

AUSTRALIA

**GOLD COAST**  
KUALA LUMPUR > GOLD COAST

WEEKLY  
**7X**



**INSIDER TIPS**

Check out the Gourmet Farmer's Market on Mirage Street (every Saturday morning).

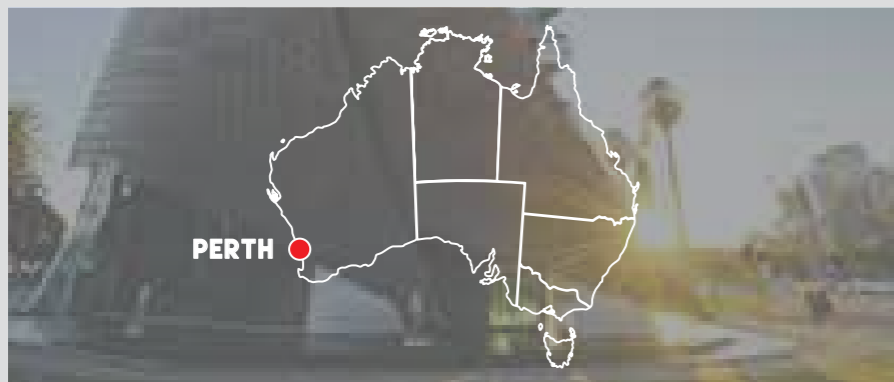
**CITY HIGHLIGHTS**

- **SEA WORLD** - Aquatic theme park with animal shows, waterslides and rollercoasters
- **CURRUMBIN WILDLIFE SANCTUARY** - One of the largest collections of Australian native species in the world
- **WARNER BROS MOVIE WORLD** - Movie theme park with rides and attractions
- **SKYPOINT OBSERVATION DECK** - 230m-high deck with the best view of the city
- **BROADBEACH** - Beach with golden sands and clear water, near Surfer's Paradise
- **WET N WILD** - The perfect way to enjoy a splashtacular day out

AUSTRALIA

**PERTH**  
KUALA LUMPUR > PERTH

WEEKLY  
**11X**



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**CITY HIGHLIGHTS**

- **COTTESLOE BEACH** - Beautiful beach with the best beachfront café dining
- **FREMANTLE PRISON** - Old prison complex and a UNESCO World Heritage site
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AUSTRALIA

**MELBOURNE**  
KUALA LUMPUR > MELBOURNE  
BALI > MELBOURNE

WEEKLY  
**14X**  
5X



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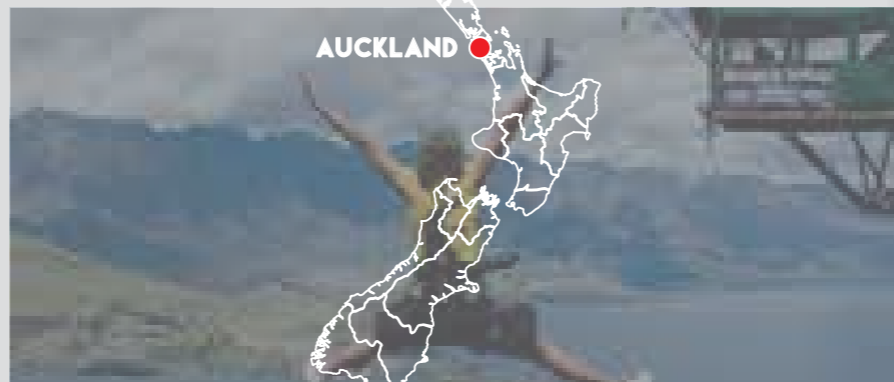
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NEW ZEALAND

**AUCKLAND**  
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CHINA

**XI'AN**  
KUALA LUMPUR > XI'AN

WEEKLY  
**4X**



**INSIDER TIPS**

A must try the "Biang Biang" noodle for a taste of local delicacy.

**CITY HIGHLIGHTS**

- **TERRACOTTA WARRIORS MUSEUM** - An exhibition hall of chariots and horses
- **XI'AN MUSLIM QUARTERS** - A vibrant street packed with stalls selling everything
- **THE GREAT MOSQUE** - One of the oldest, largest and best preserved Islamic mosques in China
- **BELL AND DRUM TOWERS** - Established in the Ming dynasty (1368-1644), and offering a bird's eye view of the Muslim Quarters
- **BIG GOOSE PAGODA** - A five-storey brick structure, one of the oldest man-made structures in China

CHINA

**HANGZHOU**  
KUALA LUMPUR > HANGZHOU

WEEKLY  
**4X**



**INSIDER TIPS**

Visit the West Lake for a panoramic view deemed by CNN Travel as one of the most beautiful sunset spots in the world.

**CITY HIGHLIGHTS**

- **LINGYIN TEMPLE** - Countless artefacts and deities to be viewed
- **LIUHE PAGODA** - A true masterpiece of ancient Chinese architecture
- **LONGJING TEA PLANTATIONS** - Watch the meticulous production of the most famous green tea in China
- **BAMBOO-LINED PATH at YUNQI** - Stone path through a dense bamboo grove for an ethereal stroll, with the green panorama and cool air completing the serene scene
- **HANGZHOU BOTANICAL GARDEN** - Various trees and bamboo varieties make the garden verdant year round

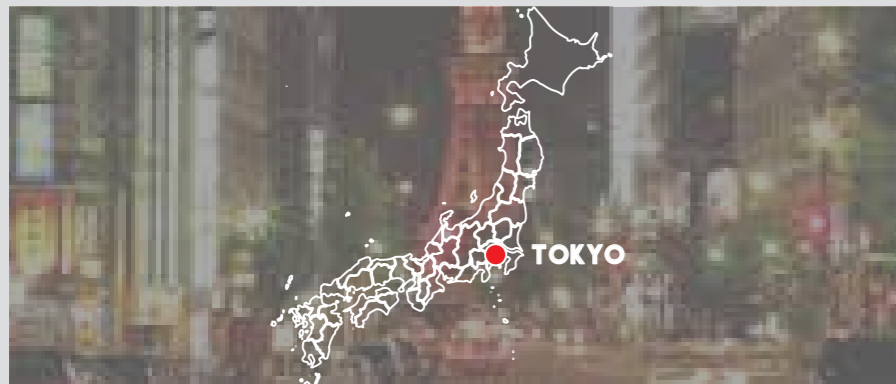
JAPAN

**TOKYO**

KUALA LUMPUR > HANEDA  
BANGKOK > NARITA

WEEKLY

7X  
14X



INSIDER TIPS

For a more relaxed, traditional atmosphere within Tokyo, take a trip to the Shibamata neighbourhood.

CITY HIGHLIGHTS

- **TOKYO SKY TREE** - An iconic and amazing architectural landmark 634m tall
- **TSUKIJI FISH MARKET** - The world's biggest seafood market
- **SHIBUYA CROSSING** - Huge traffic & pedestrian crossing flanked by bright, neon-lit buildings
- **TOKYO NATIONAL MUSEUM** - Museum with the world's largest collection of Japanese art
- **SENSOJI TEMPLE** - An important temple that houses the golden image of Kannon

JAPAN

**SAPPORO**

KUALA LUMPUR > SAPPORO

WEEKLY

4X



INSIDER TIPS

Do visit the historic village of Hokkaido for a trip down memory lane.

CITY HIGHLIGHTS

- **ODORI PARK** - Hosts the annual Sapporo's snow festival
- **SHIROI KOIBITO PARK** - The birth place of Shiroi koibito chocolate a.k.a white lover chocolate
- **CURB MARKET** - For local grown produce and fresh seafood in Sapporo
- **SUSUKINO** - Entertainment and nightlife district
- **TAKINO SUZURAN HILLSIDE NATIONAL PARK** - The vast 400ha park includes the Ashiribetu Fall and is divided into the central mountain stream, and eastern and western Takino Forest zones

INDIA

**NEW DELHI**

KUALA LUMPUR > NEW DELHI

WEEKLY

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INSIDER TIPS

Visit the Red Fort for its spectacular Mughal architecture.

CITY HIGHLIGHTS

- **HUMAYUN'S TOMB** - The first of its kind in the Indian subcontinent with its grand mausoleum, splendid gardens and pools
- **QUTB COMPLEX** - Tallest brick minaret in the world, a UNESCO World Heritage Site
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- **TAJ MAHAL** - An ivory-marble mausoleum on the banks of the Yamuna river in the city of Agra

NEPAL

**KATHMANDU**

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WEEKLY

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INSIDER TIPS

If you'd like to visit Mount Everest yet hiking is not your cup of tea, take a mountain flight to view Earth's most magnificent natural marvels.

CITY HIGHLIGHTS

- **ANNAPURNA** - World's most challenging terrains with diverse scenery and easy accessibility, as well as guest houses sprawled across the hills
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SAUDI ARABIA

**JEDDAH**

KUALA LUMPUR > JEDDAH  
JAKARTA > JEDDAH (SEASONAL)

WEEKLY

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INSIDER TIPS

For a majestic view of the Red Sea, visit the White Al-Rahma Floating Mosque.

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WHERE DO YOU WANT TO GO?

- CHINA
- JAPAN
- KOREA
- NEPAL
- SAUDI ARABIA
- INDIA
- TAIWAN
- AUSTRALIA
- NEW ZEALAND

FROM MALAYSIA, THAILAND, INDONESIA  
TO THE  
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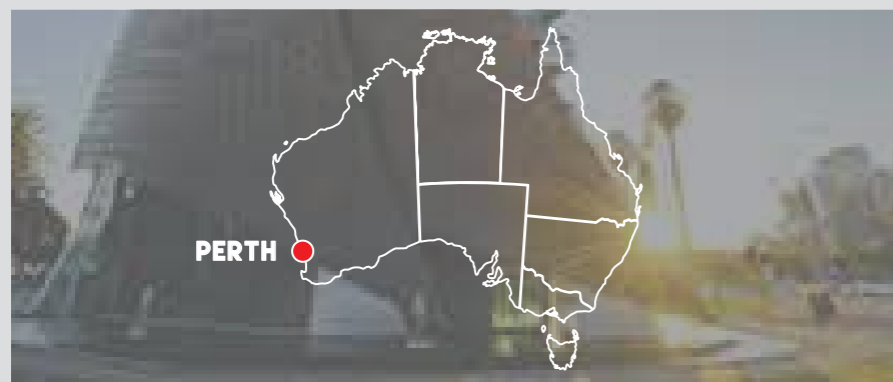
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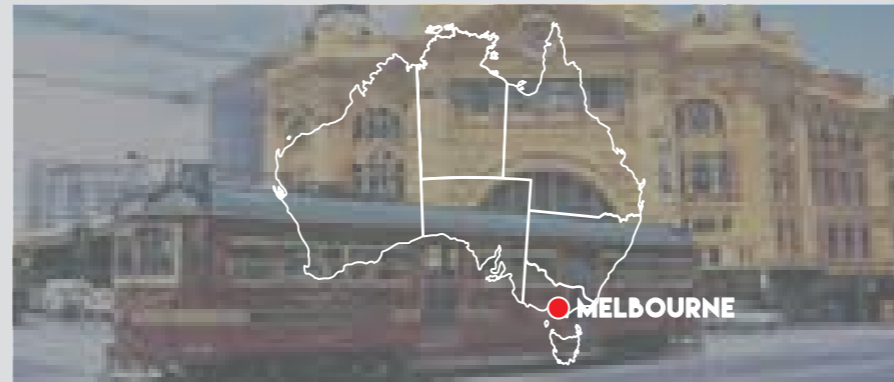
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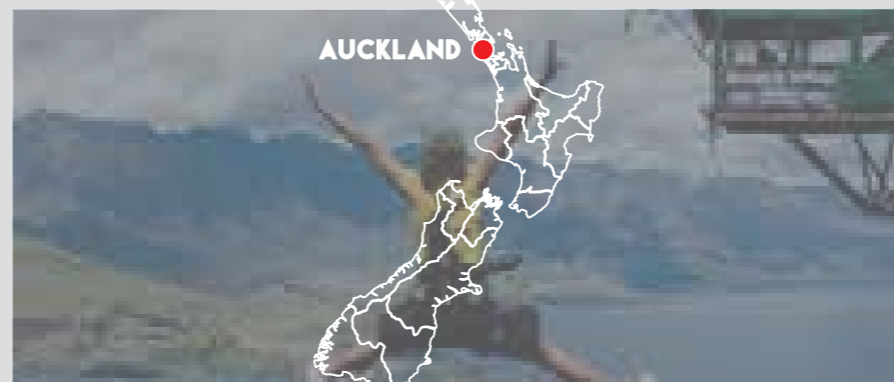
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JAPAN

**OSAKA**  
KUALA LUMPUR > OSAKA  
BANGKOK > OSAKA

WEEKLY  
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**INSIDER TIPS**

For a unique experience, stay a night in a capsule hotel.

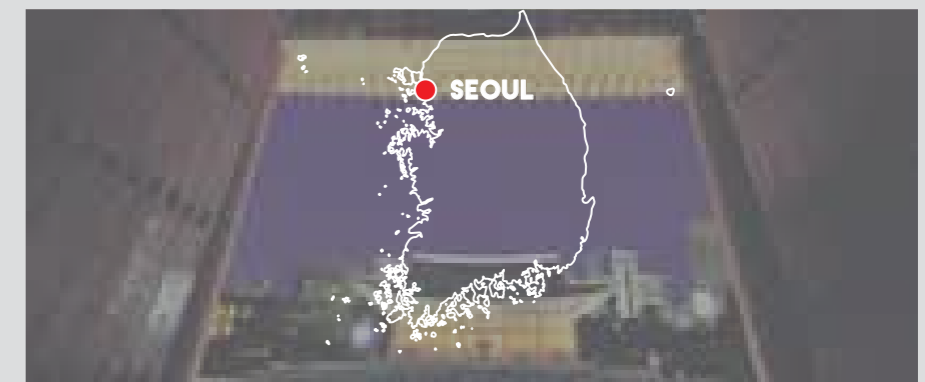
**CITY HIGHLIGHTS**

- **NATIONAL BUNRAKU THEATER** - Traditional puppet theater
- **OSAKA AQUARIUM** - One of the largest in the world with ocean life from different regions
- **DOGUYA-SUJI ARCADE** - Arcade selling goods from kitchenware to unique souvenirs
- **UMEDA SKY BUILDING** - Cutting-edge modern twin tower complex with fantastic views
- **SUMIYOSHI-TAISHA SHRINE** - One of Japan's oldest and most sacred shrines

KOREA

**SEOUL**  
KUALA LUMPUR > SEOUL  
BANGKOK > SEOUL

WEEKLY  
**14X**  
7X



**INSIDER TIPS**

Check out a Nanta Show, a non-verbal theatre that incorporates acrobatics, magic tricks, comedy and pantomime.

**CITY HIGHLIGHTS**

- **GYEONGBOKGUNG PALACE** - The most famous royal palace in Korea, with free guided tours
- **BUKCHON VILLAGE** - See traditional Korean wooden homes in this picturesque neighborhood
- **NAMDAEMUN MARKET** - The largest traditional market in Seoul selling clothes, houseware, fabrics, accessories and street food
- **CHEONGGYEcheon STREAM** - A 5.8km stream in the city, 15ft below street level
- **UNHYEON PALACE** - A palace building, which houses art, dance and cultural shows and exhibitions

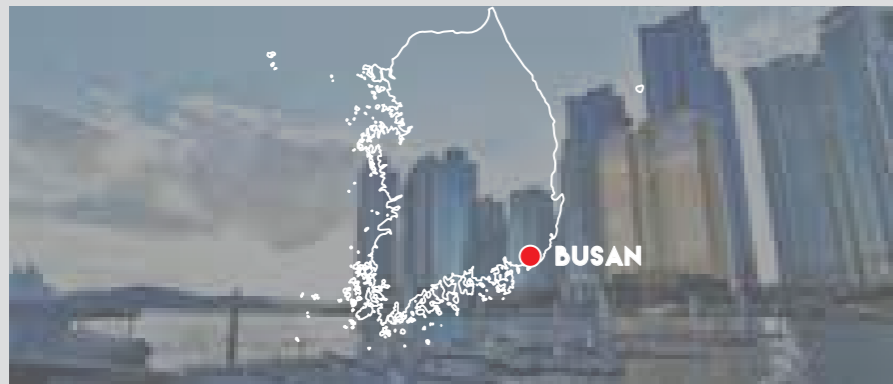
KOREA

# BUSAN

KUALA LUMPUR > BUSAN

WEEKLY

4X



### INSIDER TIPS

Visit the Jagalchi Fish Market to taste the freshest seafood in Busan.

### CITY HIGHLIGHTS

- **BEOMEOSA TEMPLE** - The largest temple in Busan dating back 1,300 years
- **SEOKBULSA TEMPLE** - Temple consisting of carved rocks with enormous Buddhist images inside
- **GUKJE MARKET** - Market selling all kinds of second-hand, local and imported goods
- **TAEJONGDAE** - Park with an observatory, amusement park, light house and rock beach
- **SPA LAND** - One of Asia's largest spas with a public bath and a variety of spa services

INDIA

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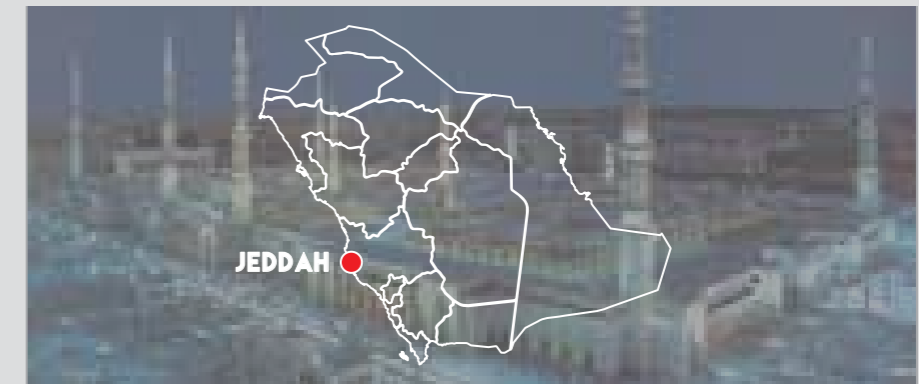
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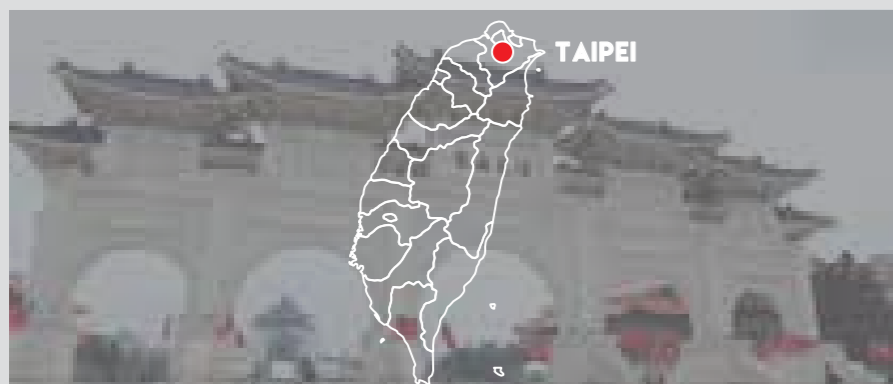
TAIWAN

# TAIPEI

KUALA LUMPUR > TAIPEI

WEEKLY

14X



### INSIDER TIPS

Head to the top of the iconic of Taipei, Taipei 101 for a stunning and unobstructed view of the city.

### CITY HIGHLIGHTS

- **SHIHLIN NIGHT MARKET** - A market filled with over 539 food stalls, movie theatres and arcades that stay open till the wee hours
- **XIMENDING** - A vibrant square with fashion stalls, quirky restaurants and a chance to catch the street cosplayers
- **YELIU GEOPARK** - Renowned for its rock landscape
- **NATIONAL PALACE MUSEUM** - Artifacts are rotated every three months featuring imperial treasures from the Chinese Civil War
- **CHIANG KAI-SHEK MEMORIAL HALL** - The hub for cultural events
- **JIUFEN VILLAGE** - Well known for its foggy weather condition which creates a romantic atmosphere

NEPAL

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INDIA TAIWAN AUSTRALIA NEW ZEALAND

FROM MALAYSIA, THAILAND, INDONESIA  
TO THE  
*world*

# NEPAL

## A Hidden Himalayan Gem

Hidden Uncharted Destinations with Incredible Wildlife  
Stunning Historical Sites & Scenery for the Last Two Decades



Himalayan Adventures



Living Culture



World Heritage Sites



Himalayan Blue Skies

Government of Nepal & Ministry of Tourism, Culture & Sports Development  
Ministry of Culture, Heritage, Arts & Museums, Nepal & Ministry of Tourism

Get the Stamp

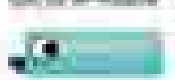


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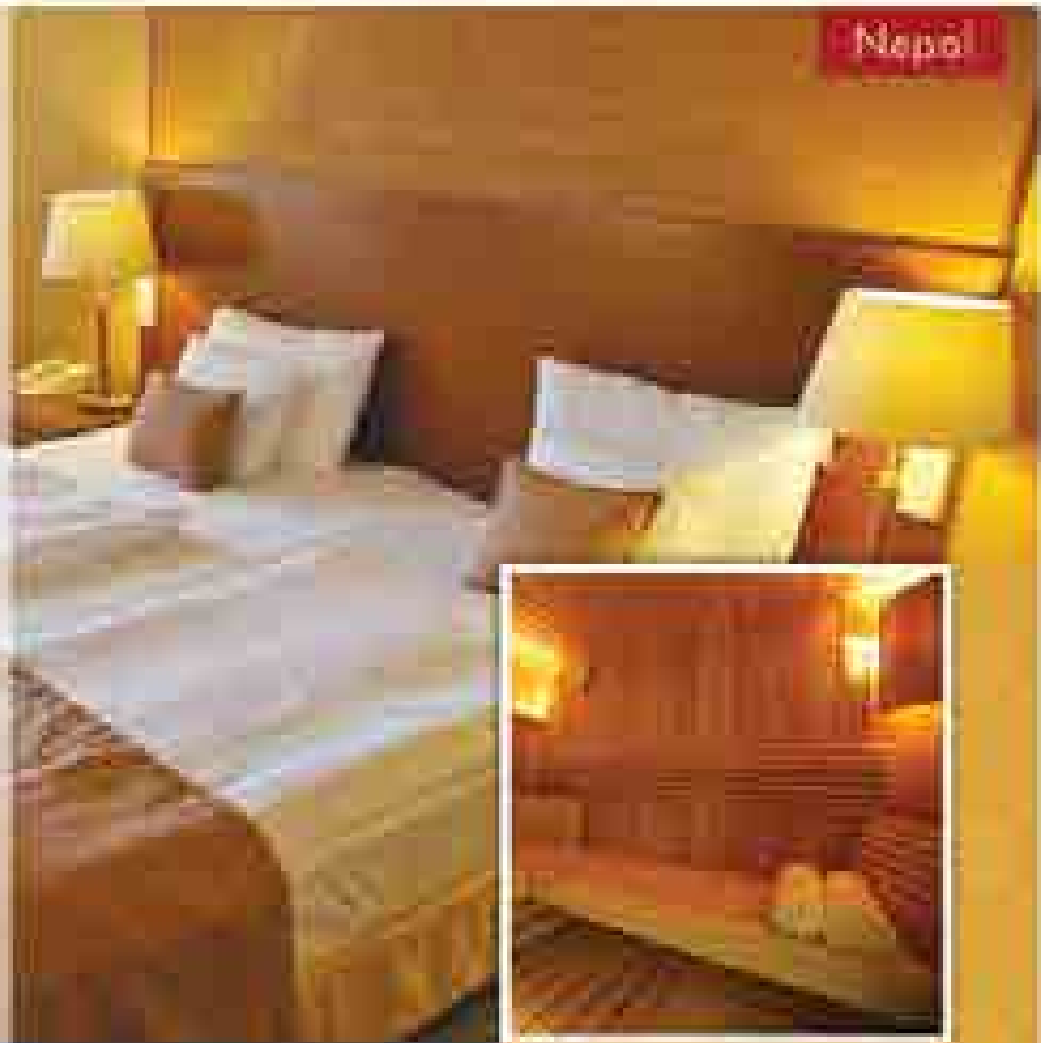
Official Member



# NOVA

A Wonderful Blend of  
Traditional Nepal, Hospitality &  
European Comfort

[www.novaboutiquehotel.com](http://www.novaboutiquehotel.com)



## Traditional Decor

From the traditional wooden  
furniture to the traditional  
Nepali art and  
decorations.

## Timeless Hospitality

From the traditional  
hospitality & traditional fare  
served by our warm and  
hospitable staff at our  
signature restaurant.

## State-of-the-art Facilities

From the modern  
conference hall to the  
state-of-the-art gym.



## Novo Boutique Hotel

Located in central Kathmandu, Novo Boutique Hotel is an oasis  
of peace and serenity. It is the address where traditional Nepal  
Hospitality meets European style and comfort.

- ✦ Experience comfort, Experience class.
- ✦ Indulge yourself at Novo Boutique Hotel, Kathmandu.



**TAN SRI  
RAFIDAH AZIZ**

Chairman

**Assalamualaikum Warahmatullahi  
Wabarakatuh,**

One of the greatest challenges in the aviation industry are factors beyond the control of individual players. The list includes natural disasters, outbreaks of disease, political upheavals and, in more recent years, the threat of terrorism. Like any other industry, aviation is also affected by market forces, which we in the region were only too aware of over the last few years, when overcapacity led to irrational behaviour that included unsustainably low fares.

However, tourism in the region has proven to be resilient in facing these challenges. While the number of travellers may take a dip immediately after a negative event, travel and tourism in general has been growing steadily. According to a World Travel and Tourism Council (WTTC) report released early 2015, travel and tourism worldwide was expected to grow by 3.7% in 2015, surpassing global economic growth of 2.9%. WTTC also noted that the highest growth in travel and tourism would be seen in South Asia, at 6.9%.

As for the irrational competition, from the third quarter of the year onwards, competitors started reducing capacity. This, combined with AirAsia X's own capacity rationalisation that began earlier, allowed fares to adjust to more reasonable levels.

Airlines require sound fundamentals in order to overcome periods of adversity, which is precisely what AirAsia X continues to focus on. The airline has a young and therefore fuel-efficient fleet; we have a lean operating model that is being made even more efficient; and we operate within the larger AirAsia Group, benefiting from group efficiencies and route connectivity.

The new management team, headed by AirAsia founder, Datuk Kamarudin Meranun, has put in place a comprehensive turnaround plan which has led to some very encouraging results. Most notably, for the first time in

**ACCORDING TO A WORLD TRAVEL AND TOURISM COUNCIL (WTTC) REPORT RELEASED EARLY 2015, TRAVEL AND TOURISM WORLDWIDE WAS EXPECTED TO GROW BY 3.7% IN 2015, SURPASSING GLOBAL ECONOMIC GROWTH OF 2.9%. WTTC ALSO NOTED THAT THE HIGHEST GROWTH IN TRAVEL AND TOURISM WOULD BE SEEN IN SOUTH ASIA, AT 6.9%.**

eight quarters, AirAsia X made a profit in the last quarter of 2015. For the entire year, our revenue increased 4% Year-on-Year (Y-o-Y) to RM3.1 billion while we reduced our total costs by 3% Y-o-Y. And, despite being affected by irrational competition, an earthquake, MERS, a weakening Ringgit and other unforeseen events, we managed to narrow our net loss to RM350 million from RM519 million in 2014.

The Board of Directors of AirAsia X is committed to ensuring the sustainability of AirAsia X, and is confident of the ability of the management to leverage on AirAsia X's inherent strengths to create long-term value for our shareholders.

The airline industry itself is poised for further growth, as the world's middle-income population continues to increase, and with it the number of potential travellers using airline services. Liberalisation of the sector as well as bi-lateral air service agreements will serve to further enhance travel. Taking these factors into consideration, the Airbus Global Market Forecast, Flying By Numbers 2015-2034, predicts that global passenger traffic will grow at 4.6% per annum over the next 20 years, and that most of this growth will stem from the Asia-Pacific region – which will account for 39% of total aircraft demand.

AirAsia X is poised to leverage on this growth and be a market leader in the long-haul, low-cost segment in the

industry. With the right strategies in place, the Board of Directors is confident of AirAsia X being able to continue along the upward trajectory it has embarked upon.

On behalf of the Board, I would like to express a heartfelt thank you to the management and staff for their dedicated service to the airline, which has seen it emerge from a particularly challenging phase, and on a profitable track.

As Chairman, I would like to thank all my colleagues for their steadfast contributions to the airline. A special thank you goes to Dato' Seri Kalimullah bin Masheerul Hassan and Kiyotaka Tanaka for their contributions to the Board until their retirement effective from 4 June 2015. Dato' Seri Kalimullah was one of the founding partners of AirAsia X and served as Chairman from June 2007 to February 2010, and subsequently as a Non-Independent Non-Executive Director. Tanaka served the Board, first as an Alternate Director from November 2012 and then as a Non-Independent Non-Executive Director as of June 2014. We wish them the best in their future undertakings.

Most of all, I would like to thank you – our shareholders – for your continued trust in and support of the Company.



# DATUK KAMARUDIN BIN MERANUN

Group Chief Executive Officer



**Assalamualaikum Warahmatullahi  
Wabarakatuh,**

The year 2015 saw a massive turnaround plan implemented at AirAsia X, and I am glad to say it also marked a turning point for the airline, which has been through two particularly challenging years, mainly as a result of factors beyond our control.

Malaysia AirAsia X (MAAX) struggled in the face of low fares brought about by overcapacity from late 2013 till the end of the first half of 2015, which was exacerbated by the airline incidents in 2014 and a weakening Ringgit. In deference to QZ8501, we halted our marketing initiatives in the first quarter of 2015, while in the second quarter Kathmandu was hit by a devastating earthquake; and South Korea was engulfed by an outbreak of the Middle East Respiratory Syndrome (MERS). By the second half of 2015, the issue of irrational competition was resolved, however the weak Ringgit was still a concern.

Thai AirAsia X (TAAX) was challenged by flight restrictions following an International Civil Aviation Organization (ICAO) audit that downgraded the safety ranking of Thailand's Department of Civil Aviation as well as the MERS outbreak and later, bombing of Bangkok's Erawan Shrine.

Meanwhile, Indonesia AirAsia X (IAAX) suffered the backlash of negative press in Australia following disruption to the Bali-Melbourne inaugural flight, which was meant to have taken off in December 2014. This was followed by several regulatory issues in 2015.

In response to these challenges, we embarked on an extensive turnaround programme which saw us thoroughly review our routes and operations, and implement various measures to further cut already low costs and maximise revenue. It also saw us carry out a rights issue in mid-June which raised RM391 million to rationalise our cash operations.

All the effort and hard work, I'm pleased to say, have not been in vain. Despite intense scepticism when we announced

**THE YEAR 2015 SAW A MASSIVE TURNAROUND PLAN IMPLEMENTED AT AIRASIA X, AND I AM GLAD TO SAY IT ALSO MARKED A TURNING POINT FOR THE AIRLINE, WHICH HAS BEEN THROUGH TWO PARTICULARLY CHALLENGING YEARS, MAINLY AS A RESULT OF FACTORS BEYOND OUR CONTROL.**



the launch of AirAsia X in January 2007, eight years on here we are – still fighting some internal and external battles, admittedly – but also having achieved some successes we can truly be proud of.

Operationally, we serve 19 destinations across nine countries in Australasia and the Middle East with a total fleet of 29 Airbus A330-300 aircraft. Our Premium Cabin has been acknowledged as the best in the world among low-cost carriers for the luxury of the flat-bed that we offer. Financially, although still in the early stages, Alhamdulillah we are seeing some light at the end of the tunnel. Most significantly, after eight consecutive quarters of losses, MAAX achieved a humble net profit of RM197 million in the fourth quarter of 2015.

God willing, our turnaround initiatives will continue to bear fruit.

**BUSINESS OVERVIEW**

The devaluation of the Ringgit and other regional currencies added much

pressure on our dollar-denominated costs. Part of our strategy to manage this was to increase our collections in USD, AUD, and other strong currencies where possible. Excess capacity from our route rationalisation was deployed in wet leases that charged in USD. We also intensified sales in AUD and explored the option of swapping international payments in local currencies into USD upon collection.

Key among our cost-cutting measures has been greater integration of AirAsia X's operations with the AirAsia Group as a whole. This is an ongoing exercise to create cost effectiveness and operational efficiencies in both organisations. To generate more revenue, meanwhile, we embarked on extensive capacity management and route rationalisation while boosting our ancillary income.

Although the continued decline in fuel price was a boon to the industry, we were not able to fully capitalise on it as we had hedged 54% of our fuel requirements at



an average of USD88 per barrel for 2015. However, we expect to reap the benefits of the ongoing low jet fuel price regime in 2016; just in January 2016 the price dipped below USD40 per barrel and is expected to remain around this level throughout the year.

#### REGIONAL PERFORMANCE

After a strong performance in less than a year of operations in 2014, TAAX had to review its planned route expansion for 2015 following the ICAO report which led to a blanket restriction on all airlines in the country from adding new flights to Japan and South Korea, or increasing the frequency of flights to Japan. Pre-ICAO, TAAX had already ramped up its Bangkok-Tokyo route to twice daily and its Bangkok-Osaka route to daily. Later, to counter the temporary impasse into Japan and South Korea, TAAX redirected its focus towards China and launched a direct service from Bangkok to Shanghai in September 2015. This route expansion was supported by the addition of three more Airbus A330-300 aircraft during the year, bringing the airline's total fleet size to five.

Despite the ICAO implications, MERS outbreak in Korea, and bombing in Bangkok, TAAX still managed to maintain

a healthy passenger load for the entire year, averaging 80%.

IAAX got off to a shaky start when the inaugural Bali-Melbourne flight was delayed due to hiccups in the necessary documentation by the Civil Aviation Safety Authority (CASA) of Australia. This put a spanner in the works of many guests who had booked flights on this route when we opened the sector for sale prior to clearance, a common practice among airlines that have every reason to believe the necessary clearance will be obtained well in time. We acknowledged the inconvenience caused to guests who had booked flights for holiday travel in December 2014, and compensated them with replacement tickets or refunds.

To strengthen the Australian market, we entered into a partnership with the Flight Centre Travel Group (FLT) that enables us to ride on its strong distribution channel in the country. This is the first partnership of its kind for AirAsia X Group in Australia, and we hope to be able to enter into more such strategic alliances in future. As a further boost to our marketing efforts in Australia, we have introduced a new, vibrant commercial team to strengthen our brand and market presence as well

to drive strategic partnerships.

In the later part of the year, IAAX increased the frequency of its flights to Melbourne while launching new Bali-Sydney and Jakarta-Jeddah routes. The latter is something we feel proud of, as it marks our first direct connection from Indonesia to the religious centre of Islam. We believe, given the cultural and religious connections between Indonesia's Muslims and the Middle East, there is huge potential to expand into the Middle East market.

IAAX was also faced with the local Ministry of Transport's Aviation Law No. 1 Year 2009 that requires all commercial airlines in the country to operate a minimum of 10 aircraft. Although we worked conscientiously to meet this requirement by October, the regulatory environment in Indonesia continues to be challenging and we are still monitoring developments in this regard.

#### OUTLOOK

While we have accomplished significant growth in 2015, we remain cautiously optimistic about the year 2016 given ongoing currency volatilities and challenges that are beyond our control. Within the challenging environment,



we will continue with our turnaround initiatives, and focus intently on creating even greater operational and cost efficiencies by building a profitable route network and further enhancing our collaboration with the AirAsia Group to derive mutual benefits.

All three airlines within the AirAsia X Group are still working to strengthen their financial footing, cutting capacity on underperforming sectors and launching new sectors to cater to existing and latent demand. In this regard, we have begun 2016 on a positive note, commencing two new routes - from Kuala Lumpur direct to New Delhi in early February followed by Kuala Lumpur to Auckland via Gold Coast towards the end of March. The latter is an exotic route unique to us, and we hope to create more such sectors in the coming months.

At the same time, we intend to introduce new Fly-Thru city pairings while increasing the number of Fly-Thru hubs in the AirAsia network to boost numbers on both AirAsia X as well as AirAsia flights. We are targeting to increase the volume of cross-overs in Kuala Lumpur in particular given the larger capacity of the new KLIA 2, compared to the LCC Terminal, to handle transit passengers.

Leveraging on falling fuel prices, we have hedged on a lower price as compared to last year, which spells good news for 2016. As for currency volatilities, we are taking a proactive approach of continuing to grow our revenue from

ancillary products and services to cushion any unexpected movements.

We are confident that growth of TAAX will pick up, given that it is a unique tourist hub that has always rebounded from crises, ultimately unaffected by these challenges. For Indonesia, although Bali is a great hub and listed by BBC Travel as one of the world's best islands, we remain cautious of the regulatory challenges in the country.

While serving more guests, we are placing greater emphasis on passenger safety. Last year, AirAsia X had been awarded

the IATA International Operational Safety Audit (IOSA) certification by the International Air Transport Association (IATA), one of the most stringent safety certifications in the world. In September 2015, IATA implemented enhanced requirements for the renewal of IOSA certification, which I am proud to say we have fulfilled, thus passing the IOSA audit for the second time. This makes AirAsia X the second airline in Malaysia to have successfully passed the full international safety and compliance standards which puts us on par with top airlines in the world.

Our safety performance, as with our performance in general, is the result of the hard work and dedication of our Allstars, who truly are our heroes. The early results of our turnaround programme would not have been possible without the passion and dedication of our people, who continue to prove that, working as ONE, we can overcome anything. I would like to express my heartfelt gratitude to our fantastic team of Allstars. You inspire us, the management, as much as you delight our guests. With your continued passion, Insha'Allah, we can achieve sustainable growth in these uncertain times.

Thank you.



## **BENYAMIN BIN ISMAIL**

Chief Executive Officer

**Last year, when I wrote this Statement I had just been appointed Acting CEO. In the space of a year, I have been entrusted as a full-fledged CEO, but that is probably the least significant of a series of events that have unfolded at AirAsia X, because... what a year this has been! There has not been a dull moment in the last 12 months as we worked collaboratively, a strong united team, to lift the airline from the financial mire it had slipped into and turn it around to re-build the business.**



Although the business model itself – based on the same lean operational principles as that of AirAsia – is fundamentally sound, the tough operating environment necessitated a thorough review of our internal and external processes to increase efficiencies, shore up our revenue and improve cash position.

It has been a very challenging endeavour... yet with AirAsia co-founder Datuk Kamarudin bin Meranun, a great mentor, as Group CEO, and the full support of my team, we have been able to achieve some early wins. In the fourth quarter of 2015, after eight consecutive quarters of losses, we finally transitioned our profit statement from the red into black. Our net profit was a humble RM197 million, but it marks the dawn of a new phase in AirAsia X's ongoing journey. We truly believe, after embarking on an extensive turnaround programme, the airline is poised to accomplish what it originally set out to do, namely to enable everyone to fly further.

#### THE YEAR THAT WAS

The year 2015 began on a challenging note, with over-capacity in full-throttle – especially on routes from Malaysia to Australia – impacting both fares and passenger loads. This was compounded by a complete halt on marketing initiatives following the QZ8501 incident. Our capacity rationalisation, which began in the fourth quarter of 2014 when we cut back on flights to Australia by as much as 21%, led to some short-term relief in the first quarter of 2015, enabling our base fare to recover 8% Year-on-Year (Y-o-Y).

However, the slight momentum gained was lost in the second quarter following the earthquake in Nepal and MERS outbreak in South Korea, greatly impacting passenger loads to both these countries. In response, we cancelled over 60 flights to Kathmandu and Korea.

Although the falling price of fuel relieved some pressure on our operating costs, for the most part of the year this was

**ALTHOUGH THE BUSINESS MODEL ITSELF — BASED ON THE SAME LEAN OPERATIONAL PRINCIPLES AS THAT OF AIRASIA — IS FUNDAMENTALLY SOUND, THE TOUGH OPERATING ENVIRONMENT NECESSITATED A THOROUGH REVIEW OF OUR INTERNAL AND EXTERNAL PROCESSES TO INCREASE EFFICIENCIES, SHORE UP OUR REVENUE AND IMPROVE CASH POSITION.**



countered by the Ringgit's devaluation, particularly against the US Dollar, which relaxed somewhat in the fourth quarter. More positively, by the third quarter of the year, there was a significant capacity reduction by competitors. This, along with a revival in tourist numbers from China, marked a turning point for AirAsia X's fortunes.

By the fourth quarter of 2015, scheduled flight revenue was up 11% Y-o-Y, our average base fare increased 22% and average load factor hit 83%, two percentage points higher than in the fourth quarter of 2014. At the same time, our total costs dipped by 2% Y-o-Y.

Taken as a whole, it has been a very intense year. Guided by our turnaround plan 2015-16, however, we have begun the process of strengthening our fundamentals to place AAX on a stronger financial footing to resume growth in a sustainable manner. This plan focuses on three main areas: revenue enhancement, cost reduction and cash conservation, which I will elaborate on in the following pages.

#### Revenue Enhancement

A key element of any airline's revenue is its yield. This we have managed to enhance through drastic capacity reduction. Over the course of the year,

we reduced the frequency of flights to Sydney, Melbourne, Perth, the Gold Coast and Hangzhou, while terminating our routes to Adelaide, Nagoya and Narita and shifting the newly introduced ChongQing route to AirAsia Berhad, along with that to Colombo, Sri Lanka. With the excess capacity, we launched Kuala Lumpur-Sapporo, creating the first direct link from Malaysia to this scenic capital of the northern Japanese island of Hokkaido. We also focused more intently on wet leasing which serves the double purpose of capitalising on available capacity and earning us revenue in USD.

As a result of these efforts, our average base fare increased steadily from quarter to quarter, along with revenue per available seat kilometre (RASK), which measures the profitability of our capacity.

In contrast, our load factor in the first three quarters of the year was sluggish – given the events as outlined. To resurrect healthy numbers, we invested considerably in marketing and distribution initiatives from the second quarter onwards.

Strategic partnerships were forged with prominent travel partners such as the Flight Centre Group Travel (FLT) and BYOjet in Australia. Both have an online presence as well as traditional sales outlets – FLT with 1,000 travel shops throughout the country – through which we can promote AirAsia X among a wider market. Leveraging on our partners' extensive customer databases, we have been able to grow our average monthly revenue significantly. Because of the strong AirAsia brand and the Group's extensive network connectivity, we are confident that even those who are not overly conscious about cost would be interested in flying with us.

In terms of marketing, we continued to collaborate with tourism organisations in the countries that we serve, offering

familiarisation trips and developing tactical campaigns as well as partnering in events, including a K-pop concert in Gangwon, South Korea.

Also with AirAsia, we appointed sports icon Park Ji-Sung and Grammy-award winning musician 'Hitman' David Foster as our global ambassadors.

The appointment of Park Ji-Sung was strategic as his story shares some commonalities with the Group. He is widely seen as a football star who dared to dream the impossible and, through hard work, has achieved monumental success. The choice of a Korean ambassador, moreover, is ideal to boost passenger traffic from the North Asian market. Meanwhile, Foster's wide acclaim – of having won 16 Grammy Awards, an Emmy, a Golden Globe and three Oscar nominations for Best Original Song – makes him perfect as the face of our Premium products. With his endorsement, guests will be reminded of the quality of our Premium Cabin, which was named by Skytrax as the world's best among low-cost carriers for the third consecutive year, along with our Flatbeds, which were named the Best Low Cost Airline Premium Seat.

We also stepped up efforts to push our ancillary products and services such as Fly-Thru, Duty Free, EZPay (forex card), Seat Options, Premium Lounge, Value-Bundled Pack, new in-flight food menu and more, as highlighted in the turnaround initiatives booklet. Fly-Thru, in particular, is growing at an encouraging rate as more connections are being made and more guests are becoming aware of them. This is an area that can be more fully developed and we aim to realise the latent potential, which would be beneficial not just to AirAsia X but to the entire AirAsia Group.

#### Cost Reduction

Other than to eliminate loss-making routes, numerous initiatives were implemented to further tighten our purse strings.

Greater integration with AirAsia Group allowed us to harness synergies from shared resources. At the same time, we have reduced the number of crew on flights without high passenger loads from nine to eight; and negotiated a rescheduling of flight times with some of the airports to obliterate the need for crew to stay overnight. Further negotiations are ongoing to reduce ground handling, airport, D-factors charges, and aircraft rental fees, among others.

As fuel remained one of our major costs, we are looking at ways to create greater efficiencies in its usage. This includes fuel tankering, by which we fill up our aircraft with fuel from destinations that offer the most competitive prices; and creating paperless cockpits. We also plan to replace voluminous hardcopy charts on board with Electronic Flight Bags (EFBs), which will allow us to reduce the weight of our aircraft by up to 55kg, saving as much as 8.25kg of fuel per sector.

#### Conserve & Build Cash

To strengthen our cash flow, we have avoided major capital expenditure in 2015. During the year, we deferred the delivery of four A330ceo aircraft that we were meant to receive in 2015 to 2016; and are in discussions to convert all remaining A330ceo aircraft orders for 2016-2018 to the new A330neos, which are meant to save up to 14% of fuel burn per seat.

The RM391 million raised from our rights issue in June 2015 has further boosted our cash position, aiding in the rationalisation of our operations.

#### FINANCIAL PERFORMANCE

Our financial results for the year ending 2015 indicate that we are on the right path towards achieving our turnaround objectives. Taken on their own, the numbers for the fourth quarter have been encouraging. For the full year, our capacity and route rationalisation made a definite mark on average base

fare, while the popularity of our routes together with intensified marketing efforts led to a 10% increase in RASK. Together, these contributed to a 4% growth in revenue for the year, from RM2.9 billion in 2014 to RM3.1 billion.

Meanwhile, our multi-pronged efforts to reduce costs coupled with foreign exchange gains (with a strengthening of the Ringgit against the US Dollar in the fourth quarter) – saw our total costs reduce by 3%. This, in turn, contributed to an 79% narrowing of our operating loss from RM176 million in 2014 to RM37 million, and a 33% decrease in net loss from RM519 million to RM350 million.

#### OUTLOOK

Although the year 2016 is set to be challenging given macro-economic headwinds, we expect AirAsia X to continue on the path of recovery that we have embarked on. We have already achieved many early wins in our two-year transformation, but are working relentlessly to complete our more than 20-point plan which will set the airline on a more sustainable path for growth.

While minimising our fleet growth until the second half of 2018, we will also continue to push for sales from stronger currency markets such as Australia to manage the impact of the weak Ringgit, and further reduce our currency risk via ancillary income.

Leveraging on low jet fuel prices, we have hedged 89% of our fuel needs at USD53 per barrel, markedly lower than our average hedging price of USD88 per barrel in 2015.

On board, we aim to further enhance our Duty Free offerings and entice more guests to book in-flight meals by engaging renowned chefs to spice up our menu. We also plan to make In-Flight Entertainment (IFE) available in markets other than Australia. These efforts will be supported by a more dynamic baggage pricing strategy and the development of exciting campaigns to



market our Premium flatbed leveraging on our new ambassador, David Foster. We are working aggressively to drive revenue from Fly-Thru, which we aim to grow by 10% annually as we improve our flight times to make connections more convenient, add new destinations on the Fly-Thru network, and reinforce intra-hub connectivity. There are also plans to link up with AirAsia's ASEAN pass to drive more traffic.

In a slight diversion from 2015 strategies, we aim to start building our network once again by focusing on scheduled flights as opposed to wet leases. Capacity will be allocated to routes with strong yields while we explore the possibility of launching new routes. The year 2016 got off to a good start with the inaugural flight to New Delhi in early February, while flights to Auckland started towards the end of March.

As the operating environment has improved, and with new destinations creating added demand for travel, our forward bookings are looking good, and we expect passenger loads for the year to improve markedly from 2015. And,

as our affiliates grow, we will be able to present our guests with an even wider network of routes enticing more guests to make the most of our affordable prices to visit new destinations.

For all our successes to date, I would like to thank our wonderful cast of Allstars who have continued to put in the extra effort to enable the airline, literally, to go the extra mile. I have a fantastic team here at AirAsia X, and with their continued passion for the company, we are set to enable more people to make their travel dreams come true.



# Gold Coast

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**NADDA BURANASIRI**

CEO of TAAX

## *Growing* **IN STRATEGIC DIRECTIONS**

**It was a challenging year for Thai AirAsia X (TAAX), especially with flight restrictions following an International Civil Aviation (ICAO) report on the Department of Civil Aviation of Thailand, outbreak of the Middle East Respiratory Syndrome (MERS) in Korea and bombing at the Erawan Shrine in Bangkok on 17 August. However, as we continued to plough hard and reinforce the exceptional qualities of the AirAsia brand, we were able to overcome these obstacles and chart an encouraging performance for the year.**

We were helped greatly in our efforts by Thailand's natural magnetism. The country is without doubt one of the most popular tourist destinations in the world, attracting more than 20 million international visitors annually who contribute to approximately 7% of the nation's gross domestic product (GDP). For local airlines, the country's outbound traffic presents yet another gold mine, with about 40 million Thais travelling abroad every year, mostly to countries within Asia – Japan, Korea and China being the top destinations.

Following the bombing, tourism arrivals dipped slightly. However, taking the year as a whole, tourism increased 20.4% from 24.81 million to 29.88 million and I am pleased to say that TAAX was able to contribute towards this increase.

From just two Airbus A330-300 aircraft at the end of 2014, TAAX brought in another three aircraft and, with our added capacity, introduced new flights as well as increased the frequency of existing ones. In March, we increased the Bangkok-Tokyo route frequency to twice a day and Bangkok-Osaka to daily. We also announced daily flights to Sapporo from Bangkok, to begin in May. However, before this new route could take off, Japan - along with Korea - reacted to the ICAO audit by restricting all Thai carriers from starting new routes or increasing the frequency of existing routes to their countries.

In response, we redirected our focus onto China, to cater to the huge demand for travel to our country from this market. Of the total number of tourists to Thailand in 2015, no less than 26.6% were from China. In numbers, this represented 7.93 million Chinese tourists, an increase of more than three million from 2014. Capitalising on the Chinese market, starting from 28 September, we launched daily flights from Bangkok to Shanghai. This new route has truly taken off, with passenger loads averaging 84%. Later the same month, we doubled our flight frequency to Incheon, Seoul to two flights per day.

That all these routes are successful can be seen in our load factor, which has been averaging a steady and relatively high 80% throughout the year.

This demand is contributed at least in part by our connectivity with other routes within the extensive and ever-growing AirAsia/ AirAsia X network. Currently, guests have the opportunity to make use of 54 Fly-Thru routes including 16 possible connections from Narita, 14 from Osaka, nine from Incheon and 15 from Shanghai.

Within Thailand, TAAX together with Thai AirAsia offer Fly-Thru service to guests flying to or from Chiang Rai, Chiang Mai, Hat Yai, Phuket and Krabi. Guests can fly easily to and from these holiday destinations from, say, Incheon or Osaka connecting through Don Mueang Airport without the need to



check-in twice, their baggage being sent directly to their final destination. Travellers from Japan and Korea may also use the Fly-Thru service to connect to Cambodia, Indonesia, Malaysia, Myanmar, Singapore and Vietnam.

Complementing our expanding route network, we engaged in some innovative marketing campaigns while launching new services that make it easier for guests to book and pay for their flights.

Throughout the year, we participated in quarterly promotions with credit card partners and mobile phone operators in order to offer a 15% discount through bookings made via the call centre. Participating partners included Krungsri Bank, Bangkok Bank, KTC, Kasikorn Bank, AIS, TRUE, DTAC and Samsung.

In November, we ran a campaign with McDonald's offering customers the opportunity to win free tickets to Japan.

For added convenience, we have partnered with Counter Service to allow guests to book and pay for their flights at any one of its more than 10,000 outlets nationwide - including all 7-Eleven stores in the country. This is an extension of the service which was made available for our sister airline, Thai AirAsia, in early 2014. The service has proven to be very popular given that internet penetration in Thailand remains relatively low, at about only 28.8% of the population.

Always with guests in mind, we also entered into a partnership with Lotte World

Adventure to allow visitors to Seoul to buy tickets to the popular Korean theme park on board flights through the Sky Ticket service. Lotte World Adventure features various exciting rides, shows and parades, the largest ice-skating rink in Korea, and even a Folk Museum.

In July, we further extended our guest service offerings by tie-ing up with Airport Limousine to enable guests on flights to Seoul to purchase shuttle passes from Incheon Airport to either Myeong Dong Station or Cheongnyangni Station in the city. Likewise, passengers travelling to Thailand can transfer from Don Mueang Airport to all areas in Bangkok, Nonthaburi and Pathum Thani in limousines operated by Phrapirap Co Ltd.

To whet the appetite of guests, and increase our ancillary revenue, we introduced new in-flight meals every quarter. These have included popular Thai dishes such as spicy fried chicken with rice and traditional Thai-style omelette, pad thai with prawns, grilled chicken with sticky rice and mouth-watering desserts such as the famous coconut pudding.

Going forward, TAAX will continue to offer attractive fares and even more attractive convenience to guests. As an example, starting from 27 March 2016, flight times to Osaka will be adjusted to arrive an hour earlier to allow more time for guests to access public transport into the city. We also intend to keep developing more exciting routes, to be able to connect even more holiday destinations within greater Asia.

## THAI AIRASIA X LEADERSHIP TEAM



## THAI AIRASIA X LEADERSHIP TEAM







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Head Office  
100, Jalan Puchong 47100 Puchong  
Jaya, Selangor, Malaysia  
Tel: +603-8921 1111

Branch Office  
100, Jalan Puchong 47100 Puchong  
Jaya, Selangor, Malaysia  
Tel: +603-8921 1111

Branch Office  
100, Jalan Puchong 47100 Puchong  
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**DENDY  
KURNIAWAN**

CEO of IAAX

## *Waiting in the Wings*

It has been slightly over a year since Indonesia AirAsia X (IAAX) has been operational, however the airline is still waiting in the wings. We have a lot of potential - a fantastic team of 194 Allstars; a base in one of the world's best islands, Bali; first-mover advantage from being the first long-haul low-cost carrier in Indonesia; and the support of the World's Best Low-Cost Airline, namely the AirAsia Group. Yet, sometimes, even with all the right ingredients, one has to wait for the right time to energise the mix in order to truly soar.

Our timing has been unfortunate from the start. The plan, when IAAX was established on 13 August 2013, was to leverage on Bali's popularity among Australians. Thus, the Bali-Melbourne route was announced, and was meant to take off in December 2014. However, this was put on hold due to unforeseen delays in approvals for the necessary documentation. Instead, on 19 January 2015, we launched our inaugural flight from Bali to Taipei, Taiwan.

The much-awaited connection to Melbourne followed two months later, taking to the skies on 18 March. As expected, the route proved to be popular, prompting us to increase its frequency, as of 1 April, from twice weekly to five times a week. The frequency of our Taipei route, too, was increased from once a week to four times weekly beginning from 29 March.

In April, in true AirAsia style, we established IAAX as an airline with heart by working closely with the Ministry of Foreign Affairs to repatriate Indonesians from Yemen, as tensions escalated among warring factions in the country. A total of 741 of our fellow countrymen and women were first evacuated from Yemen to Oman, and from there were airlifted back home on two separate flights.

We then focused on meeting Indonesia's Aviation Law No. 1 Year 2009, which requires all scheduled commercial airlines to operate a minimum of 10 aircraft. With AirAsia's support, we were able to meet this regulation by 28 September.

Undeterred by these challenges, our team continued to persevere. We made a strategic decision to channel our energies on Australia, which has always been one of our key target markets as it holds high yield potential. We concentrated our marketing efforts here and once we were confident of having won over the trust of our eastern neighbours, we launched Bali-Sydney on 17 October.



In December, we launched yet another new route, this time a seasonal one linking Jakarta with Jeddah. We are particularly proud of this sector as, for the first time, we are making available affordable flights for Indonesians to perform the *umrah* (pilgrimage), which before was beyond the means of the average citizen in the country.

It has, without doubt, been a tough start for IAAX, yet we have ended the year with added flight frequencies and new routes. And our team of Allstars are going all out to provide the same quality service to our guests that can be expected on any AirAsia airline. This is helping to build our brand, elevating us to the same level as our sister airlines.

At the same time, we are looking to optimise on the connectivity made available by the AirAsia Group. Given AirAsia's extensive network, our guests have easy access to many more destinations not served by IAAX itself. AirAsia contributes approximately 17% of the total number of travellers passing through Bali, who now have the option of extending their travel via IAAX.

And with Fly-Thru - which allows guests to connect from one AirAsia/AirAsia X flight onto another without having to go through Immigration or re-checking in baggage - inter-flight connections are becoming that much more convenient. Both Bali and Jakarta are among the Group's Fly-Thru hubs, providing seamless links to IAAX passengers to the wider Australasia region.

Bali remains a fantastic location for our hub. Not only is it one of the world's most popular island destinations, receiving about four million international visitors in 2015, but Denpasar International Airport (also known as Ngurah Rai International Airport) recently underwent a USD263 million expansion, and has the capacity to accommodate 25 million passengers a year up to 2025.

In other words, we are in the right place. And once the time is also right, Bali's X factor may just be that all-crucial element to help us emerge from the wings and truly take to the skies.

## INDONESIA AIRASIA X LEADERSHIP TEAM



## INDONESIA AIRASIA X LEADERSHIP TEAM



**CAPTAIN JURRY SOERYO WIHARKO**  
Director of Safety and Security



**CAPTAIN WIDHI SETYO DARWANTO**  
Director of Flight Operations



**LIZA NUR AZIZAH**  
Head of Legal



**PENTA PRIYONO**  
Head of Procurement & General Affairs



**EDWIN**  
Head of Network and  
Government Relations

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"Vision is the art  
of seeing things  
invisible."

- Jonathan Swift



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

At EIR Associates, our vision has always been to help you  
do tomorrow's business and ultimately the lives of our  
customers. At EIR, we've shared the passion of John Deere, the  
P&G team's quest of making Pura come to life, and the  
American Red Cross's commitment to providing relief to those in  
great need. For our partners, our vision is to be the most  
consistent source of the world's leading and best used ideas.







**WHEN AIRASIA WAS BORN, TAN SRI DR. TONY FERNANDES AND DATUK KAMARUDIN MERANUN HAD ONE VERY CLEAR VISION:**

*to enable everyone to fly.*

While that formed the basis of the company's business model, it also created a strong foundation for the current Group's sustainability. The reason being: the better the Group is at keeping costs down, the more people can fly, and the better the airline will perform in the long term.

AirAsia X has inherited this vision and adapted the business model slightly to suit the medium to long-haul sector. We have managed to do this so successfully that, today, we are the lowest long-haul unit cost airline not just in Asia Pacific where we primarily operate, but the world. For as long as we are able to maintain this distinction while remaining profitable, our sustainability is assured.

However, there are other ways in which we as an airline can further strengthen our sustainability. These include building our brand, and the confidence that people have in us – not just our guests and Allstars but also our business partners, shareholders, regulators, government authorities and other stakeholders. It is something we have developed over the years by conducting our business with integrity and respect for everyone; and is something we have focused on in a more structured manner with time, especially since our listing.

We are heartened by the positive steps we are taking and feel proud to be able to describe our growing efforts in the four key domains of sustainability, namely the community, marketplace, workplace and environment.





## *in the heart* **OF THE COMMUNITY**

**As an airline that seek to democratise long-haul travel, AirAsia X is imbued with a strong sense of duty to the communities surrounding us. And this is evident in various projects we have undertaken, either on our own steam or as part of the AirAsia Group. Throughout the year, we have provided both flights as well as funds in aid of a number of humanitarian missions, either airlifting people out of danger zones or flying in resources and relief. In addition, we are proud to have been able to support scientific research as well as to reach out to the underprivileged and bring cheer to their lives.**



### **MISSIONS MADE POSSIBLE**

For the first 18 days of the year, as part of the Group, we collected funds on board in support of MERCY Malaysia's East Coast Relief Fund. A total of RM902,447 was raised and channelled via AirAsia Foundation to the organisation's flood recovery initiatives. This included a School Preparedness Programme to increase the capacity of schools and students to respond to future disasters.

Mid-April, our affiliate Indonesia AirAsia X (IAAX) supported the Indonesian Ministry of Foreign Affairs in its effort to bring back Indonesians working or studying in Yemen, at a time when internal conflict between various groups reached dangerous levels. A total of 741 Indonesians were flown home to safety from Oman, having already been evacuated from Yemen.

At the end of April, following the devastating earthquake in Nepal, AirAsia X provided flights over a period of two weeks for personnel from accredited non-governmental organisations (NGOs) as well as aid and humanitarian agencies to fly in and out of Kathmandu.

Then, in September, once again as part of a Group effort, AirAsia X provided flights to transport Malaysian army personnel on a peacekeeping mission to Lebanon. A total of 860 men joined the United Nations Interim Force in Lebanon (UNIFIL) for a period of 12 months.

### **IN THE NAME OF SCIENCE**

AirAsia X contributed to the success of Misi Perdana UTM Everest 2015 by assisting eight students and two lecturers from Universiti Teknologi Malaysia (UTM) with flights for their expedition to Kathmandu, Nepal. The group's objective was to collect data to support research on acute mountain sickness (AMS), which is caused by reduced air pressure and lower oxygen levels at high altitudes. The hope is for their work to help future climbers be better prepared before attempting any mountainous ascent.

### **BRINGING CHEER TO ORPHANS**

In July, during the month of Ramadhan, the leadership team of AirAsia X spent time with 102 orphans at Rumah Kasih Sayang. In addition to spreading laughter and fun, they repainted the home, and distributed goodies as well as *duit raya*.



## *engaging* **WITH THE MARKET**

**AirAsia X recognises that, as a responsible organisation, we have a duty to maintain an open and honest relationship with our shareholders and the investment community at large. We further strengthen our standing in the marketplace by placing top priority on serving our guests, anticipating their needs and going one step beyond to ensure they have the best possible experience at every stage of their interaction with us.**



## **INVESTING IN RELATIONS**

Other than providing quarterly and annual results for our investors, which are communicated through press releases and our corporate website for easy reference, we also encourage our shareholders to attend our annual general meetings (AGMs) at which any query they may have can be answered personally by our top management team.

We also have a well-oiled investor relations (IR) machinery that includes a packed schedule of non-deal roadshows and investor conferences. During the year under review, for example, we organised no less than six non-deal roadshows that took our IR team to meet potential and existing investors in London, Hong Kong, Singapore, Tokyo and the Middle East. These roadshows were led by our senior management team, often including our Group Chief Executive Officer (CEO), Datuk Kamarudin Meranun. Over the course of our Rights Issue and Warrants subscription in May 2015, our Group CEO took it upon himself to brief institutional investors, retailers, remisiers and employees on the exercise.

Our CEO, Benjamin Ismail, also participated in all our IR roadshows. This year, he presented at the Equities Tracker Investor Talk which was held in Kuala Lumpur in September, following which he engaged with the retail investors by answering their queries.



## SERVING OUR GUESTS RIGHT

An integral component of AirAsia X's identity is the focus we place on people – our Allstars, guests as well as the larger community. Despite being a low-cost carrier, every effort is made to deliver a warm service and to offer our guests options that will make their experience of flying with AirAsia X memorable.

This starts with our user-friendly website, and the 24-hour live chat we make available to answer queries, and continues with the service we offer at the airport, much of which is being automated to make it easier and quicker for our guests.

While on board, we offer the most comfortable seats available in the low-cost carrier sector with our Premium class – fully re-clinable seats that feature universal power sockets, adjustable headrests and built-in personal utilities such as tray table, drink holder, reading light and more. Further adding to a first-class experience, Premium Flatbed

guests also enjoy complimentary products and services including Pick A Seat, priority check-in, priority boarding, pillow & duvet, priority baggage, 40kg baggage allowance, and a complimentary meal. This service truly stands AirAsia X apart while our flatbeds have been recognised by global travellers – polled by renowned airline review site, Skytrax – as being the Best Low-Cost Airline Premium Seat for three consecutive years.

During the year, new services were introduced on board as well as on ground to add to guests' convenience and pleasure.

On flights to Seoul, Malaysia AirAsia X and Thai AirAsia X (TAAX) enable guests to purchase tickets to various exciting rides, shows and parades in Lotte World Adventure, a popular Korean theme park, through its Sky Ticket services.

TAAX added to its guest service proposition by collaborating with Airport Limousines, to enable guests to purchase shuttle passes from Incheon Airport to either Myeong Dong Station or Cheongnyangni Station in the city. Likewise, while on their flights, guests travelling to Thailand can buy coupons for limousines operated by Phrapirap Co Ltd to take them from Don Mueang Airport into central Bangkok.

Acknowledging that only about 28.8% of the Thai population have access to internet, TAAX is also making it easier for guests to book their flights offline. Through a partnership with Counter Service, Thais can now book and pay for flights at more than 9,900 outlets in the country inclusive of all 7-Eleven stores.



*We don't believe in 'customer service' because at AirAsia X, we don't have customers, only guests. We treat our guests as we would our closest friends - with warmth and caring. Because we truly value all those who travel with us, we seek continuously to get to know them better so that we do not just meet their expectations but anticipate ways in which we can delight them. Their happiness is our happiness; their smiles, our smiles.*



## *now everyone* **CAN FLY... AT WORK**

**The tagline of 'Now everyone can fly' applies equally to our employees, who are not just people we hire, but people whose passion and commitment to the airline are what give us that special edge. That is why we don't refer to our people as 'employees' but rather as 'Allstars'. We bring in people who have drive and ambition, and we fuel that ambition by making it possible for them to achieve their personal dreams - through continuous professional training and development, coaching and the creation of an open work environment in which everyone is encouraged to contribute ideas and opinions.**

Our People Department is constantly identifying skills gaps in the organisation and filling these with appropriate learning interventions. One of our key strengths lie in training our own Allstars to become trainers themselves. In 2014, we had launched JET@X, our signature train-the-trainer programme designed for captains and co-pilots to become Ground Training Instructors (GTI) and Type Rating Instructors (TRI). In 2015, similar train-the-trainer programmes were extended to members of other Operations teams. The sessions proved to be very productive as our new trainers are able to turn real issues they have encountered into case studies that can be incorporated into training sessions.

Problem-solving is something we place much emphasis on and has become a key skill that sets our Allstars apart. At our Monthly Action Learning workshops, Allstars from various departments form groups to solve complex problems using reflective questioning and listening. These sessions also help our Allstars to develop leadership skills by requiring them to navigate their

way through problems, fine-tuning their ability to get to the crux of matters at hand and generate actions needed to be taken for problem solving. These team-coaching sessions are led by internal Action Learning Coaches who are certified by and have won coaching awards from the World Institute of Action Learning (WIAL International).

Problem solving is among a set of work-related skills that the Learning and Development team from the People Department focused on throughout 2015. The department also designed and delivered programmes on SMART Goal-setting and Monitoring, and Behaviour-based Interview Skills.

Some of the programmes introduced by the People Department are not directly related to work, yet helps contribute to a healthier working environment and develop better team spirit which are valuable qualities in themselves. One such programme was the training provided to Allstars who volunteered to be Peer Supporters. The objective is to equip these volunteers to be able to provide emotional and psychological support to colleagues in times of



stress, either due to work or personal issues. This is integral to the Critical Incidents and Stress Management initiative of the Flight Operations department. Volunteers in the programme are from the technical and operations teams, including Cabin Safety.

These initiatives, and more, aim to create a healthier work environment in which our colleagues feel safe to explore ideas, escalate issues and experiment with potential solutions.



## DIVERSITY & INCLUSION

We pride ourselves in being an ASEAN airline, and this is reflected in the racial and cultural backgrounds of our 2,204 Allstars. Within the organisation, 46% of our people are Malay, 22% Chinese, 11% Indian, 2% non-Malay Bumiputra while the remaining 19% are foreigners. We embrace ethnic diversity as we believe the different perspectives brought by Allstars from different backgrounds enrich our intellectual capital, creating a stimulating environment which divergent viewpoints are considered before important decisions are made.

Such diversity extends to the age and gender profiles of our Allstars too. About 1% of our Allstars fall within the 17-20 age bracket, 58% in the 21-30 age bracket; 30% in the 31-40 age bracket, 8% in the 41-50 age bracket; and 3% are aged between 51-70 years. Our female to male ratio, meanwhile, stands at 38:62.

## SAFETY ABOVE ALL

At AirAsia X, safety is given the highest priority by everyone from management to our ramp staff, and is never compromised. We have in place a comprehensive, risk-based Safety Management System (SMS) that includes a Safety Policy, Risk Assessment, Safety Assurance and Safety Promotion.

Maintaining the highest standards of safety is an ongoing process and to ensure we keep improving in this regard we have set ourselves the goals of zero accidents and zero 'high risk' incidents. In 2015, we achieved both targets. At the same time, we managed to greatly reduce the incidence of 'medium risk' events to 1.32 per 1,000 sectors from 5.55 per 1,000 sectors in 2014. Most of these incidents were related to cargo/ramp operations, and were thoroughly investigated by the Safety Department to prevent any recurrence.

Allstars are encouraged to report any occurrence that may jeopardise the safety of our operations in order to facilitate remedial actions as well as for the benefit of sharing with others to improve our overall safety scorecard.

## IATA INTERNATIONAL OPERATIONAL SAFETY AUDIT (IOSA)

In April 2015, AirAsia X was awarded the IATA International Operational Safety Audit (IOSA) certification by the International Air Transport Association (IATA), which reflects a very high level of safety within the organisation. The total accident rate among IOSA carriers in 2013 was 2.5 times lower than for non-IOSA operators. As such, IOSA has become a global standard and benchmark for aviation safety performance. All IOSA certified airlines are required to undergo E-IOSA (Enhanced IOSA) for their renewal. E-IOSA encompasses information from internal oversight assessments, enhancing the scope and value of the audit result. In January 2016, AirAsia X embarked on the E-IOSA for our first certification renewal. Having met the stringent standards, we have assured our place in the IOSA registry.



*In our quest to maintain the highest standards of safety, we are constantly improving our systems and procedures and adopting the latest best practices. No detail is too small for our safety scrutiny; and every Allstar is trained to be 100% safety conscious. Nothing is more important to us than to keep you and your loved ones safe, all the time.*

## FLIGHT SAFETY

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Flight safety is monitored through a set of Safety Performance Indicators (SPI) which includes information from Flight Data Monitoring (FDM) and pilot reports. Flight data – which reflects the aircraft's systems performance – is captured in Quick Access Recorders (QAR) and subsequently downloaded and screened. Any deviations from the norm are analysed and, where necessary, corrective and/or preventive measures are taken. As a result of conscientious efforts to capture, identify and rectify deviations, the level of High Risk (Level 3) deviation from Standard Operating Procedures (SOP) on all AirAsia X flights has decreased substantially since 2010.

## CABIN SAFETY

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AirAsia X has a Cabin Safety team that conducts frequent safety checks during flights. Cabin Safety Examiners observe how our crew perform their safety duties, collate their observations and share these with the Cabin Crew Department, Training Department and crew members. Working closely with the team, in September 2015, AirAsia X hosted an inaugural AirAsia Group Regional Cabin Safety Conference at the Asian Aviation Centre of Excellence (AACE), which resulted in the sharing of best practices and streamlining of procedures and training for all cabin crew.

## GROUND SAFETY AND EMERGENCY RESPONSE PLAN

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Our Ground Safety team monitors and analyses safety practices within ground operations to ensure strict compliance with procedures and policies. As with the Cabin Safety team, data collected by the Ground Safety team is analysed to identify any discernible trend that could lead to a safety deviation, and the necessary remedial action is taken.

We have a comprehensive Emergency Response Plan (ERP), which has been endorsed by Malaysia's Department of Civil Aviation and meets strict international standards. Procedures as recommended in the ERP are tested biannually through an ERP Table Top Exercise to ensure a safe and orderly transition from normal to emergency operations, and safe continuation of operations or return to usual operations as soon as practicable.

In 2015, we carried out a hijack scenario simulation codenamed Exercise 'Ops Rampas' to test the response time of relevant airport parties to emergency situations. The exercise revealed that the relevant parties have a good understanding of their roles and can execute the appropriate decisions and functions as stated in the procedures. We also identified areas where the procedures could be further improved, and relevant steps have been taken to ensure the enhancements are carried out.

## ENGINEERING SAFETY

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In 2015, our Safety Department initiated a campaign to enhance safety awareness among our engineering personnel. This included department visits, safety management system (SMS) classes, the placement of safety posters around the engineering office and sharing of engineering-related safety news every week. The initiative was a success, given the increase in engineering safety reports produced following the campaign.

## SAFETY PROMOTION

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To promote a culture of safety in AirAsia X, all Allstars are required to undergo SMS training. The Safety Department also publishes a monthly newsletter that includes best practices on how incidents can be avoided. In addition, beginning in August 2015, weekly safety news updates are sent to all Allstars to highlight significant aviation safety events around the world.

Over and above internal safety activities, our Safety Department frequently engages with aviation safety groups such as the Association of Asia Pacific Airlines Flight Operations Safety Working Group, Flight Safety Foundation, ICAO Asia Pacific Regional Aviation Safety Team, and the International Society of Air Safety Investigators. AirAsia X also serves as Secretary of the Malaysia Flight Safety Forum. Our active participation in such forums allows us to learn from best practices and to share our experiences and processes in the interest of safety of the entire aviation industry. That we are a leader in this sector is reflected by the fact that AirAsia X is one of only two airlines in Malaysia to be awarded five stars for our SMS by the Department of Civil Aviation (DCA).



## From a GREENER ENVIRONMENT

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

Our entire business model revolves around keeping our operations as fuel efficient as possible. The airline has been maximising efficiency through the maintenance of a young fleet with modern and fuel efficient engines, following fixed guidelines on engine maintenance to ensure optimal operations, and adopting flying practices that reduce unnecessary fuel burn.

Some of the specific ways in which we enhance our fuel efficiency and reduce our consumption are described below.

### REDUCE WEIGHT, REDUCE FUEL BURN

It has been a year since the launch of AirAsia X Electronic Flight Bag (EFB) Operations exercise. EFB replaces the need for hardcopy charts on board, which will allow us to reduce the weight of our aircraft as manuals weigh about 55kg. On average, every kilogramme of additional weight on board the aircraft burns approximately 0.15kg of fuel. Removing the manuals translates into a reduction in fuel burn of up to 8.25kg per sector, while also reducing the amount of paper used to support our operations. With the EFB, moreover, our crew are able to do performance calculations to optimise our take-off thrust. Although thrust reduction may increase fuel consumption slightly, this is offset by considerably lower engine maintenance costs due to reduced wear and tear. Also, taking off at reduced thrust minimises our noise emission.

### ONE ENGINE TAXI-ING

Our Technical & Development team has worked closely with Rolls-Royce, Airbus and DCA Malaysia to introduce and implement the one engine taxi-ing. When conditions permit, and at the commander's discretion, crew will shut down one engine during taxi-ing to reduce fuel burn, hence lower carbon emissions. This initiative saves up to 12.5kg of fuel per minute of taxi-ing. Currently, each flight can perform the one engine taxi-ing for approximately three minutes, saving about 37.5kg of fuel. In 2015, AirAsia X performed the energy-saving manoeuvre on flights arriving into Kuala Lumpur. Going into 2016, we hope to expand this initiative to other stations where we operate.

### ONE PACK OFF

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

### NOISE REDUCTION

AirAsia X adopts and complies with all noise abatement procedures as required by the authorities in countries where we operate. However, in Busan, our aircraft (and those of many other carriers as well) are regularly flagged for exceeding the accepted noise level during take-off. Following a thorough analysis, our Technical & Development team has designed special departure procedures to avoid areas sensitive to noise, as prescribed by the airport authorities. Given the success of this initiative, it will be replicated in other airports should it be required in the future.





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## **TONNES CARGO SERVICES SDN BHD**

Gst No 001001062400  
No. 12-1, 1st Floor, Jalan Putra Mahkota 7/5B,  
Putra Points Business Centre, Putra Heights,  
47650 Subang Jaya, Selangor.

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

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

## A. Board Matters

### Roles, responsibilities and powers of the Board Members

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

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

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

The Board Charter can be downloaded from the Company's website.

### Board Members Balance and Meetings

There are seven (7) Members who form the Board, the details are given on pages 31 to 33 of this Annual Report.

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

To ensure that AirAsia X promotes corporate governance effectiveness, the Independent Non-Executive Directors are in place to provide the check and balance in the function of the Board.

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

Dato' Seri Kalimullah Bin Masheerul Hassan and Mr. Kiyotaka Tanaka have retired from Board members of AirAsia X on 4 June 2015. Datuk Kamarudin Bin Meranun was re-designated from a Non-Independent Non-Executive Director to a Non-Independent Executive Director and Group Chief Executive Officer ("GCEO") of the Company effective 30 January 2015. Mr. Lim Kian Onn was re-designated from Non-Independent Non-Executive Director to Independent Non-Executive Director effective 26 February 2016.

En. Benyamin Bin Ismail ("En. Benyamin") was appointed as the Chief Executive Officer ("CEO") of the Company on 1 September 2015. En. Benyamin is not a Board member of the Company and his profile is provided on page 40 of this Annual Report.

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

The roles of the Chairman, GCEO and the CEO of the Company are separate with a clear division of responsibilities to ensure an appropriate balance of role, responsibilities and accountabilities at the Board level, such that no one individual has unfettered powers of decision.

The Non-Executive Directors ("NED") are persons of high aptitude and integrity, and jointly gather the various backgrounds in finance, legal and regulatory and in public and private sectors to the Board and Board Committees for deliberations. They dedicate reasonable time and attention required to fulfil their roles. Other professional commitments of the NED are provided in their biographies on pages 95 to 97 of this Annual Report. The Board requires that all Independent Directors to be impartial in judgment; non-participation in the day-to-day management of the Company; non-involvement in business transactions or relationships with the Company, in order to have a conscientious decision to achieve its objectives.

The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in maintaining its competitive advantage. Our diverse Board includes and makes good use of differences in skills, regional and industry experience, background, gender, ethnicity, age and other attributes of Directors. This effort could be evidenced by the appointment of Tan Sri Rafidah Aziz as an Independent Non-Executive Chairman of the Board since March 2011. Tan Sri Rafidah Aziz was re-designated as a Senior Independent Non-Executive Chairman of the Company since its listing on the Main Market of Bursa Malaysia. The Company also maintains a good mix of diversity in its senior management.

The Board, through the Nomination and Remuneration Committee ("NRC") will discuss the measurable objectives for achieving diversity. For instance, selection of women candidates to join the Board will be, in part, dependent on the pool of women candidates with the necessary skills, knowledge and experience; ultimately it will be based on merit and contributions the candidate can bring to the Board.

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

The NRC also reviews the composition of the Board and the Board members annually. During the year under review, the NRC discussed the assessments on the performance of the Board and Board members, the individual performance of the Board and Board members and the succession planning on the key management as well. The Board will undertake an assessment of its Independent Directors annually.

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

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

During the financial year ended 31 December 2015, the Board held a total of eight (8) meetings and the details of Directors' attendances are as set out below:

Name	Number of Meetings
Tan Sri Rafidah Aziz	6
Tan Sri Dr. Anthony Francis Fernandes	7
Datuk Kamarudin Bin Meranun	8
Lim Kian Onn	8
Dato' Fam Lee Ee	8
Tan Sri Asmat Bin Kamaludin	8
Dato' Yusli Bin Mohamed Yusoff	8
Dato' Seri Kalimullah Bin Masheerul Hassan	3 <sup>(1)</sup>
Kiyotaka Tanaka	3 <sup>(2)</sup>

(1) Dato' Seri Kalimullah Bin Masheerul Hassan retired on 4 June 2015.

(2) Mr. Kiyotaka Tanaka retired on 4 June 2015.

#### Dissemination of Information

Prior to the Board Meetings, Members of the Board will receive the agenda and a set of Board papers digitally containing items for discussion at the Board Meetings. This is to allow sufficient time for the Directors to review and seek clarifications that they may require from the Management or the Company Secretary. Urgent papers may be presented and tabled at the Board meetings under supplemental agenda. The Board meeting papers are presented in a concise and comprehensive format.

Board papers tabled to Directors include progress reports on the Company's business operations; detailed information on business propositions; quarterly and annual financial statements, corporate proposals including where relevant, supporting documents such as risk evaluations and professional advice from solicitors or advisers and report on the Directors' dealings in securities of the Company, if any. The Company Secretary ensures that all Board meetings are properly convened, and that

## STATEMENT ON CORPORATE GOVERNANCE

accurate and proper records of the proceedings and resolutions passed are recorded and maintained in the statutory register at the registered office of the Company.

Directors are required to make full disclosure to the Board at once of any direct or indirect interests they may have in any transaction to be entered into directly or indirectly by the Company. Upon such disclosure, the interested Director(s) are required to abstain from Board deliberation and voting on the said transaction. If shareholders' approval is required for the said transaction, the interested Director, if he is a shareholder as well, shall abstain from voting on the resolution pertaining to the transaction and ensure the person connected with them similarly abstains from voting on the same resolution.

Directors have access to all information and records of the Company and also the advice and services of the Company Secretary, who also serves in that capacity in the various Board Committees. The Company Secretary also serves notice to Directors on the closed periods for trading in AirAsia X's shares, in accordance with Chapter 14 of the MMLR in respect of Dealings in Securities.

### Directors' Appointment

The Company has implemented procedures for the nomination and election of Directors via the NRC. The NRC will assess the nominee(s) for directorship including conducting an interview and Board Committee membership and thereafter, submit their recommendation to the Board for decision.

The Company Secretary will ensure that all appointments are properly made, that all necessary information is obtained, as well as all legal and regulatory obligations are met.

### Directors' Training

All the Directors have attended the Mandatory Accreditation Programme prescribed by Bursa Malaysia for Directors of Public Listed Companies ("MAP").

Directors are regularly updated on the Company's businesses and regulatory environment in which they operate. Company site visits by the Directors, especially for the newly appointed members to understand the business operations is recommended as the process will facilitate the Board's effective decision making.

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

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

Name	Programmes
Tan Sri Rafidah Aziz	Tan Sri Rafidah Aziz is a speaker at various conferences and symposiums.
Datuk Kamarudin Bin Meranun	<ul style="list-style-type: none"> <li>• Crisis Communications Workshop, Trainer: John Bailey, Ketchum ICON on April 2015;</li> <li>• "The Story" Conference, Organiser: Generasi Muda Bersatu on 16 September 2015, Putrajaya; and</li> <li>• Bumipreneurs of Tomorrow (Bahtera) Conference, Organiser: Ministry Of Finance on 19 August 2015, KLCC.</li> </ul>
Tan Sri Dr. Anthony Francis Fernandes	<ul style="list-style-type: none"> <li>• Regional ASAM Conference on 10 March 2015 in Bangkok;</li> <li>• ASEAN Aviation Summit 2015 18 and 19 March 2015 in Langkawi;</li> <li>• Credit Suisse 18th Asian Investment Conference on 23 Mar 2015 in Hong Kong;</li> <li>• ABC Asean Business Club Forum on 14 May 2015 in Singapore;</li> <li>• EASA-FAA International Aviation Safety Conference on 10 June 2015 in Brussels;</li> <li>• LCC Airport Summit on 15 September 2015 in Bangkok;</li> <li>• CLSA Investors Forum 16 September 2015 in Hong Kong;</li> <li>• "Whats Next" Conference on 29 September 2015 in Cyberjaya;</li> <li>• Global Transformation Forum on 21 October in Kuala Lumpur;</li> <li>• APEC Manila on 17 November 2015;</li> <li>• ASEAN Summit Manila 18 November 2015;</li> <li>• Global Malayalee Symposium 27 November 2015 in Kuala Lumpur; and</li> <li>• RHB Banking Group Leaders Talk on 1 December 2015 in Kuala Lumpur.</li> </ul>

## STATEMENT ON CORPORATE GOVERNANCE

Name	Programmes
Dato' Fam Lee Ee	<ul style="list-style-type: none"> <li>• "Market Outlook" talk by UOB Bank on 26 May 2015;</li> <li>• Annual Meeting of Malaysia-China Joint Business Council Meeting in Kuala Lumpur on 24 August 2015;</li> <li>• Malaysia-China (Guangdong) Economic &amp; Trade Cooperation Conference in Guangzhou, PRC on 6&amp;7 July 2015;</li> <li>• CG breakfast series with Directors: Future of Auditor Reporting - The Game Changer for Boardroom organised by Bursa, CPA and MIA on 21 September 2015;</li> <li>• Malaysia-China High Level Economic Forum on 23 November 2015 in Kuala Lumpur ; and</li> <li>• World Chinese Economic Summit in London on 10&amp;11 June 2015.</li> </ul>
Lim Kian Onn	NIL
Tan Sri Asmat Bin Kamaludin	<ul style="list-style-type: none"> <li>• Annual Report 2014/ Financial Stability and Payment Systems Report 2014 briefing session on 11 March 2015;</li> <li>• Predicting Financial Crime – Detection Prevention and Remediation on 1 April 2015;</li> <li>• Seminar Kelestarian Integriti 14 April 2015;</li> <li>• Light and Shadow in the Boardroom: Reflections on Board Evaluation and Development on 12 May 2015;</li> <li>• Money Laundering and its impact on Investment Companies on 1 June 2015;</li> <li>• SC Guidelines on Prevention of Money Laundering and Terrorism Financing for Capital Market Intermediaries on 1 June 2015;</li> <li>• CMDP (Capital Market Director Programme) Module 2 on 5 August 2015;</li> <li>• CMDP (Capital Market Director Programme) Module 1 on 10 August 2015;</li> <li>• CMDP (Capital Market Director Programme) Module 3 on 3 October 2015;</li> <li>• Talk on the business on 26 October 2015;</li> <li>• Customised Advocacy on 30 October 2015; and</li> <li>• CMDP (Capital Market Director Programme) Module 4 on 4 December 2015.</li> </ul>

Name	Programmes
Dato' Yusli Bin Mohamed Yusoff	<ul style="list-style-type: none"> <li>• Nominating Committee Programme 2: Effective Board Evaluations on 8 April 2015;</li> <li>• Enterprise Risk management: Driving Organisational Sustainability, Agility and Resilience on 10 June 2015;</li> <li>• Knowing How to Direct, Prevent &amp; Report Financial Irregularities &amp; Scandalous Activities on 15 June 2015;</li> <li>• Board Chairman Series: Tone from the Chair and Establishing Boundaries on 15 September 2015; and</li> <li>• CG Breakfast Series with Directors: Board Reward &amp; Recognition on 26 November 2015.</li> </ul>

The Board, through the NRC, will undertake the assessment of the training of each director and suggest training needs, if required.

The Board was updated by the Company Secretary on changes to the MMLR and relevant guidelines on the regulatory and statutory requirements. The Audit Committee will also be updated by the external auditors on the changes to the financial reporting standards and tax related matters.

### Directors' Re-election

The Articles of Association of the Company provides that at least one-third of the Directors are subject to retirement by rotation at every Annual General Meeting ("AGM") such that each Director shall retire from office once in every three (3) years, and are eligible to offer themselves for re-election. The Articles of Association also provides that a Director who is appointed during the year shall be subject to re-election at the next AGM to be held following his appointment. Directors over seventy years of age are required to submit themselves for reappointment annually in accordance with Section 129(6) of the Companies Act, 1965.

### Board Committees

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

**i. Audit Committee ("AC")**

AC comprises of three (3) Independent Non-Executive Directors, the Members are set out on page 15 of this Annual Report. The primary roles, responsibilities and powers of the AC in accordance with its terms of reference are to assist the Board with the following:

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

Further information on the composition, summary terms of reference and other information relating to the AC are set out on pages 99 to 101 of this Annual Report.

**ii. NRC**

NRC comprises of one (1) Chairman who is the Senior Independent Non-Executive Chairman; one (1) Independent Non-Executive Director and one (1) Non-Independent Non-Executive Director, the Members are set out on page 15 of this Annual Report.

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

For Nomination:

- Recommending to the Board for approval, the minimum requirements for the Board, i.e. required mix of skills, knowledge, experience, qualification and other core competencies required of a director;
- Assessing and recommending to the Board for their approval, nominees for directorships and Board committee members;
- Considering, in making its recommendations, candidates for directorships proposed by the CEO and, within the bounds of practicability, by any other senior executive or any director or shareholder;
- Establishing a mechanism for the formal annual assessment on the effectiveness of the Board as a whole and the contribution of each director to the effectiveness of the Board and the contribution of the Board's various committees;
- Recommending and ensuring that all directors receive appropriate continuous training in order to maintain an adequate level of competency in order to effectively discharge their roles as directors; and

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

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

Other than that, the NRC discussed on the assessments of the Board, Board Committees and individual directors on the mix of knowledge, skills, independency, effectiveness and contribution to the Company. The NRC also discussed on the succession planning for the key management of the Company.

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

For Remuneration:

- Reviewing annually and recommending to the Board the overall remuneration policy for Directors, GCEO and CEO (including but not limited to directors' fees, salaries, allowances, bonuses, share options and benefits-in-kind) that supports AirAsia X's long-term success and shareholder value, and ensure that compensation is consistent with AirAsia X's business strategy and long-term objectives;
- Recommending to the Board on the individual remuneration package for the GCEO, CEO and Dato' Fam Lee Ee (including but not limited to salaries, allowances, bonuses and benefits-in-kind);
- Reviewing annually the performance of the Directors and CEO, and recommend to the Board specific adjustments in remuneration and/or reward payments, if any;
- Obtaining advice from external sources or experts, if necessary, regarding remuneration practices of other companies of a similar size in a comparable industry sector for the purposes of comparison; and
- Reviewing its own performance and terms of reference at least once a year to ensure that the Committee is operating at maximum effectiveness and recommend any change it considers necessary to the Board for approval.

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

### iii. Safety Review Board ("SRB")

The SRB comprises of the Senior Independent Non-Executive Chairman, GCEO, CEO and is supported by a team of operation's safety and security specialist from the Company. The members are set out on page 15 of this Annual Report.

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

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

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

- Providing to the Board the oversight and input to the management of safety issues within the AirAsia X's operations;
- Reviewing the progress and safety trends in relation to Flight, Cabin, Ground Operations, Engineering, Security and Quality Assurance, and ensuring all identified hazards are appropriately resolved;
- Reviewing organisational control and continual improvement by assessing opportunities for improvement and the need for changes to the system, including but not limited to organisational structure, reporting lines, authorities, responsibilities, policies, processes and procedures, as well as allocation of resources and identification of training needs;
- Monitoring the effectiveness of the Safety Management System ("SMS") implementation plan;
- Monitoring and reviewing policy, objectives and procedures as part of development of SMS;
- Making recommendations or decisions concerning safety policy and objectives;
- Monitoring that any necessary corrective action is taken in a timely manner;

- Reviewing activities that require formal application of risk management techniques;
- Reviewing actions recommended by incident/accident investigations are monitored, tracked and implemented by relevant departmental managers;
- Monitoring safety performance against the organisation's safety policy and objectives;
- Reviewing safety performance and outcomes;
- Defining safety performance indicators and set safety performance goals for the organisation;
- Monitoring the effectiveness of the organisation's safety management processes which support the declared corporate priority of safety management as another core business process;
- Monitoring the effectiveness of the safety supervision of subcontracted operations;
- Ensuring that appropriate resources are allocated to achieve safety performance beyond that required by regulatory compliance;
- Providing strategic directions to departmental Safety Action Group ("SAG") where applicable;
- Functioning as steering committee and oversight for Flight Data Monitoring Team; and
- Periodically review regulations, standards and exemptions for ensuring the most current information is available.

Input to the management review process SRB would typically include:

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

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

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



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

ESOS Committee comprises of one (1) Non-Independent Executive Director and GCEO, the CEO and the Regional Head of People Department, the Members are set out on page 15 of this Annual Report.

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

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

#### B. Directors and/or CEO Remuneration

The remuneration package comprises the following elements:

##### 1. Fee

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

##### 2. Benefits-in-kind

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

##### 3. Service contract

The CEO has a one-year service contract with AirAsia X, subject to renewal of the Board.

##### 4. Directors' share options

There are currently no share options for the Directors.

Details of the Directors' remuneration are set out in Note 5 of the Audited Financial Statements on page 139 of this Annual Report. Whilst the Code has prescribed for individual disclosure packages, the Board is of the view that the transparency and accountability aspects of Corporate Governance in respect of the Directors' remuneration are appropriately and adequately addressed by the band disclosure in the said Note 5.

#### C. Shareholders and Investors

##### Investor Relations ("IR")

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

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

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

Financial Results, Key Operating Statistics and Presentations on a quarterly basis are available for download at the Company's website at [www.airasiacx.com](http://www.airasiacx.com). Shareholders may also obtain the Company's announcement on the website or via the Bursa Malaysia's website at [www.bursamalaysia.com](http://www.bursamalaysia.com).

In conjunction with AirAsia X's Initial Public Offering ("IPO"), the Shareholders' Benefit Programme was implemented. This programme is running for three (3) years from the first anniversary of the IPO. The terms and conditions of this benefit are made available on the Company's website at [www.airasiacx.com](http://www.airasiacx.com). For any enquiries relating to the benefits availability; eligibility criteria or general enquiry on this programme, shareholders can reach the team through [cax\\_shareholder@airasia.com](mailto:cax_shareholder@airasia.com) or Customer Support Line 603 8775 4680 during operating hours from 9.00 am to 6.00 pm (Malaysian time) Mondays to Fridays.

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

##### AGM

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

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

the AGM is another important forum for shareholders' interaction.

#### **Corporate Disclosure Policy and Procedures**

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

### **D. Accountability and Audit**

#### **Financial Reporting**

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

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

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

#### **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 internal control system and overseeing the financial reporting process. A report on the AC and its summary terms of reference is presented on pages 95 to 97 of this Annual Report.

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

The Board confirms that this process was in place during the year under review and up to the date of approval of these financial statements. The primary aim is to operate a system which is appropriate to the business and which can, over time, increase shareholders' value whilst safeguarding the Company's assets. The system is designed to manage, rather than eliminate, the risk

of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Statement on Risk Management and Internal Control is set out in pages 98 to 101 of this Annual Report.

#### **Relationship with the External Auditors**

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

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

### **E. Sustainability Report**

The Company is committed in ensuring that it aligns its strategies on matters relating to the community, workplace, marketplace and environment with sustainability objectives. The sustainability report is set out in pages 76 to 83 of this Annual Report.

### **F. Standard Operating Procedures ("SOPs")**

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

#### **i. Sustainability Policy**

The Company has established a Sustainability Policy for the provision of guidance on the Company's strategy on sustainability with focus on four main domains - Community, Workplace, Market Place and Environment.

#### **ii. Whistleblowing Program**

In order to improve the overall organisational effectiveness and to uphold the integrity of the Company in the eyes of the public, the Company has established a Whistleblowing Policy which acts as a

formal communication channel where all stakeholders can communicate their concerns in cases where the Company's business conduct is deemed to be contrary to the Company's common values.

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

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

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

### **iii. Anti-Fraud Policy**

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

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

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

### **iv. Code of Business Conduct**

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

This statement is made in accordance with a resolution of the Board of Directors of AirAsia X dated 29 March 2016.

## **SUMMARY OF TERMS OF REFERENCE OF THE AUDIT COMMITTEE ("AC")**

### **A. Composition**

The AC shall comprise at least three (3) non-executive directors appointed by the Board. All the AC members must be non-executive directors, with a majority of them being independent directors. All AC members must have strong financial background and at least one member shall:

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

### **B. Roles and responsibility**

The primary roles and responsibilities of the AC with regards to the AirAsia X Internal Audit function, risk management, external auditor, financial reporting, related party transactions, annual reporting and investigation are as follows:

#### **Internal Audit ("IA")**

- IA function is to report directly to the AC;
- Review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary independence and authority to carry out its work, which should be performed professionally and with impartiality and proficiency;
- Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit functions;
- Review any appraisal or assessment of the performance of members of the internal audit function;
- Approve any appointment or termination of senior staff members of the internal audit function; and
- Take cognisance of resignations of internal audit staff and provide the staff an opportunity to submit reasons for resigning.

#### **Risk Management**

- Review the risk management framework of the Company to ensure the existence of effective risk management policies and controls to monitor and manage all financial and non-financial risks.
- Review the risk profile and the quarterly risk progress report.
- Updating the Board on risk management activities within the Company on quarterly basis.

#### **External Auditor**

- Consider the appointment or re-appointment of the external auditor, the audit fees, any questions of resignation or dismissal of the external auditor and to recommend the nomination of the external auditor;
- Assess the suitability and independence of the external auditor;
- Discussing with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- Provide a line of communication between the Board and the external auditor;
- Discuss problems and reservations arising from the interim and final audits, and any matter the external auditor may wish to discuss (in the absence of management where necessary) including the Audit Report and the level of assistance given by the Company's employees to the external auditor; and
- Review the external auditor's management letter and management's response in evaluating the Company's system of internal control.

#### **Financial Reporting**

Review the quarterly and year-end financial statements of the Company, focusing particularly on:

- any change and appropriateness of accounting policies and practices;
- significant adjustments arising from the audit;
- litigation that could affect the results materially;
- significant and unusual events;
- the going concern assumption;
- compliance with approved accounting standards and other legal requirements; and
- ensuring the timely release of such financial statements.

#### **Related Party Transactions**

- Consider and evaluate any related party transactions or conflict of interest situations that may arise within the Company or affiliates including any transaction, procedure or course of conduct that raises questions of management integrity.

### Investigation

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

### Other Matters

- Consider any other matters as directed by the Board.

### C. Authority and powers of the AC

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

- have authority to investigate any matter within its terms of reference;
- have the resources in order to perform its duties as set out in terms of reference;
- have the support from the Company management to perform its duties;
- have full, free and unrestricted access to the Company's records, properties, personnel and other resources;
- have full and unrestricted access to any information regarding the Group and Company;
- have direct communication channels with the external auditor; and person(s) carrying out the internal audit/ quality assurance function;
- have ability to obtain external legal or other independent professional or other advice or other necessary resources to perform its duties; and
- have meetings with the external auditor, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

Should the AC is of the view that a matter reported by it to the Board has not been satisfactorily resolved, resulting in a breach of the MMLR, the AC must promptly report such matter to Bursa Malaysia.

### D. Meetings

- The AC shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide.
- The AC meeting quorum shall be at least two (2) members where the majority of members present must be independent directors.
- The External Auditor has the right to appear and be heard at any meeting of the AC and shall appear before the AC when required to do so.

- The CEO, CFO and the Head of Internal Audit of the Company shall normally be invited to attend the meetings to assist in the deliberations and resolution of matters raised. At least twice a year, the AC shall meet with the external auditor without the presence of management.
- The Company Secretary shall act as Secretary of the AC and shall be responsible, with the concurrence of the Chairman, for drawing up and circulating the agenda and the notice of meetings together with the supporting explanatory documentation to members prior to each meeting.
- The Secretary of the AC shall be entrusted to record all proceedings and minutes of all meetings of the AC. The Secretary of the AC shall circulate the draft minutes to the Chairman within fourteen (14) calendar days of the AC Meeting, for the Chairman's approval ahead of distribution to the AC members with at least seven (7) calendar days of notice prior to the AC Meeting. Reasonable time should be given for AC members and to other attendees as appropriate, to consider all relevant papers and materials prior to the AC meeting.
- In addition to the availability of detailed minutes of the AC Meetings to all Board members, the AC at each Board Meeting will report a summary of significant matters resolutions.

The Terms of Reference of the AC was approved on 17 August 2012.

### ACTIVITIES OF THE AC DURING THE YEAR

A summary of the activities performed by the AC during the financial year ended 31 December 2015 ("financial year") is set out below.

### Composition of the AC and Attendance of meetings

A total of eight (8) meetings were held during the financial year and the details of the attendance of the AC members were as follows:

Name	Directorship	Number of meetings attended
Dato' Yusli Bin Mohamed Yusoff	Independent Non-Executive Director	8
Tan Sri Asmat Bin Kamaludin	Independent Non-Executive Director	8
Lim Kian Onn	Independent Non-Executive Director	8

The representatives of the external auditors, Messrs PricewaterhouseCoopers ("PwC") are invited to discuss the annual audited financial statements, their management letters, audit plan and other matters deemed relevant.

### Financial Reporting

- Reviewed and deliberated on the quarterly financial announcements and annual audited financial statements prior to submission to the Board for consideration and approval.

### Internal Audit

- Reviewed and approved the Audit Charter for Internal Audit Department.
- Reviewed and approved the Internal Audit Plan 2015.
- Reviewed the findings from internal audit works and monitor the implementation of management action plans in addressing and resolving issues.
- Reviewed the results of operational audit reports.
- Provided assistance to the appointed external auditor in all oversight of the operational audits on each quarterly review.

### Risk Management

- Reviewed the key risk profile and risk register of the Company.
- Reviewed and approved the progress report on risk management activities.
- Reviewed the Statement on Risk Management and Internal Control and AC Report for inclusion in the 2015 Annual Report.

### External Audit

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

### Related Party Transactions

- Reviewed the related party transactions entered into by the Company and its affiliates in conformity to the established procedures in adherence to the MMLR.

### ESOS

- Annually, will verify the allocation options pursuant to the criteria disclosed to the employees of the Company and established pursuant to the Employees' Share Option Scheme for each financial year.

### Internal Audit (IA)

AirAsia X has an in-house IA to assist the Board to oversee that Management has in place a sound risk management, internal control and governance system. The IA maintains its impartiality, proficiency and due professional care by having its plans and reports directly under the purview of the AC.

The IA reports functionally to AC and administratively to the CEO.

The responsibilities of IA include:

- Review the systems of internal controls.
- Undertake regular and systematic reviews of the systems of internal controls, so as to provide reasonable assurance that the systems continue to operate efficiently and effectively.
- Implement risk based audit to establish the strategic and annual audit plan, the main factor to determine areas or units to be audited.
- Review the adequacy of risk management, the strength and effectiveness of the internal controls, compliance to both internal and statutory requirement, governance and management efficiency, amongst others.
- Table to the management on any areas that require improvement and audit recommendations for attention and further actions.

Management is to ensure that corrective actions are implemented within the required time frame. The audit reports which provide the results of the audit conducted, as well as key control issues and recommendations are highlighted and submitted to the AC for review and execution.

AC reviews and approves the IA's human resource requirements to ensure that the function is adequately resourced with competent and proficient internal auditor. Total operational costs of the IA department for 2015 were RM484,197.59.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors ("Board") of AirAsia X Berhad ("AAX" or the Company) remains committed in complying with the Malaysian Code on Corporate Governance 2012 (the Code) which "... requires listed companies to maintain a sound risk management framework and internal control system to safeguard shareholders' investment and the Company's assets" and guided by the Bursa Malaysia's Main Market Listing Requirements Paragraph 15.26 (b) and Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuer. The Board is pleased to issue the following statement of risk management & internal control for the financial year ended 31 December 2015."

### Responsibility

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

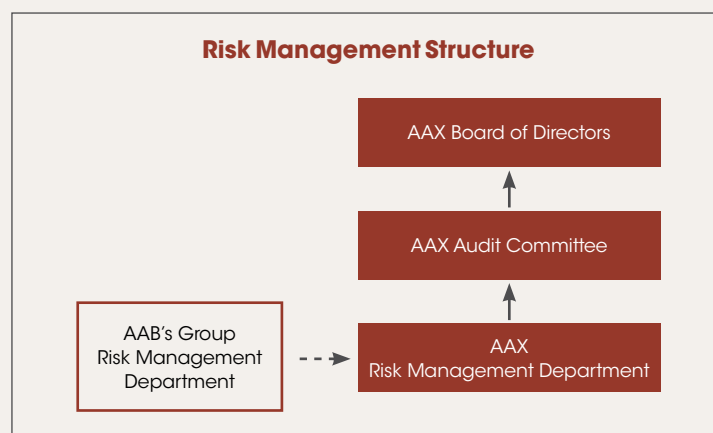
In view of the limitations inherent in any system of internal control, such a system is designed to mitigate rather than eliminate risks of failure to achieve corporate objectives. Accordingly, the system provides reasonable and not absolute assurance against material error, misstatement or loss. The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

### Risk Management

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

### Key Objectives of the Risk Management Process

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



### Role of the Board of Directors

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

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

### Role of the Audit Committee

The Audit Committee's role is to implement and support the overseeing functions of the Board's role in risk management. It performs risk oversight and review risk profiles on quarterly basis. Risk Management Progress Report will be presented to the Audit Committee on quarterly basis to update the status of High Risk action plans. The AC will then communicates to the Board on critical risks and corresponding management action plans as well as highlighting any changes to AAX's Risk Profile.

### Role of the Risk Management Department ("RMD")

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

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

### Risk Management Process

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

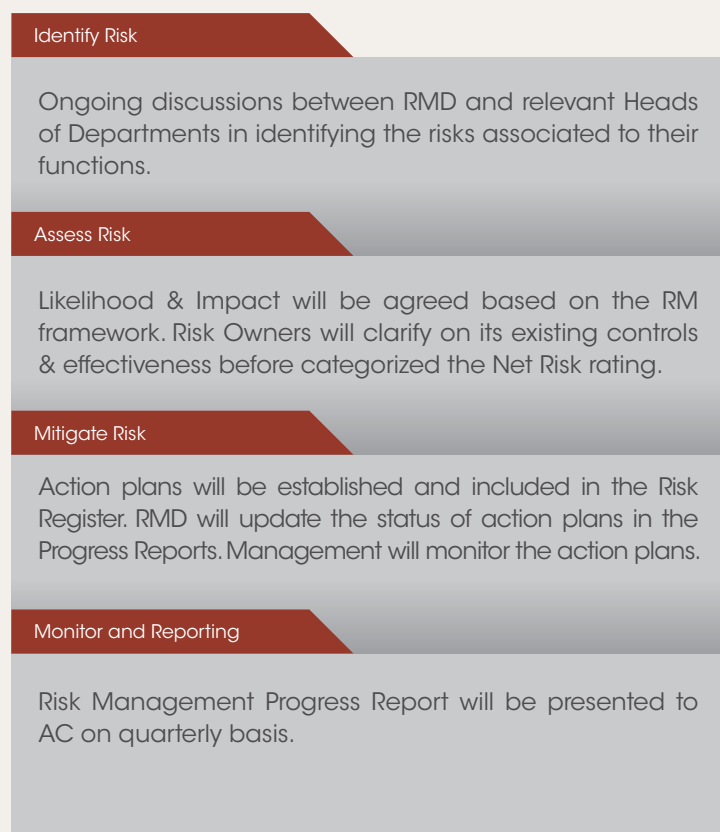


Figure 1: AAX Risk Management Process Diagram

### Conclusion

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

The Board also monitors the progress of implementation plan and the level of risk rating on quarterly basis. As of 31 December 2015, there are a total of one hundred six (106) identified risks for AAX which being categorised as follows:

No	Type of Risk	Net Risk Rating		
		High	Medium	Low
1	Strategic	5	1	0
2	Commercial	0	8	9
3	Legal & Regulatory	1	7	1
4	Business Development	0	2	0
5	Engineering	0	7	1
6	Ground Operations	0	18	0
7	Flight Operations	2	8	4
8	Safety & Security	2	6	4
9	Finance	2	5	0
10	People	0	2	2
11	ICT	1	8	0
<b>TOTAL RISKS</b>		<b>13</b>	<b>72</b>	<b>21</b>

### INTERNAL CONTROL

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

#### Control Environment

The internal control mechanism is embedded in the various work processes and procedures at appropriate levels in the Company especially for operations activities. The work processes and procedures for flight operations and ground operations are documented in Flight Operations Manuals and Ground Operations Manuals respectively. These manuals assist in ensuring continuity of best practice and effective control of various tasks in operations. Continuous efforts are



also being undertaken by the heads of departments to review and update the manuals regularly or when it is deemed necessary.

The Board wishes to disclose that during the course of statutory audit for the financial year ended 31 December 2014, the external auditor has discovered the irregular dealings between the Company and a service provider. Following that, the Board on the recommendation of the Audit Committee has appointed a consultant to carry out a forensic audit. It has been established that the irregularities does not have any material financial and operational impact on the Company. Legal action has been initiated and a police report has been lodged.

### **Organisational Structure**

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

### **People Department**

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

### **Budget**

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

### **Limits of Authority (LOA)**

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

### **Insurance and Physical Safeguards**

The Company undertakes adequate insurance and ensure physical safeguard on assets are in place to ensure that the assets are sufficiently covered against any mishap that will result in material losses. AAX Aviation Insurance program comprises of the following: -

- Aviation Hull and Spares All Risks and Liability;
- Aviation Hull and Spares War and Allied Perils (Primary and Excess);
- Aircraft Hull and Spares Deductible;
- Aviation War, Hi-jacking and Other Perils Excess Liability (Excess AVN52); and
- General Insurance Program.

### **Information and Communication**

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

### **Audit Committee**

The Audit Committee has been established by the Board since year 2013. The Audit Committee comprises of three (3) members of the Board, all of whom are independent directors. Its terms of reference together with the Audit Committee Report are disclosed in pages 99 to 101 of this Annual Report.

### **Internal Audit Function**

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

As an integral part of the management process, IAD furnishes the Management with independent analysis, appraisals, counsel and information on the activities under review. The key internal audit activities that add value to AAX can be summarized as follows:

1. Identify all auditable activities and relevant risk factors, and to assess their significance;
2. Research and gather information that is competent, factual and complete;
3. Analyse and examine that operational activities are carried out effectively;
4. Provide assurance on compliance to statutory requirements, laws, company policies and guidelines;
5. Recommend appropriate controls to overcome deficiencies and to enhance company operations;
6. Evaluate procedures in place to safeguard company assets;
7. Assist Management in establishing a proper risk management framework, assessing risk and monitoring the effectiveness of the risk management program and ensuring the adequacy of the internal control system.

Throughout year 2015, twelve (12) audit works have been carried out i.e. nine (9) audit works as per approved Audit Plan 2015, two (2) as per ad-hoc audit works and one (1) audit work was carried out by third party appointed by the Audit Committee. The audit coverage encompasses evaluation of effectiveness and efficiency of the system of internal control in the Company.

The Head of IAD currently sits as an observer in the Leadership Meeting where the senior management of the Company discusses and deliberates on issues pertaining to the financial, commercial, operations and other necessary areas of the Company. He would provide his input and opinion on matters discussed with regards to internal control, where necessary.

### **Code of Conduct**

Our Code of Conduct ("the Code") governs the professional conduct of our employees and outlines their responsibilities to the Company in performing their duties. The various policies and guidelines within the Code spell out the standards and ethics that all employees are expected to adhere to in the course of their work. It highlights AAX's expectations on their professional conduct which includes amongst others:

- The environment inside and outside of workplace.
- How we work.
- Conflict of interest.
- Confidentiality and disclosure of information.
- Good practices and controls.
- Duty and declaration.

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

### **Whistle Blower Policy**

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

### **Associate and Joint-Venture Companies**

The statement of risk management and internal control of the associate and joint-venture companies are excluded from this Statement.

### **Conclusion**

The Board is of the opinion that the Company's Internal Control System is effective and functioning adequately, and that everyone in the Company has been made aware of and alert to the requirements of the system and its procedures.

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

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

## 1. UTILISATION OF PROCEEDS FROM CORPORATE PROPOSAL

(a) The proceeds raised from the Initial Public Offering ("IPO") had been partially utilised and the details of the utilisation of proceeds as at 18 March 2016 are as follows:-

	<b>Proposed Utilisation of IPO proceeds RM' mil</b>	<b>Utilisation to date RM' mil</b>	<b>Balance RM' mil</b>
Repayment of bank borrowings	285.8	(285.8)	-
Capital expenditure	280.0	(280.0)	-
Estimated listing expenses	38.0	(38.0)	-
Working capital	136.9	(136.9)	-
<b>Total</b>	<b>740.7</b>	<b>(740.7)</b>	<b>-</b>

(b) During the financial year, the Company increased its issued and paid-up share capital by 1,777,777,790 ordinary shares of RM0.15 each pursuant to the Renounceable Rights Issue of new ordinary shares of RM0.15 each in the Company together with Free Detachable Warrants to Raise Gross Proceeds of up to RM395.00 million ("Rights Issue with Warrants").

The details of the utilisation of proceeds raised from the Rights Issue with Warrants as at 18 March 2016 are as follows:-

	<b>Proposed Utilisation of Rights Issue proceeds RM' mil</b>	<b>Utilisation to date RM' mil</b>	<b>Balance RM' mil</b>
Repayment of bank borrowings	119.0	(119.0)	-
Working capital	266.1	(266.1)	-
Estimated corporate exercise expenses	6.0	(6.0)	-
<b>Total</b>	<b>391.1</b>	<b>(391.1)</b>	<b>-</b>

## 2. SHARE BUY-BACK

The Company does not have a scheme to buy-back its own shares during the financial year ended 31 December 2015.

## 3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES EXERCISED

As at 31 December 2015, the Company issued 1,777,777,790 Rights Shares and 888,888,895 Warrants 2015/2020 pursuant to the Rights Issue with Warrants in the Company. The proceeds arising from issuance Rights Issue with Warrants are used for working capital purpose.

Other than the above, there was no issuance of convertible securities during the financial year.

During the financial year ended 31 December 2015, the ESOS is exercisable but no exercise of ESOS took place.

## 4. DEPOSITORY RECEIPT PROGRAMME

The Company did not sponsor any depository receipt programme during the financial year ended 31 December 2015.

## 5. ESOS

The ESOS is the only share scheme of the Company in existence during the financial year ended 31 December 2015 approved by the shareholders on 12 October 2012. The information of the ESOS is as follows:

	<b>During the financial year ended 31 December 2015</b>	<b>Since commencement of the ESOS on 12 October 2012</b>
Total number of options or shares granted	180,994	9,730,994
Total number of options exercised or shares vested	-	1,725,000
Total options or shares outstanding	2,798,725	2,798,725

	<b>During the financial year ended 31 December 2015</b>	<b>Since commencement of the ESOS on 12 October 2012</b>
Aggregate maximum allocation in percentage	100%	100%
Actual percentage granted	96.95%	96.95%

There were no options granted to the Non-Executive Directors pursuant to the ESOS since its commencement on 12 October 2012.

## 6. SANCTIONS AND/OR PENALTIES

There were no public sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies during the financial year ended 31 December 2015.

## 7. NON-AUDIT FEES

The amount of non-audit fees incurred for services rendered to the Company by the external auditors for the financial year ended 31 December 2015 were RM205,000 in connection with rights issue exercise.

## 8. VARIATION IN RESULTS

There were no profit estimations, forecasts or projections made or released by the Company during the financial year ended 31 December 2015.

## 9. PROFIT GUARANTEE

During the financial year ended 31 December 2015, the Company did not give any profit guarantee.

## 10. MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

There were no material contracts entered into by the Company and its subsidiaries involving directors and major shareholders' interest still subsisting at the end of the financial year ended 31 December 2015.

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

At the Annual General Meeting ("AGM") held on 4 June 2015 the Company had obtained a shareholders' mandate to allow the Company to enter into recurrent related party transactions ("RRPTs") of a revenue or trading nature.

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

No.	Transacting Parties	Nature of RRPT	Class and relationship of the Related Parties	Actual Value
1.	AirAsia Berhad ("AirAsia")	Rights granted by AirAsia to our Company to operate air services under the "AIRASIA" trade name and livery in respect of our low-cost, long-haul air services.	<p><b>Interested Directors</b> Tan Sri Dr. Tony Fernandes ("Tan Sri Dr. Tony Fernandes") Datuk Kamarudin Bin Meranun ("Datuk Kamarudin") Dato' Fam Lee Ee ("Dato' Fam")</p> <p><b>Interested Major Shareholders</b> AirAsia Tune Group Sdn. Bhd. ("Tune Group") Tan Sri Dr. Tony Fernandes Datuk Kamarudin</p>	RM2,624,000
2.	AirAsia	<p>Provision of the following range of services by AirAsia to our Company:</p> <p>(a) Commercial</p> <ul style="list-style-type: none"> <li>- Sales and distribution</li> <li>- Sales support</li> <li>- Direct channel</li> <li>- Branding and Creative <ul style="list-style-type: none"> <li>• Protection of brand to ensure proper public perception is built</li> <li>• Manage communication imagery, sponsorships (e.g. sports and youth marketing) and commercial branding</li> <li>• Creative includes graphic designs supporting branding activities</li> </ul> </li> <li>- Web team: Manage, plan, build and develop airasia.com website</li> <li>- Marketing</li> <li>- Ancillary</li> </ul> <p>(b) Treasury</p> <ul style="list-style-type: none"> <li>- Fuel procurement</li> <li>- Fuel hedging</li> </ul> <p>(c) Quality Assurance - Credit card fraud unit</p> <p>(d) Cargo</p> <p>(e) Manpower cost (affiliate of companies in China)</p> <p>(f) IT Internal Audits</p> <p>(g) Ground Operations</p> <p>(h) Group Inflight Ancillary</p> <p>(i) Engineering</p> <p>(j) Legal</p> <p>(k) Operations Control Centre</p> <p>(l) Corporate Quality</p> <p>(m) Flight Attendant Department</p> <p>(n) Innovation, Commercial and Technology</p> <ul style="list-style-type: none"> <li>- Involves all services related to information technology</li> </ul>	<p><b>Interested Directors</b> Tan Sri Dr. Tony Fernandes Datuk Kamarudin Dato' Fam</p> <p><b>Interested Major Shareholders</b> AirAsia Tune Group Tan Sri Dr. Tony Fernandes Datuk Kamarudin</p>	RM4,254,000

No.	Transacting Parties	Nature of RRPT	Class and relationship of the Related Parties	Actual Value
3.	AirAsia	Provision of charter services to Beirut, Lubnan by our Company for the Malbatt contingent. The carried passenger services for a long-haul destination to AirAsia on an ad-hoc basis, whereby the passengers are procured by AirAsia but are carried by our Company.	<p><b>Interested Directors</b> Tan Sri Dr. Tony Fernandes Datuk Kamarudin Dato' Fam</p> <p><b>Interested Major Shareholders</b> AirAsia Tune Group Tan Sri Dr. Tony Fernandes Datuk Kamarudin</p>	RM280,000
4.	Asian Contact Centres Sdn Bhd ("ACCSB")	Provision of call centre services to our Company	<p><b>Interested Directors</b> Tan Sri Dr. Tony Fernandes Datuk Kamarudin Dato' Fam</p> <p><b>Interested Major Shareholders</b> AirAsia Tune Group Tan Sri Dr. Tony Fernandes Datuk Kamarudin</p>	NIL
5.	CaterhamJet Global Ltd ("CJG")	<p>Annual payment in respect of chartered air travel services to be provided by CJG for members of our Board and key management for corporate and strategic development activities of our Company to explore, assess and implement our growth strategies and future plans.</p> <p>Such services allow for more flexibility in managing their travel requirements.</p> <p>Examples of such travel requirements include governmental or ministerial meetings as well as meetings with civil aviation and airport authorities, including flights to Europe for meetings with our aircraft supplier or financiers.</p>	<p><b>Interested Directors</b> Tan Sri Dr. Tony Fernandes Datuk Kamarudin</p> <p><b>Interested Major Shareholders</b> Tune Group Tan Sri Dr. Tony Fernandes Datuk Kamarudin</p>	RM3,217,000
6.	Rokki Sdn Bhd (formerly known as Tune Box Sdn Bhd) ("Rokki")	Supply of in-flight entertainment system, hardware, software, content and updates by Rokki.	<p><b>Interested Directors</b> Tan Sri Dr. Tony Fernandes Datuk Kamarudin</p> <p><b>Interested Major Shareholders</b> Tune Group Tan Sri Dr. Tony Fernandes Datuk Kamarudin</p>	RM417,000
7.	Rokki Avionics Sdn Bhd (formerly known as Tune Box Avionics Sdn Bhd)	Sale and maintenance of an in-flight entertainment and connectivity ("IFEC") solution.	<p><b>Interested Directors</b> Tan Sri Dr. Tony Fernandes Datuk Kamarudin</p> <p><b>Interested Major Shareholders</b> AirAsia Tune Group Tan Sri Dr. Tony Fernandes Datuk Kamarudin</p>	NIL

## ADDITIONAL COMPLIANCE INFORMATION

No.	Transacting Parties	Nature of RRPT	Class and relationship of the Related Parties	Actual Value
8.	Tune Insurance Malaysia Berhad ("Tune Insurance")	Receipt of commission income of 25% on all insurance premiums received by Tune Insurance pursuant to our Company's role as a corporate agent of Tune Insurance for the provision of AirAsia Insure, a travel protection plan which provides coverage for losses arising from, amongst others, personal accident, medical and evacuation, emergency medical evacuation and mortal remains repatriation, travel inconvenience such as flight cancellation or loss or damage to baggage and personal effects, flight delay and on-time guarantee.	<p><b>Interested Directors</b> Tan Sri Dr. Tony Fernandes Datuk Kamarudin</p> <p><b>Interested Major Shareholders</b> AirAsia Tune Group Tan Sri Dr. Tony Fernandes Datuk Kamarudin</p>	RM2,808,000
9.	Asian Aviation Centre of Excellence Sdn Bhd ("AACOE")	Provision of commercial training services and non-pilot training services by AACOE.	<p><b>Interested Directors</b> Tan Sri Dr. Tony Fernandes Datuk Kamarudin Dato' Fam</p> <p><b>Interested Major Shareholders</b> AirAsia Tune Group Tan Sri Dr. Tony Fernandes Datuk Kamarudin</p>	RM4,363,000
10.	Think BIG Digital Sdn Bhd ("Think BIG")	Purchase of loyalty points from Think BIG, which operates and manages a loyalty program branded as the BIG Loyalty Program.	<p><b>Interested Directors</b> Tan Sri Dr. Tony Fernandes Datuk Kamarudin Dato' Fam Lim Kian Onn</p> <p><b>Interested Major Shareholders</b> AirAsia Tune Group Tan Sri Dr. Tony Fernandes Datuk Kamarudin</p>	RM529,000
11.	Tune Insurance	Payment to Tune Insurance of insurance premiums collected on its behalf pursuant to our Company's role as a corporate agent of Tune Insurance for the provision of AirAsia Insure, a travel protection plan which provides coverage for losses arising from, amongst others, personal accident, medical and evacuation, emergency medical evacuation and mortal remains repatriation, travel inconvenience such as flight cancellation or loss or damage to baggage and personal effects, flight delay and on-time guarantee.	<p><b>Interested Directors</b> Tan Sri Dr. Tony Fernandes Datuk Kamarudin</p> <p><b>Interested Major Shareholders</b> AirAsia Tune Group Tan Sri Dr. Tony Fernandes Datuk Kamarudin</p>	RM11,232,000

Additional RRPT

No.	Transacting Parties	Nature of RRPT	Class and relationship of the Related Parties	Actual Value
1.	AirAsia Global Shared Services Sdn Bhd ("AGSS")	Provision of the following shared services by AGSS to our Company: (a) Finance and accounting support operation services; (b) People department support operation services; (c) Information and technology operation support services; and (d) Sourcing and procurement operation support services.	<b>Interested Directors</b> Tan Sri Dr. Tony Fernandes Datuk Kamarudin Dato' Fam  <b>Interested Major Shareholders</b> AirAsia Tune Group Tan Sri Dr. Tony Fernandes Datuk Kamarudin	RM2,444,000

The shareholdings of the interested Directors and interested Major Shareholder in our Company as at the 18 March 2016 are as follows:

	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
<b>Interested Directors</b>				
Tan Sri Dr. Tony Fernandes	87,303,728	2.11	1,310,331,376 <sup>(1)</sup>	31.59
Datuk Kamarudin	337,702,739	8.14	1,310,331,376 <sup>(1)</sup>	31.59
Dato' Fam	-	-	-	-
Lim Kian Onn	196,783,356	4.74	1,050,000 <sup>(2)</sup>	0.03
<b>Interested Major Shareholders</b>				
AirAsia	570,728,502	13.76	-	-
Tune Group	739,602,874	17.83	-	-
Tan Sri Dr. Tony Fernandes	87,303,728	2.11	1,310,331,376 <sup>(1)</sup>	31.59
Datuk Kamarudin	337,702,739	8.14	1,310,331,376 <sup>(1)</sup>	31.59

**NOTE:**

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

Please refer to Section 7 and Section 2.3 of the Circular to Shareholders dated 13 May 2015 respectively on the directorships and shareholdings of the interested directors and interested major shareholder in the transacting parties as stated above.