BOARD OF DIRECTORS

from left to right

1. Dato' Mohamed Khadar bin Merican
2. Conor Mc Carthy
3. Dato' Kamarudin bin Meranun
4. Dato' Anthony Francis Fernandes

5. Dato' Pahamin Ab. Rajab
6. Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar
7. Dato' Leong Khee Seong
8. Fam Lee Ee
9. Datuk Alias bin Ali

DATO' PAHAMIN AB. RAJAB, Malaysian, aged 62, 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. 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' PAHAMIN AB. RAJAB

DATO' ANTHONY FRANCIS FERNANDES

DATO' ANTHONY FRANCIS FERNANDES (DATO' TONY FERNANDES), Malaysian, aged 44, was appointed Group Chief Executive Officer of the Company in December 2001. He is also a member of the Employee Share Option Scheme Committee of the Board and he also served earlier as member of the Audit Committee for the period from 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 and also in 2007. He was admitted as an Associate Member of the Association of Chartered Certified Accountants in 1991 and became a Fellow Member in 1996. In 2007, he was conferred yet another title, the Darjah Sultan Ahmad Shah Pahang (DSAP) which carries the title Dato' by the Pahang's KDYMM Sultan Haji Ahmad Shah ibni Almarhum Sultan Sir Abu Bakar Riayatuddin Al-Muadzam Shah as recognition of his services rendered to the betterment of the nation and community. He received the commendation of Prestige award from Macau Special Administrative Region in 2008 and is a member of the Institute of Chartered Accountants in England and Wales (ICAEW) which is the largest professional accountancy body in Europe.

DATO' ABDEL AZIZ @ ABDUL AZIZ BIN ABU BAKAR

DATO' KAMARUDIN BIN MERANUN, Malaysian, aged 47, 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 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.

DATO' ABDEL AZIZ @ ABDUL AZIZ BIN ABU BAKAR, Malaysian, aged 55, was appointed as Non-Executive Director of the Company on 20 April 2005. He is also 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

CONOR MC CARTHY, Irish, aged 46, 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.

DATO' LEONG KHEE SEONG

DATO' LEONG KHEE SEONG, Malaysian, aged 69, 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, Malaysian, aged 47, was appointed Independent Non-Executive Director of the Company on 8 October 2004. He is also a member of the Audit, Remuneration 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 60, was appointed Independent Non-Executive Director of the Company on 23 September 2005. He is also the Chairman of the Remuneration Committee and a member of the Audit 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 FIMA Corporation Berhad, CCM Duopharma Biotech Bhd. and Melati Ehsan Holdings Bhd.

FAM LEE EE

DATUK ALIAS BIN ALI

DATO' MOHAMED KHADAR BIN MERICAN, Malaysian, aged 52, 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 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 Rashid Hussein Berhad, RHB Capital Berhad, RHB Investment Bank Berhad (formerly known as RHB Sakura Merchant Bankers Berhad), RHB Investment Management Berhad and ASTRO All Asia Networks PLC.

DATO' MOHAMED KHADAR BIN MERICAN

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


DHARMADI


ASHOK KUMAR


LAU KIN CHOY


JOYCE LAI LIH YIN


MEGAT KAMARRUDDIN MEGAT SHAMSUDDIN


KATHLEEN TAN

SENIOR MANAGEMENT

ROZMAN OMAR

CAPTAIN CHIN NYOK SAN

SAIDULKHADRI HAMZAH

NASSER KASSIM

TAN HOCK SOON

CAPTAIN ADRIAN JENKINS

BO LINGAM

CAPTAIN WONG KAM WENG

AZHARI DAHLAN

DATO' TONY FERNANDES

Group Chief Executive Officer

Details of Dato' Tony Fernandes are disclosed in the Directors' Profile on page 47 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 48 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. 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.

DHARMADI

Chief Executive Officer, Indonesia

Dharmadi joined Indonesia AirAsia December 2007 as Chief Executive Officer. He received Bachelor Degree in Technical Engineering Education in Indonesia and a Master Management in an International Marketing Management from PPM Business School, Indonesia. Dharmadi has more than 32 Years working experience in Garuda Indonesia Airlines with several Managerial position such as Manager Flight Crew Training, Director of Training Center, Senior Vice President Procurement and Executive Vice President Operations. Prior to AirAsia, he was also serving as a Captain Pilot B747-400 Flight Crew in Asiana Airline, Korea from 2005-2007.

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 then moved on to join some other financial institutions before rejoining back to Arab-Malaysian Merchant Bank Berhad as General Manager, Corporate Finance from 1994 to 1996. Rozman later joined Innosabah Corporate Services Sdn. Bhd. as the Managing Director 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 and Regional Marketing Director of Warner Music Asia Pacific in Hong Kong for 3 years. Kathleen started her career in the advertising industry, and has gained a wealth of experience in brand marketing and strategy execution. She was the brainchild behind the success of the Guess label in Southeast Asia as well as Gucci, Coach and Fendi.

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. His team single handedly established Thai-AirAsia aircraft operating certificateand effectively reactivated Indonesia AirAsia's aircraft operating certificate and recommenced the business unit.

BO LINGAM

Regional Head, Operations

Bo Lingam has worked extensively in the publication and music industry 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 37 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 serves as Captain, Instructor, 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 over 14,000 flying hours.

LAU KIN CHOY
Regional Head, Information Technology

Lau Kin Choy has been Regional Head, 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, from 1998 to 2002. Lau was a finalist for Pikom's 2006 CIO Recognition Award.

JOYCE LAI LIH YIN
Regional Head, Communications

Joyce Lai Lih Yin is one of the company's pioneer team members. Joyce started out as Senior Manager, Media in December 2001. She was promoted to Chief Communications Officer before her appointment as Regional Director, Marketing and Communications in July 2004. Joyce was instrumental in building the AirAsia brand name in Malaysia and the region, and raising its international profile. Joyce also held other positions from 2005 - 2007, namely Regional Director, Corporate Culture & Service Quality and later Regional Director, AirAsia Academy. Prior to AirAsia, Joyce held key positions in music industry with renowned companies such as Warner Music Malaysia and BMG Music Malaysia from 1994 to 2001.

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 started his career in the aviation industry with Malaysia Airlines as Licensed Aircraft Engineer from 1981 to 1992, Aircraft Check Foreman from 1992 to 1994 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.

NASSER KASSIM

RegionalHead, 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 in-flight services. Nasser had 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.

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 andCommodity 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 29 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.

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, six Non-Executive Directors and two Executive Directors, details of whom are given on pages 46 to 51. 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 46 to 51. The Board requires that all Non-Executive Directors are independent in character and judgement.

During the period 1 July 2007 to 31 December 2007, the Board of Directors held a total of four (4) meetings and the details of Directors' attendances are set out below:

Name	No. of Meetings Attended
Dato' Pahamin Ab. Rajab	3
Dato' Anthony Francis Fernandes	4
Dato' Kamarudin bin Meranun	4
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	4
Conor Mc Carthy	4
Tan Sri Dato' (Dr.) R.V. Navaratnam *(retired on 22 November 2007)*	2
Dato' Leong Khee Seong	4
Fam Lee Ee	4
Datuk Alias bin Ali	4
Dato' Mohamed Khadar bin Merican *(appointed on 10 September 2007)*	2

Note: All attendances reflect the number of meetings attended during the Directors' 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 period ended 31 December 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 four Independent and Non-Executive Directors. During the financial period ended 31 December 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 three meetings and the details of Members' attendances are set out in the Audit Committee Report.

At all meetings the Group Regional Head of Finance and internal auditors 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 Regional Head of Finance, 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 three Non-Executive Directors, two 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.

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.

The **Employee Share Option Scheme ("ESOS") Committee** comprises of the Group Chief Executive Officer, the Deputy Group Chief Executive Officer, the Regional Head Finance 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 **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 period ended 31 December 2007.

Details of the Directors' remuneration are set out in the Audited Financial Statements on pages 96 & 97 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.

Any queries or concerns regarding the Group may be directed to the Investor Relations Department at 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 62 to 65 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 pages 66 to 67.

This statement is made in accordance with a resolution of the Board of Directors of AirAsia dated 10th April, 2008.

The Audit Committee ("the Committee") ensures the Group continues to apply high and appropriate standards of corporate governance. The Committee is pleased to report that the Company is in compliance with the revised Malaysian Code on Corporate Governance released by the Securities Commission on 1st October 2007. The Company complies with the key amendments in the following respects:

i) all Audit Committee members are non-executive directors;

ii) an existing internal audit function which reports directly to the Audit Committee;

iii) continuous disclosure of the internal audit function in the annual reports; and

iv) the Audit Committee meets with the internal and external auditors twice a year without the presence of management.

COMPOSITION OF THE COMMITTEE AND MEETINGS

During the period 1 July 2007 to 31 December, 2007, the Committee held a total of three (3) meetings. The members of the Committee together with their attendance are set out below:-

Name	Directorship	No. of Meetings Attended
Datuk Leong Khee Seong *(Chairman of the Committee)*	Independent Non-Executive Director	3
Fam Lee Ee	Independent Non-Executive Director	2
Dato' Anthony Francis Fernandes *(Appointed on 14 May 2007 and ceased as Committee Member on 10 September 2007)*	Executive Director	-
Datuk Alias Bin Ali	Independent Non-Executive Director	3
Dato' Mohamed Khadar Bin Merican *(Appointed on 10 September 2007)*	Independent Non-Executive Director	2

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

The 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. Membership

The Audit Committee shall comprise at least three non-executive directors appointed by the Board of Directors. All the members of the Audit Committee must be non-executive directors, with a majority of them being independent directors. All members of the Audit Committee shall be financially literate and at least one member shall:

(i) be a member of the Malaysian Institute of Accountants; or

(ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years of working experience and:-

- he must have passed the examinations specified in Part I of the 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; or

(iii) fulfils such other requirements as prescribed or approved by the Exchange.

The appointment terminates when a member ceases to be a Director. No alternate director can be appointed as a member of the Audit Committee.

Members of the Audit Committee shall elect an Independent Director on the Committee as Chairman.

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, the Board shall, within three months appoint such number of new members as may be required to make up the minimum of three members.

The terms of office and performance of the Audit Committee and each of its members shall be reviewed by the Board at least once every three years.

B. Roles and responsibility

- To consider the appointment of the external auditor, the audit fees, any questions of resignation or dismissal of the external auditor;

- To submit a copy of written representation or submission of external auditors' resignation to the Exchange;

- 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 provide a line of communication between the Board and the external auditors;

- To review the quarterly and year-end financial statements of the Group and Company, focusing particularly on:-

    - any change in accounting policies and practices;

    - significant adjustments arising from the audit;

    - litigation that could affect the results materially;

    - the going concern assumption; and

    - 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, in relation to the internal audit function:-

    - mandate the internal audit function to report directly to the Audit Committee;

    - review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary independence and authority to carry out its work, which should be performed professionally and with impartiality and proficiency;

    - review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;

    - review any appraisal or assessment of the performance of members of the internal audit function;

    - approve any appointment or termination of senior staff members of the internal audit function;

    - take cognisance of resignations of internal audit staff and provide the staff an opportunity to submit reasons for resigning; and

- ensure information pertaining to the internal audit function are disclosed in the annual reports of the Company.

- Review the adequacy and integrity of the Company's system of internal controls and management information systems, including systems to ensure compliance with applicable laws, regulations, rules, directives and guidelines;

- To consider any related party transactions within the Company or Group;

- To consider compliance with the Company's conflict of interest and insider trading policies;

- To consider the major findings of internal investigations and management's response;

- To consider any other matters as directed by the Board;

- To review the risk management framework of the Group and Company to ensure the existence of effective risk management policies to monitor and manage all financial and non-financial risks; and

- 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 Companies Act, 1965).

C. Authority and powers of the Audit Committee

In carrying out its duties, an 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 Group and Company's records, properties, personnel and other resources;

- have full and unrestricted access to any information regarding the Group and Company;

- have direct communication channels with the external auditors and person(s) carrying out the internal audit function;

- be able to obtain independent professional or other advice; and

- convene meetings with the external auditors, internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

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.

D. Meetings

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

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

c) 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.

d) The Chief Financial Officer and the Head of Internal Audit of the Group and Company shall normally attend the meetings to assist in the deliberations and resolution of matters raised. However, at least twice a year, the Audit Committee shall meet with the External Auditors without the presence of management.

e) 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.

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

g) 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.

The above terms of reference were revised and approved by the board of directors of AirAsia Berhad on 27th day of February, 2008.

SUMMARY OF ACTIVITIES

A summary of the activities performed by the Committee during the financial period ended 31 December 2007 is set out below.

Risk Management

- Reviewed the adequacy of the risk management system for identifying and managing the Group's risks. The Committee called for an update in the risk assessment of the Group in order that the Company's Risk Profile remains current and relevant.

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 ("PwC") 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 period ended 31 December 2007.

INTERNAL AUDIT FUNCTION AND RISK MANAGEMENT PROCESS

The Internal Audit Department (IAD) is an independent department that reports directly to the Committee.

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 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 Group has implemented a whistle blowing procedure to provide a channel for colleagues to raise concerns about financial reporting matters and in compliance with the Malaysian Code on Corporate Governance.

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 December 2008.

BOARD ACCOUNTABILITY

The Company aims to achieve the highest standards of professional conduct and ethics, to raise the bar on accountability and to govern itself in accordance to the relevant regulations and laws. To achieve long term shareholder value through responsible and sustainable growth, the Company has established and maintains an internal control environment that incorporates various control mechanisms at different levels throughout the Company. The Board of Directors is responsible for reviewing the effectiveness of these control mechanisms. 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. Effective risk management is particularly challenging as the Company operates in a rapidly changing environment. The process of risk management is ongoing with plans to broaden coverage to the rest of the Group's associates.

The Board relies significantly on the Company's internal auditors to carry out audits of the various operating units based on a risk-based audit plan approved each year by the Audit Committee.

BUSINESS CONTINUITY MANAGEMENT

Business continuity management is regarded an integral part of the Group's risk management process. The Group continues to cooperate 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 defined 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 Audit Committee also reviews and considers matters relating to internal controls as highlighted by the external auditors in the course of their statutory audit of the Company's financial statements.
- The formal documentation of internal procedures and processes in Standard Operating Procedures is ongoing. This would be critical to ensure compliance with internal controls and relevant laws and regulations. Key policies such as approval limits and treasury manual are tabled to the Audit Committee for review.
- 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 Company has implemented a formal performance appraisal system for all levels of employees.

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.

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 six months period ended 31 December, 2007.

2. SHARE BUY-BACK

The Company does not have a scheme to buy-back its own shares.

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES EXERCISED

The Company did not issue any warrants or convertible securities during the six months period ended 31 December, 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 119 to 121 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 six months period ended 31 December, 2007.

5. 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 six months period ended 31 December, 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 six months period ended 31 December, 2007 are as follows:-

	RM'000
PricewaterhouseCoopers, Malaysia	19

7. VARIATION IN RESULTS

There were no profit estimations, forecasts or projections made or released by the Company during the six months period ended 31 December, 2007.

8. PROFIT GUARANTEE

During the six months period ended 31 December, 2007, the Group and the Company did not give any profit guarantee.

9. MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS'

There were no material contracts entered into by the Company and its subsidiaries involving directors and major shareholders' interests still subsisting at the six months period ended 31 December, 2007.

FINANCIAL STATEMENTS

The Directors are pleased to submit their annual report to the members together with the audited financial statements of the Group and Company for the 6 months financial period ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of providing air transportation services. The principal activities of the subsidiaries are described in Note 12 to the financial statements. There was no significant change in the nature of these activities during the financial period.

CHANGE IN REPORTING PERIOD

The financial year end of the Company was changed from 30 June to 31 December. Hence, this set of statutory financial statements is for the financial period from 1 July 2007 to 31 December 2007.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the financial period attributable to:		
- equity holders of the Company	425,700	424,367
- minority interests	-	-
Net profit for the financial period	425,700	424,367

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

The Directors do not recommend the payment of any dividend for the financial period ended 31 December 2007.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial period are shown in the financial statements.

ISSUANCE OF SHARES

During the financial period, the Company increased its issued and paid-up ordinary share capital from RM236,076,708 to RM 237,154,158 by way of issuance of 10,774,500 ordinary shares of RM0.10 each pursuant to the exercise of the Employee Share Option Scheme ("ESOS") at the exercise price of RM1.08 per share. The premium arising from the exercise of ESOS of RM10,559,010 has been credited to the Share Premium account.

The new ordinary shares issued during the financial period ranked pari passu in all respects with the existing ordinary shares of the Company. There were no other changes in the issued and paid-up capital of the Company during the financial period.

EMPLOYEE SHARE OPTION SCHEME ("ESOS")

The Company implemented the ESOS on 1 September 2004. The ESOS is governed by the by-laws which were approved by the shareholders on 7 June 2004 and is effective for a period of 5 years from the date of approval.

Details of the ESOS are set out in Note 28 to the financial statements.

The Company has been granted an exemption by the Companies Commission of Malaysia, the information of which has been separately filed, from having to disclose the list of option holders and their holdings, except for eligible employees (inclusive of Executive Directors) with share options allocation of 350,000 and above. The employees who have been granted options of more than 350,000 shares are Dato' Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun, details of which are disclosed in the section on Directors' Interests in Shares below.

DIRECTORS

The Directors who have held office during the period since the date of the last report are as follows:

Dato' Pahamin Ab. Rajab
Dato' Anthony Francis Fernandes
Dato' Kamarudin Bin Meranun
Conor Mc Carthy
Dato' Leong Khee Seong
Fam Lee Ee
Datuk Alias Bin Ali
Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar
Dato' Mohamed Khadar Bin Merican
Tan Sri Dato' (Dr) R.V. Navaratnam (Retired on 22 November 2007)

DIRECTORS' BENEFITS

During and at the end of the financial period, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than the Company's Employee Share Option Scheme (see Note 5 to the financial statements).

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the Directors' remuneration disclosed in Note 5 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in Note 23 to the financial statements.

DIRECTORS' INTERESTS IN SHARES

According to the register of Directors' shareholdings, particulars of interests of Directors who held office at the end of the financial period in shares and options over shares in the Company and its related corporations are as follows:

	Number of ordinary shares of RM0.10 each			
	At 1.7.2007	Acquired	Disposed	At 31.12.2007
The Company				
Direct interests				
Dato' Pahamin Ab. Rajab	2,990,875	-	-	2,990,875
Dato' Anthony Francis Fernandes	2,627,010	-	-	2,627,010
Dato' Kamarudin Bin Meranun	100,000	1,592,900	-	1,692,900
Conor Mc Carthy	30,761,403	-	(2,000,000)	28,761,403
Dato' Leong Khee Seong	100,000	-	-	100,000
Fam Lee Ee	200,000	-	-	200,000
Indirect interests				
Dato' Anthony Francis Fernandes *	769,458,382	-	(40,000,000)	729,458,382
Dato' Kamarudin Bin Meranun *	769,458,382	-	(40,000,000)	729,458,382

* By virtue of their interests in shares in the substantial shareholder of the Company, Tune Air Sdn. Bhd. ("TASB"), Dato' Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun are deemed to have interests in the Company to the extent of TASB's interest in accordance with Section 6A of the Companies Act, 1965.

	Number of options over ordinary shares of RM0.10 each			
	At 1.7.2007	Granted	Exercised	At 31.12.2007
The Company				
Dato' Anthony Francis Fernandes	600,000	-	-	600,000
Dato' Kamarudin Bin Meranun	600,000	-	-	600,000

Other than as disclosed above, according to the register of Directors' shareholdings, none of the other Directors in office at the end of the financial period held any interest in shares, options over shares and debentures in the Company and its related corporations during the financial period.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statements and balance sheets were made out, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and Company had been written down to an amount which they might be expected so to realise.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONT'D)

At the date of this report, the Directors are not aware of any circumstances:

(a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and Company misleading or inappropriate.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial period which, in the opinion of the Directors, will or may affect the ability of the Group or Company to meet their obligations as and when they fall due.

At the date of this report, there does not exist:

(a) any charge on the assets of the Group and Company which has arisen since the end of the financial period which secures the liability of any other person; or

(b) any contingent liability of the Group and Company which has arisen since the end of the financial period.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

(a) the results of the Group's and Company's operations during the financial period were not substantially affected by any item, transaction or event of a material and unusual nature; and

(b) there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and Company for the financial period in which this report is made.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

In accordance with a resolution of the Board of Directors dated 30 April 2008.

DATO' ANTHONY FRANCIS FERNANDES
DIRECTOR

DATO' KAMARUDIN BIN MERANUN
DIRECTOR

INCOME STATEMENTS

FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2007

		Group		Company	
	Note	6 months financial period ended 31.12.2007 RM'000	Financial year ended 30.6.2007 RM'000	6 months financial period ended 31.12.2007 RM'000	Financial year ended 30.6.2007 RM'000
Revenue	4	1,094,377	1,603,261	1,091,346	1,593,978
Operating expenses					
- Staff costs	5	(111,682)	(183,422)	(110,969)	(182,109)
- Depreciation	11	(120,031)	(161,073)	(120,031)	(161,032)
- Aircraft fuel expenses		(443,831)	(699,640)	(443,831)	(699,640)
- Maintenance, overhaul, user charges and other related expenses		(148,641)	(271,684)	(148,119)	(268,687)
- Other operating expenses	6	(73,403)	(112,208)	(72,902)	(111,152)
Other income	7	11,393	86,565	11,355	86,442
Operating profit		208,182	261,799	206,849	257,800
Finance income	8	148,251	108,521	148,251	108,521
Finance costs	8	(79,718)	(88,361)	(79,718)	(88,361)
Share of results of associates		-	(3,910)	-	-
Profit before taxation		276,715	278,049	275,382	277,960
Taxation					
- Current taxation	9	(1,504)	(5,118)	(1,504)	(5,014)
- Deferred taxation	9	150,489	225,126	150,489	225,126
		148,985	220,008	148,985	220,112
Net profit for the financial period/year		425,700	498,057	424,367	498,072
Attributable to:					
- equity holders of the Company		425,700	498,045	424,367	498,072
- minority interests		-	12	-	-
Net profit for the financial period/year		425,700	498,057	424,367	498,072
Earnings per share (sen)					
- Basic	10	18.1	21.2		
- Diluted	10	17.9	21.0		

The notes on pages 81 to 130 form part of these financial statements.

BALANCE SHEETS

AS AT 31 DECEMBER 2007

	Note	Group 31.12.2007 RM'000	Group 30.6.2007 RM'000	Company 31.12.2007 RM'000	Company 30.6.2007 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	11	4,352,770	2,959,817	4,351,906	2,958,953
Investment in subsidiaries	12	-	-	22,194	22,194
Investment in a jointly controlled entity	13	-	-	-	-
Investment in associates	14	29	29	29	29
Other investments	15	26,728	67	26,728	67
Goodwill	16	8,738	8,738	-	-
Deferred tax assets	17	479,705	329,216	479,705	329,216
Receivables and prepayments	18	65,405	46,484	65,405	46,484
		4,933,375	3,344,351	4,945,967	3,356,943
CURRENT ASSETS					
Inventories	19	17,567	9,512	17,019	8,962
Other investments	15	30,892	34,136	30,892	34,136
Receivables and prepayments	18	539,201	308,950	537,212	308,027
Deposits on aircraft purchase		318,251	317,296	318,251	317,296
Amounts due from subsidiaries	20	-	-	99,725	14,871
Amount due from a jointly controlled entity	21	95,622	92,182	-	81,221
Amounts due from associates	22	88,168	77,432	88,168	77,432
Deposits, cash and bank balances	23	425,195	595,243	421,090	591,138
		1,514,896	1,434,751	1,512,357	1,433,083
LESS: CURRENT LIABILITIES					
Trade and other payables	24	620,881	557,796	610,834	546,171
Amounts due to subsidiaries	25	-	-	11,369	12,485
Amount due to a jointly controlled entity	21	21,337	-	21,337	-
Amounts due from associates	22	3,761	-	3,761	-
Hire-purchase payables	26	77	77	77	77
Borrowings (secured)	27	278,550	251,097	278,550	251,097
Current tax liabilities		5,178	4,575	5,178	4,575
		929,784	813,545	931,106	814,405
NET CURRENT ASSETS		585,112	621,206	581,251	618,678

The notes on pages 81 to 130 form part of these financial statements.

	Note	Group 31.12.2007 RM'000	Group 30.6.2007 RM'000	Company 31.12.2007 RM'000	Company 30.6.2007 RM'000
NON-CURRENT LIABILITIES					
Hire-purchase payables	26	149	188	149	188
Borrowings (secured)	27	3,419,121	2,303,488	3,419,121	2,303,488
		3,419,270	2,303,676	3,419,270	2,303,676
		2,099,217	1,661,881	2,107,948	1,671,945
CAPITAL AND RESERVES					
Share capital	28	237,154	236,077	237,154	236,077
Share premium		732,737	722,178	732,737	722,178
Foreign exchange reserve		592	592	-	-
Retained earnings	29	1,128,734	702,995	1,138,057	713,690
Shareholders' equity		2,099,217	1,661,842	2,107,948	1,671,945
Minority interests		-	39	-	-
		2,099,217	1,661,881	2,107,948	1,671,945

The notes on pages 81 to 130 form part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2007

		Attributable to equity holders of the Company							
		Issued and fully paid ordinary shares of RM0.10 each							
	Note	Number of shares '000	Nominal value RM'000	Share premium RM'000	Foreign exchange reserve RM'000	Retained earnings RM'000	Total RM'000	Minority interests RM'000	Total equity RM'000
Group									
At 1 July 2006		2,346,487	234,649	708,185	592	204,950	1,148,376	27	1,148,403
Net profit for the financial year		-	-	-	-	498,045	498,045	12	498,057
Issuance of ordinary shares - pursuant to the Employees' Share Option Scheme ('ESOS')	28	14,279	1,428	13,993	-	-	15,421	-	15,421
At 30 June 2007		2,360,766	236,077	722,178	592	702,995	1,661,842	39	1,661,881
Net profit for the financial period		-	-	-	-	425,700	425,700	-	425,700
Acquisition of additional investment in a subsidiary		-	-	-	-	39	39	(39)	-
Issuance of ordinary shares - pursuant to the Employees' Share Option Scheme ('ESOS')	28	10,775	1,077	10,559	-	-	11,636	-	11,636
At 31 December 2007		2,371,541	237,154	732,737	592	1,128,734	2,099,217	-	2,099,217

The notes on pages 81 to 130 form part of these financial statements.

	Note	Issued and fully paid ordinary shares of RM0.10 each Number of shares '000	Nominal value RM'000	Non-distributable Share premium RM'000	Distributable Retained earnings RM'000	Total RM'000
Company						
At 1 July 2006		2,346,487	234,649	708,185	215,618	1,158,452
Net profit for the financial year		-	-	-	498,072	498,072
Issuance of shares						
- pursuant to the Employees' Share Option Scheme ('ESOS')	28	14,279	1,428	13,993	-	15,421
At 30 June 2007		2,360,766	236,077	722,178	713,690	1,671,945
Net profit for the financial period		-	-	-	424,367	424,367
Issuance of shares						
- pursuant to the Employees' Share Option Scheme ('ESOS')	28	10,775	1,077	10,559	-	11,636
At 31 December 2007		2,371,541	237,154	732,737	1,138,057	2,107,948

The notes on pages 81 to 130 form part of these financial statements.

CASH FLOW STATEMENTS

FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2007

	Group		Company	
	6 months financial period ended 31.12.2007 RM'000	Financial year ended 30.6.2007 RM'000	6 months financial period ended 31.12.2007 RM'000	Financial year ended 30.6.2007 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	276,715	278,049	275,382	277,960
Adjustments:				
Share of results of associates	-	3,910	-	-
Property, plant and equipment				
- Depreciation	129,761	175,366	129,761	175,325
- Write off	476	-	476	-
- Loss on disposals	5	299	5	299
Amortisation of long term prepayments	4,628	3,115	4,628	3,115
Amortisation of other investments	6	11	6	11
(Reversal of)/allowance for doubtful debts	(2,467)	2,952	(2,467)	2,952
Unrealised foreign exchange gain	(108,340)	(61,882)	(108,340)	(61,882)
Interest expense	88,292	104,038	88,292	104,038
Interest income	(13,820)	(27,012)	(13,820)	(27,012)
	375,256	478,846	373,923	474,806
Changes in working capital:				
Inventories	(8,055)	1,066	(8,057)	906
Receivables and prepayments	(218,409)	(35,064)	(217,343)	(34,877)
Trade and other payables	140,630	228,260	142,208	220,043
Intercompany balances	10,922	(18,922)	9,613	(11,117)
Cash generated from operations	300,344	654,186	300,344	649,761
Interest paid	(57,497)	(84,240)	(57,497)	(84,240)
Interest received	13,820	27,012	13,820	27,012
Tax paid	(901)	(1,838)	(901)	(1,734)
Net cash from operating activities	255,766	595,120	255,766	590,799

The notes on pages 81 to 130 form part of these financial statements.

	Note	Group 6 months financial period ended 31.12.2007 RM'000	Group Financial year ended 30.6.2007 RM'000	Company 6 months financial period ended 31.12.2007 RM'000	Company Financial year ended 30.6.2007 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Property, plant and equipment					
- Additions		(1,532,571)	(1,878,510)	(1,532,571)	(1,878,503)
- Proceeds from disposals		1	5,021	1	5,021
Deposit on aircraft purchase		(955)	(48,662)	(955)	(48,662)
Long term prepayments		(23,549)	(13,211)	(23,549)	(13,211)
Additional other investments		(23,423)	(3,440)	(23,423)	(3,440)
Additional investment in a subsidiary		-	-	-	(100)
Additional investment in an associate		-	(3,910)	-	-
Net cash used in investing activities		(1,580,497)	(1,942,712)	(1,580,497)	(1,938,895)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from allotment of shares		11,636	15,421	11,636	15,421
Hire-purchase instalments paid		(39)	(176)	(39)	(133)
Proceeds from borrowings	28	1,273,434	1,803,306	1,273,434	1,803,306
Repayment of borrowings		(130,348)	(301,357)	(130,348)	(301,357)
Deposits pledged as securities	23	(14,082)	(8,162)	(14,082)	(8,162)
Net cash from financing activities		1,140,601	1,509,032	1,140,601	1,509,075
NET (DECREASE)/INCREASE FOR THE FINANCIAL PERIOD		(184,130)	161,440	(184,130)	160,979
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD		574,347	412,907	570,242	409,263
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	23	390,217	574,347	386,112	570,242

The notes on pages 81 to 130 form part of these financial statements.

1 GENERAL INFORMATION

The principal activity of the Company is that of providing air transportation services. The principal activities of the subsidiaries are described in Note 12 to the financial statements. There was no significant change in the nature of these activities during the financial period.

The address of the registered office of the Company is as follows:

25-5, Block H
Jalan PJU1/37, Dataran Prima
47301 Petaling Jaya
Selangor Darul Ehsan

The address of the principal place of business of the Company is as follows:

LCC Terminal
Jalan KLIA S3
Southern Support Zone
KL International Airport
64000 Sepang
Selangor Darul Ehsan

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements:

(a) Basis of preparation of the financial statements

The financial statements of the Group and the Company have been prepared in accordance with Financial Reporting Standards ('FRSs'), the Malaysian Accounting Standards Board ('MASB') approved accounting standards in Malaysia for Entities Other Than Private Entities and comply with the provisions of the Companies Act, 1965.

During the financial period, the Group and the Company have adopted new and revised FRSs which are mandatory for the financial period beginning on or after 1 July 2007 as described in Note 2(a)(i) below.

The financial statements of the Group and Company have been prepared under the historical cost convention except as disclosed in the Significant Accounting Policies below.

The presentation of the Income Statement has been changed during the financial period as the Directors are of the opinion that this better reflects the operations of the Group and Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation of the financial statements (Cont'd)

The preparation of financial statements in conformity with FRSs, the MASB approved accounting standards in Malaysia for Entities Other Than Private Entities, requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported financial period. It also requires Directors to exercise their judgement in the process of applying the Group's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group's and the Company's financial statements are disclosed in Note 3 to the financial statements.

(i) Standards, amendments to published standards and Interpretations Committee ("IC") interpretations to existing standards that are applicable and are effective

The following standards are effective for the Group and Company's financial period beginning 1 July 2007:

- FRS 107 Cash Flows Statements
- FRS 118 Revenue
- FRS 124 Related Party Disclosures
- FRS 134 Interim Financial Reporting
- FRS 137 Provisions, Contingent Liabilities and Contingent Assets
- Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates
- IC Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities

The Company early adopted FRS 112 "Income Taxes" in the previous financial year.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards, amendments to the published standards and IC interpretations to existing standards. All standards, amendments to published standards and interpretations to existing standards adopted by the Group and Company require retrospective application.

The new accounting standards and amendments to published standards do not have a significant impact to the Group and Company's financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation of the financial statements (Cont'd)

(ii) Standards, amendments to published standards and interpretations to existing standards that are effective but not relevant

The following standards, amendments to published standards and interpretations to existing standards are mandatory for accounting periods beginning on or after 1 July 2007 but are not relevant for the Group's operations:

- FRS 6 Exploration for and Evaluation of Mineral Resources
- FRS 111 Construction Contracts
- FRS 117 Leases
- Amendments to FRS 119_{2004} Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures
- FRS 120 Accounting for Government Grants and Disclosure of Government Assistance
- IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments
- IC Interpretation 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IC Interpretation 6 Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
- IC Interpretation 7 Applying the Restatement Approach under FRS 129_{2004} Financial Reporting in Hyperinflationary Economies
- IC Interpretation 8 Scope of FRS 2

(iii) Standards, amendments to published standards and IC interpretations to existing standards that are not yet effective and have not been early adopted

FRS 139 Financial Instruments: Recognition and Measurement (effective date yet to be determined by Malaysian Accounting Standards Board). This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The Group has applied the transitional provision in FRS 139 which exempt entities from disclosing the possible impact arising from the initial application of this standard on the financial statements of the Group. The Group will apply this standard when effective.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Group accounting

(i) Subsidiaries

Subsidiaries are those corporations or other entities (including special purpose entities) in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated using the purchase method of accounting. Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are excluded from consolidation from the date that control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement (see Note 2(c) on goodwill).

Minority interests represent that portion of the profit or loss and net assets of subsidiaries attributable to equity interest that are not owned, directly or indirectly through the subsidiaries by the parent. It is measured at the minorities' share of the fair values of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in subsidiaries' equity since that date. Separate disclosure is made of minority interests.

Intragroup transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

The gain or loss on disposal of a subsidiary is the difference between the net disposal proceeds and the Group's share of the subsidiary's net assets as of the date of disposal, including the cumulative amount of any exchange differences that relate to that subsidiary which were previously recognised in equity, and is recognised in the consolidated income statement.

(ii) Jointly controlled entities

Jointly controlled entities are corporations, partnerships or other entities over which there is contractually agreed sharing of control by the Group with one or more parties where the strategic financial and operation decisions relating to the entity requires unanimous consent of the parties sharing control.

The Group's interest in jointly controlled entities is accounted for in the consolidated financial statements using the equity method of accounting as described in Note 2(b)(iii).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Group accounting (Cont'd)

(ii) Jointly controlled entities (Cont'd)

The Group's share of its jointly controlled entities post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised within reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investments. When the Group's share of losses in jointly controlled entities equals or exceeds its interest in the jointly controlled entities, including any other unsecured receivables, the Group's interest is reduced to nil and recognition of further loss is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entities.

The Group recognises the portion of gains or losses on the sale of assets by the Group to the jointly controlled entities that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the jointly controlled entities that result from the purchase of assets by the Group from the jointly controlled entities until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

(iii) Associates

Associates are corporations, partnerships or other entities in which the Group exercises significant influence but which it does not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Equity accounting is discontinued when the Group ceases to have significant influence over the associates. The Group's investments in associates includes goodwill identified on acquisition, net of any accumulated impairment loss (see Note 2(c)).

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised within reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investments. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group's interest is reduced to nil and recognition of further loss is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The results of associates are taken from the most recent financial statements of the associates concerned, made up to dates not more than three months prior to the end of the financial period of the Group.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, in applying the equity method, appropriate adjustments are made to the financial statements of the associates to ensure consistency of accounting policies with those of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries over the Group's share of the fair value of the identifiable net assets including contingent liabilities of subsidiaries at the date of acquisition.

Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested for impairment at least annually, or when events or circumstances occur indicating that an impairment may exist. Impairment of goodwill is charged to the consolidated income statement as and when it arises. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity disposed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each cash-generating unit or a group of cash-generating units represents the lowest level within the Group at which goodwill is monitored for internal management purposes and which are expected to benefit from the synergies of the combination.

Goodwill on acquisition of jointly controlled entities and associates is included in the investments in jointly controlled entities and associates respectively. Such goodwill is tested for impairment as part of the overall investment amount.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated using the straight-line method to write-off the cost of the assets to their residual values over their estimated useful lives. The useful lives for this purpose are:

Aircraft	
- engines	7 – 25 years
- airframe	7 – 25 years
- service potential	7 – 13 years
Aircraft spares	10 years
Aircraft fixtures and fittings	Useful life or, remaining lease term of aircrafts, whichever is shorter
Buildings	25 – 50 years
Motor vehicles	5 years
Office equipment, furniture and fittings	5 years
Office renovation	5 years
Simulator equipment	25 years
Operating plant and ground equipment	5 years
Kitchen equipment	5 years

Residual values, where applicable, are reviewed annually against prevailing market rates at the balance sheet date for equivalent aged assets and depreciation rates are adjusted accordingly on a prospective basis. The estimated residual value for aircraft airframes and engines is 10% of their cost.

Assets not yet in operation are stated at cost and are not depreciated until the assets are ready for their intended use.

An element of the cost of an acquired aircraft is attributed on acquisition to its service potential reflecting the maintenance condition of its engines and airframe. This cost, which can equate to a substantial element of the total aircraft cost, is amortised over the shorter of the period to the next checks or the remaining life of the aircraft.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Property, plant and equipment (Cont'd)

The cost of subsequent major airframe and engine maintenance checks as well as upgrades to leased assets are capitalised and amortised over the shorter of the period to the next check or the remaining life of the aircraft.

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such an indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2(f) on impairment of assets.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in profit/(loss) from operations.

Advance payments and option payments made in respect of aircraft purchase commitments and options to acquire aircraft where the balance is expected to be funded by mortgage financing are recorded at cost. On acquisition of the related aircraft, these payments are included as part of the cost of aircraft and are depreciated from that date. Where the balance of payment is expected to be funded by lease financing, the advance payments are classified as deposits.

(e) Investments

Investments in subsidiaries, jointly controlled entities and associates are stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount (see Note 2(f)).

Investments in other non-current investments are shown at cost and an allowance for diminution in value is made, where in the opinion of the Directors, there is a decline other than temporary in the value of such investments. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the period in which the decline is identified.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged/credited to the income statement.

(f) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually, or as and when events or circumstances occur indicating that an impairment may exist. Property, plant and equipment and other non-current assets, including intangible assets with definite useful life, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal at each reporting date.

Any impairment loss arising is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Maintenance and overhaul

Owned aircraft

The accounting for the cost of providing major airframe and certain engine maintenance checks for own aircraft is described in the accounting policy for property, plant and equipment.

Leased aircraft

Where the Company has a commitment to maintain aircraft held under operating leases, provision is made during the lease term for the rectification obligations contained within the lease agreements. The provisions are based on estimated future costs of major airframe, certain engine maintenance checks and one-off costs incurred at the end of the lease by making appropriate charges to the income statement calculated by reference to the number of hours or cycles operated during the financial period.

(h) Leases

Finance leases

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases.

Finance leases are capitalised at the estimated present value of the underlying lease payments at the date of inception. Each lease payment is allocated between the liability and finance charges so as to achieve a periodic constant rate of interest on the balance outstanding. The corresponding rental obligations, net of finance charges, are included in payables. The interest element of the finance charge is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance lease contracts are depreciated over the estimated useful life of the asset, in accordance with the annual rates stated in Note 2(d) above. Where there is no reasonable certainty that the ownership will be transferred to the Group, the asset is depreciated over the shorter of the lease term and its useful life.

Operating leases

Leases of assets where significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to the income statement on a straight-line basis over the lease period.

Assets leased out by the Company under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight line basis over the lease term. The rental income from leased aircraft are included as part of depreciation charges and finance cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Inventories

Inventories comprising spares and consumables used internally for repairs and maintenance are stated at the lower of cost and net realisable value.

Cost is determined on the weighted average basis, and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price in the ordinary course of business, less all estimated costs to completion and applicable variable selling expenses. In arriving at net realisable value, due allowance is made for all damaged, obsolete and slow-moving items.

(j) Receivables

Receivables are carried at invoiced amount less an allowance for doubtful debts based on general and specific review of all outstanding amounts at the financial period end. Bad debts are written off during the financial period in which they are identified.

(k) Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents comprise cash on hand, bank balances, demand deposits, bank overdrafts and other short term, highly liquid investments with original maturities of three months or less. Deposits held as pledged securities for term loans granted are not included as cash and cash equivalents.

(l) Share capital

(i) Classification

Ordinary shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

(ii) Share issue costs

Incremental external costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(iii) Dividends to shareholders of the Company

Dividends are recognised as a liability in the period in which they are declared.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Borrowings

Borrowings are initially recognised based on the proceeds received, net of transaction costs incurred. The finance costs which represent the difference between the net proceeds and the total amount of the payments of these borrowings are allocated to periods over the term of the borrowings at a constant rate on the carrying amount and are charged to the income statement.

Interest, dividends, losses and gains relating to a financial instrument, or a component part, classified as a liability is reported within finance cost in the income statement.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

(n) Income taxes

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits, including withholding taxes payable by foreign subsidiaries, jointly controlled entities or associates on distributions of retained earnings to companies.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

Deferred tax assets are recognised for the carryforward of unused tax losses and tax credits (including investment tax allowances) to the extent that it is probable that taxable profits will be available against which the unutilised tax losses and unused tax credits can be utilised.

Deferred tax is recognised on temporary differences arising on investments in subsidiaries, jointly controlled entities and associates except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group's share of income taxes of jointly controlled entities and associates are included in the Group's share of results of jointly controlled entities and associates.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

(o) Employee benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by the employees of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Employee benefits (Cont'd)

(ii) Defined contribution plan

The Group's contributions to the Employees' Provident Fund are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Share based payments

FRS 2 – Share-based Payment requires recognition of share-based payment transactions including the value of share options in the financial statements. There was no financial impact following the prospective application of FRS 2 with effect from 1 July 2006 as all the share options of the Company were fully vested as at 1 July 2006.

(p) Revenue recognition

Scheduled passenger flight and chartered flight income are recognised upon the rendering of transportation services and where applicable, are stated net of discounts. The value of seats sold for which services have not been rendered is included in current liabilities as sales in advance.

Revenue includes only the gross inflows of economic benefits received and receivable by the Company. Revenue includes fuel surcharge, insurance surcharge and administrative fees. Cargo, freight and other related revenue are recognised upon the completion of services rendered and where applicable, are stated net of discounts.

Amounts collected on behalf of governments or other regulatory bodies are excluded from revenue.

Interest and rental income are recognised on an accruals basis.

(q) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Foreign currencies (Cont'd)

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is disposed of or sold, such exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on disposal.

(r) Contingent liabilities

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably.

In the acquisition of subsidiaries by the Group under a business combination, the contingent liabilities assumed are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The Group recognises separately the contingent liabilities of the acquirees as part of allocating the cost of a business combination where their fair values can be measured reliably. Where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisitions.

Subsequent to the initial recognition, the Group measures the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provisions of FRS 137 'Provisions, Contingent Liabilities and Contingent Assets' and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with FRS 118 'Revenue'.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Financial instruments

(i) Description

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

(ii) Financial instruments recognised on the balance sheet

The particular recognition and measurement method for financial instruments recognised on the balance sheet is disclosed in the individual accounting policy note associated with each item.

(iii) Financial instruments not recognised on the balance sheet

The Group is a party to financial instruments that comprise fuel option contracts, foreign currency forward contracts and interest rate swap contracts.

These instruments are not recognised in the financial statements on inception.

Fuel option contracts

The Group is a party to contracts to protect the Group from volatile movements in fuel prices. Gains and losses arising from fuel options contracts are recognised in the income statement only upon delivery of fuel.

Foreign currency forward contracts

The Group enters into foreign currency forward contracts to 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 on such contracts are recognised in the income statement when settled.

Interest rate swap contracts

The Group enters into interest rate swap contracts to protect the Group from any differential to be paid or received on an interest rate swap contract, which is recognised as a component of interest income or expense over the period of the contract. Gains and losses on early termination of interest rate swaps or on repayment of the borrowing are taken to the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Financial instruments (Cont'd)

(iv) Fair value estimation for disclosure purposes

The fair value of publicly traded derivatives and securities is based on quoted market prices at the balance sheet date. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of foreign exchange forward and fuel option contracts is determined using forward exchange market rates at the balance sheet date.

In assessing the fair value of other derivatives and financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. In particular, the fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

The face values, less any estimated credit adjustments, for financial assets and liabilities with a maturity period of less than one year are assumed to approximate their fair values.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have a material impact to the Group's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are mentioned below.

(i) Estimated useful lives and residual values of property, plant and equipment

The Group reviews annually the estimated useful lives and residual values of property, plant and equipment based on factors such as business plan and strategies, expected level of usage, future technological developments and market prices.

Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives and residual values of property, plant and equipment in particular the residual value of aircraft frames and engines, would increase the recorded depreciation and decrease the property, plant and equipment.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONT'D)

(ii) Taxation

(a) Income taxes

The Group is subject to income tax in numerous jurisdictions. Judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for tax matters based on estimates of whether additional taxes will be due. If the final outcome of these tax matters result in a difference in the amounts initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made.

(b) Deferred tax assets

Deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. This involves judgement regarding future financial performance of a particular entity in which the deferred tax asset has been recognised.

(iii) Recoverability of intercompany balances

The Group has investments in Thai AirAsia Co. Ltd and PT Indonesia AirAsia, both of which provide air transportation services. As at the balance sheet date, the amounts owing by these related parties amount to RM74.3 million (30.6.2007: RM92.2 million) and RM81.6 million (30.6.2007: RM71.0 million) respectively. No allowances for doubtful debts have been made for these balances as the Directors are of the view that these related parties would have sufficient future funds to repay these debts, based on the projected cash flows of these entities over the next 5 years.

4 REVENUE

	Group		Company	
	6 months financial period ended 31.12.2007 RM'000	Financial year ended 30.6.2007 RM'000	6 months financial period ended 31.12.2007 RM'000	Financial year ended 30.6.2007 RM'000
Passenger seat sales	689,689	1,020,036	689,689	1,020,036
Chartered flight income	84	4,869	84	4,869
Other revenue	404,604	578,356	401,573	569,073
	1,094,377	1,603,261	1,091,346	1,593,978

Other revenue includes fuel surcharge, insurance surcharge and administrative fees amounting to RM326.1 million (30.6.2007: RM469.2 million) for the Group and Company.

5 STAFF COSTS

	Group		Company	
	6 months financial period ended 31.12.2007 RM'000	Financial year ended 30.6.2007 RM'000	6 months financial period ended 31.12.2007 RM'000	Financial year ended 30.6.2007 RM'000
Wages, salaries, bonus and allowances	102,418	171,892	101,774	170,678
Defined contribution retirement plan	9,264	11,530	9,195	11,431
	111,682	183,422	110,969	182,109

Included in staff costs is Executive Directors' remuneration which is analysed as follows:

	Group and Company	
	6 months financial period ended 31.12.2007 RM'000	Financial year ended 30.6.2007 RM'000
Executive Directors		
- basic salaries, bonus and allowances	2,520	2,520
- defined contribution plan	317	330
- other emoluments	120	240
Non-executive Directors		
- fees	575	696
	3,532	3,786

5 STAFF COSTS (CONT'D)

The remuneration paid to the Directors of the Company is analysed as follows:

	Executive		Non-executive	
	6 months financial period ended 31.12.2007 RM	Financial year ended 30.6.2007 RM	6 months financial period ended 31.12.2007 RM	Financial year ended 30.6.2007 RM
Range of remunerations				
In bands of RM50,000				
Up to RM50,000	-	-	4	2
RM50,001 to RM100,000	-	-	3	5
RM100,001 to RM150,000	-	-	-	-
RM150,001 to RM200,000	-	-	1	-
RM200,001 to RM250,000	-	-	-	-
RM250,001 to RM300,000	-	-	-	1
RM300,001 to RM350,000	-	-	-	-
RM1,000,000 to RM2,000,000	2	2	-	-

Set out below are details of outstanding options over the ordinary shares of the Company granted under the ESOS to the Directors:

Grant date	Expiry date	Exercise prices RM/share	At 1.7.2007 '000	Exercised '000	Lapsed '000	At 31.12.2007 '000
30 June 2007						
1 September 2004	6 June 2009	1.08	1,200	-	-	1,200

	31.12.2007 '000	30.6.2007 '000
Number of share options vested at balance sheet date	900	600

6 OTHER OPERATING EXPENSES

The following items have been charged/(credited) in arriving at other operating expenses:

	Group		Company	
	6 months financial period ended 31.12.2007 RM'000	Financial year ended 30.6.2007 RM'000	6 months financial period ended 31.12.2007 RM'000	Financial year ended 30.6.2007 RM'000
Property, plant and equipment				
- Write off	476	-	476	-
- Loss on disposals	5	299	5	299
Aircraft operating lease expenses (sub-note (a))	18,190	34,109	18,190	34,109
Rental of land and building	1,346	2,763	1,316	2,763
Auditors' remuneration				
- current financial year	220	422	220	402
(Reversal of)/allowance for doubtful debts	(2,467)	2,952	(2,467)	2,952
Rental of equipment	270	503	269	502
Amortisation of long term prepayments	4,628	3,115	4,628	3,115
Crew commissions	1,243	1,850	1,243	1,558
Foreign exchange loss				
- Realised	989	302	989	302
- Unrealised	18,711	21,713	18,711	21,713

(a) Aircraft operating lease expenses of the Group and Company are stated net of income received from the Group's jointly controlled entity and associate on sublease rental of aircraft amounting to RM33.1 million (30.6.2007: RM48.8 million)

7 OTHER INCOME

Included in other income in the previous financial year is gain from termination of interest rate swaps amounting to RM73.2 million.

8 NET FINANCE INCOME

	Group and Company	
	6 months financial period ended 31.12.2007 RM'000	Financial year ended 30.6.2007 RM'000
Finance income:		
Foreign exchange gain on borrowings	134,431	81,509
Interest income		
- deposits with licensed bank	3,622	12,133
- short term deposits with fund management companies	5,235	9,801
- other interest income	4,963	5,078
	148,251	108,521
Finance costs:		
Interest expense		
- bank borrowings	(88,286)	(104,016)
- hire-purchase payables	(6)	(22)
Bank facilities and other charges	(2,356)	(1,375)
Reimbursement from associate and jointly controlled entity	10,930	17,052
	(79,718)	(88,361)
Net finance income	68,533	20,160

9 TAXATION

	Group		Company	
	6 months financial period ended 31.12.2007 RM'000	Financial year ended 30.6.2007 RM'000	6 months financial period ended 31.12.2007 RM'000	Financial year ended 30.6.2007 RM'000
Current taxation:				
- Malaysian tax	1,504	5,118	1,504	5,014
Deferred taxation (Note 17)	(150,489)	(225,126)	(150,489)	(225,126)
	(148,985)	(220,008)	(148,985)	(220,112)
Current taxation				
- Current financial year	1,504	5,118	1,504	5,014
Deferred taxation				
- Origination and reversal of temporary differences	23,467	54,491	23,467	54,491
- Tax incentives	(173,956)	(279,617)	(173,956)	(279,617)
	(148,985)	(220,008)	(148,985)	(220,112)

9 TAXATION (CONT'D)

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

The explanation of the relationship between taxation and profit before taxation is as follows:

	Group		Company	
	6 months financial period ended 31.12.2007 RM'000	Financial year ended 30.6.2007 RM'000	6 months financial period ended 31.12.2007 RM'000	Financial year ended 30.6.2007 RM'000
Profit before taxation	276,715	278,049	275,382	277,960
Tax calculated at Malaysian tax rate of 26% (30.6.2007: 27%)	71,946	75,073	71,599	75,049
Tax effects of:				
- expenses not deductible for tax purposes	2,760	6,042	2,760	5,962
- income not subject to tax	(50,270)	(23,156)	(49,923)	(23,156)
- temporary differences not recognised within the pioneer period	535	1,650	535	1,650
- tax incentives	(173,956)	(279,617)	(173,956)	(279,617)
Taxation	(148,985)	(220,008)	(148,985)	(220,112)

10 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the Company for the financial period/year by the weighted average number of ordinary shares in issue during the financial period/year.

	Group and Company	
	6 months financial period ended 31.12.2007 RM'000	Financial year ended 30.6.2007 RM'000
Profit attributable to equity holders of the Company (RM'000)	425,700	498,045
Weighted average number of ordinary shares in issue ('000)	2,356,186	2,352,517
Earnings per share (sen)	18.1	21.2

10 EARNINGS PER SHARE (CONT'D)

(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 has dilutive potential ordinary shares from share options granted to employees.

In assessing the dilution in earnings per share arising from the issue of share options, certain computations are performed to determine the number of shares that could have been acquired at market price. This computation serves to determine the "bonus" element to the ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to net profit for the financial period/year in the calculation of the diluted earnings per share from the issue of the share options.

	Group and Company	
	6 months financial period ended 31.12.2007 RM'000	Financial year ended 30.6.2007 RM'000
Profit attributable to equity holders of the Company (RM'000)	425,700	498,045
Weighted average number of ordinary shares in issue ('000)	2,356,186	2,352,517
Adjustment for ESOS ('000)	19,104	19,487
Weighted average number of ordinary shares for diluted earnings per share	2,375,290	2,372,004
Diluted earnings per share (sen)	17.9	21.0

11 PROPERTY, PLANT AND EQUIPMENT

	At 1 July 2007 RM'000	Additions RM'000	Reclassi-fication RM'000	Transfer RM'000	Write off/ disposals RM'000	Depreciation charge RM'000 (sub-note (b))	At 31 December 2007 RM'000
Group							
Net book value							
Aircraft engines airframe and service potential	2,772,545	1,504,696	-	(9,375)	-	(114,544)	4,153,322
Aircraft spares	62,053	10,025	-	-	-	(4,523)	67,555
Aircraft fixtures and fittings	22,553	7,284	-	-	-	(3,896)	25,941
Buildings	14,645	-	-	-	-	(259)	14,386
Motor vehicles	6,856	896		-	(6)	(1,060)	6,686
Office equipment furniture and fittings	11,448	1,546	-	-	-	(2,286)	10,708
Office renovation	3,612	410	-	-	-	(648)	3,374
Simulator equipment	52,546	65	-	-	-	(1,107)	51,504
Operating plant and ground equipment	9,096	1,264	680	-	-	(1,438)	9,602
Kitchen equipment	202	-	-	-	-	-	202
Assets not yet in operation	4,261	6,385	(680)	-	(476)	-	9,490
	2,959,817	1,532,571	-	(9,375)	(482)	(129,761)	4,352,770

	Cost RM'000	Accumulated depreciation RM'000	Net book value RM'000
Group			
At 31 December 2007			
Aircraft engines, airframe and service potential	4,484,483	(331,161)	4,153,322
Aircraft spares	89,053	(21,498)	67,555
Aircraft fixtures and fittings	40,850	(14,909)	25,941
Buildings	15,718	(1,332)	14,386
Motor vehicles	11,881	(5,195)	6,686
Office equipment, furniture and fittings	27,205	(16,497)	10,708
Office renovation	6,839	(3,465)	3,374
Simulator equipment	55,300	(3,796)	51,504
Operating plant and ground equipment	15,094	(5,492)	9,602
Kitchen equipment	299	(97)	202
Assets not yet in operation	9,490	-	9,490
	4,756,212	(403,442)	4,352,770

11 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	At 1 July 2006 RM'000	Additions RM'000	Reclassi-fication RM'000	Disposals RM'000	Depreciation charge RM'000 (sub-note (b))	At 30 June 2007 RM'000
Group						
Net book value						
Aircraft engines, airframe and service potential	1,101,707	1,821,127	-	-	(150,289)	2,772,545
Aircraft spares	49,186	25,515	-	(5,307)	(7,341)	62,053
Aircraft fixtures and fittings	14,480	13,827	-	-	(5,754)	22,553
Buildings	14,868	251	36	-	(510)	14,645
Motor vehicles	4,738	3,836	-	(10)	(1,708)	6,856
Office equipment, furniture and fittings	10,157	4,544	1,047	(3)	(4,297)	11,448
Office renovation	3,195	884	722	-	(1,189)	3,612
Simulator equipment	54,595	107	54	-	(2,210)	52,546
Operating plant and ground equipment	4,097	6,128	929	-	(2,058)	9,096
Kitchen equipment	212	-	-	-	(10)	202
Assets not yet in operation	4,758	2,291	(2,788)	-	-	4,261
	1,261,993	1,878,510	-	(5,320)	(175,366)	2,959,817

	Cost RM'000	Accumulated depreciation RM'000	Net book value RM'000
Group			
At 30 June 2007			
Aircraft engines, airframe and service potential	2,989,162	(216,617)	2,772,545
Aircraft spares	79,028	(16,975)	62,053
Aircraft fixtures and fittings	33,566	(11,013)	22,553
Buildings	15,718	(1,073)	14,645
Motor vehicles	11,019	(4,163)	6,856
Office equipment, furniture and fittings	25,659	(14,211)	11,448
Office renovation	6,429	(2,817)	3,612
Simulator equipment	55,235	(2,689)	52,546
Operating plant and ground equipment	13,150	(4,054)	9,096
Kitchen equipment	299	(97)	202
Assets not yet in operation	4,261	-	4,261
	3,233,526	(273,709)	2,959,817

11 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	At 1 July 2007 RM'000	Additions RM'000	Reclassi-fication RM'000	Transfer RM'000	Write off/ disposals RM'000	Depreciation charge RM'000 (sub-note (b))	At 31 December 2007 RM'000
Company							
Net book value							
Aircraft engines, airframe and service potential	2,772,545	1,504,696	-	(9,375)	-	(114,544)	4,153,322
Aircraft spares	62,053	10,025	-	-	-	(4,523)	67,555
Aircraft fixtures and fittings	22,553	7,284	-	-	-	(3,896)	25,941
Buildings	14,645	-	-	-	-	(259)	14,386
Motor vehicles	6,251	896	-	-	(6)	(1,060)	6,081
Office equipment furniture and fittings	11,391	1,546	-	-	-	(2,286)	10,651
Office renovation	3,612	410	-	-	-	(648)	3,374
Simulator equipment	52,546	65	-	-	-	(1,107)	51,504
Operating plant and ground equipment	9,096	1,264	680	-	-	(1,438)	9,602
Assets not yet in operation	4,261	6,385	(680)	-	(476)	-	9,490
	2,958,953	1,532,571	-	(9,375)	(482)	(129,761)	4,351,906

	Cost RM'000	Accumulated depreciation RM'000	Net book value RM'000
Company			
At 31 December 2007			
Aircraft engines, airframe and service potential	4,484,483	(331,161)	4,153,322
Aircraft spares	89,053	(21,498)	67,555
Aircraft fixtures and fittings	40,850	(14,909)	25,941
Buildings	15,718	(1,332)	14,386
Motor vehicles	11,030	(4,949)	6,081
Office equipment, furniture and fittings	27,110	(16,459)	10,651
Office renovation	6,839	(3,465)	3,374
Simulator equipment	55,300	(3,796)	51,504
Operating plant and ground equipment	15,094	(5,492)	9,602
Assets not yet in operation	9,490	-	9,490
	4,754,967	(403,061)	4,351,906

11 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	At 1 July 2006 RM'000	Additions RM'000	Reclassi-fication RM'000	Disposals RM'000	Depreciation charge RM'000 (sub-note (b))	At 30 June 2007 RM'000
Company						
Net book value						
Aircraft engines, airframe and service potential	1,101,707	1,821,127	-	-	(150,289)	2,772,545
Aircraft spares	49,186	25,515	-	(5,307)	(7,341)	62,053
Aircraft fixtures and fittings	14,480	13,827	-	-	(5,754)	22,553
Buildings	14,868	251	36	-	(510)	14,645
Motor vehicles	4,112	3,829	-	(10)	(1,680)	6,251
Office equipment, furniture and fittings	10,097	4,544	1,047	(3)	(4,294)	11,391
Office renovation	3,195	884	722	-	(1,189)	3,612
Simulator equipment	54,595	107	54	-	(2,210)	52,546
Operating plant and ground equipment	4,097	6,128	929	-	(2,058)	9,096
Assets not yet in operation	4,758	2,291	(2,788)	-	-	4,261
	1,261,095	1,878,503	-	(5,320)	(175,325)	2,958,953

	Cost RM'000	Accumulated depreciation RM'000	Net book value RM'000
Company			
At 30 June 2007			
Aircraft engines, airframe and service potential	2,989,162	(216,617)	2,772,545
Aircraft spares	79,028	(16,975)	62,053
Aircraft fixtures and fittings	33,566	(11,013)	22,553
Buildings	15,718	(1,073)	14,645
Motor vehicles	10,168	(3,917)	6,251
Office equipment, furniture and fittings	25,564	(14,173)	11,391
Office renovation	6,429	(2,817)	3,612
Simulator equipment	55,235	(2,689)	52,546
Operating plant and ground equipment	13,150	(4,054)	9,096
Assets not yet in operation	4,261	-	4,261
	3,232,281	(273,328)	2,958,953

11 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) Included in the property, plant and equipment of the Group and the Company are assets with the following net book values:

	Group and Company	
	31.12.2007 RM'000	30.6.2007 RM'000
Aircraft pledged as security for term loans (Note 27)	3,996,376	2,617,660
Simulator pledged as security for term loans (Note 27)	47,312	48,498
Motor vehicles on hire-purchase	255	351

(b) The depreciation charge of the Group and Company in the income statements are stated net of income received from the Group's jointly controlled entity and associate on lease rental of aircraft amounting to RM9.7 million (30.6.2007: RM14.3 million).

12 INVESTMENT IN SUBSIDIARIES

	Company	
	31.12.2007 RM'000	30.6.2007 RM'000
Unquoted investments, at cost	22,194	22,194

The details of the subsidiaries are as follows:

Name	Country of incorporation	Group's effective equity interest 31.12.2007 %	30.6.2007 %	Principal activities
Directly held by the Company				
Crunchtime Culinary Services Sdn Bhd ("Crunchtime")	Malaysia	100.0	100.0	Provision of inflight meals
AA International Ltd ("AAIL") ^ (sub note (a))	Malaysia	100.0	99.8	Investment holding
AirAsia Go Holiday Sdn Bhd	Malaysia	100.0	100.0	Tour operating business
AirAsia (Mauritius) Limited ("AirAsia Mauritius") *	Mauritius	100.0	100.0	Providing aircraft leasing facilities
Airspace Communications Sdn Bhd ("Airspace") ^ (sub note (b))	Malaysia	100.0	99.0	Media owner with publishing division
AirAsia (B) Sdn Bhd *	Negara Brunei Darussalam	100.0	100.0	Dormant

12 INVESTMENT IN SUBSIDIARIES (CONT'D)

Name	Country of incorporation	Group's effective equity interest 31.12.2007 %	30.6.2007 %	Principal activities
Held by AAIL				
AirAsia (Hong Kong) Limited ("AirAsia HK") *	Hong Kong	100.0	100.0	Dormant
AA Capital Ltd	Malaysia	100.0	100.0	Dormant

* Not audited by PricewaterhouseCoopers, Malaysia
^ Subscribed during the financial period

(a) During the financial period, AirAsia acquired the remaining balance of 10,000 shares representing 0.2% of the issued and paid up share capital in AA International Ltd for USD1.00. As a result AA International Ltd is now a wholly subsidiary of the Company.

(b) During the financial period, AirAsia acquired the remaining 1 ordinary share for a consideration of RM1.00, thus making Airspace a wholly-owned subsidiary of AirAsia.

13 INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	Group	
	31.12.2007 RM'000	30.6.2007 RM'000
Represented by:		
Unquoted investment, at cost	12,054	12,054
Group's share of post acquisition reserves	(12,054)	(12,054)
	-	-

The details of the jointly controlled entity are as follows:

Name	Country of incorporation	Group's effective equity interest 31.12.2007 %	30.6.2007 %	Principal activities
Held by AAIL				
Thai AirAsia Co. Ltd ("Thai AirAsia")	Thailand	48.9	48.9	Aerial transport of persons, things and posts

13 INVESTMENT IN A JOINTLY CONTROLLED ENTITY (CONT'D)

The Group's share of the revenue and expenses of the jointly controlled entity, which has not been equity accounted for, are as follows:

	6 months financial period ended 31.12.2007 RM'000	Financial year ended 30.6.2007 RM'000
Revenue	164,463	262,429
Expenses	(182,443)	(279,314)
Loss before taxation	(17,980)	(16,885)
Taxation	-	-
Net loss for the financial period/year	(17,980)	(16,885)

The following amounts represent the Group's share of assets and liabilities of the jointly controlled entity:

	31.12.2007 RM'000	30.6.2007 RM'000
Non-current assets	11,967	10,474
Current assets	47,682	40,821
Current liabilities	(107,130)	(82,200)
Share of net liabilities of a jointly controlled entity	(47,481)	(30,905)

The Group discontinued recognition of its share of further losses made by Thai AirAsia as the Group's interest in the jointly controlled entity has been reduced to zero and the Group has not incurred any obligations or guaranteed any obligations in respect of the jointly controlled entity. As at 31 December 2007, the unrecognised amount of the Group's share of losses of Thai AirAsia which have not been equity accounted for amounted to RM35.5 million (30.6.2007: RM18.9 million).

14 INVESTMENT IN ASSOCIATES

	Group		Company	
	31.12.2007 RM'000	30.6.2007 RM'000	31.12.2007 RM'000	30.6.2007 RM'000
Unquoted investment, at cost	4,141	4,141	29	29
Group's share of post acquisition losses	(4,112)	(4,112)	-	-
	29	29	29	29

14 INVESTMENT IN ASSOCIATES (CONT'D)

The details of the associates are as follows:

Name	Country of incorporation	Group's effective equity interest 31.12.2007 %	30.6.2007 %	Principal activities
AirAsia Philippines Inc	Philippines	39.9	39.9	Providing air transportation services
Held by Crunchtime and Thai AirAsia				
Thai Crunch Time Co. Ltd ("Thai Crunch Time")	Thailand	49.0	49.0	Provision of inflight meals
Held by AAIL				
PT Indonesia AirAsia ("IAA")	Indonesia	48.9	48.9	Commercial air transport service
AirAsia Pte Ltd ("AAPL")	Singapore	48.9	48.9	Dormant

The Group's share of revenue and results of associates, which has not been equity accounted for, are as follows:

	6 months financial period ended 31.12.2007 RM'000	Financial year ended 30.6.2007 RM'000
Revenue	85,591	127,168
Loss after taxation	(3,199)	(27,268)

The Group's share of assets and liabilities of associates are as follows:

	31.12.2007 RM'000	30.6.2007 RM'000
Non-current assets	(5,726)	5,667
Current assets	(15,698)	15,310
Current liabilities	(3,477)	(44,896)
Non-current liabilities	(35,583)	(37,076)
Net liabilities	(60,484)	(60,995)

14 INVESTMENT IN ASSOCIATES (CONT'D)

The Group discontinued recognition of its share of further losses made by Thai Crunch Time and IAA as the Group's interest in these associates has been reduced to zero and the Group has not incurred any obligations or guaranteed any obligations in respect of the associates. As at 31 December 2007, the unrecognised amount of the Group's share of losses of Thai Crunch Time and IAA which have not been equity accounted for amounted to RM0.1 million (30.6.2007: RM0.1 million) and RM64.2 million (30.6.2007: RM60.4 million) respectively.

15 OTHER INVESTMENTS

	Group and Company	
	31.12.2007	30.6.2007
	RM'000	RM'000
Non-current:		
Recreational golf club membership	61	67
Investment in AirAsia X Sdn Bhd ("AAX")	26,667	-
	26,728	67
Current:		
Unquoted investment with a fund management company, at cost (Note 23)	30,892	34,136

During the financial period, the Company subscribed for 26,666,667 redeemable convertible preference shares Series 1 ("RCPS") of RM1.00 each at par in AirAsia X Sdn Bhd.

16 GOODWILL

	Group
	RM'000
Cost	
At 30 June 2007/31 December 2007	8,738
Net book value	
At 30 June 2007/31 December 2007	8,738

16 GOODWILL (CONT'D)

The Group undertakes an annual test for impairment of its goodwill. The carrying amount of goodwill is allocated to the Group's cash generating unit, i.e. primarily the investment in a subsidiary, AAIL. No impairment loss was required for the carrying amount of goodwill assessed as at 31 December 2007 as their recoverable amounts were in excess of their carrying amounts.

Key assumptions used in the value-in-use calculations

The recoverable amount of the cash-generating unit including goodwill in this test is determined based on the value-in-use calculation. This value-in-use calculation applies a discounted cash flow model using cash flow projections covering a five-year period for the subsidiary's business operations. The projections reflect the subsidiary's expectation of revenue growth, operating costs and margins of its investment based on past experience and current assessment of market share, expectation of market growth and industry growth.

For purposes of the value-in-use calculation, a discount rate of 10% per annum has been applied. The discount rate reflects an independent market rate applicable to the operations of the cash generating unit.

Impact of possible change in key assumptions

Sensitivity analysis shows that no impairment loss is required for the carrying amount of goodwill, including where realistic variations are applied to key assumptions.

17 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when deferred taxes relate to the same tax authority.

The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	Group and Company	
	31.12.2007	30.6.2007
	RM'000	RM'000
Deferred tax assets	479,705	329,216

17 DEFERRED TAXATION (CONT'D)

The movements in the deferred tax assets and liabilities of the Group and the Company during the financial period/year are as follows:

	Group and Company	
	31.12.2007 RM'000	30.6.2007 RM'000
At start of year	329,216	104,090
Charged to income statement (Note 9)		
- Property, plant and equipment	(23,467)	(54,491)
- Tax incentives	173,956	279,617
	150,489	225,126
At end of period/year	479,705	329,216
Deferred tax assets (before offsetting)		
Tax losses	9,538	10,272
Tax incentives	596,926	422,236
	606,464	432,508
Offsetting	(126,759)	(103,292)
Deferred tax assets (after offsetting)	479,705	329,216
Deferred tax liabilities (before offsetting)		
Property, plant and equipment	(126,759)	(103,292)
Offsetting	126,759	103,292
Deferred tax liabilities (after offsetting)	-	-

The Ministry of Finance has granted approval to the Company under Section 127 of Income Tax Act, 1967 for income tax exemption in the form of an Investment Allowance ("IA") of 60% on qualifying expenditure incurred within a period of 5 years commencing 1 July 2004 to 30 June 2009, to be set off against 70% of statutory income for each year of assessment. Any unutilised allowance can be carried forward to subsequent years until fully utilised. The amount of income exempted from tax is credited to a tax-exempt account from which tax-exempt dividends can be declared.

18 RECEIVABLES AND PREPAYMENTS

	Group		Company	
	31.12.2007 RM'000	30.6.2007 RM'000	31.12.2007 RM'000	30.6.2007 RM'000
Non-current:				
Long term prepayments (sub note (a))	65,405	46,484	65,405	46,484
Current:				
Trade receivables	18,699	15,722	17,687	15,722
Less: Allowance for doubtful debts	(1,994)	(1,994)	(1,994)	(1,994)
	16,705	13,728	15,693	13,728
Other receivables (sub note (b))	101,341	41,039	100,620	40,116
Less: Allowance for doubtful debts	(1,072)	(3,539)	(1,072)	(3,539)
	100,272	37,500	99,548	36,577
Prepayments	69,245	45,960	69,182	45,960
Deposits	352,979	211,762	352,789	211,762
	539,201	308,950	537,212	308,027

The currency exposure profile of trade and other receivables is as follows:

	Group		Company	
	31.12.2007 RM'000	30.6.2007 RM'000	31.12.2007 RM'000	30.6.2007 RM'000
RM	75,563	182,647	73,574	181,724
USD	460,168	126,152	460,168	126,152
Others	3,470	151	3,470	151
	539,201	308,950	537,212	308,027

(a) Included in long term prepayments are prepaid lease rental and guarantee fees paid in respect of financing obtained. These long term prepayments are charged to the income statements over the term of the lease of the low cost carrier terminal building and borrowings respectively.

(b) Included in other receivables is an amount due from the former holding company, HICOM Holdings Bhd ("HICOM"), of RM 5.8 million as at 31 December 2007 (30.6.2007: RM5.8 million). The amount owing is unsecured, interest free and not subject to any fixed terms of repayment. This balance relates to a liability paid by the Company on behalf of HICOM, whereby the Company and HICOM would jointly bear the liability of the Company prior to the acquisition by Tune Air Sdn Bhd ('TASB') on a one to one basis.

19 INVENTORIES

	Group		Company	
	31.12.2007 RM'000	30.6.2007 RM'000	31.12.2007 RM'000	30.6.2007 RM'000
Spares and consumables	16,904	8,720	16,904	8,720
Finished goods	663	792	115	242
	17,567	9,512	17,019	8,962

20 AMOUNTS DUE FROM SUBSIDIARIES

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

21 AMOUNT DUE FROM/(TO) A JOINTLY CONTROLLED ENTITY

The amount due from/(to) Thai AirAsia Co. Ltd, the jointly controlled entity, is denominated in US Dollar, unsecured, interest free and has no fixed terms of repayment.

22 AMOUNTS DUE FROM/(TO) ASSOCIATES

The amounts due from/(to) associates are unsecured, interest free and have no fixed terms of repayment.

The currency exposure profile of the amounts due from associates is as follows:

	Group and Company	
	31.12.2007 RM'000	30.6.2007 RM'000
USD	88,168	76,294
SGD	(3,761)	1,138
	84,407	77,432

23 CASH AND CASH EQUIVALENTS

	Group		Company	
	31.12.2007 RM'000	30.6.2007 RM'000	31.12.2007 RM'000	30.6.2007 RM'000
Cash and bank balances	23,930	32,621	19,825	28,516
Deposits with licensed banks	109,775	259,125	109,775	259,125
Short-term deposits with fund management companies	291,490	303,497	291,490	303,497
Deposits, cash and bank balances	425,195	595,243	421,090	591,138
Deposits pledged as securities	(34,978)	(20,896)	(34,978)	(20,896)
	390,217	574,347	386,112	570,242

The currency exposure profile of deposits, cash and bank balances is as follows:

	Group		Company	
	31.12.2007 RM'000	30.6.2007 RM'000	31.12.2007 RM'000	30.6.2007 RM'000
Ringgit Malaysia	367,267	449,526	364,164	446,423
USD	47,937	137,779	46,935	136,777
IDR	2,626	2,236	2,626	2,236
SGD	7,311	3,591	7,311	3,591
HKD	7	9	7	9
EUR	10	2,102	10	2,102
THB	37	-	37	-
	425,195	595,243	421,090	591,138

The unquoted investment of the Group and the Company (Note 15) and short-term deposits with a fund management company amounting to RM 30.9 million and RM 5.0 million (30.6.2007: RM34.1 million and RM1.0 million) respectively are portfolio investments undertaken on behalf of the Group and the Company by Intrinsic Capital Management Sdn Bhd ("INCAM"), a company in which a Director of the Company has a financial interest. The Company paid RM45,097 of management fee to INCAM during the financial period (30.6.2007: RM88,156).

23 CASH AND CASH EQUIVALENTS

The deposits with licensed banks are pledged as security for banking facilities granted to the Company. The weighted average effective interest rates of deposits at the balance sheet dates are as follows:

	Group		Company	
	31.12.2007	30.6.2007	31.12.2007	30.6.2007
	%	%	%	%
Deposits with licensed banks	3.47	3.47	3.47	3.47
Short-term deposits with fund management companies	1.56	3.05	1.56	3.05

24 TRADE AND OTHER PAYABLES

	Group		Company	
	31.12.2007	30.6.2007	31.12.2007	30.6.2007
	RM'000	RM'000	RM'000	RM'000
Trade payables	98,443	74,517	97,502	73,576
Other payables and accruals	353,325	292,744	347,730	289,164
Sales in advance	169,113	190,535	165,602	183,431
	620,881	557,796	610,834	546,171

The currency exposure profile of trade and other payables is as follows:

	Group		Company	
	31.12.2007	30.6.2007	31.12.2007	30.6.2007
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	592,696	543,661	582,649	532,036
USD	26,550	13,885	26,550	13,885
Others	1,635	250	1,635	250
	620,881	557,796	610,834	546,171

25 AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries are denominated in Ringgit Malaysia, unsecured, interest free and have no fixed terms of repayment.

26 HIRE-PURCHASE PAYABLES

This represents future instalments under hire-purchase agreements, repayable as follows:

	Group and Company	
	31.12.2007	30.6.2007
	RM'000	RM'000
Hire-purchase liabilities:		
Minimum payments:		
- Not later than 1 year	90	90
- Later than 1 year and not later than 5 years	174	218
	264	308
Less: Future finance charges	(38)	(43)
Present value of liabilities	226	265
Present value of liabilities:		
- Not later than 1 year	77	77
- Later than 1 year and not later than 5 years	149	188
	226	265

Finance lease liabilities are effectively secured as the rights to the leased assets revert to the lessors in the event of default.

As at 31 December 2007, the effective interest rate applicable to the lease liabilities was [3.29]% (30.6.2007: 3.75%) per annum for the Group and Company. The entire balance is denominated in Ringgit Malaysia.

27 BORROWINGS (SECURED)

	Weighted average rate of finance	Group and Company 31.12.2007 RM'000	30.6.2007 RM'000
Current:			
Term loan	5.38%	209,932	136,348
Revolving credit facilities	4.00%	49,597	101,818
Finance lease liabilities	5.82%	19,021	12,931
		278,550	251,097
Non-current:			
Term loan	5.38%	3,093,322	2,076,874
Finance lease liabilities	5.82%	325,799	226,614
		3,419,121	2,303,488
Total borrowings		3,697,671	2,554,585

The Group's long term borrowings are repayable as follows:

	Group and Company 31.12.2007 RM'000	30.6.2007 RM'000
Not later than 1 year	278,550	251,097
Later than 1 year and not later than 5 years	997,703	651,848
Later than 5 years	2,421,418	1,651,640
	3,697,671	2,554,585

The entire borrowings are denominated in US Dollar.

As at the balance sheet date, the weighted average effective interest rate of the borrowings is 5.40% per annum (30.6.2007: 5.56%).

The above term loans and finance lease liabilities (Ijarah) are for the purchase of new A320-200 aircraft and simulator equipment. 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

(d) Assignment of simulator equipment and airframe engines

28 SHARE CAPITAL

	Group and Company	
	31.12.2007 RM'000	30.6.2007 RM'000
Authorised:		
Ordinary shares of RM0.10 each:		
At beginning and end of the financial year	500,000	500,000
Issued and fully paid up:		
Ordinary shares of RM0.10 each:		
At beginning of the financial year	236,077	234,649
Issued during the financial year	1,077	1,428
At end of the financial year	237,154	236,077

During the financial period, the Company increased its issued and paid-up ordinary share capital from RM236,076,708 to RM237,154,158 by way of issuance of 10,774,500 ordinary shares of RM0.10 each pursuant to the exercise of the Employee Share Option Scheme ("ESOS") at the exercise price of RM1.08 per share. The premium arising from the exercise of ESOS of RM10,559,010 has been credited to the Share Premium account.

The new ordinary shares issued during the financial period ranked pari passu in all respects with the existing ordinary shares of the Company. There were no other changes in the issued and paid-up capital of the Company during the financial period.

EMPLOYEE SHARE OPTION SCHEME ("ESOS")

The Company implemented an ESOS on 1 September 2004. The ESOS is governed by the by-laws which were approved by the shareholders on 7 June 2004 and is effective for a period of 5 years from the date of approval.

The main features of the ESOS are as follows:

(a) The maximum number of ordinary shares, which may be allotted pursuant to the exercise of options under the Scheme, shall not exceed ten per cent (10.0%) of the issued and paid-up share capital of the Company at any point in time during the duration of the Scheme.

(b) The Option Committee may from time to time decide the conditions of eligibility to be fulfilled by an Eligible Person in order to participate in the Scheme.

(c) The aggregate number of shares to be offered to any Eligible Person who has fulfilled the eligibility criteria for the time being by way of options in accordance with the Scheme shall be at the discretion of the Option Committee. The Option Committee may consider circumstances such as the Eligible Person's scope of responsibilities, performance in the Group, rank or job grade, the number of years of service that the Eligible Person has rendered to the Group, the Group's retention policy and whether the Eligible Person is serving under an employment contract for a fixed duration or otherwise. The Option Committee's decision shall be final and binding.

28 SHARE CAPITAL (CONT'D)

EMPLOYEE SHARE OPTION SCHEME ("ESOS") (Cont'd)

The main features of the ESOS are as follows:

(d) The maximum number of shares allocated to Executive Directors, Non-Executive Directors and senior management by way of options shall in aggregate not exceed fifty per cent (50.0%) of the total number of shares (or such other percentage as may be permitted by the relevant regulatory authorities from time to time) available under the Scheme.

(e) The subscription price, in respect of options granted prior to the date of listing in Bursa Malaysia, shall be RM1.08 per share.

(f) The options granted are exercisable one year beginning from the date of grant.

The shares to be allotted and issued upon any valid exercise of options will, upon such allotment and issuance, rank pari passu in all respects with the existing and issued shares except that such shares so issued will not be entitled to any dividends, rights, allotments and/or any other distributions which may be declared, made or paid to shareholders prior to the date of allotment of such shares. The options shall not carry any right to vote at a general meeting of the Company.

The Company granted 93,240,000 options at an exercise price of RM1.08 per share under the ESOS scheme on 1 September 2004, which expires on 6 June 2009.

At 31 December 2007, options to subscribe for 37,230,000 (30.6.2006: 48,669,000) ordinary shares of RM0.10 each at the exercise price of RM1.08 per share remain unexercised.

These options granted do not confer any right to participate in any share issue of any other company.

Set out below are details of options over the ordinary shares of the Company granted under the ESOS:

Grant date	Expiry date	Exercise price RM/share	At 1.7.2007 '000	Granted '000	Exercised '000	Lapsed '000	At 31.12.2007 '000
1 September 2004	6 June 2009	1.08	48,669	-	(10,775)	(664)	37,230

	31.12.2007 '000	30.6.2007 '000
Number of share options vested at balance sheet date	19,805	3,334

28 SHARE CAPITAL (CONT'D)

EMPLOYEE SHARE OPTION SCHEME ("ESOS") (Cont'd)

Details relating to options exercised during the financial period are as follows:

Exercise date	Quoted price of shares at share issue date RM/share	Exercise price RM/share	Number of shares issued '000
July 2007 to August 2007	1.87 – 2.03	1.08	1,330
September 2007 to October 2007	1.83 – 2.10	1.08	5,550
November 2007 to December 2007	1.63 – 1.94	1.08	3,895
			10,775

	31.12.2007 RM'000	30.6.2007 RM'000
Ordinary share capital at par	1,077	1,428
Share premium	10,559	13,993
Proceeds received on exercise of share options	11,636	15,421
Fair value at exercise date of shares issued	20,587	22,961

29 RETAINED EARNINGS

The Company has sufficient tax credits under Section 108(6) of the Income Tax Act, 1967 to frank approximately RM17.9 million (30.6.2007: RM14.6 million) of its retained earnings as at 31 December 2007 if paid out as dividends. The extent of the retained earnings not covered at that date amounted to RM1,120.2 million (30.6.2007: RM699.1 million). The tax credits under Section 108(6) of the Act is subject to the agreement by the Inland Revenue Board.

The Finance Act 2007 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Section 108 tax credit as at 31 December 2007 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013 or upon election to move into the single tier system, whichever is earlier.

In addition, the Company has tax exempt income as at 31 December 2007 amounting to approximately RM0.5 million (30.6.2007: RM0.5 million) available for distribution as tax exempt dividends to shareholders. This tax exempt income is subject to the agreement by the Inland Revenue Board.

30 COMMITMENTS

(a) Capital commitments not provided for in the financial statements are as follows:

	Group and Company	
	31.12.2007 RM'000	30.6.2007 RM'000
Property, plant and equipment:		
Approved and contracted for	19,786,549	18,405,482
Approved but not contracted for	8,139,809	98,664
	27,926,358	18,504,146
Property, plant and equipment:		
Share of a jointly controlled entity's capital commitments	17,576	14,972
Share of an associate's capital commitments	18,943	13,355

The capital commitments for the Group and Company are in respect of aircraft purchase and options to purchase.

(b) Non-cancellable operating leases

The future minimum lease payments and sublease receipts under non-cancellable operating leases are as follows:

	Company			
	30.12.2007		30.6.2007	
	Future minimum lease payments RM'000	Future minimum sublease receipts RM'000	Future minimum lease payments RM'000	Future minimum sublease receipts RM'000
Not later than 1 year	82,729	66,912	98,263	63,593
Later than 1 year and not later than 5 years	157,530	43,012	194,221	65,371
Later than 5 years	18,318	-	28,413	-
	258,577	109,924	320,897	128,964

31 CONTINGENT LIABILITIES

The Company is currently disputing certain expenses charged by a service provider as at 31 December 2007 amounting to approximately RM19.9 million (30.6.2007: RM14.4 million). The Directors are confident that resolution of the dispute above would be favourable to the Company.

Thai AirAsia Co. Ltd ("TAA"), a jointly controlled entity of the Group, has contingent liabilities relating to guarantees issued by banks in respect of the company's pilot trainees loans in accordance with the pilot professional course amounting to RM5.0 million (30.6.2007: RM6.7 million) which will be terminated when the student pilot earns a commercial pilot license and is assigned as co-pilot, or whenever the pilot trainee can completely settle all outstanding debt with the bank. However, TAA can fully reclaim the said liabilities from the pilot trainees' guarantors as the guarantees have been pledged with TAA.

32 SEGMENTAL INFORMATION

Segmental information is not presented as there are no business segments other than the provision of air transportation services. The Group's operations are conducted predominantly in Malaysia.

33 SIGNIFICANT RELATED PARTY TRANSACTIONS

The related party transactions of the Company comprise mainly transactions between the Company and its subsidiaries, jointly controlled entity and associate. Details of these related companies are in Notes 12, 13 and 14 to the financial statements.

All related party transactions were carried out on terms and conditions attainable in transactions with unrelated parties.

Key management personnel are categorised as head or senior management officers of key operating divisions within the Group and Company. The key management compensation is disclosed in Note 33(e) below.

Related party transactions also includes transaction with entities that are controlled, jointly controlled or significantly influenced directly or indirectly by any key management personnel or their close family members, where applicable. The related party transactions, with a company in which a Director of the Company has a financial interest is disclosed in Note 23.

33 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

	Group		Company	
	6 months financial period ended 31.12.2007 RM'000	Financial year ended 30.6.2007 RM'000	6 months financial period ended 31.12.2007 RM'000	Financial year ended 30.6.2007 RM'000
(a) Revenue:				
Sublease rental income on aircraft				
- Thai AirAsia	20,578	33,099	20,578	33,099
- Indonesia AirAsia	12,525	15,722	12,525	15,722
Lease rental income on aircraft included under:				
- finance cost				
Thai AirAsia	7,550	9,797	7,550	9,797
Indonesia AirAsia	3,380	7,255	3,380	7,255
- depreciation				
Thai AirAsia	6,328	8,212	6,328	8,212
Indonesia AirAsia	2,834	6,081	2,834	6,081
(b) Expenses:				
Maintenance and overhaul charges				
- Thai AirAsia	30,176	84,539	30,176	84,539
- Indonesia AirAsia	19,546	54,768	19,546	54,768

	31.12.2007 RM'000	30.6.2007 RM'000	31.12.2007 RM'000	30.6.2007 RM'000
(c) Receivables:				
- AirAsia Mauritius Sdn Bhd	95,622	10,961	95,815	10,961
- AirAsia International Limited			3,910	3,910
- Thai AirAsia	-	81,221	-	81,221
- Indonesia AirAsia	81,571	70,931	81,571	70,931
- AirAsia Philippines	6,598	5,363	6,598	5,363
- AirAsia Pte Limited	-	1,138	-	1,138

33 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

	31.12.2007 RM'000	30.6.2007 RM'000	31.12.2007 RM'000	30.6.2007 RM'000
(d) Payables:				
- AirAsia Go Holiday Sdn Bhd	-	-	10,022	11,138
- Crunchtime culinary Services Sdn Bhd	-	-	1,347	1,347
- Thai AirAsia	21,337	-	21,337	-
- AirAsia Pte Limited	3,761	-	3,761	-

	Group		Company	
	6 months financial period ended 31.12.2007 RM'000	Financial year ended 30.6.2007 RM'000	6 months financial period ended 31.12.2007 RM'000	Financial year ended 30.6.2007 RM'000
(e) Key management compensation:				
- basic salaries, bonus and allowances	6,102	6,985	6,102	6,985
- defined contribution plan	658	773	658	773
- other emoluments	1,928	3,321	1,928	3,321
	8,688	11,079	8,688	11,079

Included in the key management compensation are Executive Directors' remuneration as disclosed in Note 5.

34 FINANCIAL RISK MANAGEMENT POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its fuel price, interest rate, foreign currency, credit, market, liquidity and cash flow risks. The Group operates within defined guidelines that are approved and reviewed periodically by the Board to minimise the effects of such volatility on its financial performance. The policies in respect of the major areas of treasury activities are as follows:

(a) Fuel price risk

The Group is exposed to jet fuel price risk arising from the fluctuations in the prices of jet fuel. It seeks to hedge its fuel requirements and implements various fuel management strategies in order to manage the risk of rising fuel prices.

34 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's borrowings and deposits and is managed by maintaining a prudent mix of fixed and floating rate debt and derivative financial instruments. Derivative financial instruments are used, where appropriate, to generate the desired interest rate profile. Surplus funds are placed with reputable financial institutions at the most favourable interest rates.

The Group has entered into interest rate swap contracts that will effectively convert almost all of its floating rate debt under each of its long term debt facilities into fixed rate debt. Loans for approximately 2% of total long term debt are not covered by such swaps and have therefore remained at floating rates linked to London Inter Bank Offer Rate.

The remaining terms and notional principal amounts of the outstanding interest rate swap contracts of the Company at the balance sheet date, which are denominated in US Dollars, were as follows:

	6 months financial period ended 31.12.2007 RM'000 equivalent	Year ended 30.6.2007 RM'000 equivalent
Later than 5 years	5,320,707	3,435,091
	5,320,707	3,435,091

The net exposure of financial assets and liabilities of the Group and Company to interest rate cash flow risk (after taking into account the effects of interest rate swaps described above) and the periods in which the borrowings mature or reprice (whichever is earlier) are as follows:

Financial Instruments	Functional currency/ currency exposure	Effective interest at balance sheet date % per annum	Total carrying amount RM'000	Floating interest rate RM'000	Fixed interest rate: 1 year or less RM'000	> 1-2 years RM'000	> 2-3 years RM'000	> 3-4 years RM'000	> 4-5 years RM'000	More than 5 years RM'000
Group and Company										
31 December 2007										
Deposits with licensed bank	RM/RM	3.47	109,775	-	109,775	-	-	-	-	-
Short-term deposits with fund management companies	RM/RM	1.56	291,490	-	291,490	-	-	-	-	-
Term loans	RM/USD	5.38	(3,303,254)	(54,532)	(200,168)	(208,227)	(216,585)	(225,439)	(234,529)	(2,163,774)
Finance lease	RM/USD	5.82	(344,820)	-	(19,021)	(20,253)	(21,566)	(22,964)	(24,454)	(236,562)
Revolving credit	RM/USD	4.00	(49,597)	(49,597)	-	-	-	-	-	-
Hire-purchase payables	RM/RM	3.29	(226)	-	(77)	(77)	(72)	-	-	-
			(3,296,632)	(104,129)	181,999	(228,557)	(238,223)	(248,403)	(258,983)	(2,400,336)

34 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Interest rate risk (Cont'd)

Financial Instruments	Functional currency/ currency exposure	Effective interest at balance sheet date % per annum	Total carrying amount RM'000	Floating interest rate RM'000	Fixed interest rate 1 year or less RM'000	> 1-2 years RM'000	> 2-3 years RM'000	> 3-4 years RM'000	> 4-5 years RM'000	More than 5 years RM'000
Group and Company										
30 June 2007										
Deposits with licensed bank	RM/RM	3.47	259,125	-	259,125	-	-	-	-	-
Short-term deposits with fund management companies	RM/RM	3.05	303,497	-	303,497	-	-	-	-	-
Term loans	RM/USD	5.55	(2,213,222)	(55,704)	(126,440)	(131,861)	(137,319)	(143,066)	(148,999)	(1,469,833)
Finance lease	RM/USD	5.84	(239,545)	-	(12,931)	(13,771)	(14,665)	(15,617)	(16,631)	(165,930)
Revolving credit	RM/USD	5.15	(101,818)	(101,818)	-	-	-	-	-	-
Hire-purchase payables	RM/RM	3.75	(265)	-	(77)	(77)	(77)	(34)	-	-
			(1,992,228)	(157,522)	423,174	(145,709)	(152,061)	(158,717)	(165,630)	(1,635,763)

(c) Foreign currency risk

The Group has subsidiaries and associates operating in foreign countries which generate revenue and incur costs denominated in foreign currencies. The main currency exposures of the Group and Company are primarily USD, Thai Baht and Indonesian Rupiah. The Group has a natural hedge to the extent that payments for foreign currency payables are matched against receivables denominated in the same foreign currency or whenever possible by intragroup arrangements and settlements.

The Company enters into forward foreign currency exchange contracts to limit its exposure on foreign currency receivables and payables. [At 31 December 2007, the settlement dates on open forward contracts are in accordance with the loan instalment repayment dates (30.6.2007: in accordance with the loan instalment repayment dates). The foreign currency amounts to be received and contractual exchange rates of the Company's outstanding contracts were as follows:

Hedge item	Currency to be received	Currency to be paid	RM'000 equivalent	Contractual rate
As at 31 December 2007	USD	MYR	3,335,716	3.000-3.369
As at 30 June 2007	USD	MYR	2,963,341	3.183-3.369

The net unrecognised and unrealised losses at 31 December 2007 on open contracts which hedge future payments on term loans amounted to RM69.2 million (30.6.2007: RM141.8 million). The full extent of crystallisation of any favourable or unfavourable variances can only be ascertained upon realisation of each settlement over the period of the long-term hedge contracts. The nature and amount of variance may vary over time.

34 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(d) Credit risk

The Group's exposure to credit risks or the risk of counterparties defaulting arises mainly from various deposits and bank balances, receivables and derivative financial instruments. The maximum exposure to credit risks is represented by the total carrying amount of these financial assets in the balance sheet.

Credit risks, or the risk of counterparties defaulting, are controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised by monitoring receivables regularly. In addition, credit risks are also controlled as the majority of the Group's deposits and bank balances and derivative financial instruments are placed or transacted with major financial institutions and reputable parties. The Directors are of the view that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength.

The Group generally has no concentration of credit risk arising of trade receivables (30.6.2007: concentration of 26.3% comprising 2 customers).

(e) Market risk

The Group has investments which are subject to market risk as the market values of these investments are affected by changes in market prices. The Group seeks to manage its exposure to market risk by maintaining a portfolio with different risk profiles.

(f) Liquidity and cash flow risks

The Group's policy on liquidity risk management is to maintain sufficient cash and have available funding through adequate amounts of committed credit facilities and credit lines for working capital requirements.

35 FAIR VALUES OF FINANCIAL INSTRUMENTS FOR DISCLOSURE PURPOSES

On balance sheet financial instruments

The fair value of a financial instrument is assumed to be the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction.

Quoted market prices, when available, are used as a measure of fair values. However, for a significant portion of the Group's and Company's financial instruments, quoted market prices do not exist. For such financial instruments, fair values presented are estimates derived using the net present value or other valuation techniques. These techniques involve uncertainties and are significantly affected by the assumptions used and judgements made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in assumptions could significantly affect these estimates and the resulting fair values.

35 FAIR VALUES OF FINANCIAL INSTRUMENTS FOR DISCLOSURE PURPOSES (CONT'D)

The carrying values of financial assets and financial liabilities of the Group and Company at the balance sheet date approximated their fair values, except as set out below:

	31.12.2007		30.6.2007	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Group and Company				
Borrowings (non-current portion)	3,419,121	3,443,865	2,303,488	2,280,002
Hire-purchase payables (non-current portion)	149	143	188	177

Derivative financial instruments

Fair value of derivative financial instruments as at balance sheet date is as follows:

(a) Fuel options contracts

	Maturity period	Contract or notional principal amount Barrels	Unfavourable net fair value RM'000
Group and Company			
31.12.2007			
Fuel options contracts	1.1.2008 – 30.6.2010	46,340,000	127,918
30.6.2007			
Fuel options contracts	1.7.2007 – 30.6.2010	18,420,000	24,651

With regards to fuel hedging, the Company had subsequent to period end, covered all sell call exposure for 2008 and hedged its 2009 sell call exposure with a call spread.

35 FAIR VALUES OF FINANCIAL INSTRUMENTS FOR DISCLOSURE PURPOSES (CONT'D)

(b) Other derivatives

	31.12.2007		30.6.2007	
	Notional amount RM'000 equivalent	Fair value RM'000	Notional amount RM'000 equivalent	Fair value RM'000
Interest rate swaps	5,320,707	5,154,437	3,435,091	3,532,760
Foreign currency forward contracts	3,335,716	3,266,525	2,963,341	2,821,567

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows discounted at prevailing rates. The fair value of foreign exchange forward and fuel option contracts are determined using forward exchange rates or prices based on the relevant forward price curve on the balance sheet date. In assessing the fair value of the derivatives and financial instruments, the Group makes assumptions that are based on market conditions existing at each balance sheet date. These instruments are not recognised in the financial statements on inception. However, any gain or loss arising from each underlying transaction or settlement of the relevant contracts governing those underlying transactions or settlements would be measured and recognised in the financial statements based on the current market rates at that date.

36 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 30 April 2008.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, **Dato' Anthony Francis Fernandes** and **Dato' Kamarudin Bin Meranun**, being two of the Directors of AirAsia Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 75 to 130 are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at 31 December 2007 and of the results and the cash flows of the Group and Company for the financial period ended on that date in accordance with the provisions of the Companies Act, 1965 and the FRSs, the MASB approved accounting standards in Malaysia for Entities Other than Private Entities.

In accordance with a resolution of the Board of Directors dated 30 April 2008.

DATO' ANTHONY FRANCIS FERNANDES
DIRECTOR

DATO' KAMARUDIN BIN MERANUN
DIRECTOR

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, **Rozman Bin Omar**, the Officer primarily responsible for the financial management of AirAsia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 75 to 130 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Rozman Bin Omar

Subscribed and solemnly declared by the abovenamed Rozman Bin Omar at Petaling Jaya in Malaysia on 30 April 2008, before me.

S. SELVARAJAH (B144)
COMMISSIONER FOR OATHS

REPORT OF THE AUDITORS
TO THE MEMBERS OF AIRASIA BERHAD

We have audited the financial statements set out on pages 75 to 130. These financial statements are the responsibility of the Company's Directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved auditing standards in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and the FRSs, the MASB approved accounting standards in Malaysia so as to give a true and fair view of:

  (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and

  (ii) the state of affairs of the Group and Company as at 31 December 2007 and of the results and cash flows of the Group and Company for the financial period ended on that date; and

(b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

The names of the subsidiaries of which we have not acted as auditors are indicated in Note 12 to the financial statements. We have considered the financial statements of these subsidiaries and the auditors' reports thereon.

We have satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

SRIDHARAN NAIR
(No. 2656/05/08 (J))
Partner of the firm

Kuala Lumpur
30 April 2008

ANALYSIS OF SHAREHOLDINGS
AS AT 31 MARCH 2008

DISTRIBUTION OF SHAREHOLDINGS

Class of shares : Ordinary shares of RM0.10 each ("Shares")
Voting rights : One vote per ordinary shares

Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	29	0.12	558	0.00
100 – 1,000	6,346	27.16	5,941,789	0.25
1,001 – 10,000	13,814	59.11	58,688,016	2.47
10,001 – 100,000	2,663	11.39	78,250,252	3.30
100,001 to less than 5% of issued shares	516	2.21	1,341,766,583	56.52
5% and above of issued shares	2	0.01	889,082,382	37.46
	23,370	100.0	2,373,729,580	100.0

SUBSTANTIAL SHAREHOLDERS

The direct and indirect shareholdings of the shareholders holding more than 5% in AirAsia Berhad ("AirAsia") based on the Register of Substantial Shareholders are as follows:-

	DIRECT		INDIRECT	
Name	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
Tune Air Sdn Bhd	729,458,382	30.73	-	-
Dato' Anthony Francis Fernandes	2,627,010	0.11	729,458,382 [1]	30.73
Dato' Kamarudin bin Meranun	1,692,900	0.07	729,458,382 [1]	30.73
T. Rowe Price Associates, Inc.	-	-	173,141,700 [2]	7.29
Employees Provident Fund Board	118,207,600	4.98	7,386,300 [3]	0.31

[1] Deemed interested by virtue of Section 6A of the Companies Act, 1965 ("the Act") through a shareholding of more than 15% in Tune Air Sdn Bhd ("TASB").

[2] T. Rowe Price Associates, Inc. is deemed to have an interest in 173,141,700 ordinary shares in AirAsia by virtue of the shares held by the following registered holders:-

1) HSBC Nominees (Asing) Sdn Bhd, BNY Brussels for VFM Emerging Markets Trust in respect of 1,534,500 ordinary shares in AirAsia;

2) HSBC Nominees (Asing) Sdn Bhd, BNY Brussels for Alaska Permanent Fund Corp in respect of 1,178,600 ordinary shares in AirAsia;

3) HSBC Nominees (Asing) Sdn Bhd, Exempt AN for JPMorgan Chase Bank National Association (USA) for TRP Institutional Emerging Markets Fund in respect of 1,745,300 ordinary shares in AirAsia;

SUBSTANTIAL SHAREHOLDERS (CONT'D)

4) Citigroup Nominees (Asing) Sdn Bhd, Mellon Bank, N.A. for Commonwealth of Massachusetts Pension Reserve Investment in respect of 4,126,700 ordinary shares in AirAsia;

5) Citigroup Nominees (Asing) Sdn Bhd, Mellon Bank, N.A. for Sovereign Emerging Markets Equity Pool in respect of 567,600 ordinary shares in AirAsia;

6) Citigroup Nominees (Asing) Sdn Bhd, Mellon Bank, N.A. for Virginia Retirement System in respect of 3,360,100 ordinary shares in AirAsia;

7) Cartaban Nominees (Asing) Sdn Bhd, State Street London Fund JY63 for The Emerging Markets Equity Fund (RIC Plc) in respect of 3,109,300 ordinary shares in AirAsia;

8) Cartaban Nominees (Asing) Sdn Bhd, SSBT Fund NCP9 Public Employees Retirement System of Ohio in respect of 1,909,900 ordinary shares in AirAsia.

9) Cartaban Nominees (Asing) Sdn Bhd, SSBT Fund 6QH3 for Russell Emerging Markets Fund (FRTC CEBFT) in respect of 702,600 ordinary shares in AirAsia;

10) Cartaban Nominees (Asing) Sdn Bhd, SSBT Fund TC3I for California State Teachers Retirement System in respect of 10,923,800 ordinary shares in AirAsia;

11) HSBC Nominees (Asing) Sdn Bhd, Exempt AN for JPMorgan Chase Bank National Association (USA) for TRP Emerging Markets Stock Fund in respect of 24,014,200 ordinary shares in AirAsia;

12) HSBC Nominees (Asing) Sdn Bhd, Exempt AN for JPMorgan Chase Bank National Association (USA) for TRP New Asia Fund in respect of 92,474,700 ordinary shares in AirAsia;

13) HSBC Nominees (Asing) Sdn Bhd, TNTC for A.I. DuPont Testamentary Trust in respect of 752,900 ordinary shares in AirAsia;

14) Cartaban Nominees (Asing) Sdn Bhd, SSBT Fund CHE4 for Emerging Markets Fund (FR RUSSL INV Co) in respect of 1,525,600 ordinary shares in AirAsia;

15) HSBC Nominees (Asing) Sdn Bhd, Exempt AN for JPMorgan Bank Luxembourg S.A. for TRP SICAV Asia Ex-Japan Fund in respect of 2,333,600 ordinary shares in AirAsia;

16) HSBC Nominees (Asing) Sdn Bhd, Exempt AN for JPMorgan Chase Bank National Association (USA) for TRP Emerging Markets Equity Trust in respect of 16,046,800 ordinary shares in AirAsia;

17) HSBC Nominees (Asing) Sdn Bhd, Exempt AN for JPMorgan Bank Luxembourg S.A. for TRP SICAV Global Emerging Markets Fund in respect of 5,841,600 ordinary shares in AirAsia; and

18) HSBC Nominees (Asing) Sdn Bhd, Exempt AN for JPMorgan Chase Bank, N.A. on behalf of the Residents of Australia in respect of 993,900 ordinary shares in AirAsia.

[3] Employees Provident Fund Board has a direct interest in 118,207,600 ordinary shares in AirAsia and deemed to have an interest in 7,386,300 ordinary shares in AirAsia by virtue of the shares held by the following registered holders:-

1) BNP Paribas Asset Management (M) Sdn. Bhd. in respect of 186,300 ordinary shares in AirAsia; and

2) CIMB-Principal Asset Management Bhd in respect of 7,200,000 ordinary shares in AirAsia.

DIRECTORS' SHAREHOLDINGS

The interests of the Directors of AirAsia Berhad in the Shares and options over shares in the Company and its related corporations based on the Company's Register of Directors' Shareholdings are as follows:-

	DIRECT		INDIRECT	
	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
Dato' Pahamin Ab. Rajab	3,000,875	0.13	-	-
Dato' Anthony Francis Fernandes	2,627,010	0.11	729,458,382 [1]	30.73
Dato' Kamarudin bin Meranun	1,692,900	0.07	729,458,382 [1]	30.73
Conor Mc Carthy	28,761,403	1.21	-	-
Dato' Leong Khee Seong	100,000	- *	-	-
Fam Lee Ee	200,000	0.01	-	-
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	-	-	-	-
Datuk Alias bin Ali	-	-	-	-
Dato' Mohamed Khadar bin Merican	-	-	-	-

Notes:

* Negligible.
[1] Deemed interested by virtue of Section 6A of the Act, through a shareholding of more than 15% in TASB

The interests of Directors in options over unissued ordinary shares of RM0.10 each of the Company:

	Price Per Option Share	No. of Option Shares
Dato' Anthony Francis Fernandes	RM1.08	600,000
Dato' Kamarudin bin Meranun	RM1.08	600,000

The options held over ordinary shares in the Company were granted on 1 September 2004 pursuant to the Company's Employee Share Option Scheme approved by the shareholders on 7 June 2004.

None of the Directors have any interests in the shares or options of the subsidiaries of the Company other than as disclosed above.

THIRTY (30) LARGEST SHAREHOLDERS

	Name of Shareholders	No. of Shares Held	% of Issued Share Capital
1.	Tune Air Sdn Bhd	715,458,382	30.14
2.	HSBC Nominees (Asing) Sdn Bhd *Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.)*	173,624,000	7.31
3.	Employees Provident Fund Board	118,207,600	4.98
4.	HSBC Nominees (Asing) Sdn Bhd *RBS Coutts Zur for Northern Capital Holdings Limited*	106,053,200	4.47
5.	HSBC Nominees (Asing) Sdn Bhd *TNTC for the Nomad Investment Partnership LP Cayman*	100,000,000	4.21
6.	HSBC Nominees (Asing) Sdn Bhd *Exempt AN for Morgan Stanley & Co. International PLC (IPB Client ACCT)*	98,781,100	4.16
7.	HSBC Nominees (Asing) Sdn Bhd *BBH (LUX) SCA for Genesis Smaller Companies*	71,413,000	3.01
8.	Cartaban Nominees (Asing) Sdn Bhd *SSBT Fund HG08 for American Funds Insurance Series Asset Allocation Fund*	53,665,000	2.26
9.	Cartaban Nominees (Asing) Sdn Bhd *SSBT Fund HG22 for Smallcap World Fund, Inc*	51,221,900	2.16
10.	ECM Libra Investment Bank Berhad *IVT (A02) for ECM Libra Avenue Securities Sdn Bhd (Account 1)*	46,033,900	1.94
11.	HSBC Nominees (Asing) Sdn Bhd *Exempt AN for J.P. Morgan Bank Luxembourg S.A.*	38,815,500	1.64
12.	HSBC Nominees (Asing) Sdn Bhd *Exempt AN for Credit Suisse (SG BR-TST-Asing)*	31,956,403	1.35
13.	Citigroup Nominees (Asing) Sdn Bhd *Exempt AN for American International Assurance Company Limited*	29,440,300	1.24
14.	Citigroup Nominees (Tempatan) Sdn Bhd *Exempt AN for Prudential Fund Management Berhad*	24,160,800	1.02
15.	Citigroup Nominees (Asing) Sdn Bhd *CBNY for Vanguard Explorer Fund*	20,949,800	0.88
16.	Nor Ashikin Binti Khamis	19,499,000	0.82
17.	HSBC Nominees (Asing) Sdn Bhd *BBH and CO Boston for Merrill Lynch Global Small Cap Fund Inc*	18,105,000	0.76
18.	Citigroup Nominees (Asing) Sdn Bhd *CIPLC for Asia Pacific Performance Fund*	17,747,700	0.75
19.	Citigroup Nominees (Asing) Sdn Bhd *GSI for Castlerigg Master Investments Ltd*	17,702,000	0.75
20.	Lembaga Tabung Haji	16,004,530	0.67
21.	Citigroup Nominees (Asing) Sdn Bhd *Exempt AN for Mellon Bank (Mellon)*	15,105,000	0.64
22.	EB Nominees (Tempatan) Sendirian Berhad *Pledged Securities Account for Tune Air Sdn Bhd (KLM)*	14,000,000	0.59
23.	Cartaban Nominees (Asing) Sdn Bhd *SSBT Fund SW80 for California Public Employees Retirement System*	13,087,100	0.55
24.	Citigroup Nominees (Asing) Sdn Bhd *Chase Manhattan Trustees Limited for Pacific Trust (CBLDN)*	12,351,100	0.52
25.	Citigroup Nominees (Asing) Sdn Bhd *CB LDN for First State Asia Pacific Fund*	12,138,900	0.51
26.	Citigroup Nominees (Asing) Sdn Bhd *Exempt AN for Citibank NA, Singapore (Julius Baer)*	11,250,000	0.47
27.	Cartaban Nominees (Asing) Sdn Bhd *SSBT Fund TC3I for California State Teachers Retirement System*	10,923,800	0.46
28.	Cartaban Nominees (Asing) Sdn Bhd *Investors Bank and Trust Company for Ishares, Inc*	10,836,000	0.46
29.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *Exempt AN for Deutsche Trustees Malaysia Berhad (MYETF-DJIM25)*	9,849,600	0.41
30.	HSBC Nominees (Asing) Sdn Bhd *Exempt AN for JPMorgan Chase Bank, National Association (U.A.E.)*	9,726,900	0.41

LIST OF PROPERTIES HELD

Save as disclosed below, as at 31 December 2007. Neither the Company nor any of its subsidiaries owned any land or building:

Owner of building	Postal address/ location of building	Description/ existing use of building	Tenure/ Date of expiry of lease	Build up area	Approximate age of building	Audited net book value as at 31 December 2007 (RM'000)
AirAsia Berhad	Taxiway Charlie, Kuala Lumpur International Airport (part of PT 39 Bandar Lapangan Terbang Antarabangsa Sepang, Daerah Sepang, Selangor Darul Ehsan)	Non-permanent structure/ aircraft maintenance hangar	See Note 2 below	Approximately 43 meters wide and 48 meters depth, together with an auxillary building 5.45 meters wide and 21 meters in length	Approximately 51 months	1,928
AirAsia Berhad	Lot PT25, Jalan KLIA S5, Southern Support Zone, KL International Airport, 64000 Malaysia	Aircraft Simulator building	30 years/ 31 March 2034	4,996.58 metre^2	Approximately 31 month	12,717

Notes:

(1) On the fitness of occupation of the hangar, it is the subject of a year-to-year"Kelulusan Permit Bangunan Sementara" issued by the Majlis Daerah Sepang. The permit has been renewed and will expire on December 31, 2008.

(2) The land area occupied is approximately 2,319.70 square meters. The land is owned by Malaysia Airports (Sepang) Sdn Bhd ("MAB") and the Company has been granted a five year tenancy from October 1, 2003 to September 30, 2008 ("Concession Period").

Revaluation of properties has not been carried out on any of the above properties to date.

NOTICE IS HEREBY GIVEN THAT the Fifteenth Annual General Meeting of AirAsia Berhad (284669-W) ("the Company") will be held at AirAsia Academy, Lot PT25B, Jalan KLIA S5, Southern Support Zone, Kuala Lumpur International Airport, 64000 Sepang, Selangor Darul Ehsan on Tuesday, 3 June 2008 at 10.00 a.m. for the following purposes:-

AS ORDINARY BUSINESS

1. To receive and consider the Audited Financial Statements together with the Reports of the Directors and Auditors thereon for the period ended 31 December 2007. **(Resolution 1)**

2. To approve Directors' Fees of RM575,000.00 for the financial period ended 31 December 2007. **(Resolution 2)**

3. To re-elect the following Directors who retire pursuant to Article 125 of the Company's Articles of Association:

   a) Datuk Alias Bin Ali **(Resolution 3)**
   b) Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar **(Resolution 4)**
   c) Dato' Pahamin Ab Rajab **(Resolution 5)**

4. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

AS SPECIAL BUSINESS

To consider and if thought fit, to pass, with or without modifications, the following Resolutions:

5. **SPECIAL RESOLUTION - PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY**

   "THAT the deletions, alterations, modifications, variations and additions to the Articles of Association of the Company as detailed in Appendix I be and are hereby approved.

   AND THAT the Directors of the Company be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all acts and things and take all steps as may be considered necessary to give full effect to the proposed amendments to the Articles of Association of the Company." **(Resolution 7)**

6. **ORDINARY RESOLUTION – AUTHORITY TO ALLOT SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965**

   "THAT, subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, the Directors be and they are hereby authorised, pursuant to Section 132D of the Companies Act, 1965 to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed 10 per centum of the issued share capital of the Company for the time being" **(Resolution 8)**

OTHER ORDINARY BUSINESS

7. To transact any other business of which due notice shall have been given.

By Order of the Board

JASMINDAR KAUR A/P SARBAN SINGH (MAICSA 7002687)
Company Secretary

Selangor Darul Ehsan
9 May 2008

NOTES ON APPOINTMENT OF PROXY

a. Pursuant to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 and Article 43(1) of the Company's Articles of Association, only those Foreigners (as defined in the Articles) who hold shares up to the current prescribed foreign ownership limit of 45.0% of the total issued and paid-up capital, on a first-in-time basis based on the Record of Depositors to be used for the forthcoming Annual General Meeting, shall be entitled to vote. Consequently, a proxy appointed by a Foreigner not entitled to vote, will similarly not be entitled to vote, and such disenfranchised voting rights shall be automatically vested in the Chairman of the forthcoming Annual General Meeting.

b. A member entitled to attend and vote is entitled to appoint a proxy (or in the case of a corporation, to appoint a representative), to attend and vote in his stead. A proxy need not be a member of the Company.

c. The Proxy Form in the case of an individual shall be signed by the appointor or his attorney, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.

d. Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.

e. Where a member of the Company is an authorised nominee it may appoint at least one but not more than two (2) proxies in respect of each securities account it holds to which ordinary share in the Company are credited.

f. The Proxy Form or other instruments of appointment shall not be treated as valid unless deposited at the Registered Office of the Company at 25-5, Block H, Jalan PJU 1/37, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for holding the meeting. Faxed copies of the duly executed form of proxy are not acceptable.

EXPLANATORY NOTE TO SPECIAL BUSINESS:

1. **Special Resolution – Resolution 7 – Proposed Amendments to the Articles of Association of the Company**

   The Proposed Amendments to the Articles of Association of the Company will bring the Articles of Association of the Company in line with the amendments to the Listing Requirement of Bursa Malaysia Securities Berhad and any prevailing laws, rules, regulations, orders, guidelines or requirements of the relevant authorities and to further enhance administrative efficiency of the Company.

   The Appendix I referred to in the Proposed Resolution is enclosed together with the Company's Annual Report 2007.

2. **Ordinary Resolution – Resolution 8 – Authority to Directors to issue and allot shares pursuant to Section 132D of the Companies Act, 1965.**

   The effect of the resolution under Resolution 8 above, if passed, will empower the Directors to allot and issue new ordinary shares up to 10% of the issued capital of the Company for the time being for such purposes as the Directors consider would be in the interest of the Company. This authority will commence from the date of this Annual General Meeting and unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

Pursuant to Paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad

In accordance with Article 125 of the Company's Articles of Association, Datuk Alias Bin Ali, Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar and Dato' Pahamin Ab Rajab are retiring by rotation at the Fifteenth Annual General Meeting of the Company. Datuk Alias Bin Ali, Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar and Dato' Pahamin Ab Rajab, being eligible have offered themselves for re-election respectively. Details of the said Directors seeking re-election are set out in their respective profiles which appear in the Directors' Profile from pages 46 to 51 of this Annual Report. Directors' Interests in the shares of the Company are disclosed on pages 133 to 136 of this Annual Report.

AIRLINE TERMINOLOGY EXPLANATION

Aircraft at end of period	Number of aircraft owned or on lease arrangements of over one month's duration at the end of the period.
Aircraft utilization	Average number of block hours per day per aircraft operated.
Ancillary revenue	Includes baggage charges, Xpress boarding fees, sporting equipment fees, change fees, in flight sales and commissions earned on products and services sold.
Available seat kilometres (ASK)	Total seats flown multiplied by the number of kilometres flown.
Average fare	Passenger revenue, fuel surcharge and administrative charges divided by number of passengers.
Block hours	Hours of service for aircraft, measured from the time that the aircraft leaves the terminal at the departure airport to the time that it arrives at the terminal at the destination airport.
Cost per ASK	Revenue less operating expenses, divided by available seat kilometres.
Cost per ASK, excluding fuel	Revenue, less operating expenses excluding fuel costs, divided by available seat kilometres.
EBIT	Earnings before interest, taxes, depreciation and amortization.
EBITDAR	Earnings before interest, taxes, depreciation, amortization and aircraft lease cost.
Load factor	Number of passengers as a percentage of number of seats flown.
Passengers carried	Number of earned seats flown. Earned seats comprises seats sold to passengers (including no-shows), seats provided for promotional purposes and seats provided to staff for business travel.
Return on equity	Profit for the year divided by the average of opening and closing shareholders' funds.
Revenue	The sum of revenue from ticket sales and ancillary revenue.
Revenue per ASK (Yield)	Revenue divided by available seat kilometres.
Revenue seat kilometres (RPK)	Total number of seats sold multiplied by the number of kilometres flown.
Stage	A one-way revenue flight.

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AirAsia

AIRASIA BERHAD
(Company No. 284669-W)
Incorporated in Malaysia

FORM OF PROXY

I/We ______________________________ NRIC No./Co No.: ______________
(FULL NAME IN BLOCK LETTERS) (COMPULSORY)

of ____ being a
(ADDRESS)

member of AIRASIA BERHAD ("the Company"), hereby appoint ______________________________
(FULL NAME IN BLOCK LETTERS)

NRIC No.: ______________ of ______________________________
(COMPULSORY) (ADDRESS)

and/or ______________________________ NRIC No.: ______________
(FULL NAME IN BLOCK LETTERS) (COMPULSORY)

of ______________________________________ as my/our proxy(ies) to
(ADDRESS)

vote in my/our name and on my/our behalf at the Fifteenth Annual General Meeting of the Company to be held on Tuesday, 3 June, 2008 at 10.00 a.m. and at any adjournment of such meeting and to vote as indicated below:

Ordinary Resolution	Description	FOR	AGAINST
No. 1	**Ordinary Business** Receive the Audited Financial Statements and Reports		
No. 2	Approval of Directors' Fees		
No. 3	Re-election of Datuk Alias Bin Ali		
No. 4	Re-election of Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar		
No. 5	Re-election of Dato' Pahamin Ab. Rajab		
No. 6	Re-appointment of Auditors		
No. 7	**Special Business** Proposed Amendments to the Company's Articles of Association		
No. 8	Authority to issue of shares pursuant to Section 132D of the Companies Act, 1965		

*(Please indicate with an **"X"** in the spaces provided how you wish your votes to be cast. If you do not do so, the proxy will vote or abstain from voting as he thinks fit)*

No. of shares held:	
CDS Account No.:	
The proportion of my/our holding to be represented by my/our proxies are as follows:	First Proxy : ________ % Second Proxy : ________ %
Date:	

____
Signature of Shareholder/Common Seal

NOTES TO FORM OF PROXY

a. Pursuant to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 and Article 43(1) of the Company's Articles of Association, only those Foreigners (as defined in the Articles) who hold shares up to the current prescribed foreign ownership limit of 45.0% of the total issued and paid-up capital, on a first-in-time basis based on the Record of Depositors to be used for the forthcoming Annual General Meeting, shall be entitled to vote. Consequently, a proxy appointed by a Foreigner not entitled to vote, will similarly not be entitled to vote, and such disenfranchised voting rights shall be automatically vested in the Chairman of the forthcoming Annual General Meeting.
b. A member entitled to attend and vote is entitled to appoint a proxy (or in the case of a corporation, to appoint a representative), to attend and vote in his stead. A proxy need not be a member of the Company.
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f. The Proxy Form or other instruments of appointment shall not be treated as valid unless deposited at the Registered Office of the Company at 25-5, Block H, Jalan PJU 1/37, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for holding the meeting. **Faxed copies of the duly executed form of proxy are not acceptable.**

Fold this flap for sealing

Then fold here

Stamp

Company Secretary
AirAsia Berhad
(Company No. 284669-W)
25-5, Block H, Jalan PJU 1/37
Dataran Prima
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

1st fold here

The biggest award this year didn't go to a premium, expensive carrier

AIRASIA IS PROUD TO BE THE **WINNER** OF THE **AIRLINE OF THE YEAR 2007** AWARD.

Now, 6 years on, we're proud to have 30 prestigious awards, 86 routes, 40 million guests and 150 new Airbus A320s on order.

We're still opening doors to opportunities, opening minds with discoveries, and keeping it affordable, enjoyable and safe for you.

At AirAsia, we make things happen.

Centre for Asia Pacific Aviation

CAPA Aviation Awards for Excellence 2007

AirAsia

AIRLINE OF THE YEAR 2007

www.airasia.com

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