

AIRASIA GROUP BERHAD
(1244493-V)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2017

1244493-V

**AirAsia Group Berhad
(Incorporated in Malaysia)**

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**AirAsia Group Berhad
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Directors' report

The directors hereby present their first report together with the audited financial statements of the Company for the financial period ended 31 December 2017.

Results

	Company RM
Loss for the financial period	<u>(6,336)</u>

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

In the opinion of the directors, the results of the operations of the Company during the financial period were not substantially affected by any item, transaction or event of a material and unusual nature.

Directors

The names of the directors of the Company in office since the date of incorporation and to the date of this report are:

Datuk Kamarudin Bin Meranun (appointed on 30 March 2018)
Tan Sri Dr. Anthony Francis Fernandes (appointed on 30 March 2018)
Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar (appointed on 30 March 2018)
Dato' Fam Lee Ee (appointed on 30 March 2018)
Dato' Mohamed Khadar Bin Merican (appointed on 30 March 2018)
Stuart L Dean (appointed on 30 March 2018)
Noor Neelofa Binti Mohd Noor (appointed on 30 March 2018)
Ching Koon Kah @ Chin Kon Kah (first director, resigned on 1 April 2018)
Jasmindar Kaur A/P Sarban Singh (first director, resigned on 1 April 2018)

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Directors' benefits

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

Since the date of incorporation, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Directors' interests

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial period in shares and options over shares in the Company and its related corporations during the financial period were as follows:

	Number of ordinary shares			At 31.12.2017
	At 24.8.2017 (date of incorporation)	Acquired	Disposed	
Direct interest in the Company				
Jasmindar Kaur A/P Sabar Singh (resigned on 1 April 2018)	1	-	-	1
Ching Koon Kah @ Chin Kon Kah (resigned on 1 April 2018)	1	-	-	1

According to the register of directors' shareholdings, none of the directors in office at the end of the financial period had any interest in shares in the Company or its related corporation during the financial period.

Incorporation, share capital and issue of shares

The Company was incorporated on 24 August 2017 with issued and fully paid share capital of RM2 comprising 2 ordinary shares of RM1 each.

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Other statutory information

- (a) As the Company has no current asset other than cash on hand, there is no information to disclose in the Directors' Report pursuant to Section 253(1) Regulation 1 (g), (h), (i) and (j)(i) of the Fifth Schedule of the Companies Act, 2016.
- (b) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.
- (c) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Company which would render any amount stated in the financial statements misleading.
- (d) At the date of this report, there does not exist:
 - (i) any charge on the asset of the Company which has arisen since the end of the financial period which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Company which has arisen since the end of the financial period.
- (e) In the opinion of the directors:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the year of twelve months after the end of the financial period which will or may affect the ability of the Company to meet its obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial period and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial period in which this report is made.

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Significant events

No significant event noted during the period.

Subsequent events

Details of the subsequent events are disclosed in Note 12 to the financial statements.

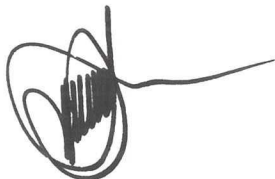
Auditors

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

Auditors' remuneration is disclosed in Note 3 to the financial statements.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young for the financial period ended 31 December 2017.

Signed on behalf of the Board in accordance with a resolution of the directors dated 16 April 2018.



Datuk Kamarudin Bin Meranun



Tan Sri Dr. Anthony Francis Fernandes

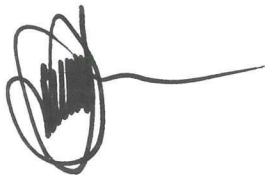
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**AirAsia Group Berhad
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**Statement by directors
Pursuant to Section 251(2) of the Companies Act, 2016**

We, Datuk Kamarudin Bin Meranun and Tan Sri Dr. Anthony Francis Fernandes, being two of the directors of AirAsia Group Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 10 to 18 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2017 and of the financial performance and the cash flows of the Company for the period from 24 August 2017 (date of incorporation) to 31 December 2017.

Signed on behalf of the Board in accordance with a resolution of the directors dated 16 April 2018.



Datuk Kamarudin Bin Meranun



Tan Sri Dr. Anthony Francis Fernandes

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

I, How Kim Lian, being the officer primarily responsible for the financial management of AirAsia Group Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 10 to 18 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed How Kim Lian
at Kuala Lumpur in Malaysia
on 16 April 2018.

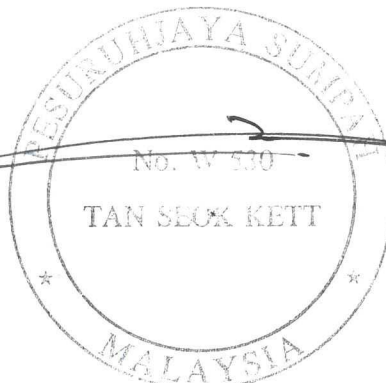


How Kim Lian

Before me,

Commissioner for oaths

Lot 333, 3rd Floor, Wisma MPL,
Jalan Raja Chulan,
50200 Kuala Lumpur.



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**Independent auditors' report to the members of
AirAsia Group Berhad
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Report on the audit of the financial statements

Opinion

We have audited the financial statements of AirAsia Group Berhad, which comprise the statement of financial position as at 31 December 2017, and statement of profit or loss, statement of changes in equity and statement of cash flows for the period from 24 August 2017 (date of incorporation) to 31 December 2017 and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 14 to 18.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and cash flows for the period then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

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

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Company and our auditors' report thereon.

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**Independent auditors' report to the members of
AirAsia Group Berhad (cont'd.)
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Our opinion on the financial statements of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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**Independent auditors' report to the members of
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As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

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**Independent auditors' report to the members of
AirAsia Group Berhad (cont'd.)
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We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other matters

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



Ernst & Young
AF: 0039
Chartered Accountants



Ong Chee Wai
No. 2857/07/18(J)
Chartered Accountant

Kuala Lumpur, Malaysia
16 April 2018

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AirAsia Group Berhad
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Statement of profit or loss

For the financial period from 24 August 2017 (date of incorporation)
to 31 December 2017

	Note	24.8.2017 to 31.12.2017 RM
Revenue		-
Other operating expenses	3	<u>(6,336)</u>
Loss before taxation		(6,336)
Taxation	4	<u>-</u>
Net loss for the financial period		<u>(6,336)</u>

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

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AirAsia Group Berhad
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Statement of financial position
As at 31 December 2017

	Note	31.12.2017 RM
Current asset		
Cash on hand		2
Current liability		
Other payable	5	6,336
Net current liability		<u>(6,334)</u>
Equity		
Share capital	6	2
Retained earnings		<u>(6,336)</u>
Total equity		<u>(6,334)</u>

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

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AirAsia Group Berhad
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Statement of changes in equity
For the financial period from 24 August 2017 (date of incorporation)
to 31 December 2017

	Share capital RM (Note 6)	Retained Earnings RM	Total equity RM
At the date of incorporation on 24 August 2017	2	-	2
Loss for the financial period	-	(6,336)	(6,336)
At 31 December 2017	2	(6,336)	(6,334)

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

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Statement of cash flows

For the financial period from 24 August 2017 (date of incorporation)
to 31 December 2017

	24.8.2017
	to
	31.12.2017
	RM
Cash flows from operating activity	
Loss before taxation	(6,336)
Changes in working capital:	
Other payables	6,336
Net cash from operating activity	<u>-</u>
Cash flows from financing activity	
Proceeds from subscription of shares, representing net cash flows from financing activity	<u>2</u>
Net change in cash and cash equivalents	-
Cash and cash equivalents at date of incorporation	<u>2</u>
Cash and cash equivalents at end of period	<u><u>2</u></u>

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

**AirAsia Group Berhad
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Notes to the financial statements - 31 December 2017

1. Corporate information

AirAsia Group Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia.

The address of the registered office of the Company has changed from B-13-15, Level 13, Menara Prima Tower B, Jalan PJU 1/39, Dataran Prima, 47301 Petaling Jaya, Selangor, Darul Ehsan, Malaysia to Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia.

The address of the principal place of business of the Company is RedQ, Jalan Pekeliling 5, Lapangan Terbang Antarabangsa Kuala Lumpur (KLIA2), 64000 KLIA, Selangor Darul Ehsan, Malaysia.

The Company was incorporated on 24 August 2017 and is dormant as at the end of the financial period.

The intended principal activity of the Company is investment holding and the Company has not commenced operations since the date of incorporation.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 16 April 2018.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

The financial statements of the Company have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM) except when otherwise indicated.

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

2.2 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 140 Transfers of Investment Property (Amendments to MFRS 140)	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycle	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
MFRS 16 Leases	1 January 2019
MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle	1 January 2019
MFRS 119 Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The directors of the Company expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application.

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2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies

(a) Functional and presentation currency

The financial statements are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency.

(b) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand.

(c) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are equity instruments. The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(d) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities. The Company determines the classification of its financial liabilities at initial recognition.

Other financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished and the resulting gains or losses are recognised in profit and loss.

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3. Other operating expenses

The following item has been charged in arriving at other operating expenses:

	24.8.2017 to 31.12.2017 RM
Secretarial fee	1,336
Auditors' remuneration	<u>5,000</u>

4. Taxation

There is no tax charge for the financial period as the Company has no chargeable income.

5. Other payable

	2017 RM
Accruals	<u>6,336</u>

6. Share capital

	2017 RM
Issued and fully paid:	
Ordinary shares:	
At the date of incorporation on 24 August 2017, representing total issued and fully paid-up ordinary shares at 31 December 2017	<u>2</u>

7. Related party transactions

The Company did not have any transactions with its related companies and key management personnel during the financial period.

Key management personnel refers to those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of the Company.

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8. Fair value of financial instruments

The carrying amount of the Company's financial liabilities are reasonable approximation of fair value due to its short-term nature.

9. Financial risk management policy

The Company has not adopted any financial risk management policy for its financial instruments as it is currently dormant.

10. Capital management

The Company has not adopted any capital management policy as it is currently dormant.

11. Comparatives

There are no comparative figures as this is the first set of financial statements prepared by the Company since the date of incorporation.

12. Subsequent event

Internal reorganisation

On 15 March 2018, the High Court has approved the internal reorganisation in AirAsia Berhad ("AAB"), a directors related company, by way of a Members' Scheme of Arrangement under Section 366 of the Companies Act, 2016 for the following proposals;

- (a) the exchange of 3,341,974,080 new ordinary shares to be issued by the Company, with 3,341,974,080 ordinary shares (including treasury shares) in AirAsia Berhad ("AAB"), representing the entire issued share capital of AAB, a public limited liability company incorporated and domiciled in Malaysia, listed on the Bursa Malaysia Securities Berhad and has a principal activity of providing air transportation services, on the basis of 1 existing AAB Share for every 1 new Share of the Company held on 6 April 2018; and
- (b) the assumption of the listing status of AAB by the Company and the admission of the Company to and withdrawal of AAB from the Official List of Bursa Malaysia Securities Berhad, with the listing of and quotation for the Company Shares on the Main Market of Bursa Securities.

Accordingly, the internal reorganisation has been completed on 16 April 2018.