



**EMBRACE THE FUTURE**

**BNP PARIBAS CORPORATE & INVESTMENT BANKING**  
CAPITAL MARKETS ♦ FINANCING SOLUTIONS ♦ ADVISORY ♦ DERIVATIVES

**CONGRATULATIONS TO AIR ASIA FOR ITS SUCCESSFUL OPERATIONS !**

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The bank for a changing world



**BNP PARIBAS**  
CORPORATE & INVESTMENT BANKING



# Champion

AirAsia has tapped into the passion of sports to convey powerful marketing values and qualities that reinforce our image as a global brand. By being present at the world's greatest sporting events, and in association with legendary teams, AirAsia has pushed its name and appeal to places where it currently does not even fly to yet. Sports and AirAsia's business philosophies share common values like focus, passion, quality, determination, drive and excellent teamwork, all of which are the qualities of champions in any field.

Matching our highly visible partnership with Manchester United Football Club, now in its third year, AirAsia has strategically moved into the high-octane world of F1 racing as 'The Official Airline for AT&T Williams' F1 Team'. This team is





# of Low Fares

the sport's only independent racing team, mirroring AirAsia's own independent status as a privately owned airline. AT&T Williams' are aristocrats in the sport, having won nine World Championships in the last 30 years. The benefits of this association to AirAsia are obvious, given its following of 600 million fans in over 185 countries.

AirAsia has also scored in the English Premier League through its association with match officials who are ever present in matches to flash the red AirAsia patch on their sleeves, yet are not prohibitive in cost. Authority, fairplay and ensuring safety are values match officials promote in every match, which are also desirable qualities for AirAsia to be associated with.



# AIRASIA ROARS INTO FORMULA ONE



*AirAsia sealed 3-year deal as official airline of AT&T Williams, one of the world's leading Formula One (F1) teams*

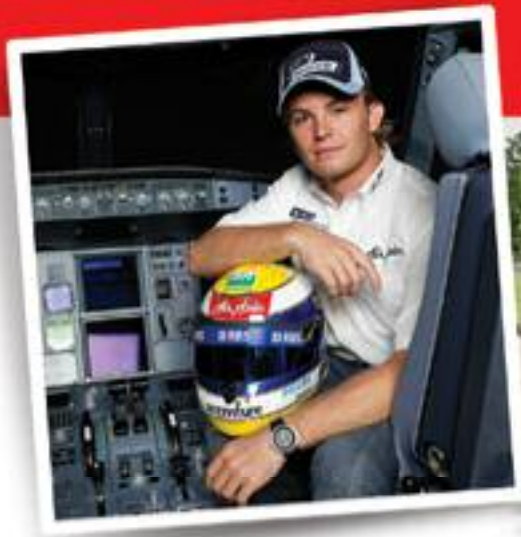


## About AT&T Williams

AT&T Williams F1, formed in 1977, is recognised as one of the most enduring and successful Formula One racing teams. Of the 16 FIA World Championships won, 9 have been Constructors' Championships and 7 Drivers' Championship. Some legendary Williams F1 drivers include Nigel Mansell, Alain Prost, Damon Hill and the late Ayrton Senna.

Sir Frank Williams, the co-owner, is widely regarded as one of the greatest names in motor sports. His success with AT&T Williams F1 earned him a knighthood and the Legion d'Honneur. Based in Grove, Oxfordshire, AT&T Williams currently has 500 employees whose only focus is to pursue racing glory. They are the only independent Formula One team flying the flag for true racing enthusiasts.





**AirAsia engineers from Malaysia, Indonesia and Thailand worked with AT&T Williams, gaining insights into engineering and racing technology that could lead to innovations for our airline's own benefit.**

Their stint at Williams' F1 factory with some of the team's top engineers was aimed at discussing and sharing information about the Formula One technology, including:

- Similarities and differences between aviation and Formula One's racing machines including the use of composite material, the importance of aerodynamics and weight
- Key points about aerodynamics and how Formula One leads the way in making cars lighter and faster
- Reduction in the weight of vehicles with carbon fibre technologies thus reducing fuel consumption

Through this program, we aim to embrace some of Formula One's advanced technologies and also share aviation knowledge. Particular emphasis has been placed on learning how to make transport more environmentally friendly in terms of fuel consumption, emissions and noise, while still responding to today's global economic need for transport.

This cross-learning attachment is in line with our rationale in sponsoring the AT&T Williams F1 team where we associate our AirAsia brand with Formula One. As we share the same values as Williams F1, namely quality of product, technological precision, world class performance and efficiency, this pro-active learning session gave us the opportunity to heighten our understanding of the teamwork and dedication behind Formula One racing.



*Wat Phra Kaew  
- Temple of the Emerald Buddha, Bangkok*



## *Thailand*

Our holiday packages to Thailand are increasingly popular among our guests given the country's irresistible combination of breathtaking natural beauty, inspiring temples, renowned hospitality, popular beach resorts and mouth-watering cuisine.



# ONE AIRASIA

Our people are our greatest asset. They make all the difference in the world.

Our driving force has always been our people. From our humble beginnings to the present family size of 5,000 people, we stand united and share one common culture;

**ONE PEOPLE  
ONE CULTURE  
ONE AIRASIA  
ONE FAMILY**

This means regardless of our different cultures and nationalities, we all ascribe to the same values and practices where each of us strives to provide our guests, shareholders and colleagues with a service that is uniquely AirAsia throughout the region.

AirAsia's Corporate Culture unit was established for this very purpose. It plays a pivotal role in instilling the Company's values and practices, as well as fostering cross-cultural understanding and appreciation. AirAsia's approach is to simplify practices, promote a cost efficient environment, and produce high quality products and services with the underlying focus on safety first and safety always.

We believe that the success of AirAsia is a result of togetherness. Hence, through the implementation of specially customised programmes like employee orientation, "AirAsia UNITED" team building and regular visits to all our stations, our company vision, values, and latest happenings are shared with each employee. Everyone has the opportunity to meet other employees from different departments and different countries for the purpose of sharing their experiences, exchanging ideas, and ultimately achieving the valuable bond that reflects our simple philosophy – **ONE AirAsia.**





# OUR PEOPLE, OUR PRIDE



**“AirAsia believes in me and it makes all the difference.”**

**ISWARA KAMALESWARANSARVESWARAN**  
Call Centre Operator-turned-Manager, Network Management Centre



**“AirAsia recognises the potential in you.”**

**NORASHIKIN ONN, Co-Pilot.**  
Nominated as one of the finalists by *Malaysian Women's Weekly Great Women of Our Time* award.



**“At AirAsia, I get to be whoever I want to be.”**

**FIRST OFFICER, ONG SOOK MIN**  
Cabin Crew-turned-Pilot

A career at AirAsia is an empowering experience as our people find within themselves new ambitions and strength to pursue their dreams. We are an enthusiastic partner in this self-discovery and personal growth, nurturing their talents and helping them contribute meaningfully to the airline's success.

It was only natural that their achievements were recognised:



**“Believe the Unbelievable,  
Dream the Impossible,  
Don't take NO for an Answer!”**

**TONY FERNANDES**

# INVESTING IN OUR FUTURE

People management is a strategic priority for AirAsia, especially at a time when the Company is rapidly evolving and expanding horizons. The Company needs to have the right people with the right competencies, in the right position to lead the Company through this aggressive growth phase.

## Securing and Developing Human Capital

AirAsia and the businesses we have invested in are dedicated to hiring and maintaining a workforce of well-trained, reliable and safety-focused employees at all levels of their organisations.

In addition to corporate programs for existing employees, an active recruitment programme is in place to attract and retain qualified individuals from all trades and professions. At AirAsia we believe that investing in people ultimately brings the greatest returns.

## Performance Management System

Given the insatiable demand for quality human capital, AirAsia's People Department has devised an annual performance review process. This process involves all our 5,000 plus employees across the Group to be reviewed each year. The process includes appraisal talks between the managers and their employees. The approach allows AirAsia to continually assess that its talent pool matches the Company's strategic challenges.

Active leadership development, international career opportunities and a results oriented corporate culture are vital for successful development of human resources within the Company. This performance management system, which comprises processes and tools for attracting, developing and securing access to future leaders, plays a central role.

In addition, managers at AirAsia go through different levels of leadership training. These courses, which foster a common approach to business and leadership, are intended to take AirAsia forward and improve overall business results through accelerated development of managerial leadership capabilities of managers.



## Internal Recruitment

AirAsia continued to recruit the overwhelming majority of its talent internally. With over 5,000 employees across eleven countries, AirAsia is blessed with a multi-pool talent and our People Department is entrusted with the duty to identify and propel these talents to greater heights. The primary goal is to increase the number of young potentials in the Group and to develop the AirAsia employer brand.

## Injecting New Skills

In the transition towards becoming a more consumer insight-driven Company, AirAsia saw the need to inject external competencies and skills, particularly in areas such as Marketing, Product Development and technical consultants. Over time, we believe the Performance Management process will contribute reinforcing and honing these necessary skills within the Company.

## Diversity

With market presence in eleven countries, AirAsia is a global brand and the management recognises the importance of having a diverse workforce to better serve a wide range of markets and consumers. Driving greater cultural and gender diversity has been an added benefit of AirAsia brand penetration to regions where AirAsia previously had no exposure.



# MAJOR MILESTONES



24 August 2007



15 August 2007



4 August 2007



2 August 2007



16 July 2007



11 July 2007

## Year 2007

### 7 September 2007

AirAsia was recognised for its human capital development, Awarded the 2007 Frost & Sullivan Industrial Technologies awards.

### 31 August 2007

AirAsia signed a letter of intent with Vietnam shipbuilding industry group (Vinashin) for a new budget airline in Vietnam.

### 30 August 2007

AirAsia completed a record year: Annual revenue increased by 52%, pretax profit soared to RM278 million with EBITDAR margins of 31%.

### 28 August 2007

Iskandariah Development Region gets a boost from AirAsia with enhanced connectivity. AirAsia celebrated its first Airbus in Johor base with flights to Macau and Palembang.

### 24 August 2007

AirAsia's sponsored the Road Flyers-Merdeka Millennium Endurance Race 2007 supporting local motorsport racing talents.

### 15 August 2007

AirAsia's In-flight magazine launched...Travel 3Sixty.

### 4 August 2007

Enhanced facilities for greater mobility  
AirAsia improved amenities for the comfort of its disabled guests.

### 2 August 2007

AirAsia announced sponsorship of English Premier League Referees.

### 30 July 2007

AirAsia bagged the 2007 Asia's Best Low-Cost Airline award by Skytrax.

### 20 July 2007

AirAsia and FlyAsianXpress (now known as AirAsia X) sign the Brand License Agreement.

### 16 July 2007

Inaugural KUALA LUMPUR – SHENZHEN flight!

### 11 July 2007

Citibank and AirAsia tie the knot! Citibank AirAsia co-branded credit card was launched.

### 5 July 2007

AirAsia is the only airline to serve direct flights to Krabi from KL.

### 18 June 2007

AirAsia's Mega Sales is back with up to 90% discounts! Unbeatable low fare reductions for domestic and international routes.

### 6 June 2007

AirAsia signed a cargo service agreement with Leisure Cargo GmbH.

### 30 May 2007

AirAsia celebrated Malaysia's 50 birthday with Amazing Low Fares.



11 May 2007



5 April 2007



8 January 2007



29 December 2006



**25 May 2007**

AirAsia added its 6th daily direct flight to Langkawi 9,000 Seats Up For Grabs With Fares From RM1.99.

**11 May 2007**

AirAsia introduced Xpress Boarding, Be Among The First To Choose Your Seat.

**12 April 2007**

AirAsia opened a sales office in Penang.

**5 April 2007**

AirAsia is an official sponsor of the AT&T Williams Formula 1 team.

**9 March 2007**

AirAsia carried its first million passengers to Macau! Launched flight to Macau from Kota Kinabalu.

**6 March 2007**

AirAsia celebrated its 30 Million guests flown by offering 500,000 seats for fares as low as RM0.30.

**7 February 2007**

AirAsia introduced direct flights to Penang from East Malaysia hubs.

**31 January 2007**

AirAsia teams up with Microsoft Windows Vista.

**18 January 2007**

AirAsia launched new flights from East Malaysia hubs.

**9 January 2007**

AirAsia launched a regional marketing campaign and offered 1,000,000 free seats.

**8 January 2007**

AirAsia received the regional Brand Laureate award.

**8 January 2007**

AirAsia acquired 100 more Airbus A320 aircraft.

**Year 2006**

**29 December 2006**

AirAsia received its 16th Airbus A320 in Toulouse, France and took 5 lucky Malaysians to view the ceremony.

**December 2006**

AirAsia selected CFM56-5B to power its 40 firm and 30 options Airbus A320 in a \$500 million engine order.

**30 October 2006**

AirAsia launched new services to serve Palembang.

**4 October 2006**

AirAsia's launched its first service to Vietnam by using the Red Devil plane and landed in Hanoi.

**8 September 2006**

AirAsia and Manchester United extended partnership with new sponsor, Tourism Malaysia.

## SERVING YOU BETTER

### from our 2nd LCC Terminal at Kota Kinabalu

In a little less than a year of the launch of the first Kuala Lumpur low cost terminal (LCCT) – also Asia's first LCCT, Malaysia now has a second LCCT based in Kota Kinabalu. Kota Kinabalu Terminal 2 was retrofitted and officially launched as the Kota Kinabalu LCCT on 14 February 2007.



The Kota Kinabalu LCCT was built in response to the strong growth of our Kota Kinabalu sector. Kota Kinabalu has emerged as one of our most popular destinations with 27 daily flights to 10 destinations across three countries. Kota Kinabalu is now our most important aviation hub in East Malaysia, ideally situated to capture growth from the Philippines and China. Currently, Kota Kinabalu houses three aircraft and will be supported with the introduction of new routes and increased flight frequency.

The facility was designed to handle 3 million passengers per year; this is a six-fold increase in capacity from the original infrastructure. There are a total of six parking bays and 26 check-in counters.

#### **Service Enhancements with Lower Cost**

The LCCTs of Kuala Lumpur and Kota Kinabalu provide numerous cost saving opportunities. In addition, it has also enhanced customer service delivery and reduced boarding related delays. Among the major cost saving contributions from the LCCTs are:-

- **Lower Passenger Service Charges (PSC).** The Government has approved a lower PSC for passengers using the LCCT. We believe this is a major impetus for travel as the savings enjoyed by our guests will only lure them to fly more often and attract first time fliers.
- **Lower manpower requirements.** The ergonomic design facilitates fewer staff for the same job. There is no duplication of duties for our staff multi task more efficiency.
- **Higher efficiency.** The simple and compact design of the LCCT facilitates our operations and enhances customer service delivery.

# AWARDS & ACCOLADES

*AirAsia*

The Asean leader in affordable asian travel and an award-winning low cost carrier.

2007



- AirAsia received the **Minister's Award** at the Malaysia Tourism Awards 2005/2006.



- AirAsia was voted as **Asia's Best Budget Airline** by SmartTravelAsia.com under the Best In Travel Poll 2007.

FROST & SULLIVAN

- AirAsia was awarded the **Airline Human Capital Development Strategy Award** for the Asian Commercial Pilot Training Market by Frost & Sullivan.



- AirAsia was ranked as one of **Asia's Best Emerging Companies** with regards to Corporate Governance by The Asset.



- AirAsia was awarded as the **"Best Low Cost Airline in Asia"** by Skytrax Research of London.



- AirAsia, Asia's leading low fare airline has bagged yet another prestigious award, **"The Brand Laureate 2006-07 for brand excellence in the Airlines-Low Cost Carrier Category"** at the inaugural Brand Laureate Awards by Asia Pacific Brands Foundation (APBF).

2006



- Tony Fernandes was named the **Malaysian Ernst & Young Entrepreneur Of The Year 2006** and the **Master Entrepreneur Of The Year**.



- **'The Brand Laureate'** Brand Personality will be awarded to Tony Fernandes for his exemplary performance, dedication and contribution towards the aviation industry in Malaysia.



- **Asia's Best Budget Airline** by SmartTravelAsia.com under the Best In Travel 2006 list.

FinanceAsia.com

- A total of four categories including **Best Managed Company, Best Corporate Governance, Best Investor Relations, and Most Committed to Strong Dividend Policy** under The Annual Investor Poll of FinanceAsia.com.

# AIRASIA CARES

People matter. Whether they are our guests, staff or communities in countries that we serve, AirAsia is committed to enriching lives in a variety of ways.

We are driven to empower people to get more out of life, just as we have facilitated air travel for everyone and expanded their physical boundaries and imaginations.

Annual investments in human capital development, sporting events, social events and education are the keys that help individuals and communities to achieve their hopes and dreams.

## Care for the Environment

AirAsia's environmental strategies are based on investments in technology and process efficiency enhancements. We work continuously to reduce consumption of energy and

resources in all aspects of our operations. In addition, high utilisation of resources is enforced to minimise wastages.

One of the Group's objectives is to accelerate the replacement of our Boeing 737-300 aircraft. Due to long asset lifecycles, there is a gap between the energy efficiency of the various aircraft in our fleet. The Airbus A320 aircraft is renowned as the most fuel efficient, low emission and quiet aircraft in its class. The Airbus A320 aircraft typically consumes 15% less fuel and releases 20% less harmful emissions on a per seat basis compared to the Boeing 737-300.

**2 March 2007**



AirAsia Academy staff helped fulfill the wish list of Angels' Children Home in Overseas Union Garden, Kuala Lumpur. In the giving spirit of the Chinese New Year, they came with gifts and new clothes for the children, spending an entire day with them. Our staff talked about the airline industry and what it takes to become a pilot, among other airline occupations. Our hope is to spark interest and excitement for young children to map out their future, hopefully in the airline industry.

**24 July 2007**



AirAsia, through its collaboration with AT&T Williams, has inspired racing prodigy Jazeman Jaafar by sponsoring a visit to the headquarters of the Williams F1 team in UK. During the visit, Jazeman underwent a simulator test in the team's state of the art Formula 1 simulator. This effort is to support emerging Malaysian sporting talents and encourages our sportsman to compete with the very best in the world.





## 4 August 2007

AirAsia has stepped up efforts to upgrade facilities at the low cost terminals in order to accommodate passengers with limited mobility. Taking into consideration the plight highlighted by Barrier-Free Environment and Accessible Transport group (BEAT), AirAsia has acquired two Ambulifts, one for each of our hubs in Kuala Lumpur and Kota Kinabalu respectively. These Ambulifts are a convenient automobiles that ease the movement of transporting disabled passengers from the terminal building to the aircraft and vice-versa.

In addition, we have also recruited members of BEAT to join our call centre team.

## 24 August 2007

AirAsia took the move to support and moved to develop young local talents in the Malaysian motorsports racing arena to further excel in the sport by sponsoring the Hong Leong-Kencana Racing Team in the 2007 edition of the Merdeka Millennium Endurance Race 2007 (MMER). AirAsia has been a consistent supporter in the of motor racing. We have also been supporting one of our own pilots, Muzammil Mohamad, who is participating in this race with his team every year.



## 28 August 2007



On their day off, AirAsia's Penang staff participated in a blood donation campaign in conjunction with the nation's 50th Merdeka celebrations.



*Tanah Lot, Bali*



## *indonesia*

Guests to the world's largest archipelago, consider Indonesia a haven for adventure and eco-travel due to the islands' stunning variety of topographies and ecologies, mist-shrouded volcanoes and mountains, unexplored rain forests, thousands of miles of beaches, and endless offshore reefs that support an abundance of wildlife.



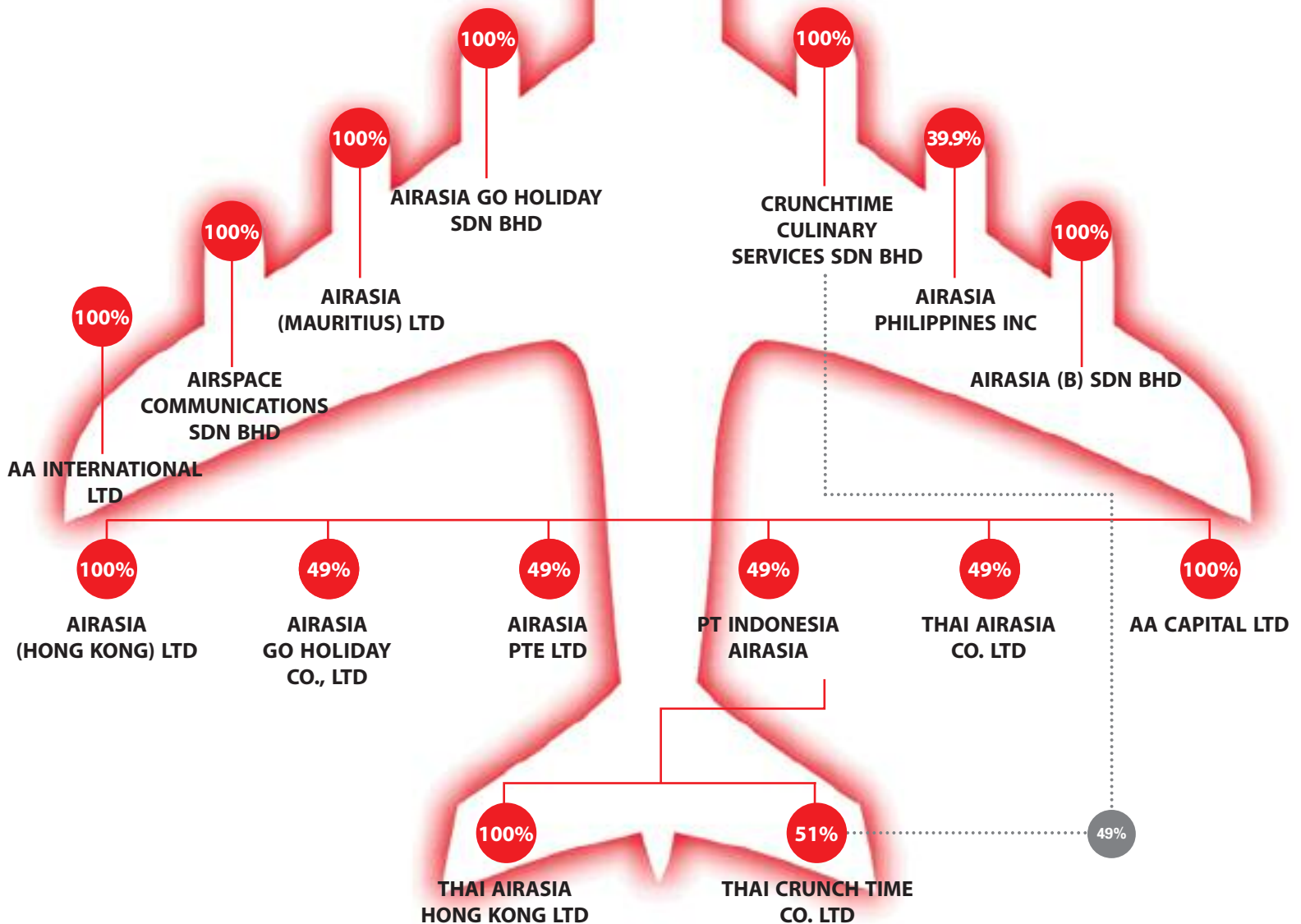
# AIRASIA GROUP

as at 24 September 2007

## AirAsia

### AIRASIA BERHAD

284669-W



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### **Dato' Pahamin Ab. Rajab**

Non-Executive Chairman

### **Dato' Anthony Francis Fernandes**

Group Chief Executive Officer

### **Dato' Kamarudin bin Meranun**

Deputy Group Chief Executive Officer

### **Abdel Aziz @**

### **Abdul Aziz bin Abu Bakar**

Non-Executive Director

### **Conor Mc Carthy**

Non-Executive Director

### **Tan Sri Dato' (Dr.) R.V. Navaratnam**

Independent Non-Executive Director

### **Dato' Leong Sonny**

### **@ Leong Khee Seong**

Independent Non-Executive Director

### **Fam Lee Ee**

Independent Non-Executive Director

### **Datuk Alias bin Ali**

Independent Non-Executive Director

### **Dato' Mohamed Khadar**

### **bin Merican**

Independent Non-Executive Director

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

Tan Sri Dato' (Dr.) R.V. Navaratnam  
Dato' Leong Sonny  
@ Leong Khee Seong  
Datuk Alias bin Ali

## NOMINATION COMMITTEE

Dato' Pahamin Ab. Rajab  
Tan Sri Dato' (Dr.) R.V. Navaratnam  
Fam Lee Ee  
Datuk Alias bin Ali

## OPERATIONS SAFETY COMMITTEE

Conor Mc Carthy  
Abdel Aziz @  
Abdul Aziz bin Abu Bakar

## COMPANY SECRETARY

Jasmindar Kaur A/P Sarban Singh  
(Maicsa 7002687)

## AUDITORS

PricewaterhouseCoopers  
11th Floor, Wisma Sime Darby  
Jalan Raja Laut  
50350 Kuala Lumpur  
Malaysia  
Tel : (603) 2693 1077  
Fax : (603) 2693 0997

## REGISTERED OFFICE

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

## SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd  
Level 26, Menara Multi-Purpose  
Capital Square  
No. 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Malaysia  
Tel : (603) 2721 2222  
Fax : (603) 2721 2530/1

## SOLICITORS

Messrs Logan Sabapathy & Co.

## PRINCIPAL BANKERS

CIMB Bank Berhad  
Citibank Berhad  
Malayan Banking Berhad  
Standard Chartered Bank Malaysia  
Berhad

## CORPORATE BROKER

ECM Libra Berhad

## CORPORATE ADVISOR

Credit Suisse

## STOCK EXCHANGE LISTING

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

# BOARD OF DIRECTORS

Abdel Aziz @ Abdul  
Aziz bin Abu Bakar

Dato' Tony  
Fernandes

Dato' Kamarudin  
bin Meranun

Conor Mc Carthy

Dato' Pahamin  
Ab. Rajab





Tan Sri Dato' (Dr.)  
R.V. Navaratnam

Datuk Alias bin Ali

Fam Lee Ee

Dato' Mohamed Khadar  
bin Merican

Dato' Leong  
Sonny @ Leong  
Khee Seong

## DIRECTORS' PROFILE



**DATO' PAHAMIN AB. RAJAB**

**DATO' ANTHONY FRANCIS FERNANDES**

**DATO' PAHAMIN AB. RAJAB**, Malaysian, aged 61, an Advocate and Solicitor of the High Court of Malaya, was appointed Non-Executive Chairman of the Company on 14 December 2001. He is also the Chairman of the Nomination Committee and a member of the Executive Committee of the Board. Prior to joining the Company, he worked in several ministries and government agencies in Malaysia over a 30-year period and held various key positions, including as Director General of Road Transport Department at the Ministry of Transport from 1974 to 1998, Secretary-General of the Ministry of Domestic Trade and Consumer Affairs from 1998 to 2001 and Chairman of the Patent Board and the Controller of Copyright from 1998 to 2001. He is recognised internationally as an expert in intellectual property laws by the World Intellectual Property Organisation and, in 2000, was awarded the prestigious Cyber Champion International Award by the Business Software Alliance in Washington. He received a B.A. degree in History from the University of Malaya in 1970, a postgraduate Diploma in Shariah Law and Practice from the International Islamic University, Malaysia in 1991, a law degree (LL.B) from the University of London in 1990, and a Masters of Arts (Public Policy and Administration), majoring in Economic Development, from the University of Wisconsin in 1978. He is also the Chairman of SEG International Berhad and LNG Resources Berhad.

**DATO' ANTHONY FRANCIS FERNANDES (DATO' TONY FERNANDES)**, Malaysian, aged 43, was appointed Group Chief Executive Officer of the Company in December 2001. He is also a member of the Executive and Employee Share Option Scheme Committees of the Board. During the year he also served as member of the Audit Committee for the period to 14 May 2007 to 10 September, 2007. Prior to joining the Company, he was Financial Controller at Virgin Communications London from 1987 to 1989, Senior Financial Analyst at Warner Music International London from 1989 to 1992, Managing Director at Warner Music Malaysia, from 1992 to 1996, Regional Managing Director, ASEAN from August 1996 to December 1999 and Vice President, ASEAN from December 1999 to July 2001 at Warner Music South East Asia. He was actively involved in developing the Malaysian music industry and received the title "Setia Mahkota Selangor" from Seri Paduka Baginda Yang DiPertuan Agong, Sultan Salahuddin Abdul Aziz Shah in 1999 in recognition of his contributions and was also the recipient of the "Recording Industry Person of the Year 1997" by the Recording Industry Association of Malaysia. In addition, he received the International Herald Tribune award for the Visionaries & Leadership Series in 2003 for his outstanding achievement with AirAsia,

and was named "Malaysia CEO of the Year 2003" by American Express and the Business Times. He was named the "Emerging Entrepreneur of the Year – Malaysia 2003" at the Ernst & Young Entrepreneur of the Year Awards in 2004 and was one of Business Week's 25 Stars of Asia for 2004. He was awarded the "Airline Business Strategy Award 2005 and Low Cost Leadership" by Airline Business and he was also named Asia Pacific Aviation Executive by the Centre for Asia Pacific Aviation ("CAPA") for the year 2004 and 2005. In July 2005, he was conferred the Darjah Datuk Paduka Tuanku Ja'afar (DPTJ) which carries the title Dato' by the Negeri Sembilan's Yang DiPertuan Besar Tuanku Ja'afar Tuanku Abdul Rahman in conjunction with His Majesty's 83rd birthday celebrations in recognition of his services rendered to the betterment of the nation and community. In 2006, he was named the Master Entrepreneur of the Ernst & Young Entrepreneur of the Year 2006 Malaysia. He also bagged 'The Brand Laureate' Brand Personality for his exemplary performance, dedication and contribution towards the aviation industry in Malaysia in the same year. He was admitted as an Associate Member of the Association of Chartered Certified Accountants in 1991 and became a Fellow Member in 1996.





**CONOR Mc CARTHY**

**ABDEL AZIZ @ ABDUL AZIZ BIN ABU BAKAR**

**DATO' KAMARUDIN BIN MERANUN**

**DATO' KAMARUDIN BIN MERANUN**, Malaysian, aged 45, was appointed Director of the Company on 12 December 2001. In January 2004, he was appointed Executive Director and on 8 December 2005, he was redesignated to Group Deputy Chief Executive Officer. He is also the Chairman of the Employee Share Option Scheme Committee and a member of the Executive Committee of the Board. Prior to joining the Company, he worked in Arab-Malaysian Merchant Bank from 1988 to 1993 as a Portfolio Manager, managing both institutional and high net-worth individual clients' investment funds. In 1994, he was appointed Executive Director of Innosabah Capital Management Sdn Bhd, a subsidiary of Innosabah Securities Sdn Bhd. He subsequently acquired the shares of its joint venture partner of Innosabah Capital Management Sdn Bhd, which was later renamed Intrinsic Capital Management Sdn Bhd. He received a Diploma in Actuarial Science from University Technology MARA (UiTM) and was named the "Best Actuarial Student" by the Life Insurance Institute of Malaysia in 1983. He received a B.Sc. degree with Distinction (Magna Cum Laude) majoring in Finance in 1986, and an MBA in 1987 from Central Michigan University.

**ABDEL AZIZ @ ABDUL AZIZ BIN ABU BAKAR**, Malaysian, aged 54, was appointed as Non-Executive Director of the Company on 20 April 2005. He is a member of the Operational Safety Committee of the Board. Prior to this, he served as an Alternate Director of the Company to Dato' Pahamin Ab. Rajab since 11 October 2004. He also served earlier as a Director of the Company from 12 December 2001 to 11 October 2004. He is currently the Executive Chairman of VDSL Network Sdn Bhd. He is also the Chairman of PAIMM (Academy of Malaysian Music Industry Association) and PRISM (Performance and Artists Rights Malaysia Sdn. Bhd.), a music performers collection body. From 1981 to 1983 he was Executive Director of Showmasters (M) Sdn Bhd, an artiste management and concert promotion company. He subsequently joined BMG Music and was General Manager from 1989 to 1997 and, Managing Director from 1997 to 1999. He received a Diploma in Agriculture from Universiti Pertanian Malaysia in 1975, his BSc in Agriculture Business from Louisiana State University, USA in 1978, and an MBA from the University of Dallas, USA in 1980.

**CONOR Mc CARTHY**, Irish, aged 45, was appointed Non-Executive Director of the Company on 21 June 2004. He heads the Operational Safety Committee of the Board. He is Managing Director of PlaneConsult, a leading aviation business solutions provider which he set up in 2000 which specialises in advising and establishing Low Cost Carriers Prior to establishing PlaneConsult, Conor was the Director of Group Operations at Ryanair from 1996 to 2000. Before joining Ryanair, he was the CEO of Aer Lingus Commuter. Prior to that, he was General Manager/SVP for Aer Lingus in the Marketing and Strategic Planning divisions. He spent 18 years with Aer Lingus in all areas of the airline business from Engineering, Operations and Maintenance to Commercial Planning, Marketing and Route Economics to Finance, Strategic Management, Fleet Planning and General Management. He is a qualified Avionics Engineer and holds a First Class Honours degree in Engineering from Trinity College Dublin.



**TAN SRI DATO' (DR.)  
R.V. NAVARATNAM**



**DATO' LEONG SONNY  
@ LEONG KHEE SEONG**

**TAN SRI DATO' (DR.) R.V.**

**NAVARATNAM**, Malaysian, aged 72, was appointed as Independent Non-Executive Director of the Company on October 8, 2004. He is also the Chairman of the Remuneration Committee and a member of the Nomination Committee of the Board. He has held various senior positions with the Ministry of Finance (last position held: Deputy Secretary-General) and retired as Secretary-General with the Ministry of Transport (1986-1989). He was also an Alternate Executive Director of the World Bank, Washington D.C. (1971-1972), the first Government representative on the Executive Committee of Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad) (1985), Chairman of the ASEAN Committee on Transportation and Communication (1986-1989), a Member of the National Development Planning Committee (1989) and a Member of the Securities Commission. After leaving the public service, he joined Bank Berhad (M) Bhd as Chief Executive Officer and served for 5 years (1989-1994). He was Vice Chairman of the Malaysian Business Council, is a member of the Malaysian External Trade Development Corporation (MATRADE), Director of the Malaysian Industry-Government Group for High Technology (MIGHT) and appointed member of the National Economic

Consultative Council (MAPEN II) in August 1999. He is presently a member of the Court of Fellows and Council of the Malaysian Institute of Management and Deputy President of the Institute of Management Consultants. He was Vice President of the Malaysian Economic Association and the Vice President of the Harvard Club. Tan Sri attained a Bachelor of Arts (Honours) Econs from University of Malaya in Singapore in 1959, Diploma from Royal Institute of Public Administration in London in 1963 and a Masters in Public Administration (Econs) from Harvard University, USA in 1969. He was awarded an Honorary Doctorate of Laws by the Oxford Brookes University (UK) in 2000. He currently holds directorship positions at the Monash University, the Asian Strategy and Leadership Institute, Sunway Construction Bhd. and Sunway International Vacation Club Berhad. He is also Corporate Adviser of the Sunway Group and Deputy Chairman of Sunway College.

**DATO' LEONG SONNY @ LEONG  
KHEE SEONG**, Malaysian, aged 68, was

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



**FAM LEE EE**

**DATUK ALIAS BIN ALI**

**DATO' MOHAMED  
KHADAR BIN MERICAN**

**FAM LEE EE**, Malaysian, aged 46, was appointed Independent Non-Executive Director of the Company on 8 October 2004. He is also a member of the Audit and Nomination Committees of the Board. He received his BA(Hons) from the University of Malaya in 1986 and an LLB (Hons) from the University of Liverpool, England in 1989. He obtained his Certificate of Legal Practice in 1990 and has been practising law since 1991 and currently is the senior partner at Messrs. YF Chun, Fam & Yeo. He also serves as a Director of M-Mode Berhad.

**DATUK ALIAS BIN ALI**, Malaysian, aged 59, was appointed Independent Non-Executive Director of the Company on 23 September 2005. He is also a member of the Audit, Remuneration and Nomination Committees of the Board. Prior to this, he had a long and distinguished career with the Government which began soon after his graduation from the University of Malaya in 1970. He started as an Administration Trainee Officer in the Statistics Department. He subsequently joined the Prime Minister's Department as Administration Development Officer. Whilst still with the department, he completed his Master in Business Management and assumed the position of Head of Department (Consultancy) at the National Institute of Public Administration (INTAN) in 1975. Over the next 15 years with the Government, he held various senior positions in several Ministries and

Department including as Deputy Director of Training (Operations) in the Public Services Department, Under Secretary (Establishment and Services) in the Ministry of Works and Director of Industrial Development Division in the Ministry of Trade and Industry. He moved back to the Prime Minister's Department in 1990 as Cabinet Under Secretary. In June 2000, he was appointed Secretary General of the Ministry of Health, a post he held until his retirement in March 2004. He received a Master in Business Management from the Asian Institute of Management, Philippines in 1975 and a Bachelor of Economics (Honours) from the University of Malaya in 1970. He is also presently a Director of Integrated Rubber Corporation Berhad, FIMA Corporation Berhad, Mentakab Rubber Company Berhad, CCM Duopharma Biotech Bhd. and Melati Ehsan Holdings Bhd.

**DATO' MOHAMED KHADAR BIN MERICAN**, Malaysian, aged 51, was appointed Independent Non-Executive Director of the Company on 10

September 2007. He is also a member of the Audit Committee of the Board. He has had more than 20 years' experience in financial and general management. He has been an auditor and a management consultant with an international accounting firm, before joining a financial services group in 1986. Between 1988 and April, 2003, Dato' Khadar held several senior management positions in Pernas International Holdings Berhad (now known as Tradewinds Corporation Berhad), a company listed on the Main Board of Bursa Malaysia Securities Berhad, including as President and Chief Operating Officer. He was the first President of the Malaysian Association of Hotel Owners. He currently manages his own financial consultancy practice. He is a member of both the Institute of Chartered Accountants in England and Wales and the Malaysian Institute of Accountants. He is also presently a Director of RHB Bank Berhad, RHB Investment Bank Berhad (formerly known as RHB Sakura Merchant Bankers Berhad), RHB Insurance Berhad and ASTRO All Asia Networks PLC.

**Notes:**

1. **Family Relationship with Director and/or Major Shareholder**  
*None of the Directors has any family relationship with any director and/or major shareholder of AirAsia.*
2. **Conflict of Interest**  
*None of the Directors has any conflict of interest with AirAsia Group.*
3. **Conviction for Offences**  
*None of the Directors has been convicted for offences within the past 10 years other than traffic offences, if any.*
4. **Attendance of Board Meetings**  
*The attendance of the Directors at Board of Directors' Meetings is disclosed in the Corporate Governance Statement.*

# SENIOR MANAGEMENT



DATO' TONY FERNANDES



DATO' KAMARUDIN MERANUN



TASSAPON BIJLEVELD



SENDJAJA WIDJAJA



ASHOK KUMAR

LAU KIN CHOY



JOYCE LAI LIH YIN



MEGAT KAMARUDDIN MEGAT SHAMSUDDIN

# AirAsia



**ROZMAN OMAR**



**KATHLEEN TAN**



**CHARLES CJ CHOW**



**CAPT CHIN NYOK SAN**



**AZHARI DAHLAN**



**BO LINGAM**



**NASSER KASSIM**



**CAPTAIN WONG KAM WENG**



**TAN HOCK SOON**



**CAPTAIN ADRIAN JENKINS**



**SAIDULKHADRI HAMZAH**

# SENIOR MANAGEMENT

## **Dato' Tony Fernandes** **Group Chief Executive Officer**

Details of Dato' Tony Fernandes are disclosed in the Directors' Profile on page 56 of this Annual Report.

## **Dato' Kamarudin Meranun** **Deputy Group Chief Executive Officer**

Details of Dato' Kamarudin Meranun are disclosed in the Directors' Profile on page 57 of this Annual Report.

## **Tassapon Bijleveld** **Chief Executive Officer, Thai AirAsia**

Tassapon joined Thai AirAsia in 2003 as Chief Executive Officer and is entrusted with the responsibility of overseeing all aspects of the airline's operations as well as driving growth in Thailand. He received a Bachelor's degree in Marketing from Assumption University, Thailand and a Master in International Marketing from Thamsart University, Thailand.

Tassapon has more than 12 years experience in the consumer products industry, having worked in various countries in South East Asia and Indo China for two Fortune 500 companies – Adams (Thailand) Co. Ltd (a division of Warner Lambert) and Monsanto (Thailand) Co. Ltd. Prior to joining AirAsia he was Managing Director of Warner Music (Thailand) Co. Ltd for 5 years.

## **Sendjaja Widjaja** **President Director, Indonesia AirAsia**

Sendjaja Widjaja has been President Director of Indonesia AirAsia since November 2004. He also holds directorship positions in PT Langgeng Gitamusikal, PT Pancabiba Manunggal since 2001. Prior to joining the Company, he was President Director of PT Musica Studio's from 2001 to 2004; President Director of Warner Music Indonesia from 1997 to 2001; President Director of Hema Gitatama Record from 1994 to 1995 and President Director of PT Musica Studio's from 1980 to 1994.

## **Rozman Omar** **Regional Head, Finance**

Rozman Omar has been the Regional Head for Finance since August 2006. Rozman was part of the key management team that spearheaded the flotation of AirAsia Berhad on Bursa Malaysia. He was also one of the key personnel involved in the formation of AirAsia's joint ventures in Thailand and Indonesia. Upon completion of the Company's flotation in November 2004, he was made the CFO of PT Indonesia AirAsia responsible for all the financial and corporate legal aspects of the Company.

Rozman has over 22 years of extensive corporate finance experience. Upon completion of his ACCA examinations in 1984, Rozman joined Arab-Malaysian Merchant Bank Berhad for six years and rose to the position of Corporate Finance Manager. He then joined Bumiputra Merchant Bankers Berhad. Subsequently, he joined Kumpulan Fima Berhad in 1992 as Senior Vice President, Corporate Services. He later returned to Arab-Malaysian Merchant Bank Berhad as General Manager, Corporate Finance from 1994 to 1996. He then became Managing Director of Innosabah Corporate Services Sdn Bhd until 1999 before venturing out with InCAM Consulting Sdn Bhd until 2003.

## **Kathleen Tan** **Regional Head, Commercial**

Kathleen Tan joined AirAsia as Senior Vice-President for Greater China in August 2004. Kathleen was instrumental in securing AirAsia's entry to China and launched the first route to Xiamen, making AirAsia the first low cost carrier to operate in China. As Head of Commercial, Kathleen is responsible for driving route revenue, sales and distribution, marketing, brand building and ancillary income within the AirAsia network.

Prior to AirAsia, she was Managing Director of Warner Music Singapore for 7 years, Chairperson of the Recording Industry Association of Singapore and Regional Marketing Director of Warner Music Asia Pacific in Hong Kong for 3 years. During her six year stint with the FJ Benjamin Group Singapore, she was involved in brand marketing and the brainchild behind the success of Guess label in South East Asia as well as overseeing marketing communications for Gucci, Coach, Fendi and many other labels within the Group. Kathleen started her career in the advertising industry, having worked in agencies such as Leo Burnett and Mojo.

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### **Captain Chin Nyok San** **Head of Business Development**

Captain Chin Nyok San was one of the pioneers of AirAsia, then under the DRB HICOM. Captain Chin has over 30 years of illustrious career in the airline industry encompassing the whole aspect of the industry. He is a licensed pilot for multiple types of aircraft, an authorised examiner, training Captain and served as the flight operations manager. He obtained his Commercial Pilot's License in 1976 and Airline Transport Pilot's License in 1985 from the Department of Civil Aviation Malaysia. He also obtained an Airline Transport Pilot's License from the Federal Aviation Administration in 1994.

Captain Chin has been the Head of Business Development since January 2005. He is responsible for the effective planning and business development of the Group's operations. Captain Chin and his team single handedly established Thai-AirAsia and activate its aircraft operating certificate. In addition, Captain Chin also effectively reactivated Indonesia AirAsia's aircraft operating certificate and recommenced the business unit.

### **Charles CJ Chow** **Regional Head, People**

Charles CJ Chow joined AirAsia in 2002. Prior to his appointment as Regional Head for People Department in October 2005, Charles was AirAsia's Group General Counsel. He brought to the Company the benefit of a wide range of skills attained from a diverse background that includes experience in private legal practice, journalism, advertising and marketing communications, HR consultancy and in-house Legal Counsel to HSBC Hong Kong and IOI Corp Berhad. He has an LLB (Hons) from the National University of Singapore and a BA (Hons) from the University of Malaya. He now heads the management of the Group's human resources.

### **Bo Lingam** **Regional Head, Operations**

Prior to joining AirAsia, Bo Lingam has worked extensively in the publication and music industry serving the role as Production Controller and Promotions Manager at various production houses.

He joined AirAsia in November 2001 as Ground Operations Manager. Prior to his current appointment as Regional Head of Operations, Bo held several other key roles at AirAsia including as Regional Director – Guest Services, Senior Manager – Purchasing & Supplies before he was seconded to Thai AirAsia to oversee and assist in the initial set-up of Thai AirAsia operations in Bangkok.

### **Ashok Kumar** **Regional Head, Strategic Planning and Airport Policy**

Ashok Kumar has been Regional Director, Airport and Public Policy of the Company since January 2005. Prior to that, Ashok was Regional Director, Government and Business Relations from October 2004. He has had 36 years experience in the airline industry, having worked at Malaysia-Singapore Airlines as Management Trainee/ Marketing Executive from 1970 to 1972 and Malaysia Airlines from 1972 to 2003, where he held various key positions, including as Assistant General Manager, Operations Planning, before joining the Company in 2003 as Senior Manager, Commercial Planning and Strategy. Ashok received a Bachelor of Applied Economics (Hons) from the University of Malaya in 1970.

### **Captain Wong Kam Weng** **Regional Head, Flight Safety**

Captain Wong served as Regional Director, Group Quality Management System until his recent appointment as Regional Head of Flight Safety. Captain Wong joined AirAsia in September 1996, initially as Captain of the Boeing 737 and later as Instructor and Examiner. Captain Wong currently flies the Airbus 320 and Airbus 330 as Captain, Instructor and Examiner and is a member of AirAsia's aircraft acceptance test team.

Captain Wong started his career in the aviation industry with Pelangi Air as co-pilot. He was subsequently promoted to Captain and Instructor and later as Fleet Captain of the Fokker 50. He has flown various aircraft including the Airbus 330, Airbus 320, Boeing 737, Fokker 50, Dornier 228 and Twin Otter DHC6 and has accumulated a total of 13,300 flying hours.

**Lau Kin Choy**  
**Regional Head, Information Technology**

Lau Kin Choy has been Regional Director, Information Technology & E-Commerce since July 2004 and was previously Chief Information Officer from August 2002. Prior to joining the Company, Lau was the General Manager of WEB Distribution Services Sdn Bhd, a joint venture music distribution and logistic center for Warner Music, EMI Malaysia and BMG Music, where he was responsible for the company's operations, from 1998 to 2002. Lau also worked as IT and Operations Manager at Warner Music Malaysia from 1989 to 1997, and IT Operations Officer at OCBC Bank from 1981 to 1988. Lau received a Diploma in NCC Computing in 1986 and a City and Guilds Certificate in Computing in 1984.

**Joyce Lai Lih Yin**  
**Regional Head, AirAsia Academy and Corporate Culture**

Joyce joined AirAsia in December 2001 as a Senior Manager Media. Being the earliest team player in the then two aircraft airline, she was instrumental in building the AirAsia brand name and raising its international profile. In July 2004, she was appointed the Regional Director, AirAsia Academy and Corporate Culture, a position she assumed in February 2006, she was the Regional Director Corporate Culture & Quality Service since March 2005.

She has extensive marketing experience having previously held various key positions at Warner Music Malaysia from 1994 to 2000, including as Group Product Manager and Strategic Marketing Manager. She subsequently joined BMG Music Malaysia as Senior Marketing Manager in 2000 before being promoted to Marketing Director. Joyce was responsible in building and fostering the AirAsia culture across the Group. As head of the AirAsia Academy, Joyce is responsible for overseeing all aspects of the training needs for the Group's workforce.

**Azhari Dahlan**  
**Regional Head, Engineering**

Azhari Dahlan has been Regional Director of Engineering since September 2004 overseeing the Group's airline engineering functions in Malaysia, Indonesia and Thailand. Prior to that, Azhari was Manager, Planning and Logistics from 1996 to 2004. He has more than 18 years experience in the airline industry, 8 of which was with Malaysia Airlines as Licensed Aircraft Engineer from 1987 to 1992, Aircraft Check Foreman from 1992 to 1994 (during which period he was seconded to China to provide aircraft post check support for China South West airlines) and Production Inspector from 1994 to 1995. From 1995 to 1996, he was with Transmile Air initially as a Licenses Aircraft Engineer and subsequently, as Quality Assurance Engineer. Azhari is a Licensed Aircraft Engineer by profession, and has undergone training at Leonard Isitt Training School, Christchurch, New Zealand and Malaysia Airlines Technical Training School, Subang, Selangor.

**Captain Adrian Jenkins**  
**Regional Head, Flight Operations**

Captain Adrian joined AirAsia in 1996 when the airline was then under DRB HICOM. Prior to his appointment as Regional Head for Flight Operations in September 2006, he served AirAsia in various positions including as Instructor and Company Check Airman, Assistant Chief Pilot – Training and Standards and Assistant Chief Pilot – Operations. He also helped in the setting up of Thai AirAsia's flight operations and pilot training.

Captain Adrian joined the aviation industry in 1989 as a cabin crew with Malaysia Airlines. He left in 1992 to undergo training as a pilot. In 1994, he joined Nusantara Sakti, a member of the Renong group, which was involved in general aviation.



**Nasser Kassim**  
**Head of Cargo**

Nasser served as Regional Director, In-flight Services, Charter and Cargo for AirAsia before his streamlining his efforts to the cargo business unit. His prior appointments at AirAsia include that of Country Director of Indonesia AirAsia and Executive Director, Business Development managing AirAsia's Haj operations, cargo, charter and Army contracts. Nasser's contribution to AirAsia's rapid expansion plans include managing routes development, negotiating aircraft leases, developing cargo operations, charter and in-flight services that encompass food and beverage as well as merchandising.

Nasser's expertise in developing regional markets stems from his vast experience gained over an illustrious 18-year career at Warner Music Malaysia Sdn Bhd where he held various key positions including Artist & Repertoire Director from 1985 to 1988 and Executive Director from 1989 to 2001. As one of the pioneers in the Malaysian music industry, Nasser had managed some of the biggest selling artists in Malaysia and was responsible for marketing and developing these talents across Asia, where he gained invaluable exposure and a better understanding of the Asian markets and cultures.

**Megat Kamarruddin Megat Shamsuddin**  
**Head of Treasury**

Megat Kamarruddin, AirAsia's Executive Vice President, Treasury, has over 20 years of experience gained at various financial institutions in major financial centres globally where he held senior positions. He was principally responsible for amongst others, trading and investing in foreign exchange, interest rate and fixed income markets.

Prior to joining AirAsia in June 2006, he was Head of Treasury at Bumiputra Commerce Bank and Head of Global Sales and Global Funding at Group Treasury, CIMB. Megat is responsible for group corporate treasury matters, principally market interfacing activities which includes though not restricted to Forex, Investments, Interest rates, Insurance and Commodity Hedging.

**Tan Hock Soon**  
**Head of Go-Holiday**

Tan has been Head of Go-Holiday since April 2006. Since then, he has successfully revamped the business model and developed it as the biggest online travel portal in South East Asia. Prior to his current appointment, he was Regional Director, Distribution from July 2005 to March 2006 where he was instrumental in establishing AirAsia franchise outlets in the distribution channel. A proven sales practitioner, he has had an impressive career track record. From 1987 to 1993 he held various positions at Procter & Gamble (P&G) including as Jobber Distribution Supervisor, Key Account Manager and Section Manager. From 1993 to 1994, he was Area Sales Manager at Cusson UK International where he was successful in penetrating key shopping complexes and establishing good customer relationships. From 1994 to 1996, he served as an Assistant Sales Manager and helped increase both product distribution and revenue in the East Malaysia and Southern regions. Prior to joining AirAsia, he served at Warner Music Malaysia from 1996 to 2005 as a Sales Director.

**Saidulkhadri Hamzah**  
**Head of Corporate Quality & Safety**

Saidulkhadri has been Head of Corporate Quality & Safety since April 2007 and was previously the Engineering Quality Assurance Manager from January 2005. Saidulkhadri has 28 years of experience in the airline industry, his first stint started back in 1979 when he joined Malaysia Airlines Engineering Apprentice Programme and rise through the ranks to become the Quality Assurance Inspector for Systems and Procedures implementation. Saidulkhadri left Malaysian Airlines in 1995 to join the Malaysian Department of Civil Aviation as an assistant director. He was responsible for the function of safety oversight and continuing airworthiness, air operators and maintenance repair organisations.

# MANAGING RISK TO MAXIMISE RETURNS

Airasia is exposed to multiple risks in the course of its daily operations. Limiting and controlling risks enable business opportunities to be realised in the interest of maximising returns. The Group is exposed to three main types of risks, related to either business operations, financial operations and regulatory requirements. Operational risks are normally managed by the Group's operative units, and financial risks by the Central Treasury Department.

## Risk Management Policies

The Management has implemented a financial and credit policy for the Group in order to manage and control financial risks. The above-mentioned risks are, amongst others, managed by the use of derivative financial instruments according to the limitations stated in the Financial Policy.

Management of financial risks has largely been centralised to Group Treasury at our headquarters in Kuala Lumpur. Monitoring of risk in Group Treasury is performed by a separate risk controlling function on a daily basis.



## Benefits of Risk Management

- Stability of cost structure
- Stability of revenue stream
- Reduces competitive uncertainty
- Enhance accuracy of forward planning strategies
- Successful execution of business growth plans
- Increases business transparency

## 1. Operational Risks

AirAsia is exposed to risks in connection with its business operations. The ability of AirAsia to increase profitability to shareholders is largely dependent on how well the Group succeeds in maintaining cost-efficient operations. Management of changes in jet fuel prices and aircraft components are also vital factors in achieving and maintaining profitability.

## 2. Financial Risks

The Group is exposed to a number of risks related to liquid funds, trade receivables, borrowings, commodities and derivative instruments. The Group's financial risks are managed within the framework of the financial and credit policies determined by the Management.

Management of these risks is largely centralised to the Group's Treasury Department and is based to a great extent on financial instruments. The Group employs a wide range of financial instruments to manage these risks.

Approximately 70% of operational cost are USD linked. These includes jet fuel, term loans, depreciation and amortisation, components cost and contracts with aircraft suppliers.

In accordance with the Group's financial policy to mitigate currency risk, 19 Airbus A320 aircraft term loans are hedged via currency derivative structures. The Group will continue to look for opportunities to hedge more aircraft and to hedge the receivables.

## Interest-rate risks

The Group mitigates the fluctuation of interest rates by utilising interest rate swaps. The Group has 60 interest rate swaps available for the aircraft purchase.

## 3. Other Risks

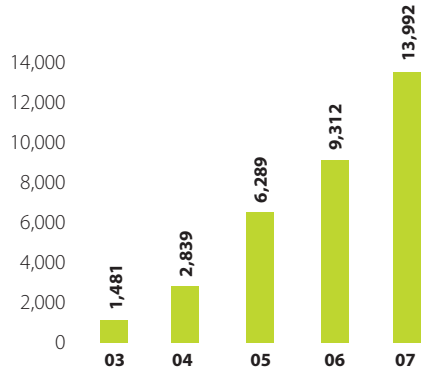
### Regulatory

AirAsia is subject to various regulatory approvals. Changes in the interpretation of current regulations or the introduction of new laws or regulations will have a material adverse impact on the Company.

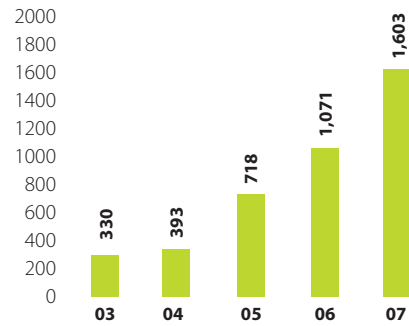
### Geographical

AirAsia is subjected to the risk associated to each country that it serves. This geographical risk exposure will be reduced as the Group continually expands the route network and diversifies the revenue stream to a wider market.

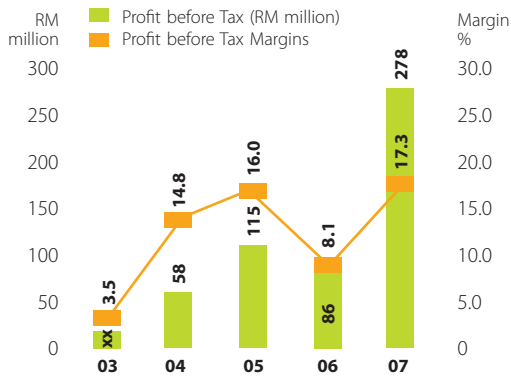
# AIRASIA FINANCIAL SNAPSHOTS



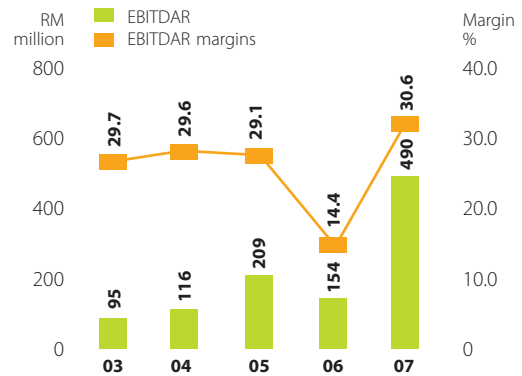
**Passengers Carried by AirAsia Group**



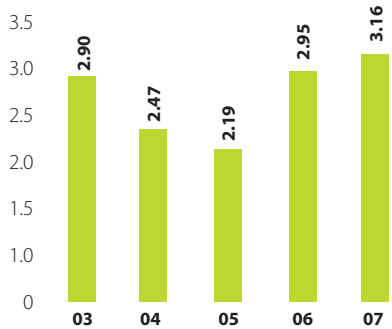
**Revenue (RM Million)**



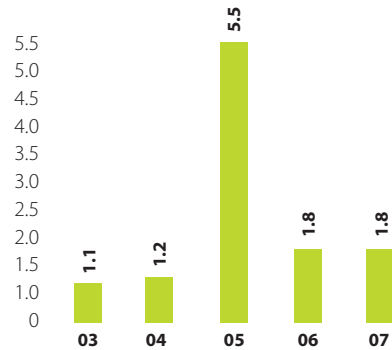
**Profit before Tax & Profit before Tax Margins**




**EBITDAR & EBITDAR Margins**



**Coat Per ASK**



**Working Capital Ratio**



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## *Vietnam*

Every year, our guests keep coming back to Vietnam, mesmerised by the sublime beauty of the country's natural settings: the Red River Delta in the north, the Mekong Delta in the south and almost the entire coastal strip that is a patchwork of brilliant green rice paddy fields tended by women in conical hats.



# CORPORATE GOVERNANCE

The Board supports the executive management team in delivering sustainable added value for shareholders. The Board considers that it has complied throughout the year under review with the principles and best practices as set out in the Malaysian Code on Corporate Governance. The following sections explain how the Company applies the principles and supporting principles of the Malaysian Code on Corporate Governance.

## A. Directors

### Board Balance and Meetings

The composition of the Board of Directors of AirAsia Berhad is in compliance with Bursa Malaysia's Listing Requirements. The Board comprises of a Non-Executive Chairman, seven Non-Executive Directors and two Executive Directors, details of whom are given on pages 56 to 59. Subsequent to the financial year ended 30 June 2007, an additional Non-Executive Director was appointed to the Board. The roles of Chairman and Group Chief Executive Officer are separate with a clear division of responsibility between them.

The size, balance and composition of the Board supports the Board's role, which is to determine the long term direction and strategy of the Group, create value for shareholders, monitor the achievement of

business objectives, ensure that good corporate governance is practised and to ensure that the Group meets its other responsibilities to its shareholders, guests and other stakeholders. The Board is also responsible for ensuring that appropriate processes are in place in respect of succession planning for appointments to the Board and to senior management positions.

The Non-Executive Directors bring wide and varied commercial experience to Board and Committee deliberations. The Non-Executive Directors devote sufficient time and attention as necessary in order to perform their duties. Other professional commitments of the Non-Executive Directors are provided in their biographies on pages 56 to 59. The Board requires that all Non-Executive Directors are independent in character and judgement.

During the financial year ended 30 June 2007, the Board of Directors held a total of seven (7) meetings and the details of Directors' attendances are set out below:

Name	No. of Meetings Attended
Dato' Pahamin Ab. Rajab	5
Dato' Anthony Francis Fernandes	6
Dato' Kamarudin bin Meranun	7
Abdel Aziz @ Abdul Aziz bin Abu Bakar	6
John Francis Tierney <i>(resigned on 28 February 2007)</i>	5
Conor Mc Carthy	5
Tan Sri Dato' (Dr.) R.V. Navaratnam	5
Dato' Leong Sonny @ Leong Khee Seong	7
Fam Lee Ee	5
Datuk Alias bin Ali	6

*Note: All attendances reflect the number of meetings attended during the Members' duration of services.*



## Supply of Information

Seven (7) days prior to the Board Meetings, all Directors will receive the agenda and a set of Board papers containing information for deliberation at the Board Meetings. Management is required to explain in the event that the timeline cannot be observed.

As a Group practice, any Director who wishes to seek independent professional advice in the furtherance of his duties may do so at the Group's expense. Directors have access to all information and records of the Group and also the advice and services of the Company Secretary, who also serve in that capacity in the various Board Committees.

## Appointments to the Board

The Group has implemented procedures for the nomination and election of Directors via the Nomination Committee. Comprising mainly of independent Non-Executive Directors, the Nomination Committee is responsible for identifying and recommending to the Board suitable nominees for appointment to the Board and Board Committees. On appointment, Directors are provided with information about the Group and attend an induction programme. The Company Secretary will ensure that all appointments are properly made, that all information necessary is obtained, as well as all legal and regulatory obligations are met.

## Directors Training

During the financial year ended 30 June 2007, all Directors have attended and completed the Mandatory Accreditation Program as required under the Listing Requirements of Bursa Malaysia.

The Directors are encouraged to attend programmes and seminars whether in-house or external to help them in the discharge of their duties and to keep updated with emerging trends in the industry of Low Cost Carriers.

## Re-election of Directors

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

## Board Committees

The **Audit Committee** comprises three Independent and Non-Executive Directors and one Executive Director. Following the resignation of John Francis Tierney as Non-Executive Director on 28 February 2007 from the Board of Directors and the Audit Committee, Dato' Anthony Francis Fernandes and Datuk Alias bin Ali were appointed as members of the Audit Committee on 14 May 2007. Subsequent to the financial year ended 30 June 2007, a Non-Executive Director was appointed as an additional member and the Executive Director ceased to be a member of the Audit Committee.

During the period under review, the Committee held seven meetings at which there was full attendance by majority Committee members during their respective duration of service. At all meetings the Group Chief Financial Officer and internal auditor were in attendance. The Committee also meets with the external auditors in private at least twice in the year under review.

The Committee reviews all published financial statements and post audit findings, focusing in particular on accounting policies, compliance, management judgement and estimates. It also monitors the Group's internal control and risk management framework (including the effectiveness of the internal audit function) and financial reporting. Any significant findings or identified weaknesses are closely examined so that appropriate action can be taken, monitored and reported to the Board.

The Committee meets routinely at least five times a year with additional meetings held where necessary. The Group Chief Financial Officer, senior management staff, the internal and external auditors attend such meetings by invitation and provide reports as required by the Committee.

The **Nomination Committee** comprises four Non-Executive Directors, three of whom are independent. The Committee makes recommendations to the Board on new Board appointments, taking into account the balance and structure of the Board. Additionally, the Committee oversees and evaluates the Board's effectiveness and suggests opportunities for improvement. The Committee reviews the appropriate skills, experience and characteristics required of Board and its Committees' members, considering their current makeup. They assess issues such as international experience, independence and skills such as understanding of finance, legal and technical issues. The Committee also considers the succession planning framework for the Group and reviews whether they are in order and whether adequate training programmes are being developed to address any competency gaps. During the financial year ended 30 June 2007 the Nomination Committee met once, which were attended by all members.

The **Remuneration Committee** comprises three Independent Non-Executive Directors. The Committee considers the remuneration of Executive Directors which is in accordance with the skill, experience and expertise they possess. The component parts of the remuneration are structured so as to link rewards to the individual and group performance. Annually the Committee meets to discuss the Executive Directors' current year performance against the performance objectives approved by the Board earlier in the year. The Committee makes the required recommendation to the Board as the Committee is not authorised to implement its recommendation on behalf of the Board. During the financial year ended 30 June 2007 the Remuneration Committee met once, which were attended by majority of the members.

The **Employee Share Option Scheme ("ESOS") Committee** comprises of the Group Chief Executive Officer, the Deputy Group Chief Executive Officer, the Group Chief Financial Officer, the Executive Vice-President, People Department and the Company's External Legal Advisor. The ESOS Committee was established to administer the ESOS of the Group in accordance with the objectives and regulations thereof and to determine the participation eligibility, option offers and share allocations (based on the performance, seniority and number of years of service as well as the employees actual or potential contribution to the Group) and to attend to such other matters as may be required.

The **Executive Committee** comprises of the Non-Executive Chairman, the Group Chief Executive Officer, the Deputy Group Chief Executive Officer and the Group Chief Financial Officer. The Legal Counsel of the Group acts as the secretary to this Committee. Among others, the functions of the Executive Committee are, to decide on transactions and matters of the Group's businesses which fall within their levels of authority. This will allow matters that fall within the Committee's limit or terms of reference to be deliberated and decided by the Committee, thus reducing the Board's agenda. Where appropriate, recommendations are made to the Board on decisions reserved for the Board.

The **Operations Safety Committee** was established in August 2005 with the purpose of providing Board level oversight and input to the management of Safety within AirAsia's operations. The Board appoints the Chairman of the Committee and a meeting is held each quarter to review progress and trends in relation to Safety & Security Management, Incident Reports, Investigations and recommendations and Flight Data

Analysis and Recommendations. The Committee comprises two Non-Executive Directors and the other members include relevant operations safety and security specialists from AirAsia and from our affiliates in Thailand and Indonesia. A report is provided to Board each Quarter.

## **B. Directors Remuneration**

The remuneration package comprises the following elements:-

### **1. Fee**

The fees payable to each of the Non-Executive Directors for their service on the Board are recommended by the Board for final approval by shareholders of the Company at the AGM.

### **2. Basic salary**

The basic salary for each Executive Director is recommended by the Remuneration Committee and approved by the Board, taking into account the performance of the individual, the inflation price index and information from independent sources on the rates of salary for similar positions in other comparable companies internationally. Salaries are reviewed annually.

### **3. Bonus scheme**

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

### **4. Benefits-in-kind**

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

### **5. Service contract**

Both the Group Chief Executive Officer and Deputy Group Chief Executive Officer, have a three-year service contract with AirAsia.

### **6. Directors' share options**

There was no movement in Directors' share options during the year ended 30 June 2007.

Details of the Directors' remuneration are set out in the Audited Financial Statements on page 112 of this Annual Report.

## C. Shareholders

### Investor Relations

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

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

Reports, announcements and presentations given at appropriate intervals to representatives of the investment community are also available for download at the Group's website at [www.airasia.com](http://www.airasia.com).

Any queries or concerns regarding the Group may be directed to the Investor Relations Department at [investorrelations@airasia.com](mailto:investorrelations@airasia.com).

### Annual General Meeting

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

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

## D. Accountability and Audit

### Financial Reporting

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

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

### Audit Committee and Internal Control

The Board's governance policies include a process for the Board, through the Audit Committee to review regularly the effectiveness of the system of internal control as required by the Malaysian Code on Corporate Governance. A report on the Audit Committee and its terms of reference is presented on pages 76 to 80 of this Annual Report.

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

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

The Board has good formal and transparent relationships with the external auditors. From time to time, the external auditors inform and update the Board and Audit Committee on matters that require their attention.

The Statement of Internal Control is set out in page 81. This statement is made in accordance with a resolution of the Board of Directors of AirAsia dated 4 October 2007.

# AUDIT COMMITTEE REPORT

The Audit Committee ensures the Group continues to apply high and appropriate standards of corporate governance. In the year under review, the Audit Committee continued to monitor the effectiveness of the Group's systems of internal control and risk management.

## Composition of the Committee and Meetings

During the financial year ended 30 June 2007, the Committee held a total of seven (7) meetings. The members of the Committee together with their attendance are set out below:-

Name	Directorship	No. of Meetings Attended
Dato' Leong Khee Seong <i>(Chairman of the Committee)</i>	Independent Non-Executive Director	7
Fam Lee Ee	Independent Non-Executive Director	6
John Francis Tierney <i>(resigned on 28 February 2007)</i>	Non-Independent Non-Executive Director	6
Dato' Anthony Francis Fernandes <i>(appointed on 14 May 2007)</i>	Executive Director	1
Datuk Alias bin Ali <i>(appointed on 14 May 2007)</i>	Independent Non-Executive Director	1

Note: All attendances reflect the number of meetings attended during the Members' duration of services.

The Audit Committee is governed by its Terms of Reference as stipulated below:

### Terms Of Reference Of The Audit Committee

The committee is governed by the following terms of reference:

#### A. Purpose

To review and report to the Board on the quality and performance of the internal and external audit function.

To review and recommend to the Board for approval, the Quarterly Reports to Bursa Malaysia and the Annual Audited Accounts.

#### B. Membership

The Audit Committee is appointed by the Board of Directors and is composed at least 3 members, the majority of whom are independent non-executive directors.

At least one member of the audit committee: -

- (i) must be a member of the Malaysian Institute of Accountants; or
- (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years of working experience and:-
  - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or

- he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.

No alternate director can be appointed as a member of the Audit Committee.

Members of the Audit Committee elect a Chairman from among themselves who is an Independent Director.

If a member of the Audit Committee resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced below three (3), the Board shall, within three (3) months appoint such number of new members as may be required to make up the minimum of three (3) members.

The terms of office and performance of the Audit Committee and each of its members shall be reviewed by the Board no less than once every three (3) years. However, the appointment terminates when a member ceases to be a Director.

### C. Roles and Responsibility

- To consider the audit fee of the external auditor, any questions of resignation or dismissal of the external auditor and appointment of new external auditor to replace outgoing auditor;
- To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- To act as an intermediary between management or other employees, and the external auditors;
- To review the quarterly and year-end financial statements of the board, focusing particularly on:-
  - any changes in accounting policies and practices;
  - significant adjustments arising from the audit;

- litigation that could affect results materially;
  - the going concern assumption;
  - compliance with accounting standards and other legal requirements.
- To discuss problems and reservations arising from the interim and final audits, and any matter the external auditor may wish to discuss (in the absence of management where necessary);
  - To review the external auditor's management letter and management's response;
  - To do the following where an internal audit function exists:-
    - review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
    - review the internal audit programme and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
    - review any appraisal or assessment of the performance of members of the internal audit function;
    - to review the independence of the internal audit function;
    - approve any appointment or termination of senior staff members of the internal audit function; and
    - inform itself of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit reasons for resigning.

- Review the adequacy and the integrity of the company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;
- To consider any related party transactions that may arise within the Company or Group;
- To consider compliance with the Company's conflict of interest policy;
- To consider compliance with the Company's insider trading policy;
- To consider the major findings of internal investigations and management's response;
- To consider other topics as defined by the Board;
- Internal controls and risk management
- To review the Company's procedures for detecting fraud and whistle blowing and ensure that arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or any other matters (in compliance with provisions made in the Securities Industry Act amended in 2004);
- To review management's and the internal auditor's reports on the effectiveness of the systems for internal financial control, financial reporting and risk management;
- To monitor the integrity of the Company's internal financial controls;
- To review the statement in the annual report and accounts on the Company's internal controls and risk management framework;

- To assess the scope and effectiveness of the systems established by management to identify, assess, manage and monitor financial and non-financial risks. *[Note: the board retains responsibility for the review of the effectiveness of the system of internal control and must form its own opinion despite aspects of that review being delegated to the audit committee.]*

#### **D. Authority and Powers of the Audit Committee**

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

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

The Audit Committee is not authorised to implement its recommendations on behalf of the Board but report its recommendations back to the Board for its consideration and implementation.

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

## **E. Audit Committee Report**

The Audit Committee is required to assist the Board to prepare the Audit Committee Report for inclusion in the Annual Report of the Company.

The audit committee report shall include the following:-

- a) the composition of the audit committee, including the name, designation (indicating the chairman) and directorship of the members (indicating whether the directors are independent or otherwise);
- b) the terms of reference of the audit committee;
- c) the number of audit committee meetings held during the financial year and details of attendance of each audit committee member;
- d) a summary of the activities of the audit committee in the discharge of its functions and duties for that financial year of the listed issuer; and
- e) the existence of an internal audit function or activity and where there is such a function or activity, a summary of the activities of the function or activity. Where such a function or activity does not exist, an explanation of the mechanisms that exist to enable the audit committee to discharge its functions effectively.

## **F. Meetings**

The quorum for an Audit Committee Meeting shall be at least two (2) members; the majority present must be Independent Directors.

The Audit Committee shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide.

The External Auditor has the right to appear and be heard at any meeting of the Audit Committee and shall appear before the Audit Committee when required to do so.

The Chief Financial Officer and the Head of Internal Audit of the Company and of the Group shall normally attend the meetings to assist in its deliberations and resolutions of matters raised. However, at least once a year, the Audit Committee shall meet with the External Auditors without the presence of the executive members of the Audit Committee.

The Internal Auditors shall be in attendance at all meetings to present and discuss the audit reports and other related matters as well as the recommendations relating thereto and to follow-up on all relevant decisions made.

The Company Secretary shall act as Secretary of the Audit Committee and shall be responsible, with the concurrence of the Chairman, for drawing up and circulating the agenda and the notice of meetings together with the supporting explanatory documentation to members prior to each meeting.

The Secretary of the Audit Committee shall be entrusted to record all proceedings and minutes of all meetings of the Audit Committee.

In addition to the availability of detailed minutes of the Audit Committee Meetings to all Board members, the Audit Committee at each Board Meeting will report a summary of significant matters resolutions.

## **G. Internal Audit Department**

The Head of the Internal Audit Department has unrestricted access to the Audit Committee Members and reports directly to the Audit Committee whose scope of responsibility includes overseeing the development and the establishment of the internal audit function.

The above functions and duties are in addition to such other functions as may be agreed to from time to time by the Audit Committee and the Board.

The revised terms of reference were approved by the board of directors of AirAsia Berhad on 22 December 2004.

## Summary of Activities

A summary of the activities performed by the Audit Committee during the financial year is set out below.

### Risk Management

- Reviewed the adequacy of the risk management system for identifying and managing the Group's risks. The Audit Committee called for an update in the risk assessment of the Group in order that the Company's Risk Profile remains current and relevant.
- The Audit Committee also reviewed the Group's Business Continuity Plan and called for a test and update of the plan.

### Internal Audit

- Approved the Group's Internal Audit Plan which includes the Audit Plans, outsourcing of audits and the related fees.
- Reviewed internal audit reports issued by the Internal Audit department and external parties on the effectiveness of internal controls, adequacy of risk management and other compliance and governance processes.

### External Audit

- The Committee reviewed PricewaterhouseCoopers overall work plan and recommended to the Board their remuneration and terms of engagement as external auditors and considered in detail the results of the audit, PwC's performance and independence and the effectiveness of the overall audit process. The Committee recommended PwC's re-appointment as auditors to the Board and this resolution will be put to shareholders at the AGM Group External Auditor.
- Reviewed updates on the introduction of International Financial Reporting Standards and how they will impact the Company and has monitored progress in meeting the new reporting requirements.

### Employee Share Option Scheme

- The Committee verified the allocation options pursuant to the criteria disclosed to the employees of the Group and established pursuant to the Employee Share Option Scheme for the financial year ended 30 June 2006.

### Internal Audit Function And Risk Management Process

The Company has an adequately resourced internal audit function to assist the Board in maintaining an effective system of internal control and the overall governance practices within the Company. The audits and reviews conducted by internal audit are defined in an annual audit plan that was reviewed and approved by the Audit Committee at the beginning of each financial year. The plan was derived from a risk assessment process which considers the risks within each department and the extent that it would have an impact on the Company.

Sustaining the momentum for implementing an effective risk management process is a challenge as the Group continues to experience dynamic growth which impacts the Group's risk profile. The process of continuously identifying, evaluating and managing risks is ongoing.

The Audit Committee has called for the implementation of the Company's 'whistleblowing' procedures to enable colleagues to raise concerns about financial reporting matters and in compliance with Companies (Amendment) Act, 2007 requirements.



# STATEMENT ON INTERNAL CONTROL

The Board remains committed to complying with the Malaysian Code of Corporate Governance which "... requires listed companies to maintain a sound system of internal control to safeguard shareholders' investment and the Company's assets" and Bursa Malaysia's Listing Requirements Paragraph 15.27 (b) which requires the Board to make a statement about the state of internal control of the listed issuer as a group. The Board is pleased to issue the following statement of internal control for the financial year ending June 2007.

## Board Accountability

One of AirAsia's primary corporate objective is to maximise long term shareholder value through responsible and sustainable growth. To achieve this, the Board recognises the importance of upholding the highest standards of corporate governance and fully supports the spirit behind the Malaysian Code of Corporate Governance.

The directors are responsible for the Group's system of internal controls and for reviewing its effectiveness in providing shareholders with a return on their investments that is consistent with a responsible assessment and mitigation of risks. This includes reviewing financial, operational and compliance controls and risk management procedures. Due to the limitations inherent in any such system, this is designed to manage rather than eliminate risk and to provide reasonable but not absolute assurance against material misstatement or loss.

Management is responsible for assisting the Board implement policies and procedures on risk and control by identifying and assessing the risks faced, and in the implementation of suitable remedial internal controls to enhance operational controls and enhance risk management. Indeed, the first level of assurance comes from business operations which perform the day to day risk management activity. The Board is informed of major control issues encompassing internal controls, regulatory compliance and risk taking.

## Integrating Risk Management with Internal Controls

The Group continues to rely on the enterprise-wide risk management framework to manage its risks and to form the basis of the internal audit plan. The assurance function such as the internal auditors performs review of control activities and provides regular written reports to directors. This process is continually reviewed and strengthened as appropriate. A key performance indicator in the following year is to roll out risk management to the rest of the Group's associates.

## Business Continuity Management

Business continuity management is regarded an integral part of the Group's risk management process. The Group is working with Malaysia Airports Holdings Berhad to formulate detailed strategies and operational requirements to recover operations in the event of a disaster.

The Group has completed its Business Continuity Planning Manual which will require testing as well as scheduled updating and revision. Business continuity management will also need to be initiated in the rest of the Group's associates.

## Control Structure and Environment

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

- Clearly delegation of responsibilities to Board Committees within the definition of terms of reference and organisation structures;
- The Audit Committee, chaired by an independent non-executive director reviews the internal controls system and findings of the internal auditors and external auditors.
- The Internal Audit Department is responsible for undertaking regular and systematic review of the internal controls to provide the Audit Committee with significant summary reports on the effectiveness and weaknesses of internal controls. Management is responsible for ensuring that corrective actions to address control weaknesses are implemented within a defined time frame. The status of implementation is monitored through follow-up audits which are also reported to the Audit Committee.
- The Group is in the midst of formally documenting internal procedures and processes in Standard Operating Procedures. This would be critical to ensure compliance with internal controls and relevant laws and regulations.
- Heads of Department present their annual budget, including financial and operating targets and capital expenditure plans for the approval of the Group Chief Executive Officer.
- Group annual budget is prepared and tabled for Board approval. These budgets and business plans are cascaded throughout the organisation to ensure effective execution and follow through. Actual performance is compared against budget and reviewed by the Board.

The statement does not include the state of internal controls in material joint ventures and associated companies. There was no material loss incurred as a result of internal control weaknesses.

# ADDITIONAL COMPLIANCE INFORMATION

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

## 1. Utilisation of Proceeds Raised From Corporate Proposal

There were no proceeds raised by the Company from corporate proposals during the financial year ended 30 June 2007.

## 2. Share Buy-Back

The Company did not make any proposal for share buy-back during the financial year.

## 3. Options, Warrants Or Convertible Securities Exercised

The Company did not issue any warrants or convertible securities during the financial year ended 30 June 2007. The AirAsia Berhad Employees Share Option Scheme ("ESOS") came into effect on 1 September 2004. The details of the ESOS exercised are disclosed in pages 132 to 134 of the financial statements.

## 4. American Depository Receipt ("ADR") Or Global Depository Receipt ("GDR") Programme

The Company did not sponsor any ADR or GDR programme during the financial year ended 30 June 2007.

## 5. Imposition Of 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 30 June 2007.

## 6. Non-Audit Fees

The amount of non-audit fees incurred for services rendered to the Group by the external auditors and their affiliated companies for the financial year ended 30 June 2007 are as follows:-

	<b>2007 RM'000</b>
a) PricewaterhouseCoopers Taxation Services Sdn Bhd	107
b) PricewaterhouseCoopers, Malaysia	65
<b>Total</b>	<b>172</b>

## 7. Variation In Results

There were no profit estimations, forecasts or projections made or released by the Company during the financial year ended 30 June 2007.

## 8. Profit Guarantee

During the financial year ended 30 June 2007, the Group and the Company did not give any profit guarantee.

## 9. Material Contracts Involving Directors' And Major Shareholders'

For the financial year ended 30 June 2007, no contract of a material nature was entered into or subsisted between the Company and its Directors or major shareholders except for the Sublease Agreement dated 28 July 2006 ("Sublease Agreement") with Fly Asian Xpress Sdn Bhd ("FAX") (now known as AirAsia X Sdn Bhd).

This agreement was entered into on the back of a Lease Agreement ("Lease Agreement") between the Company and Penerbangan Malaysia Berhad ("PMB") to lease 7 Fokker (at USD40,000/month/aircraft) and 5 Twin Otter aircraft (at USD20,000/month/aircraft) for 3 years and 5 years respectively to enable FAX to operate the Rural Air Services. The terms and conditions of the Sublease Agreement are identical to the terms and conditions of the Lease Agreement. The Sublease Agreement is a related party transaction which the Company had obtained a conditional waiver from the Listing Requirements of Bursa Malaysia from seeking a shareholders' approval.

The Company issued a Notice of Termination of the Lease Agreement to PMB on 30 May 2007 and FAX has terminated the Sublease Agreement with the Company with effect from 30 September 2007 as the Rural Air Services have been handed over to a subsidiary of Malaysian Airlines effective from 1 October 2007.

Dato' Anthony Francis Fernandes and Dato' Kamarudin bin Meranun were deemed interested in the Sublease Agreement with FAX as both have a substantial interest in FAX and are Directors and are substantial shareholders of the Company. The interested directors' and interested major shareholders' direct and indirect shareholdings in AirAsia are as set out on pages 152 to 155.