaves the terminal at the departure airport to the time that it arrives at the terminal at the destination airport.
Capacity	The number of seats flown.
Cost per ASK (CASK)	Revenue less operating profit divided by available seat kilometres.
Cost per ASK, excluding fuel (CASK ex fuel)	Revenue less operating profit and aircraft fuel expenses, divided by available seat kilometres.
Load factor	Number of passengers as a percentage of capacity.
Passengers carried	Number of earned seats flown. Earned seats comprises seats sold to passengers (including no-shows), seats provided for promotional purposes and seats provided to staff for business travel.
Revenue per ASK (RASK)	Revenue divided by available seat kilometres.
Revenue Passenger Kilometres (RPK)	Number of passengers multiplied by the number of kilometres those passengers have flown.
Stage	A one-way revenue flight.

FORM OF PROXY

AIRASIA BERHAD
(Company No.: 284669-W)
Incorporated in Malaysia

I/We _____ NRIC No./Co No.: _____
(FULL NAME IN BLOCK LETTERS) (COMPULSORY)

of _____
(ADDRESS)

telephone no. _____ being a member of the Company hereby appoints
(COMPULSORY)

_____ NRIC No.: _____
(FULL NAME IN BLOCK LETTERS) (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 Twenty Third Annual General Meeting of the Company to be held on Monday, 30 May 2015 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 No. 1	**Ordinary Business** Declaration of First and Final Single Tier Dividend		
No. 2	Approval of Directors' Fees with effect from the financial year ending 31 December 2016		
No. 3	Re-election of Aireen Omar		
No. 4	Re-election of Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar		
No. 5	Re-election of Mr. Stuart L Dean		
No. 6	Re-election of Dato' Sri Gnanaraja A/L M. Gnanasundram		
No. 7	Re-election of Dato' Mohamed Khadar Bin Merican		
No. 8	Re-appointment of Auditors		
No. 9	**Special Business** Proposal for Dato' Fam Lee Ee to be retained as Senior Independent Non-Executive Director of the Company		
No. 10	Authority to allot shares pursuant to Section 132D of the Companies Act, 1965		
No. 11	Proposed renewal of existing shareholders' mandate and new shareholders' mandate for Recurrent Related Party Transactions		

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

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

_____
Signature of Shareholder/Common Seal

Notes to Form of Proxy

a. Pursuant to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 and Article 43(1) of the Company's Articles of Association, only those Foreigners (as defined in the Articles) who hold shares up to the current prescribed foreign ownership limit of 45.0% of the total issued and paid-up capital, on a first-in-time basis based on the Record of Depositors to be used for the forthcoming Annual General Meeting, shall be entitled to vote. A proxy appointed by a Foreigner not entitled to vote, will similarly not be entitled to vote. Consequently, all such disenfranchised voting rights shall be automatically vested in the Chairman of the forthcoming Annual General Meeting.

b. A member must be registered in the Record of Depositors at 5.00 p.m. on 23 May 2016 ("General Meeting Record of Depositors") in order to attend and vote at the Meeting. A depositor shall not be regarded as a Member entitled to attend the Meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors. Any changes in the entries on the Record of Depositors after the abovementioned date and time shall be disregarded in determining the rights of any person to attend and vote at the Meeting.

c. A member entitled to attend and vote is entitled to appoint a proxy (or in the case of a corporation, to appoint a representative), to attend and vote in his stead. There shall be no restriction as to the qualification of the proxy(ies).

d. The Proxy Form in the case of an individual shall be signed by the appointor or his attorney, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.

e. Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.

f. Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

g. The Proxy Form or other instruments of appointment shall not be treated as valid unless deposited at the Registered Office of the Company at B-13-15, Level 13, Menara Prima Tower B, Jalan PJU 1/39, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time set for holding the meeting. **Faxed copies of the duly executed form of proxy are not acceptable.**

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stamp

COMPANY SECRETARY
AirAsia Berhad (Company No. 284668-W)
B-13-15, Level 13
Menara Prima Tower B
Jalan PJU 1/39, Dataran Prima
47301 Petaling Jaya
Selangor Darul Ehadsan
Malaysia

Fold here

AirAsia Berhad (284669-W)
LCC Terminal, Jalan KLIA S3, Southern Support Zone, Kuala Lumpur International Airport
64000 Sepang, Selangor Darul Ehsan, Malaysia
T +603 8660 4333 **F** +603 8775 1100
E investorrelations@airasia.com