Now Everyone Can Fly

AIRASIA BERHAD
(Company No. 284669-W)
(Incorporated in Malaysia with limited liability under the Companies Act, 1965)

SECOND QUARTER REPORT ENDED 31 DECEMBER 2006

ANNOUNCEMENT

The Board of Directors of AirAsia Berhad ("AirAsia" or "the Company") is pleased to announce the following unaudited consolidated results of AirAsia and its subsidiaries (collectively known as "the Group") for the second quarter ended 31 December 2006.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Individual quarter		Cumulative quarter	
	Current quarter ended	Preceding year corresponding quarter ended	Current quarter ended	Preceding year corresponding quarter ended
	31/12/06 RM'000	31/12/05 RM'000 (restated)	31/12/06 RM'000	31/12/05 RM'000 (restated)
Revenue	400,607	248,737	693,783	445,866
Cost of sales	(240,601)	(160,107)	(463,673)	(319,497)
Gross profit from operations	160,006	88,630	230,110	126,369
Other operating expenses	(17,470)	(22,065)	(31,312)	(37,158)
Other operating income	25,593	6,332	27,938	8,443
Profit from operations	**168,129**	**72,897**	**226,736**	**97,654**
Finance costs	(18,520)	(1,881)	(31,128)	(2,001)
Depreciation and amortisation	(58,477)	(21,993)	(93,353)	(34,768)
Share of results of jointly controlled entity	1,754	4,950	2,009	5,038
Share of results of associates	377	(2,094)	771	(5,140)
Profit before taxation	93,263	51,879	105,035	60,783
Taxation	(1,532)	(555)	(2,378)	(717)
Deferred taxation	58,393	-	123,901	-
Profit for the period	150,124	51,324	226,558	60,066
Attributable to:				
Shareholders of the Company	150,124	51,282	226,546	59,907
Minority interests	-	42	12	159
Profit for the period	150,124	51,324	226,558	60,066
Earning per share				
Basic earning per share (sen)	6.4	2.4	9.6	2.8
Diluted earning per share (sen)	6.3	2.4	9.6	2.8

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the year ended 30 June 2006 and the accompanying explanatory notes attached to the interim financial statements.

AIRASIA BERHAD
(Company No. 284669-W)
(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
SECOND QUARTER REPORT ENDED 31 DECEMBER 2006

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2006

	Unaudited as at end of current quarter	Unaudited as at preceding financial year end
	31/12/06	30/06/06
	RM'000	RM'000 (restated)
Non current assets		
Property, plant and equipment	2,259,441	1,261,993
Interest in jointly controlled entity	15,308	13,299
Investment in associates	8,882	14,919
Other investments	72	78
Goodwill	8,738	8,738
Deferred expenditure	1,278	1,278
Deferred Tax Asset	238,961	115,060
Long term prepayments	34,506	35,110
	2,567,186	1,450,475
Current assets		
Inventories (at cost)	11,124	10,578
Other investments	30,696	30,696
Trade and other receivables	314,640	276,838
Deposit on aircraft purchase	325,317	268,634
Amount due from a jointly controlled entity	18,631	26,750
Amount due from associates	818	6,795
Deposits, bank and cash balances	626,083	425,641
	1,327,309	1,045,932
Current liabilities		
Trade and other payables	459,449	267,081
Borrowings (secured)	251,329	265,360
Hire-purchase payables	172	153
Current tax liabilities	3,060	1,295
	714,010	533,889
Net current assets	613,299	512,043
Non current liabilities		
Borrowings (secured)	1,770,995	787,276
Hire-purchase payables	189	288
Deferred tax liabilities	-	-
	1,771,184	787,564
	1,409,301	1,174,954
Equity		
Share capital	235,370	234,649
Reserves	1,173,891	940,278
Total equity attributable to shareholders of the Company	1,409,261	1,174,927
Minority interests	39	27
Total equity	1,409,301	1,174,954
Net assets per share attributable to ordinary equity holders of the Company (RM)	0.60	0.50

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 30 June 2006 and the accompanying explanatory notes attached to the interim financial statements.

AIRASIA BERHAD
(Company No. 284669-W)
(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
SECOND QUARTER REPORT ENDED 31 DECEMBER 2006

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	Current period ended	Preceding year corresponding quarter ended
	31/12/06	31/12/05
	RM'000	RM'000 (restated)
Cash flows from operating activities		
Profit before taxation	105,035	60,783
Adjustments:		
Share of results of a jointly controlled entity	(2,009)	(5,038)
Share of results of associates	(771)	2,094
Interest expense	(43,297)	2,001
Property, plant and equipment		
- Depreciation	93,353	34,768
Amortisation of deferred expenditure	-	919
Interest income	(12,169)	(4,905)
	140,142	90,622
Changes in working capital		
Inventories	(546)	(2,102)
Trade and other receivables	(37,801)	(77,395)
Trade and other payables	192,374	60,016
Intercompany balances	8,119	12,676
Cash (used in)/generated from operations	302,288	83,817
Interest paid	43,297	(2,001)
Interest received	12,169	4,905
Tax paid	(613)	(1,104)
Net cash (used in)/from operating activities	357,141	85,617
Cash flows from investing activities		
Property, plant and equipment		
- Additions	(1,090,801)	(372,663)
Deposit on aircraft purchase	(56,683)	(87,481)
Long term prepayments	604	-
Purchase of investments	-	(19,340)
Net cash flow on acquisition of subsidiary	-	(1,404)
Advance to associates	12,785	(38,216)
Net cash used in investing activities	(1,134,095)	(519,104)
Cash flows from financing activities		
Proceeds from allotment of shares	7,789	8.280
Hire purchase instalments paid	(80)	(103)
Term loan received	1,244,913	446,451
Repayment of borrowings	(275,225)	-
Fixed deposits pledged as securities	(545)	2,579
Net cash from financing activities	976,852	457,207
Net increase for the financial year	199,898	23,720
Cash and cash equivalents at beginning of the financial year	412,907	312,548
***Cash and cash equivalents at end of the financial year**	612,805	336,268

* The balance at end of financial period excludes fixed deposits of RM13.3million (2006: RM14.2 million) pledged with licensed bank as securities for banking facilities granted to the Company.

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 30 June 2006 and the accompanying explanatory notes attached to the interim financial statements.

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SECOND QUARTER REPORT ENDED 31 DECEMBER 2006

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**	**Share premium RM'000**	**Foreign exchange reserve RM'000**	**Retained profits RM'000**	**Total RM'000**	**Minority Interests RM'000**	**Total Equity RM'000**
At 1 July 2006, as previously stated	2,346,488	234,649	708,185	592	109,165	1,052,591	27	1,052,618
Prior year adjustment -effect of adopting FRS 128	-	-	-	-	(31,253)	(31,253)	-	(31,253)
-recognition of Deferred Tax Asset	-	-	-	-	153,589	153,589	-	153,589
At 1 July 2006, as restated	2,346,488	234,649	708,185	592	231,501	1,174,927	27	1,174,954
Shares pursuant to the Employees' Share Option Scheme ("ESOS")	7,213	721	7,068	-	-	7,789	-	7,789
Profit for the period	-	-	-	-	226,546	226,546	12	226,558
At 31 December 2006	2,353,701	235,370	715,253	592	458,047	1,409,262	39	1,409,301
At 1 July 2005, as previously stated	2,335,031	233,503	698,602	-	20,751	952,856	15	952,871
Prior year adjustment -effect of adopting FRS 128	-	-	-	-	(8,496)	(8,496)	-	(8,496)
At 1 July 2005, as restated	2,335,031	233,503	698,602	-	12,255	944,360	15	944,375
Shares pursuant to the Employees' Share Option Scheme ("ESOS")	7,667	766	7,514	-	-	8,280	-	8,280
Profit for the period (restated)	-	-	-	-	59,907	59,907	159	60,066
At 31 December 2005	2,342,698	234,269	706,116	-	72,162	1,012,547	174	1,012,721

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 30 June 2006 and the accompanying explanatory notes attached to the interim financial statements.

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SECOND QUARTER REPORT ENDED 31 DECEMBER 2006

KEY OPERATING STATISTICS – 31 DECEMBER 2006

PERFORMANCE INDICATORS	ACTUAL Q1 FY2007	ACTUAL Q2 FY2007
Passengers carried	1,944,621	2,273,405
RPK (million)	2,152	2,505
ASK (million)	2,713	3,060
Average fares (RM)*	138	164
Passenger load factor (%)	79%	82%
Revenue per ASK (sen)	10.81	13.09
Cost per ASK (sen) **	9.95	9.61
Cost per ASK (sen) non fuel	4.19	5.60
Sectors flown	15,558	17,488
Number of aircraft at period/ year end	30.00	32.00
Average number of aircraft	24.85	26.98

* Average Fare includes Fuel Surcharge
** Cost per ASK excludes Fuel Surcharge

UNAUDITED NOTES TO THE ACCOUNTS – 31 DECEMBER 2006

1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with Financial Reporting Standard ("FRS") 134: "Interim Financial Reporting" and paragraph 9.22 and Appendix 9B of the Bursa Malaysia Securities Berhad ("Bursa Malaysia") Listing Requirements.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2006. The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the annual audited financial statements for the financial year ended 30 June 2006, except for the accounting policy changes arising from the adoption of the following new/revised FRS that are effective for the Company's financial period beginning 1 July 2006. Details of these changes in accounting policies are set out in Note 2.

The preparation of an interim financial report in conformity with FRS 134: Interim Financial Reporting, requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2006 annual financial statements. The interim consolidated financial report and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with FRSs.

The financial information relating to the financial year ended 30 June 2006 that is included in the interim consolidated financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements other than those that have been restated as a result of the change in accounting policies. Statutory financial statements for the year ended 30 June 2006 are available from the Company's registered office.

2. Changes in accounting policies

The Malaysian Accounting Standards Board ("MASB") had issued a total of 21 new/revised FRSs, of which 18 are applicable to financial statements for annual periods beginning on or after 1 January 2006.

In the current period, the Group adopted the following new/revised FRSs below, which are relevant to its operations. The 2005 comparatives have been restated as required, in accordance with the relevant requirements.

FRS 1	First Time Adoption of Financial Reporting Standards
FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-Current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of the new/revised FRSs did not result in substantial changes to the Group's accounting policies other than the effects of the following FRSs:

UNAUDITED NOTES TO THE ACCOUNTS – 31 DECEMBER 2006

2(a) FRS 101: Presentation of Financial Statements and FRS 127 : Consolidated and Separate Financial Statements – Minority interests

The adoption of the revised FRS 101 has affected the presentation of minority interest and other disclosures. Minority interest is now presented within total equity in the consolidated balance sheet and as an allocation from net profit for the period in the consolidated income statement. The movement of minority interest is now presented in the consolidated statement of changes in equity. The presentation of the comparative financial statements of the Group has been restated to conform with the current period's presentation.

Share of results in associates is now disclosed net of tax and minority interests in the consolidated income statement.

2(b) FRS 116: Property, Plant and Equipment

In accordance with FRS 116, the assets' residual values, useful lives and depreciation method will be assessed at least at each financial year end.

Residual value of an item of property, plant and equipment is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. If the residual value of an asset increases to an amount equal or greater than the asset's carrying value amount, the assets' depreciation charge will be zero unless and until its residual value subsequently decreases to an amount below the asset carrying amount.

In addition, FRS 116 also requires the Group to determine the depreciation charge separately for each significant part of an item of property, plant and equipment.

The above revisions were accounted for as a change in accounting estimates. With the adoption of FRS 116, the Group has reassessed its estimation of the useful lives and residual values of property, plant and equipment. This change in accounting estimates is applied prospectively and resulted in an increase in depreciation charge of RM24.2 million for the half year ended 31st December 2006

UNAUDITED NOTES TO THE ACCOUNTS – 31 DECEMBER 2006

The revisions are as follows:

Changes in useful life

Description	**Previous Estimate Years**	**Revised Estimate Years**
Aircraft and Engines – component of overhaul	7 - 25	2.3 - 13

Changes in residual value	**Previous Estimate %***	**Revised Estimate %***
Aircraft and Engines	-	10

* - *% of original cost*

2(c) FRS 128: Investments in Associates

Previously, the share of losses of investment in associates was equity accounted for by the Group and was limited to the Group's investment in the ordinary share capital of associates.

In accordance with FRS 128, interest in an associate is now defined as "the carrying amount of the investment in the associate under the equity method together with any long-term interests that, in substance, form part of the investor's net investment in the associate".

The Group now equity account for additional share of losses in the associates if there are other long term interests in the associates. This change in accounting policy has been applied retrospectively with effect from 1st July, 2006 and the comparatives have been restated as follows:

UNAUDITED NOTES TO THE ACCOUNTS – 31 DECEMBER 2006

2(d) FRS 12 : Income Taxes

Details of the change in basis of calculating deferred tax is explained in Note 20. This change has been applied retrospectively and the comparatives have been restated in (i) and (ii) below:

(i) Effect on opening balance of total equity at 1 July 2006 (as adjusted)

The following table sets out the adjustments that have been made to the opening balances at 1 July 2006. This is the effect of retrospective adjustments to the net assets as at 30 June 2006.

Effect of changes in accounting policies (increase/(decrease))

In thousands of RM	Note	Retained profits	Capital and other reserves	Total	Minority interests	Total equity
At 1 July 2006						
As previously stated	2(c)	109,165	943,426	1,052,591	27	1,052,618
Prior period adjustments						
- effect of adopting FRS 128:						
Investments in Associates		(31,253)	-	(31,253)	-	(31,253)
-effect of change in basis of calculation						
Deferred Tax		153,589	-	153,589	-	153,589
As restated		231,501	943,426	1,174,927	27	1,174,954

(ii) Effect on profit after taxation for the six months ended 31 December 2006 and 31 December 2005 (as adjusted)

In respect of the six months period ended 31 December 2006, the following table provides estimates of the extent to which the profits for that period are higher or lower than they would have been had the previous policies still been applied in the interim period, where it is practicable to make such estimates.

UNAUDITED NOTES TO THE ACCOUNTS – 31 DECEMBER 2006

In respect of the six months period ended 31 December 2005, the table discloses the adjustments that have been made to the profits as previously reported for that period, in accordance with the transitional provisions of the respective FRSs.

Effect of changes in accounting policies (increase/(decrease))		Six months ended 31 December 2006			Six months ended 31 December 2005		
In thousands of RM	**Note**	**Shareholders of the Company**	**Minority interests**	**Total**	**Shareholders of the Company**	**Minority interests**	**Total**
FRS 128							
Investments in Associates	2(c)	771	-	771	(5,110)	-	(5,110)
Total effect for the period		771	-	771	(5,110)	-	(5,110)
Effect on earnings per share:							
- Basic earnings per share (sen)		-	-	-	0.1	-	0.3
- Diluted earnings per share (sen)		-	-	-	0.1	-	0.2

In November 2006, PT Indonesia AirAsia increased its issued and paid up share capital from IDR 160.0 billion to IDR 180.0 billion. The Company through AirAsia International Limited (AAIL), subscribed to IDR 9.80 billion (RM3.9 mil) of the new shares in order to maintain its 49% shareholding in the company.

3. Auditors' report on preceding annual financial statements

The auditors have expressed an unqualified opinion on the Group's statutory financial statements for the year ended 30 June 2006 in their report dated 30 October 2006.

4. Seasonality of operations

AirAsia is basically involved in the provision of air transportation services and thus, is subject to the seasonal demand for air travel. The passenger load factor has increased from 79% in the previous quarter to 82% in the current quarter under review. The increase in demand of air travel during the months from October to December was due to the year-end holidays and festivities as well as increase in frequency of service. This pattern is in line with the expectation of the Group.

UNAUDITED NOTES TO THE ACCOUNTS – 31 DECEMBER 2006

5. Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter and financial period-to-date, except for the changes in accounting policies as disclosed in Note 2.

6. Changes in estimates

Other than described in Note 2(b), there were no changes in estimates that have had material effect in the current quarter and financial period-to-date results.

7. Capital and reserves

During the six month period ended 31 December 2006, the issued and paid-up capital of the Company increased from 2,346,488,080 to 2,353,700,580 ordinary shares by the issuance of 7,212,500 ordinary shares pursuant to the exercise of ESOS at the option price of RM1.08. Other than the above, there was no issuance, cancellation, resale or repayment of debt and equity securities for the period ended 31 December 2006.

8. Dividend paid

There were no dividends paid in the quarter ended 31 December 2006.

9. Segment reporting

Segmental information is not presented as there are no significant business segments other than the provision of air transportation services. The financial results for the quarter under review include our share of results from our operations in Thailand and Indonesia via our jointly controlled entity and associated company, Thai AirAsia Co. Ltd ("Thai AirAsia") and PT Indonesia AirAsia ("Indonesia AirAsia") respectively. The financial results from the operations in Thailand and Indonesia are not significant compared to the Malaysian operations.

10. Property, plant and equipment

(a) acquisition and disposals

During the second quarter ended 31 December 2006, the Group acquired plant and equipment with a cost of RM523.3 million (second quarter ended 31 December 2005: RM333.9 million). There was no substantial disposal of plant and equipment during the quarter under review (2006: Nil) *(b) valuation*

There was no revaluation of property, plant and equipment for the period ended 31 December 2006.

11. Post balance sheet events

There were no material events after the period end that has not been reflected in the financial statements for the financial period ended 31 December 2006.

12. Changes in composition of the Group

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.

13. Contingent assets

As at the date of this report, the Group does not have any contingent assets.

14. Contingent liabilities

The Company is currently disputing certain expenses charged by a service provider as at 31 December 2006 amounting to approximately RM9.6 million. The Directors are confident that resolution of the dispute above would be favorable to the Company.

The Company's application to the government for the waiver of penalty on the late payment of withholding tax in respect of lease payments incurred prior to the financial year ended 30 June 2002 for certain aircraft of the Group, was turned down. The penalty amounting to RM1.03 million has been paid to the Inland Revenue Board and this matter has been considered resolved.

Thai AirAsia Co. Ltd ("TAA"), a jointly controlled entity of the Group, has stood as guarantors to several banks which have extended loans to the company's trainee pilots to undergo their professional pilot courses. The guarantee will expire either upon the trainee pilot earning a Commercial Pilot Licence and is assigned as a co-pilot, or when the trainee pilot settles his/her outstanding loan with the bank. In the event that TAA's guarantee is called upon by the bank, TAA will have recourse against the trainee pilot's personal guarantors to recover the amount paid to the bank.

15. Capital commitments outstanding not provided for in the interim financial report

Capital commitments for property, plant and equipment:

	Group and Company	
	31.12.06	30.06.06
	RM'000	RM'000
Contracted for	10,581,753	6,805,533
Authorised but not contracted for	72,014	99,928
	10,653,767	6,905,461

16. Material related party transactions

Details of the relationship and transactions between AirAsia and its related parties are as described below. The related party transactions described were carried out on the terms and conditions obtainable in transactions with unrelated parties unless otherwise stated.

Name of company	**Relationship**
Thai AirAsia	A jointly controlled entity of the Company
PT Indonesia AirAsia	An associate of the Company
Fly Asian Xpress Sdn Bhd ("FAX")	Common shareholders and directors

	Group	
	Half-Year ended 31 December 2006	Half Year ended 31 December 2005
	RM'000	RM'000
Thai AirAsia		
- Sublease rental income on aircrafts	15,757	6,890
- Lease rental income on aircrafts	9,575	9,868
- Maintenance and overhaul charges	14,285	8,671
PT Indonesia AirAsia		
- Sublease rental income on aircrafts	7,011	4,466
- Lease rental income on aircrafts	7,011	4,050
- Maintenance and overhaul charges	7,723	4,636
FAX (on full reimbursement basis)		
- Sublease rental income on aircrafts	2,808	-
- Maintenance and other charges	16,304	-

UNAUDITED NOTES TO THE ACCOUNTS – 31 DECEMBER 2006

17. Review of performance

The Group recorded revenue of RM400.7 million (2006:RM248.7 million) and profit before tax of RM93.3 million (2006: RM51.9 million-restated) respectively for the quarter under review. The corresponding quarter's profit before tax in the preceding quarter was restated due to the adoption of FRS 128 as explained in Note 2 (c) above.

The average fare for the quarter was higher by 19% at RM164 as compared to RM138 in the previous quarter due to peak travel season during the current quarter as compared to the immediate preceding quarter.

Included in other operating income is Foreign Exchange Gain of RM 22.7 mil attributable to the strengthening of the Ringgit against the US Dollar.

The domestic rationalization commenced on 1 August 2006 with no complications. This process has helped the Company to capture significant market growth and expanded its market share. As at December 2006, AirAsia garnered a 51% share of the domestic market and is the market leader in domestic Malaysian operations.

18. Variation of results against preceding quarter

The Group achieved a profit before tax of RM93.3 million for the quarter under review. This is an improvement of RM81.6 million compared to that of the immediately preceding quarter ended 30 September 2006. The higher revenue recorded in the quarter under review has helped reduce the impact of higher depreciation, amortization charge and finance costs attributed to the new Airbus A320 aircraft in our current fleet. The strengthening of Malaysian Ringgit has also contributed positively to the results. As of 31 December 2006, the AirAsia Group has already taken delivery of 15 new Airbus A320 aircraft in total.

19. Current year prospects

The Group will be adding more capacity over the next six (6) months; the capacity addition will be used to introduce several new destinations and increase frequency on existing routes. The domestic rationalization is proceeding smoothly and should aid market share expansion for the Group. Based on current forward booking trend, the underlying demand remains strong.

The induction of more Airbus A320 aircraft into our fleet has continued to contribute significant operating cost savings and higher reliability.

The Directors are positive in respect of the long term business outlook for the Group and expect profit growth for the full financial year ending 30 June 2007.

20. Income tax expense

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter Ended	Preceding Year Quarter Ended	Current Year Period Ended	Preceding Year Corresponding Period Ended
	31/12/06 RM'000	31/12/05 RM'000	31/12/06 RM'000	31/12/05 RM'000
Group				
Current tax	1,532	555	2,378	717
Deferred tax	(58,393)	-	(123,901)	-
	(56,861)	555	(121,523)	717

In the preparation of the financial statements in the previous periods, the Group and Company had considered the investment allowance as forming part of the tax base of the qualifying assets acquired. Deferred tax assets amounting to RM153.6 million in respect of unutilised investment allowances as at 30 June 2006 had not been recognised in the financial statements in accordance with the current accounting policy and approved accounting standards in Malaysia.

We have been advised that the investment allowance received by the Company does not form part of the tax base of the qualifying assets acquired and falls under the ambit of a tax credit. Following the advice above, the Group and Company has now recognised deferred tax arising from the investment allowance.

This change in the basis of calculation of deferred tax following this clarification has been treated as a prior year adjustment, the impact of which is detailed as follows:

a. Impact to preceding quarter 30 June 2006

In thousands of RM	**As previously stated**	**Deferred Tax Adjustment**	**As restated**
I. Balance Sheet			
Deferred Tax Liability	(38,529)	38,529	-
Deferred Tax Asset	-	115,060	115,060
As at 1 July 2006, restated	(38,529)	153,589	115,060

	Net Profit after FRS 128	**Deferred Tax Asset recognition**	**As restated**
II. Income Statement			
Net Profit for the period	77,912	153,589	231,501

UNAUDITED NOTES TO THE ACCOUNTS – 31 DECEMBER 2006

B. Impact to preceding quarter 30 September 2006

In thousands of RM	**Restated as at 1 July 2006**	**Previously stated**	**Deferred Tax Adjustment**	**As restated**
I. Balance Sheet				
Deferred Tax Liabilities	-	(5,264)	-	(5,264)
Deferred Tax Asset	115,060	-	70,772	185,832
As at 1 October 2006, restated	115,060	(5,264)	70,772	180,568

	Restated as at 1 July 2006	**Net Profit for Qtr 1**	**Deferred Tax Asset recognition**	**As restated**
Income Statement				
a. Net Profit for the period	231,501	*5,650	70,772	307,923

* Net Profit after Tax and MI

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

21. Unquoted investments and properties

There was no sale of unquoted investments or properties for the quarter under review and financial period to date.

22. Quoted investments

There was no purchase or disposal of quoted securities for the quarter under review and financial period to date.

23. Status of corporate proposals announced

The company entered into an Memorandum Of Understanding (“MOU”) with Fly Asian Xpress Sdn Bhd (“FAX”) on 05 January 2007 in respect of the licencing of the AIRASIA Brand for use in FAX budget long haul low cost air services as well as equity participation in FAX.

24. Borrowings and debt securities

	At 31 December 2006 RM'000	At 30 June 2006 RM'000
Current		
Secured	251,329	265,360
Non-current		
Secured	1,707,995	787,276

The term loans are for the purchase of new aircraft A320-200.

The maturity period of non-current borrowing is 12 years and below. The entire borrowings are denominated in US Dollar.

As at the balance sheet date, the weighted average effective interest rate of the borrowings is at 5.01% per annum (2006: 5.01% per annum).

These term loans are secured by the following:

(a) Assignment of rights under contract with Airbus over each aircraft

(b) Assignment of insurance of each aircraft

(c) Assignment of airframe and engine warranties of each aircraft

There are also some minor financial covenants given to a bank under the pre-delivery payment financing facility which was obtained by the Company on a clean basis.

25. Off balance sheet financial instruments

The fair value of derivative financial instruments is the present value of their future cash flows and is derived from the valuations, calculated by the Company's bankers.

(i) Forward Foreign Exchange swaps

Forward foreign exchange contracts protect the Group from movements in exchange rates by establishing the rate at which a foreign currency asset or liability will be settled. Exchange gains and losses arising on contracts entered into as hedges of anticipated future transactions are deferred until the date of such transaction, at which time they are included in the measurement of such transactions.

As at 26 February 2007, the Company has entered into several long dated par forward foreign exchange contracts for settlement at fixed Ringgit rates over a period of 12 years in in respect of a number of its aircraft purchase loans

(ii) Interest Rate Swaps

The Company entered into a capped, interest rate swap to hedge against fluctuations in the US-LIBOR on its USD2.0 billion term loans on its aircraft financing from 05 Dec 2005 to 01 Feb 2009. The effect of this transaction obliges it to pay fixed interest rate of between 4.71% and 4.85% instead of being subjected to the floating US LIBOR for the entire loan amount.

(iii) Fuel Hedging

As at 26 February 2007, the Group had taken forward hedge position covering a period up to 30 September 2007 to protect itself against movement in fuel prices higher than USD62.25 (WTI benchmark). In this regard, the Group has already hedged between 55% to 90% for the remaining months in the current financial year (ending 30 June 2007). The Group has also covered approximately 50% of our requirements for the first quarter of FY2008.

26. Material litigation

As at 26 February 2007, there was no material litigation against the Group.

27. Dividend

The Directors do not recommend any dividend for the quarter ended 31 December 2006.

28. Earnings per share

(a) 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.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Quarter Ended	**Preceding Year Corresponding Quarter Ended**	**Current Year Ended**	**Preceding Year Corresponding Year Ended**
	31/12/06	**31/12/05**	**31/12/06**	**31/12/05**
Net profit/(loss) for the financial period (RM'000)	150,124	51,324	226,558	60,066
Weighted average number of ordinary shares in issue for basic EPS ('000)	2,351,145	2,119,872	2,351,145	2,119,872
Adjusted for share options granted ('000)	18,368	29,987	18,368	29,987
Adjusted weighted average number of ordinary shares ('000)	2,369,513	2,149,859	2,369,513	2,149,859
Basic earnings per share (sen)	6.4	2.4	9.6	2.8
Diluted earnings per share (sen)	6.3	2.4	9.6	2.8

(b) 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.

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.

30. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Board on 28 February 2007.

By order of the Board

JASMINDAR KAUR a/p SARBAN SINGH

(MAICSA 7002687)
COMPANY SECRETARY
28 February 2007