



AIRASIA BERHAD
(Company No. 284669-W)
(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
SECOND QUARTER REPORT ENDED 31 DECEMBER 2004

ANNOUNCEMENT

The Board of Directors of AirAsia Berhad (“AirAsia” or the Company) is pleased to announce the following unaudited consolidated results for the second quarter ended 31 December 2004. This is the second quarterly announcement made by AirAsia to the Bursa Malaysia Berhad since its listing on 22 November 2004.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR PERIOD	PRECEDING YEAR CORRESPONDING PERIOD
	31/12/2004	31/12/2003	31/12/2004	31/12/2003
	RM'000	RM'000	RM'000	RM'000
Revenue	178,633	N/A	302,831	N/A
Cost of Sales	(114,422)	N/A	(206,468)	N/A
Gross profit from operations	64,211	N/A	96,363	N/A
Other operating expenses	(12,717)	N/A	(25,709)	N/A
Other operating income	3,353	N/A	4,635	N/A
Profit from operations	54,847	N/A	75,289	N/A
Finance costs	(1,876)	N/A	(3,459)	N/A
Depreciation and amortisation	(6,529)	N/A	(11,464)	N/A
Share of results of associated companies	(720)	N/A	(4,019)	N/A
Profit before taxation	45,722	N/A	56,347	N/A
Taxation	(1,671)	N/A	(1,818)	N/A
Profit after taxation	44,051	N/A	54,529	N/A
(ii) Add/ (Less) minority interests	310	N/A	310	N/A
Profit after taxation and minority interests attributable to shareholders	44,361	N/A	54,839	N/A
Basic earnings per share (sen)	2.21	N/A	2.92	N/A
Diluted earnings per share (sen)	2.18	N/A	2.89	N/A

This Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Statements for the financial year ended 30 June 2004

The accompanying notes are an integral part of this statement



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CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2004

	UNAUDITED AS AT END OF CURRENT QUARTER 31/12/2004 RM'000	AUDITED AS AT PRECEDING FINANCIAL YEAR END 30/06/2004 RM'000
NON CURRENT ASSETS		
Property, plant & equipment	192,041	158,456
Investment in an associated company	6,736	86
Other investments	96	108
Goodwill	7,334	-
Deferred expenditure	14,238	4,369
	220,445	163,019
CURRENT ASSETS		
Deferred share issue expenses	-	2,741
Inventories (at cost)	4,130	3,947
Trade and other receivables	184,852	113,947
Amount owing by an associated company	33,164	202
Deposits, bank and cash balances	677,056	66,147
	899,202	186,984
CURRENT LIABILITIES		
Trade and other payables	120,856	102,146
Amount owing to an associated company	384	202
Hire purchase payables	110	128
Borrowings (secured)	47,728	47,728
Current tax liabilities	1,159	439
	170,237	150,643
NET CURRENT ASSETS	728,965	36,341
NON CURRENT LIABILITIES		
Deferred tax liabilities	2,113	1,113
Hire purchase payables	125	239
Borrowings (secured)	47,728	47,728
	49,966	49,080
CAPITAL AND RESERVES		
Share capital	233,503	175,127
Share premium	701,743	65,959
Accumulated losses	(35,967)	(90,806)
Shareholders' funds	899,279	150,280
Minority interest	165	-
	899,444	150,280
*NET TANGIBLE ASSETS PER SHARE (RM)	0.38	0.86

*Net tangible assets per share calculation for the quarter under review included the effect of share split of one existing ordinary share of RM1.00 each in the Company into 10 new ordinary shares of RM0.10 each

This Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Statements for the financial year ended 30 June 2004

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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	CURRENT FINANCIAL PERIOD 31/12/2004 RM'000	PRECEDING FINANCIAL PERIOD 31/12/2003 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit from operations before taxation	56,347	N/A
Adjustments:		
Interest expense	3,459	N/A
Depreciation of property, plant and equipment	11,464	N/A
Interest income	(3,118)	N/A
	68,152	-
Changes in operating assets and liabilities		
Increase in inventories	(183)	N/A
Increase in trade and other receivables	(79,198)	N/A
Increase in trade and other payables	17,911	N/A
Cash generated from operations	6,682	-
Interest paid	(3,459)	N/A
Interest received	3,118	N/A
Tax paid	(98)	N/A
Net cash from operating activities	6,243	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(45,049)	N/A
Acquisition of subsidiary company	(19,988)	N/A
Cash & cash equivalent of subsidiary acquired	1,044	N/A
Net cash used in investing activities	(63,993)	-
CASH FLOWS FROM FINANCING FACILITIES		
Hire purchase instalments paid	(132)	N/A
Issuance of shares	697,351	N/A
Advance to associated companies	(28,560)	N/A
Net cash from financing activities	668,659	-
NET INCREASE FOR THE FINANCIAL PERIOD	610,909	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	58,589	N/A
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	669,498	-

This Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Statements for the financial year ended 30 June 2004

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
 CHANGES IN EQUITY**

	Issued and fully paid ordinary shares of RM0.10 each		Non-distributable			Distributable	
	Number of shares '000	Nominal value RM'000	RCPS* RM'000	Share premium RM'000	Share application monies RM'000	Accumulated losses RM'000	TOTAL RM'000
12 months ended 30/06/04							
At 1 July 2003	52,070	52,070	109,216	-	27,617	(139,873)	49,030
*Conversion of RCPS	109,216	109,216	(109,216)	-	-	-	-
Issuance of shares	13,841	13,841	-	65,959	(27,617)	-	52,183
Net Profit	-	-	-	-	-	49,067	49,067
At 30 June 2004	175,127	175,127	-	65,959	-	(90,806)	150,280
6 months ended 31/12/04							
At 1 July 2004	175,127	175,127	-	65,959	-	(90,806)	150,280
**Share split	1,576,143	-	-	-	-	-	-
Issuance of shares	583,760	58,376	-	635,784	-	-	694,160
Net Profit	-	-	-	-	-	54,839	54,839
At 31 December 2004	2,335,030	233,503	-	701,743	-	(35,967)	899,279

* Redeemable Cumulative Preference Shares of RM1.00 each

** Share split of one existing ordinary share of RM1.00 each in the Company into 10 new ordinary shares of RM0.10 each

This Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Statements for the financial year ended 30 June 2004

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KEY OPERATING STATISTICS – 31 DECEMBER 2004

In RM'000	Previous Quarter 30/09/2004	Current Quarter 31/12/2004
Operating statistics - Malaysia		
Passengers carried	984,621	1,126,393
RPK (million)	1,017	1,230
ASK (million)	1,326	1,645
Average fares (RM)	122	153
Passenger load factor (%)	77%	73%
Revenue per RPK (sen)	9.37	14.53
Cost per ASK (sen)	8.29	8.10
Sectors flown	8,598	10,362
Number of aircraft at period/ year end	18.00	19.00
Average number of aircraft	13.85	16.71



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UNAUDITED NOTES TO THE ACCOUNTS – 31 DECEMBER 2004

1. *(A statement that the same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements or, if those policies or methods have been changed, a description of the nature and effect of the change)*

The interim financial report has been prepared in accordance with the requirements of MASB Standard 26 “Interim Financial Reporting” and Appendix 9B of the Listing Requirements of the Bursa Malaysia Securities Berhad (BMSB). There is no comparative with corresponding quarter in the preceding year as the Group is still within its first year of listing on Bursa Malaysia. The financial statements should be read in conjunction with the Group's most recent audited financial statements for the year ended 30 June 2004.

The accounting policies and methods of computation used in the Group’s annual financial statements for the financial year ended 30 June 2004 have been used in the preparation of the interim financial statements.

2. *(Where the audit report of the enterprise’s preceding annual financial statements was qualified, disclosure of the qualification and the current status of the matter(s) giving rise to the qualification)*

The audit report of the Group’s annual financial statements for the financial year ended 30 June 2004 was not subject to any qualification.

3. *(Explanatory comments about the seasonality or cyclicity of interim operations)*

AirAsia is principally involved in provision of air transportation services and thus, is subject to the seasonal demand for air travel. The quarterly profit for the second quarter is higher than the first quarter mainly due to higher demand of air travel during the months of October to December. This pattern is in line with forecasts and expectations of the Group.

4. *(The nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that is unusual because of their nature, size, or incidence)*

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the quarter and financial year-to-date.



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5. *(The nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years, if those changes have a material effect in the current interim period)*

There have been no changes in the basis of estimates provided in respect of the financial period under review.

6. *(Issuance, cancellations, repurchases, resale and repayments of debt and equity securities)*

DATE OF ISSUE	REASON FOR ISSUE	NUMBER OF SHARES '000	PAR VALUE	CONSIDERATION RECEIVED RM'000
06.10.2004	Share split**	1,576,143	RM0.10	0
22.11.2004	Issuance of ordinary shares pursuant to the Initial Public Offering	583,760	RM0.10	717,450

***Share split of one existing ordinary share of RM1.00 each in the Company into 10 new ordinary shares of RM0.10 each*

Other than as disclosed above, there were no issuance and repayment of debt and equity securities, share buy-backs, share cancellation or shares held as treasury shares and resale of treasury shares for the financial period under review.

7. *(Dividends paid (aggregate or per share) separately for ordinary shares and other shares)*

There were no dividends paid during the quarter under review.



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8. *(Segment revenue and segment result for business segments or geographical segments, whichever is the enterprise's primary basis of segment reporting [disclosure of segment data is required in an enterprise's interim financial report only if MASB 22, Segment Reporting, requires that enterprise to disclose segment data in its annual financial statements])*

Segmental information is not presented as there are no business segments other than the provision of air transportation services. The financial results for the quarter under review have included our operations in Thailand, via our associated company Thai AirAsia Co. Ltd. However, the financial results from our operations in Thailand are insignificant as compared to the operations of the Group. The Group's operations are conducted predominantly in Malaysia.

9. *(Where valuations of property, plant and equipment have been brought forward, without amendment from the previous annual financial statements, a statement to that effect should be given)*

There was no revaluation of aircraft, property and equipment for the quarter ended 31 December 2004.

10. *(Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period)*

There were no material events subsequent to the end of the quarter that have not been reflected in the financial statements for the quarter.

11. *(The effect of changes in the composition of the enterprise during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructuring, and discontinuing operations)*

There were no changes in the composition of the Group, including business combinations, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations during the quarter.



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12. *(Changes in contingent liabilities or contingent assets since the last annual balance sheet date)*

The Company has made an application to the Government for the waiver of withholding tax payable on certain lease payments for aircraft made prior to 30 June 2001. The Directors are of the opinion that the Company's application will receive due consideration from the Government and that a favorable response will be granted.

In the event that the application is not successful however, the potential shortfall of the provision for withholding tax payable as at 30 June 2004 is approximately RM2.3 million, which has not been provided for in the financial year-to-date. This was discussed in the Company's IPO prospectus dated 20 October 2004.

There have been no changes in contingent liabilities since the last audited balance sheet date as at 30 June 2004.

13. *(A review of the performance of the company and its principal subsidiaries, setting out material factors affecting the earnings and/or revenue of the company and the group for the current quarter and financial year-to-date)*

The Group recorded revenue of RM178.6 million and a profit before tax of RM45.7 million respectively for the quarter. For the financial year-to-date under review, the Group recorded revenue of RM302.8 million and profit before tax of RM56.3 million respectively.

As compared to the immediately preceding quarter, revenue improved approximately 55%. Whilst the load factor dropped from 77% to 73%, caused mainly by the introduction of new routes, this was more than made up by the total number of passengers carried of 1,126,393 as compared to 984,621 in the previous quarter. Average fare has increased from RM122 to RM153 per passenger carried.

Kindly refer to Key Operating Statistics on page 5.



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14. *(An explanatory comment on any material change in the profit before taxation for the quarter reported on as compared with the immediate preceding quarter)*

The Group achieved a profit before tax of RM45.7 million for the quarter under review. This is an increase of RM35.1 million compared to that of the immediate preceding quarter (quarter ended 30 September 2004). The increase in profit was mainly due to higher demand for air travel during the months of October to December.

The Group achieved a load factor of 73% for the quarter under review. This was a decrease of 4% compared to that of the immediate preceding quarter (quarter ended 30 September 2004). The drop was mainly due to introduction of some new domestic and international routes.

Average fare was RM153 for the period under review. This was an increase of RM31 compared to the immediate preceding quarter (quarter ended 30 September 2004). The increase was mainly due to improved in yield coinciding with the festive season. For the quarter ended 31 December 2004, the Group's operating profit of RM54.8 million was affected by higher fuel prices. All other cost elements were generally in line with forecasts.

15. *(A commentary on the prospects, including the factors that are likely to influence the company's prospects for the remaining period to the end of the financial year or the next financial year if the reporting period is the last quarter)*

A main factor that may affect the results of the Group for the remainder of the financial year is fuel prices. Another factor that is likely to influence the company's prospects for the remainder of the financial year is the sentiment for air travel to various tourist destinations in Asia after the Tsunami incident on the 26 December 2004. The timing of delivery of aircraft is also another factor that may affect the results of the Group for the remaining period.

Subject to the above and barring any unforeseen circumstances, the Directors expect the Group's performance to be satisfactory for the remaining period of the financial year ending 30 June 2005.



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16. *(A breakdown of the tax charge and an explanation of the variance between the effective and statutory tax rate for the current quarter and financial year-to-date)*

	Current Quarter 31 December 2004 RM '000	Cumulative Period 31 December 2004 RM '000
<u>Group</u>		
Current tax	671	878
Deferred tax	1,000	1,000
	1,671	1,878

The effective tax rate of the Group for the financial year-to-date was lower than the statutory tax rate mainly due to the assumptions made by the Directors that the Company's application to obtain tax exemptions under Section 127(3) of the Income Tax Act 1967 will receive due consideration from the Malaysian Government and that a favorable response will be granted for a period commencing 1 July 2004. This was disclosed in the Company's IPO prospectus dated 20 October 2004.

In the event that the application is not successful however, the potential shortfall of the provision for taxation for the financial year ending 30 June 2005 is approximately RM10.0 million.

The current taxation charge in respect of interest income is assessed separately.

17. *(The amount of profits/(losses) on any sale of unquoted investments and/or properties respectively for the current quarter and financial year-to-date)*

There was no sale of unquoted investments or properties for the quarter and financial year-to-date.



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NOTES PER BURSA SECURITIES LISTING REQUIREMENTS

18. *(The following particulars of any purchase or disposal of quoted securities other than securities in existing subsidiaries and associated companies by all companies except closed-end funds, a company whose activities are regulated by any written law relating to banking, finance companies or insurance and are subject to supervision by Bank Negara Malaysia, Member Companies and such other companies as may be exempted by the Exchange:*
- (a) Total purchase consideration and sale proceeds of quoted securities for the current quarter and financial year-to-date and profit/loss arising therefrom;*
 - (b) Investments in quoted securities as at the reporting period:-*
 - (i) at cost;*
 - (ii) at carrying value/book value; and*
 - (iii) at market value).*

There were no purchases or disposals of quoted securities for the quarter and financial year-to-date.

19. *(a) The status of corporate proposals announced but not completed at the latest practicable date which shall not be earlier than 7 days from the date of issue of the quarterly report.*
- (b) Where applicable, a brief explanation of the status of utilisation of proceeds raised from any corporate proposal)*

There were no corporate proposals announced but not completed as at 15 February 2005 (the latest practicable date which shall not be earlier than 7 days from the date of issue of this quarterly report).

The Initial Public Offering "IPO" proceeds were received on 23 November 2004. The amount of RM717.4 million was derived from the issuance of 443,655,900 new shares at RM1.25 each to institutional investors and 140,101,900 new shares at retail price of RM1.1625 each to the Malaysian public, eligible Directors and employees of the Company and its subsidiary and persons who have contributed to the success of the Group. As at the date of this report, the following are the details of utilization of IPO proceeds:-



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	Amount Raised	Amount Utilised	Balance
	RM'000	RM'000	RM'000
Repayment of bank borrowings	94,240	94,240	0
Capital expenditure	100,000	52,200	47,800
Estimated listing expenses	35,500	23,279	12,221
Working capital	487,699	38,000	449,699
	717,439	207,719	509,720

20. *(The group borrowings and debt securities as at the end of the reporting period:-*
- (a) Whether secured or unsecured, and a breakdown between secured and unsecured, if applicable;*
 - (b) Breakdown between short term and long term borrowings; and*
 - (b) Whether denominated in foreign currency, and a breakdown of the debt/borrowings in each currency, if applicable)*

Total Group borrowings as at 31 December 2004 were as follows:-

	RM'000
Current: Revolving Credit Facility (Secured)	47,728
Non-Current: Term Loan (Secured)	47,728
Total Outstanding	<u>95,456</u>

As at the date of this report, there are no borrowings and debt securities as all the above outstanding loans have been fully repaid.



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21. *(A summary of off balance sheet financial instruments by type and maturity profile at the latest practicable date which shall not be earlier than 7 days from the date of issue of the quarterly report, including the following information:-*
- (a) the face or contract amount (or notional principal amount if there is no face or contract amount); and*
 - (b) the nature and terms, including at a minimum, a discussion of:*
 - (i) the credit and market risk of those instruments;*
 - (ii) the cash requirement of those instruments; and*
 - (iii) the related accounting policies)*

The Company has a forward contract with fair value of RM65.0 million for the purchase of jet fuel which matures on 30 June 2005 and is to be settled in US Dollars. The unrealised gain on forward contract (if any) is deferred until the purchase of fuel is transacted.

22. *(Changes in material litigation (including status of any pending material litigation) since the last annual balance sheet date which shall be made up to a date not earlier than 7 days from the date of issue of the quarterly report)*

There was no pending material litigation as at 15 February 2005 (a date not earlier than 7 days from the date of issue of this quarterly report) since the last annual balance sheet date.

23. *(Dividend: To be completed if a decision regarding dividend has been made. (State whether dividend amount is before tax, net of tax or tax exempt and if before tax or net of tax, state the tax rate):*
- (a) (i) an interim/final ordinary dividend has/has not been declared/recommended;*
 - (ii) the amount per share ... sen;*
 - (iii) the previous corresponding period ... sen;*
 - (iv) the date payable ...; and*
 - (v) in respect of deposited securities, entitlement to dividends will be determined on the basis of the record of depositors as at ... dd/mm/yyyy; and*
 - (b) the total dividend for the current financial year ... sen*

The Board of Directors is not recommending any interim dividend for the quarter and financial year-to-date.



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24. (To disclose the following in respect of earnings per share:-
- (a) the amount used as the numerator in calculating basic and diluted earnings per share and a reconciliation of those amounts to the net profit or loss for the reporting period; and
 - (b) the weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share, and a reconciliation of these denominators to each other)

Basic earnings per share

Basic earnings per share of the Group are calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the period.

	Current Quarter 31 December 2004	Cumulative period 31 December 2004
Net profit for the financial period (RM'000)	44,361	54,839
Weighted average number of ordinary shares in issue ('000)	2,005,078	1,878,174
Basic earnings per share (sen)	2.21	2.92

Diluted earnings per share

For the diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group's dilutive potential ordinary shares are in respect of options over shares granted to employees.



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In respect of options over shares granted to employees, a calculation is done to determine the number of ordinary shares that could have been acquired at fair value (determined as the average share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding options over shares. The number of ordinary shares calculated is compared with the number of shares that would have been issued assuming the exercise of the options over shares. The difference is added to the denominator as an issue of ordinary shares for no consideration. This calculation serves to determine the "bonus" element in the ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to net profit for the period for the options over shares calculation.

	Current Quarter 31 December 2004	Cumulative period 31 December 2004
Net profit for the financial period (RM'000)	44,361	54,839
Weighted average number of ordinary shares in issue for diluted EPS ('000)	2,005,078	1,878,174
Adjusted for share options granted	34,005	22,547
Adjusted weighted average number of ordinary shares	<u>2,039,083</u>	<u>1,900,721</u>
Diluted earnings per share (sen)	2.18	2.89

By order of the Board

JASMINDAR KAUR a/p SARBAN SINGH

(MAICSA 7002687)
COMPANY SECRETARY
18 February 2005