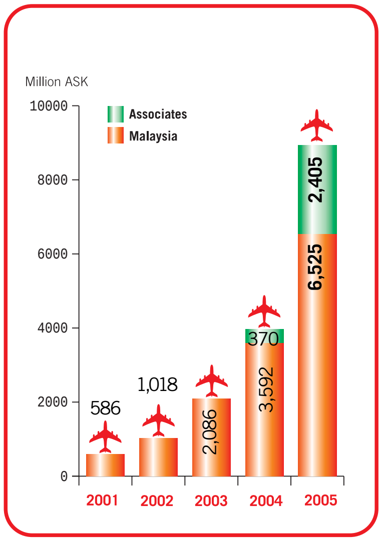
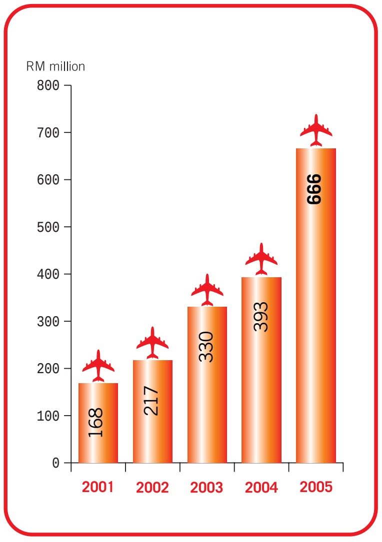
AirAsia financial snapshots

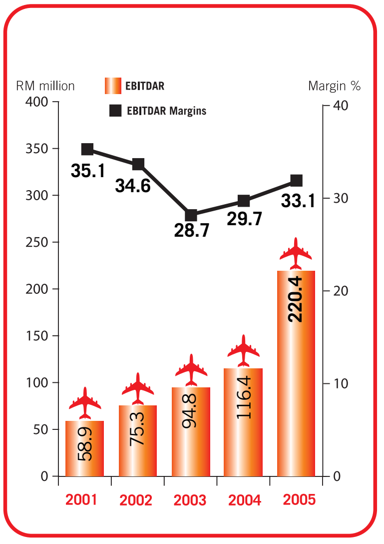
Capacity by AirAsia Group



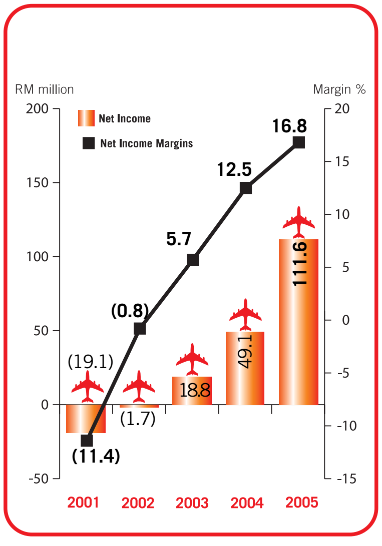
Revenue



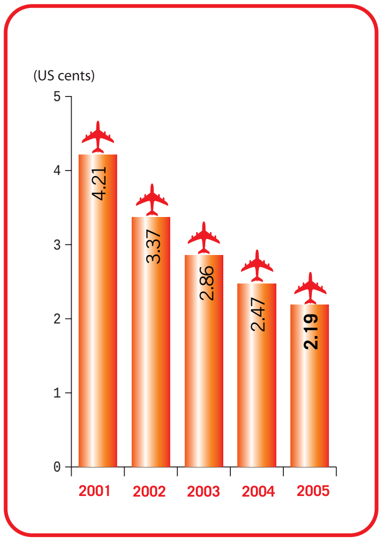
EBITDAR & EBITDAR Margins



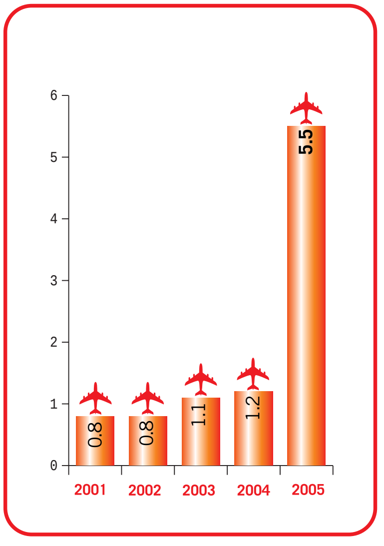
Net Income & Net Income Margins



Cost Per ASK



Working Capital Ratio



financial statements

directors' report

The Directors are pleased to submit their report together with the audited financial statements of the Group and Company for the financial year ended 30 June 2005.

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 has been no significant change in these activities during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit after taxation	111,096	117,514
Minority interests	461	0
Net profit for the financial year	111,557	117,514

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 year ended 30 June 2005.

RESERVES AND PROVISIONS

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

ISSUES OF SHARES AND INITIAL PUBLIC OFFERING ("IPO")

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM175,127,328 to RM233,503,108. The increase in share capital was undertaken in the following manner:

(a) subdivision of 175,127,328 ordinary shares of RM1.00 each into 1,751,273,280 ordinary shares of RM0.10 each, pursuant to a share split on 6 October 2004; and

(b) allotment and issuance of 583,757,800 new ordinary shares of RM0.10 each for cash.

The entire ordinary share capital of 2,335,031,080 ordinary shares of RM0.10 each was listed on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Malaysia") on 22 November 2004. The issue of new ordinary shares was undertaken to repay the existing loans of the Company and for working capital purposes.

The new ordinary shares issued during the financial year 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 year.

EMPLOYEE SHARE OPTION SCHEME ("ESOS")

The Company implemented an ESOS on 1 September 2004 for a period of 5 years from the date the by-laws were approved by the shareholders. The ESOS is governed by the by-laws which were approved by shareholders on 7 June 2004. Details of the ESOS are set out in Note 27 to the financial statements. The Company has been granted exemption by the Registrar of Companies, the information of which had been separately filed, from having to disclose in this report the names of the persons to whom options have been granted during the period and details of their holdings, save for the option holders of more than 350,000 shares. The name of employees who have been granted options of more than 350,000 shares during the period are Dato' Anthony Francis Fernandes and Kamarudin Bin Meranun, details of which are disclosed in the section of 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 Bin Ab. Rajab	
Dato' Anthony Francis Fernandes	
Kamarudin Bin Meranun	
Mumtaz Khan	
John Francis Tierney	
Conor Mc Carthy	
Tan Sri Dato' (Dr) R.V. Navaratnam	(Appointed on 8 October 2004)
Dato' Leong Sonny @ Leong Khee Seong	(Appointed on 8 October 2004)
Fam Lee Ee	(Appointed on 8 October 2004)
Timothy Wakefield Ross	(Appointed on 20 April 2005)
Datuk Alias Bin Ali	(Appointed on 23 September 2005)
Adeeb Ahmed (Alternate to Mumtaz Khan)	
Paul John Da Vall (Alternate to John Francis Tierney)	(Appointed on 17 August 2005)
Richard Todd Scanlon (Alternate Director to Timothy Wakefield Ross) (Ceased as Alternate Director to Sami Ali A. Sindi on 23 September 2005)	(Appointed on 23 September 2005)
Brian Douglas Courtney (Ceased as Alternate Director to John Francis Tierney on 17 August 2005)	
Abdel Aziz @ Abdul Aziz Bin Abu Bakar	(Resigned and re-appointed as Director on 11 October 2004 and 20 April 2005 respectively) (Appointed and ceased as Alternate Director to Dato' Pahamin Bin Ab. Rajab on 11 October 2004 and 20 April 2005 respectively)
Sami Ali A. Sindi	(Resigned on 23 September 2005)

DIRECTORS' BENEFITS

During and at the end of the financial year, 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.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with 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 7 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 year in shares and in options over shares in the Company and its related corporations are as follows:

	Number of ordinary shares of RM0.10 each				
	At 1.7.2004 *	Share split *	Acquired	(Disposed)	At 30.6.2005
The Company					
Direct interests					
Dato' Pahamin Bin Ab. Rajab	1	9	100,000	0	100,010
Dato' Anthony Francis Fernandes	1	9	100,000	0	100,010
Kamarudin Bin Meranun	0	0	100,000	0	100,000
Abdel Aziz @ Abdul Aziz Bin Abu Bakar	0	0	200,000	0	200,000
Conor Mc Carthy	0	0	100,000	0	100,000
Sami Ali A. Sindi	0	0	100,000	0	100,000
John Francis Tierney	0	0	100,000	0	100,000
Tan Sri Dato' (Dr) R.V. Navaratnam	0	0	100,000	(100,000)	0
Dato' Leong Sonny @ Leong Khee Siong	0	0	100,000	0	100,000
Fam Lee Ee	0	0	100,000	0	100,000
Richard Todd Scanlon	0	0	100,000	0	100,000

	Number of ordinary shares of RM0.10 each				
	At 1.7.2004 *	Acquired/ (Disposed) *	Share split *	(Disposed)	At 30.6.2005
The Company					
Indirect interests					
Dato' Anthony Francis Fernandes **	129,204,221	(16,036,913)	1,018,505,772	(86,328,430)	1,045,344,650
Kamarudin Bin Meranun **	129,204,221	(16,036,913)	1,018,505,772	(86,328,430)	1,045,344,650
Sami Ali A. Sindi					
via Crescent Air Asia Investments, Ltd ***	15,761,459	0	141,853,131	(10,531,100)	147,083,490
via Crescent Air Asia Investments II, Ltd ^ (As at 11 March 2005)	0	7,880,730	70,926,570	(78,807,300)	0

* Ordinary shares of RM1.00 were sub-divided into 10 ordinary shares of RM0.10 each on 6 October 2004 following a share split.

** By virtue of their interest in shares in the substantial shareholder, Tune Air Sdn. Bhd. ("TASB"), Dato' Anthony Francis Fernandes and 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.

*** Sami Ali A.Sindi is deemed to have interest in 147,083,490 ordinary shares of RM0.10 each held by Crescent Air Asia Investments, Ltd by virtue of Section 6A of the Companies Act, 1965 as he wholly owns Crescent Control Company Ltd which in turn has 100% of the voting rights in Crescent Air Asia Investments, Ltd, a corporate shareholder of the Company.

^ Sami Ali A. Sindi also wholly owns Crescent Venture Partners, Ltd ("CVP"), which prior to 11 March 2005 had 100% of the voting rights in Crescent Air Asia Investments II, Ltd ("CAAL II"). On 11 March 2005 and pursuant to a restructuring, CVP distributed CVP's interest in CAAL II to the funders of CAAL II. It followed that Mr. Sindi's deemed interest in the subject shares pursuant to Section 6A of the Companies Act, 1965 ceased on such date.

DIRECTORS' INTERESTS IN SHARES (CONT'D)

	Number of options over ordinary shares of RM0.10 each			
	At 1.7.2004	Granted #	(Exercised)	At 30.6.2005
The Company				
Dato' Anthony Francis Fernandes	0	600,000	0	600,000
Kamarudin Bin Meranun	0	600,000	0	600,000

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

	Number of ordinary shares of RM1.00 each			
	At 1.7.2004	Acquired	Disposed	At 30.6.2005
Indirect interests in Crunchtime Culinary Services Sdn Bhd				
Dato' Anthony Francis Fernandes @	50,000	450,001	0	500,001
Kamarudin Bin Meranun @	50,000	450,001	0	500,001

@ Deemed to have interest by virtue of Section 6A of the Companies Act, 1965 through a shareholding of more than 15% in TASB, which in turn has a substantial shareholding in the Company.

	Number of ordinary shares of USD1.00 each			
	At 1.7.2004	Acquired	Disposed	At 30.6.2005
Direct interest in AA International Ltd ("AAIL")				
Kamarudin Bin Meranun (Held in trust for TASB)	1	0	0	1
Indirect interests in AAIL				
Dato' Anthony Francis Fernandes +	7,340	5,260,000	0	5,267,340
Kamarudin Bin Meranun +	7,340	5,260,000	0	5,267,340

\+ Deemed to have interest by virtue of Section 6A of the Companies Act, 1965, through a shareholding of more than 15% in TASB, which in turn has a substantial shareholding in the Company.

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

SIGNIFICANT EVENTS

The significant events during the financial year were as follows:

(a) Acquisition of AA International Ltd ("AAIL")

On 1 July 2004, the Company acquired 99.8% interest of AAIL for a purchase consideration of USD5,260,000 by converting an existing loan to subscribe for 5,260,000 ordinary shares of USD1.00 each. AAIL owns 49% of Thai AirAsia Co. Ltd. Thai AirAsia has a subsidiary company, Thai Crunch Time Co. Ltd.

(b) Acquisition of PT AWAIR International ("PT AWAIR") by AAIL

On 30 August 2004, AAIL entered into a Sale and Purchase Agreement with Sky Castle International Limited and Mr. Unn Harris in relation to shares in PT AWAIR. AAIL acquired a 46.88% equity interest in PT AWAIR from Sky Castle International Limited for USD1.00 and a 2.12% equity interest in PT AWAIR from Mr. Unn Harris for USD1.00.

(c) Purchase of aircraft

On 17 December 2004, the Company signed a Memorandum of Understanding with Airbus S.A.S. ("Airbus") for a proposed acquisition of up to 80 Airbus A320 aircraft, consisting of 40 firm orders with a contract price of USD2.5 billion and 40 purchase rights. The Company signed a purchase agreement for the aircraft effective 25 March 2005 (the "Purchase Agreement"). Following the signing of the Purchase Agreement, the Company increased the order to 60 aircraft to be delivered over a period of up to 6 years from December 2005, with purchase rights for another 40 aircraft (the "Aircraft Acquisition"). At list price, each A320-200 aircraft is worth approximately USD62.5 million.

(d) Maintenance Agreement

On 13 June 2005, the Company signed a Maintenance Cost Per Hour Agreement (the "MCPH Agreement") with GE On Wing Support Malaysia Berhad, a subsidiary of GE Engine Services, Inc., to maintain, overhaul and repair all installed and spare CFM56-5B6/P engines in respect of the new A320 fleet. The MCPH Agreement fixes the maintenance cost of 129 engines for the Company's 60 firm Airbus A320-200 order and a further 86 engines if the Company exercises its purchase rights for the additional 40 Airbus A320-200 aircraft. Effective for a period of 20 years per engine, the contract value of MCPH Agreement is approximately USD1.5 billion.

None of the Directors and/or major shareholders of the Company and persons connected to them, insofar as the existing Directors and major shareholders are able to ascertain and are aware, has any interest, direct or indirect, in the MCPH Agreement.

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 year 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 year 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 year.

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 year 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 year 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 year 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 17 October 2005.

DATO' PAHAMIN BIN AB. RAJAB
Director

DATO' ANTHONY FRANCIS FERNANDES
Director

income statements
for the financial year ended 30 June 2005

	Note	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Revenue	3	666,036	392,690	659,564	389,120
Cost of sales	4	(467,625)	(279,119)	(462,356)	(276,796)
Gross profit		198,411	113,571	197,208	112,324
Other operating income		11,030	4,563	10,827	4,537
Sales and marketing expenses		(3,291)	(9,411)	(3,291)	(9,491)
Administration expenses	5	(36,700)	(35,046)	(35,000)	(33,688)
Other operating expenses		(36,018)	(13,054)	(35,322)	(12,866)
Profit from operations	6	133,432	60,623	134,422	60,816
Finance costs	8	(2,611)	(2,436)	(2,604)	(2,429)
Share of results of a jointly controlled entity		(5,335)	0	0	0
Share of results of associates		(86)	(116)	0	0
Profit before taxation		125,400	58,071	131,818	58,387
Taxation	9	(1,804)	(439)	(1,804)	(439)
Deferred taxation	9	(12,500)	(8,613)	(12,500)	(8,613)
Profit after taxation		111,096	49,019	117,514	49,335
Minority interests		461	48	0	0
Net profit for the financial year		111,557	49,067	117,514	49,335
Earnings per share (sen)					
– Basic	10	5.3	6.4		
– Diluted	10	5.2	2.8		

The notes on pages 78 to 110 form part of these financial statements.

balance sheets
as at 30 June 2005

	Note	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	11	231,486	158,456	230,619	157,636
Investment in subsidiaries	12	0	0	20,690	50
Investment in a jointly controlled entity	13	6,719	0	0	0
Investment in associates	14	0	86	0	0
Other investments	15	90	108	90	108
Goodwill		7,334	0	0	0
Deferred expenditure		3,221	4,369	3,221	4,369
		248,850	163,019	254,620	162,163
CURRENT ASSETS					
Deferred share issue expense	16	0	2,741	0	2,741
Inventories	17	4,680	3,947	4,382	3,810
Other investments	15	7,717	0	7,717	0
Trade and other receivables	18	278,849	113,947	277,046	113,590
Deposit on aircraft purchase		182,414	0	182,414	0
Amounts due from subsidiaries	19	0	0	23,437	328
Amount due from a jointly controlled entity	20	30,511	0	6,907	0
Amounts due from associates	21	40,634	202	40,634	0
Deposits, bank and cash balances	22	329,289	66,147	327,917	66,084
		874,094	186,984	870,454	186,553
CURRENT LIABILITIES					
Trade and other payables	23	155,010	102,146	151,202	100,868
Amount due to an associate		202	202	0	0
Hire-purchase payables	24	167	128	148	110
Borrowings (secured)	25	0	47,728	0	47,728
Current tax liabilities		798	439	798	439
		156,177	150,643	152,148	149,145
NET CURRENT ASSETS		717,917	36,341	718,306	37,408

balance sheets
as at 30 June 2005 (cont'd)

	Note	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
NON-CURRENT LIABILITIES					
Deferred tax liabilities	26	13,613	1,113	13,613	1,113
Hire-purchase payables	24	283	239	230	180
Borrowings (secured)	25	0	47,728	0	47,728
		13,896	49,080	13,843	49,021
		952,871	150,280	959,083	150,550
CAPITAL AND RESERVES					
Share capital	27	233,503	175,127	233,503	175,127
Share premium		698,602	65,959	698,602	65,959
Retained earnings/(accumulated losses)	29	20,751	(90,806)	26,978	(90,536)
SHAREHOLDERS' EQUITY		952,856	150,280	959,083	150,550
Minority interests		15	0	0	0
		952,871	150,280	959,083	150,550

The notes on pages 78 to 110 form part of these financial statements.

statements of changes in equity
for the financial year ended 30 June 2005

	Issued and fully paid ordinary shares of RM0.10 each		Redeemable cumulative preference shares ("RCPS") of RM1.00 each		Non-distributable			
	Number of shares '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000	Share premium RM'000	Share application monies RM'000	(Accumulated losses)/ Retained earnings RM'000	Total RM'000
Group								
At 1 July 2003	52,070	52,070	109,216	109,216	0	27,617	(139,873)	49,030
Conversion of RCPS	109,216	109,216	(109,216)	(109,216)	0	0	0	0
Issuance of ordinary shares	13,841	13,841	0	0	65,959	(27,617)	0	52,183
Net profit for the financial year	0	0	0	0	0	0	49,067	49,067
At 30 June 2004	175,127	175,127	0	0	65,959	0	(90,806)	150,280
At 1 July 2004	175,127	175,127	0	0	65,959	0	(90,806)	150,280
Share split *	1,576,143	0	0	0	0	0	0	0
Issuance of shares	583,760	58,376	0	0	659,063	0	0	717,439
Listing expenses	0	0	0	0	(26,420)	0	0	(26,420)
Net profit for the financial year	0	0	0	0	0	0	111,557	111,557
At 30 June 2005	2,335,030	233,503	0	0	698,602	0	20,751	952,856

* Share split of one existing ordinary share of RM1.00 each in the Company into 10 new ordinary shares of RM0.10 each on 6 October 2004.

	Issued and fully paid ordinary shares of RM0.10 each		Redeemable cumulative preference shares ("RCPS") of RM1.00 each		Non-distributable			
	Number of shares '000	Nominal value RM'000	Number of shares '000	Nominal value RM'000	Share premium RM'000	Share application monies RM'000	(Accumulated losses)/ Retained earnings RM'000	Total RM'000
Company								
At 1 July 2003	52,070	52,070	109,216	109,216	0	27,617	(139,871)	49,032
Conversion of RCPS	109,216	109,216	(109,216)	(109,216)	0	0	0	0
Issuance of ordinary shares	13,841	13,841	0	0	65,959	(27,617)	0	52,183
Net profit for the financial year	0	0	0	0	0	0	49,335	49,335
At 30 June 2004	175,127	175,127	0	0	65,959	0	(90,536)	150,550
At 1 July 2004	175,127	175,127	0	0	65,959	0	(90,536)	150,550
Share split *	1,576,143	0	0	0	0	0	0	0
Issuance of shares	583,760	58,376	0	0	659,063	0	0	717,439
Listing expenses	0	0	0	0	(26,420)	0	0	(26,420)
Net profit for the financial year	0	0	0	0	0	0	117,514	117,514
At 30 June 2005	2,335,030	233,503	0	0	698,602	0	26,978	959,083

* Share split of one existing ordinary share of RM1.00 each in the Company into 10 new ordinary shares of RM0.10 each on 6 October 2004.

The notes on pages 78 to 110 form part of these financial statements.

cash flow statements
for the financial year ended 30 June 2005

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	125,400	58,071	131,818	58,387
Adjustments:				
Share of results of a jointly controlled entity	5,335	0	0	0
Share of results of associates	86	0	0	0
Interest expense	2,191	1,236	2,184	1,229
Property, plant and equipment				
– Depreciation	34,100	11,481	33,870	11,293
– Write off	0	12	0	0
– Loss on disposal	74	0	70	0
Amortisation of deferred expenditure	1,147	1,442	1,147	1,442
Interest income	(9,331)	(1,569)	(9,331)	(1,569)
Loss on disposal of investments	0	218	0	218
Provision for maintenance	0	15,375	0	15,375
	159,002	86,266	159,758	86,375
Changes in working capital:				
Inventories	(733)	(1,754)	(572)	(1,690)
Trade and other receivables	(184,262)	(67,887)	(183,445)	(67,495)
Trade and other payables	53,409	11,503	50,427	10,435
Intercompany balances	(33,289)	608	(32,996)	801
Cash (used in)/generated from operations	(5,873)	28,736	(6,828)	28,426
Interest paid	(2,191)	(1,236)	(2,184)	(1,229)
Interest received	9,331	1,544	9,331	1,544
Tax paid	(1,520)	(125)	(1,520)	(125)
Net cash (used in)/from operating activities	(253)	28,919	(1,201)	28,616

cash flow statements
for the financial year ended 30 June 2005 (cont'd)

	Note	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Property, plant and equipment					
– Additions		(107,078)	(149,901)	(106,785)	(149,594)
– Proceeds from disposal		71	0	60	0
Deposit on aircraft purchase		(182,414)	0	(182,414)	0
Purchase of investments		(7,717)	0	(7,717)	0
Advances to associates		(37,654)	0	(37,654)	0
Acquisition of subsidiaries	28	0	0	(650)	0
Proceeds from disposal of investments		0	6,053	0	6,052
Net cash used in investing activities		(334,792)	(143,848)	(335,160)	(143,542)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from allotment of shares		717,439	52,183	717,439	52,183
Share issue costs		(23,680)	0	(23,680)	0
Hire-purchase installments paid		(116)	(66)	(109)	(49)
Proceeds from borrowings		0	95,456	0	95,456
Repayment of borrowings		(95,456)	0	(95,456)	0
Fixed deposits pledged as securities	22	(9,183)	(6,597)	(9,183)	(6,597)
Net cash from financing activities		589,004	140,976	589,011	140,993
NET INCREASE FOR THE FINANCIAL YEAR		253,959	26,047	252,650	26,067
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		58,589	32,542	58,526	32,459
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	22	312,548	58,589	311,176	58,526

The notes on pages 78 to 110 form part of these financial statements.

notes to the financial statements
– 30 June 2005

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 has been no significant change in these activities during the financial year.

The number of employees of the Group and the Company at the balance sheet date was 2,016 and 1,984 (2004: 1,382 and 1,333) respectively.

The Company was incorporated as a private limited liability company and is both incorporated and domiciled in Malaysia. On 8 June 2004, the Company was converted into a public limited liability company. The Company was listed on the Main Board of the Bursa Malaysia Securities Berhad ("Bursa Malaysia") on 22 November 2004.

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:

Lot N1, Level 4
Main Terminal Building, KLIA
KL International Airport
64000 Sepang
Selangor Darul Ehsan

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, except where otherwise stated in the summary of significant accounting policies below. The financial statements comply with the MASB approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

The preparation of financial statements in conformity with MASB approved accounting standards in Malaysia and the provisions of the Companies Act, 1965, requires the use of 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 reported amounts of revenues and expenses during the reported financial year. These estimates are based on the Directors' best knowledge of current events and actions.

(b) Group accounting

(i) Subsidiaries

Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies, are consolidated.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Subsidiaries are consolidated using the acquisition method of accounting. At the date of acquisition, the fair value of the subsidiaries' net assets is determined and these values are reflected in the consolidated financial statements. The difference between the costs of acquisition over the Group's share of the fair value of the identifiable net assets of the subsidiary acquired at acquisition date is reflected as goodwill or negative goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Group accounting (cont'd)

(i) Subsidiaries (cont'd)

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the invested entities. When the minorities' share of losses equals or exceeds their interest in the entities invested, the minority shareholders do not recognise further losses, unless the minority shareholders have incurred obligation or made payment on behalf of the entities invested.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill on acquisition and exchange differences which were not previously recognised in the consolidated income statement.

(ii) Associated companies

Associates are those corporations, partnerships or other entities enterprises in which the Group exercises significant influence, but which it does not control. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not the power to exercise control over those policies. Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting.

Equity accounting involves recognising in the income statement the Group's share of the post acquisition results of associates and its share of post acquisition movements within reserves in reserves. The cumulative post acquisition movement is adjusted against the cost of the investment and includes goodwill on acquisition (net of accumulated amortisation). Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or made payments on behalf of the associate.

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 on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with those of the Group.

(iii) 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. The Group's interest in jointly controlled entities is accounted for in the consolidated financial statements by the equity method of accounting.

Equity accounting involves recognising the Group's share of the post acquisition results of jointly controlled entities in the income statement and its share of post acquisition movements within reserves in reserves. The cumulative post acquisition movements are adjusted against the cost of the investment and include goodwill on acquisition (net of accumulated amortisation).

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

Where necessary, in applying the equity method, adjustments have been made to the financial statements of jointly controlled entities 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 fair value of the purchase consideration over the Group's share of the fair values of the separable net assets of the subsidiary at the date of acquisition. Negative goodwill represents the excess of the Group's share of the fair values of the separable assets of the subsidiary at the date of acquisition over the fair value of the purchase consideration.

Goodwill is stated net of negative goodwill and is retained in the consolidated balance sheet. The carrying value of the goodwill is reviewed annually and is written down for impairment where it is considered necessary. The impairment value of goodwill is taken to the consolidated income statement.

(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 over their estimated useful lives. The principal annual rates and for this purpose are:

	%
Furniture and fittings	20
Motor vehicles	20
Office equipment	20
Office renovation	20
Operating plant and ground equipment	20
Kitchen equipment	20
Aircraft spares	10
Hangar building	2
Aircraft	7 years
Aircraft fixtures and fittings	Useful life or, remaining lease term of aircrafts, whichever is shorter

Assets not yet in operation are stated at cost and are not depreciated until it is ready for its 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 airframes. 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 check or the remaining life of the aircraft.

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. Refer accounting policy Note 2 (e) on impairment of assets.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Impairment of assets

Property, plant and equipment and other non-current assets, including goodwill 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 net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

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.

(f) Maintenance and overhaul

Owned Aircraft

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 airframes. This cost, which can equate to a substantial proportion of the total aircraft cost, is amortised over the shorter of the period to the next check or the remaining life of the aircraft.

The cost of subsequent major airframe and engine maintenance checks is capitalised and amortised over the shorter of the period to the next check or the remaining life of the aircraft.

Leased Aircraft

The cost of major maintenance and overhaul expenses is charged to the income statement throughout the period of the lease.

AirAsia has certain aircraft for which the lease commenced during a major overhaul cycle and for which AirAsia was obligated, under the terms of the lease, to pay the full amount of the overhaul cost for the first maintenance cycle, although AirAsia only leased the aircraft for a portion of that maintenance cycle. The element of the maintenance cost relating to periods prior to commencement of the lease is deferred and amortised over the operating lease period.

(g) 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.

(h) Inventories

Inventories comprising spares and consumables used internally for repairs and maintenance are stated at 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. In arriving at net realisable value, due allowance is made for all damaged, obsolete and slow-moving items.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) 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 year end. Bad debts are written off during the financial year in which they are identified.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, deposits pledged with financial institutions, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(k) Share capital

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.

(l) Share issue costs

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

(m) Dividends

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the balance sheet date. A dividend proposed or declared after the balance sheet date, but before the financial statements are authorised for issue, is not recognised as a liability at the balance sheet date but as an appropriation from retained earnings. Upon the dividend becoming payable, it will be accounted for as a liability.

(n) Borrowings

Borrowings are initially recognised based on the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

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.

(o) 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 a foreign subsidiary, associate or joint venture on distributions of retained earnings to companies in the Group, and real property gains taxes payable on disposal of properties.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Income taxes (cont'd)

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

Deferred tax is provided on temporary differences arising on investments in subsidiaries 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.

(p) 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.

(q) Defined contribution retirement plans

The Group pays contributions to publicly administered pension plans on a mandatory, contractual or voluntary basis. Once the contributions have been paid, the Group has no further payment obligations. The regular contributions constitute net periodic costs for the period in which they are due and as such are included in staff costs in the income statement.

(r) Revenue recognition

Scheduled passenger flight and chartered flight income are recognised upon the rendering of transportation services and where applicable, 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. Cargo, freight and other related revenue are recognised upon the completion of services rendered and where applicable, net of discounts. Amounts collected on behalf of governments or other regulatory bodies and direct-per passengers' charges are excluded from revenue.

Interest and rental income are recognised on an accruals basis.

(s) Foreign currencies

(i) Reporting currency

The financial statements are presented in Ringgit Malaysia ("RM").

(ii) Foreign entities

The Group's foreign entities are those operations that are not an integral part of the operations of the Company. Income statements of foreign entities are translated into Ringgit Malaysia at average exchange rates for the period and the balance sheets are translated at exchange rates ruling at the balance sheet date. Exchange differences arising from the retranslation of the net investment in foreign entities and of borrowings that hedge such investments are taken to 'Currency translation differences' in shareholders' equity. On disposal of the foreign entity, such translation differences are recognised in the income statement as part of the gain or loss on disposal.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Foreign currencies (cont'd)

(iii) Foreign currency transactions and balances

Transactions in foreign currencies are converted into Ringgit Malaysia at exchange rates prevailing on the transaction dates, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Foreign currency monetary assets and liabilities are translated into Ringgit Malaysia at exchange rates prevailing at the balance sheet date, unless hedged by forward foreign exchange contracts in which case the rates specified in such forward contracts are used. Exchange differences arising from settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the income statement.

(iv) Closing rates

The principal closing rates used in translation of foreign currency amounts to RM are as follows:

Foreign currency	**2005 RM**	**2004 RM**
United States Dollar ("USD")	3.80	3.80
Pound Sterling ("GBP")	6.94	6.50
Singapore Dollar ("SGD")	2.29	2.20
Thai Baht ("THB")	0.09	0.10
100 Indonesia Rupiah ("IDR")	0.04	Not applicable
EURO Dollar ("Euro")	4.76	Not applicable
Indian Rupee ('INR")	0.83	Not applicable
New Zealand Dollar ("NZD")	2.52	Not applicable
Hong Kong Dollar ("HKD")	0.49	Not applicable

(t) Financial instruments

(i) Description

Financial instruments are recognised in the balance sheet when the Group and Company have become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as expenses or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group and Company have legally enforceable right to offset and intend to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(ii) Financial instruments recognised on the balance sheet

The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual policy statement associated with each item.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Financial instruments (cont'd)

(iii) Financial instruments not recognised on the balance sheet

The Group is a party to financial instruments that comprises forward fuel contracts. These instruments are not recognised in the financial statements on inception. Gains and losses arising from forward fuel contracts are recognised in the income statement upon delivery of fuel.

(iv) Fair value estimation for disclosure purposes

In assessing the fair value of financial instruments, the Group makes certain assumptions that are based on market conditions existing at each balance sheet date and applies the discounted cash flows method to discount the future cash flows to determine the fair value of the financial instruments.

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

3 REVENUE

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Passenger seat sales	551,034	347,971	551,034	347,971
Chartered flight income	72,863	24,514	72,863	24,514
Other revenue	42,139	20,205	35,667	16,635
	666,036	392,690	659,564	389,120

4 COST OF SALES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Aircraft fuel expenses	267,536	102,707	267,536	102,707
Aircraft operating lease expenses	51,350	42,790	51,350	42,790
Staff costs	83,539	48,403	82,775	48,403
Maintenance, overhaul, user charges and other expenses	65,200	85,219	60,695	82,896
	467,625	279,119	462,356	276,796

Aircraft operating lease expenses include income received from the Company's jointly controlled entity and associate on lease rental and sublease rental of aircraft amounting to RM17.8 million (2004: RM5.0 million) and RM7.7 million (2004: Nil) respectively.

User charges of the Group and Company primarily consist of ground handling fees, landing and parking charges, aeronautical charges and other airport charges.

Other expenses include insurance surcharges and administrative fees from passengers netted off amounting to RM51.8 million (2004: RM27.4 million).

5 ADMINISTRATION EXPENSES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
General and administrative expenses	20,619	18,367	19,379	17,545
Staff costs	16,081	16,679	15,621	16,143
	36,700	35,046	35,000	33,688

6 PROFIT FROM OPERATIONS

The following items have been charged/(credited) in arriving at profit from operations:

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Staff costs	101,608	65,724	100,369	64,547
Property, plant and equipment				
– Depreciation	34,100	11,481	33,870	11,293
– Write off	0	12	0	0
– Loss on disposal	74	0	70	0
Amortisation of deferred expenditure	1,147	1,442	1,147	1,442
Rental of building	891	1,774	872	1,774
Auditors' remuneration	230	90	200	80
Allowance for doubtful debts	966	2,862	966	2,862
Rental of equipment	416	111	416	111
Crew commissions	532	152	0	0
Loss on disposal of investments	0	218	0	218
Realised foreign exchange loss	1,164	462	1,164	462
Lease rental income on aircrafts	(17,880)	(5,029)	(17,880)	(5,029)
Sublease rental income on aircrafts	(7,666)	0	(7,666)	0
Interest income	(9,331)	(1,569)	(9,331)	(1,569)
Writeback of doubtful debts	0	(250)	0	(250)

The Group and Company is required by Malaysian law to contribute a fixed percentage of each employee's salary to a publicly administered defined contribution pension plan for the employee's retirement.

Included in staff costs are contributions to the national defined contribution plan amounting to RM5,473,900 and RM5,359,800 for the Group and Company respectively (2004: RM4,497,700 and RM4,490,700 for the Group and Company).

7 DIRECTORS' REMUNERATION

The aggregate amount of emoluments received by Directors of the Company during the financial years ended are as follows:

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Executive Directors				
Basic salaries, bonuses and allowances	1,560	1,940	1,560	1,940
Contribution to EPF (defined contribution retirement plan)	187	234	187	234
Other emoluments	110	10	110	10
Non-executive Directors				
Fees	703	0	703	0
Basic salaries	0	590	0	590
Other emoluments	3	0	3	0
	2,563	2,774	2,563	2,774

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

	Executive		Non-executive	
	2005	2004	2005	2004
Range of remunerations				
In bands of RM50,000				
Up to RM50,000	0	0	5	0
RM50,001 to RM100,000	0	0	4	0
RM100,001 to RM150,000	0	0	0	1
RM150,001 to RM200,000	0	0	0	1
RM200,001 to RM250,000	0	1	1	0
RM250,001 to RM300,000	0	0	0	1
RM550,001 to RM600,000	1	0	0	0
RM1,250,001 to RM1,300,000	1	0	0	0
RM1,950,000 to RM2,000,000	0	1	0	0

8 FINANCE COSTS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Interest costs				
– Bank borrowings	2,165	1,210	2,165	1,210
– Hire-purchase payables	26	26	19	19
	2,191	1,236	2,184	1,229
Bank facilities and other charges	420	1,200	420	1,200
	2,611	2,436	2,604	2,429

9 TAXATION

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Income tax – Malaysia				
– Current year	1,804	439	1,804	439
Deferred tax (Note 26)				
– Origination and reversal of temporary differences	12,500	8,613	12,500	8,613
	14,304	9,052	14,304	9,052

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

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Profit before taxation	125,400	58,071	131,818	58,387
Tax calculated at Malaysian tax rate of 28% (2004: 28%)	35,112	16,260	36,909	16,348
Tax effects of:				
– recognition of previously unrecognised tax benefits	(23,158)	(20,125)	(23,130)	(20,125)
– expenses not deductible for tax purposes	1,881	2,066	1,638	2,066
– income not subject to tax	(1,113)	0	(1,113)	0
– temporary differences not recognised	0	10,851	0	10,763
– others	1,582	0	0	0
Taxation	14,304	9,052	14,304	9,052

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

The amount of temporary differences available for set off against future chargeable income for which the related tax effects have not been recognised comprise:

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Unutilised capital allowances	243	82,741	0	82,607
Deferred tax assets not recognised at 28%	68	23,167	0	23,130

10 EARNINGS PER SHARE

The weighted average number of ordinary shares in issue for the previous financial year has been restated following a share split undertaken on 6 October 2004, resulting in one ordinary share of RM1.00 each being divided into 10 ordinary shares of RM0.10 each. Consequently, the weighted average number of ordinary shares outstanding prior to the share split has been adjusted as if the share split had occurred at the beginning of the previous financial year.

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit for the financial year by the number of ordinary shares in issue during the financial year.

	Group	
	2005	**2004 Restated**
Net profit for the financial year (RM'000)	111,557	49,067
Weighted average number of ordinary shares in issue ('000)	2,115,407	763,000
Earnings per share (sen)	5.3	6.4

(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 the current financial year and from redeemable convertible preference shares ("RCPS") in the preceding financial year.

The RCPS were assumed to have been converted into ordinary shares and net profit for the financial year.

In assessing the dilution in earnings per share arising from the issue of share options, a calculation is done to determine the number of shares that could have been acquired at market price. This calculation 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 year in the calculation of the diluted earnings per share from the issue of the share options.

	Group	
	2005	**2004 Restated**
Net profit used to determine diluted earnings per share	111,557	49,067
Weighted average number of ordinary shares in issue ('000)	2,115,407	763,000
Adjustments for: ('000)		
– Conversion of RCPS (after effect of share split)	0	981,447
– Adjustment for ESOS	26,739	0
Weighted average number of ordinary shares for diluted earnings per share	2,142,146	1,744,447
Diluted earnings per share (sen)	5.2	2.8

11 PROPERTY, PLANT AND EQUIPMENT

	At 1 July 2004 RM'000	Additions RM'000	Transfer RM'000	Disposals RM'000	Depreciation charge RM'000	At 30 June 2005 RM'000
Group						
Net book value						
Aircraft	95,594	53,538	25,929	0	(26,473)	148,588
Aircraft spares	15,528	6,714	0	0	(2,332)	19,910
Aircraft fixtures and fittings	2,729	1,779	1,520	0	(1,142)	4,886
Furniture and fittings	268	65	0	0	(83)	250
Hangar building	2,035	2	4	0	(41)	2,000
Kitchen equipment	253	216	0	0	(80)	389
Motor vehicles	1,366	1,320	0	(101)	(419)	2,166
Office equipment	7,351	4,613	201	(5)	(2,543)	9,617
Office renovation	1,650	682	8	(13)	(517)	1,810
Operating plant and ground equipment	1,274	757	0	(26)	(470)	1,535
Assets not yet in operation	30,408	37,589	(27,662)	0	0	40,335
	158,456	107,275	0	(145)	(34,100)	231,486

	Cost RM'000	Accumulated depreciation RM'000	Net book value RM'000
Group			
At 30 June 2005			
Aircraft	181,587	(32,999)	148,588
Aircraft spares	25,763	(5,853)	19,910
Aircraft fixtures and fittings	6,743	(1,857)	4,886
Furniture and fittings	738	(488)	250
Hangar building	2,065	(65)	2,000
Kitchen equipment	548	(159)	389
Motor vehicles	3,419	(1,253)	2,166
Office equipment	15,819	(6,202)	9,617
Office renovation	2,826	(1,016)	1,810
Operating plant and ground equipment	2,645	(1,110)	1,535
Assets not yet in operation	40,335	0	40,335
	282,488	(51,002)	231,486

11 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Cost RM'000	Accumulated depreciation RM'000	Net book value RM'000
Group			
At 30 June 2004			
Aircraft	102,120	(6,526)	95,594
Aircraft spares	19,049	(3,521)	15,528
Aircraft fixtures and fittings	3,444	(715)	2,729
Furniture and fittings	673	(405)	268
Hangar building	2,059	(24)	2,035
Kitchen equipment	332	(80)	252
Motor vehicles	2,206	(839)	1,367
Office equipment	11,026	(3,680)	7,346
Office renovation	2,149	(499)	1,650
Operating plant and ground equipment	1,892	(613)	1,279
Assets not yet in operation	30,408	0	30,408
	175,358	(16,902)	158,456

	At 1 July 2004 RM'000	Additions RM'000	Transfer RM'000	Disposals RM'000	Depreciation charge RM'000	At 30 June 2005 RM'000
Company						
Net book value						
Aircraft	95,594	53,538	25,929	0	(26,473)	148,588
Aircraft spares	15,528	6,714	0	0	(2,332)	19,910
Aircraft fixtures and fittings	2,729	1,779	1,520	0	(1,142)	4,886
Furniture and fittings	268	65	0	0	(83)	250
Hangar building	2,035	2	4	0	(41)	2,000
Motor vehicles	1,256	1,320	0	(86)	(392)	2,098
Office equipment	7,006	4,571	201	(5)	(2,457)	9,316
Office renovation	1,538	648	8	(13)	(480)	1,701
Operating plant and ground equipment	1,274	757	0	(26)	(470)	1,535
Assets not yet in operation	30,408	37,589	(27,662)	0	0	40,335
	157,636	106,983	0	(130)	(33,870)	230,619

11 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Cost RM'000	Accumulated depreciation RM'000	Net book value RM'000
Company			
At 30 June 2005			
Aircraft	181,587	(32,999)	148,588
Aircraft spares	25,763	(5,853)	19,910
Aircraft fixtures and fittings	6,743	(1,857)	4,886
Furniture and fittings	738	(488)	250
Hangar building	2,065	(65)	2,000
Motor vehicle	3,300	(1,202)	2,098
Office equipment	15,344	(6,028)	9,316
Office renovation	2,641	(940)	1,701
Operating plant and ground equipment	2,640	(1,105)	1,535
Assets not yet in operation	40,335	0	40,335
	281,156	(50,537)	230,619
At 30 June 2004			
Aircraft	102,120	(6,526)	95,594
Aircraft spares	19,049	(3,521)	15,528
Aircraft fixtures and fittings	3,444	(715)	2,729
Furniture and fittings	673	(405)	268
Hangar building	2,059	(24)	2,035
Motor vehicle	2,066	(810)	1,256
Office equipment	10,577	(3,571)	7,006
Office renovation	1,998	(460)	1,538
Operating plant and ground equipment	1,909	(635)	1,274
Assets not yet in operation	30,408	0	30,408
	174,303	(16,667)	157,636

Included in the property, plant and equipment of the Group and the Company are motor vehicles with the following net book values:

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Motor vehicles on hire-purchase	536	502	468	425

12 INVESTMENT IN SUBSIDIARIES

	Company 2005 RM'000	2004 RM'000
Unquoted investments, at cost	20,690	50

The details of the subsidiaries are as follows:

Name	Country of incorporation	Group's effective equity interest 2005 %	2004 %	Principal activities
Directly held by the Company				
Crunchtime Culinary Services Sdn Bhd ("Crunchtime")	Malaysia	50.001	50.001	Provision of inflight meals
AA International Ltd ("AAIL") ^	Malaysia	99.8	0	Investment holding
AirAsia Go Holiday Sdn Bhd (Formerly known as Asas Layar Sdn Bhd) ("Go Holiday") ^	Malaysia	100.0	0	Tour operating business
AirAsia (Mauritius) Limited ("AirAsia Mauritius") ^	Mauritius	100.0	0	Providing aircraft leasing facilities
Held by AAIL				
AirAsia (Hong Kong) Limited ("AirAsia HK") * ^	Hong Kong	100.0	0	Dormant

* Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers, Malaysia

^ Acquired/subscribed during the financial year

13 INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	Group 2005 RM'000	2004 RM'000
Represented by:		
Unquoted investment, at cost	12,054	0
Group's share of losses	(5,335)	0
	6,719	0
Share of net assets of a jointly controlled entity	6,719	0

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

The details of the jointly controlled entity are as follows:

Name	Country of incorporation	Group's effective equity interest 2005 %	2004 %	Principal activities
Held by AAIL				
Thai AirAsia Co. Ltd ("Thai AirAsia")	Thailand	48.9	0	Aerial transport of persons, things and posts

On 1 July 2004, the Group via its subsidiary, AAIL acquired 19,600,000 shares of THB10 each, being 49% of Thai AirAsia, a company incorporated in Thailand.

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

	2005 RM'000	2004 RM'000
Non-current assets	3,685	0
Current assets	32,072	0
Current liabilities	(29,038)	0
Share of net assets of a jointly controlled entity	6,719	0

The Group's share of the revenue and expenses of the jointly controlled entity are as follows:

	2005 RM'000	2004 RM'000
Revenue	91,341	0
Expenses	(96,676)	0
Loss before taxation	(5,335)	0
Taxation	0	0
Net loss for the financial year	(5,335)	0

There are no commitments and contingencies relating to the jointly controlled entity.

14 INVESTMENT IN ASSOCIATES

	Group 2005 RM'000	Group 2004 RM'000
Unquoted investment, at cost	202	202
Group's share of losses	(202)	(116)
	0	86
Represented by:		
Share of net assets	0	86

The details of the associates are as follows:

Name	Country of incorporation	Group's effective equity interest 2005 %	Group's effective equity interest 2004 %	Principal activities
Held by Crunchtime and Thai AirAsia				
Thai Crunch Time Co. Ltd ("Thai Crunch Time")	Thailand	24.5	24.5	Provision of inflight meals
Held by AAIL				
PT AWAIR International ("PT AWAIR")	Indonesia	48.9	0	Commercial air transport service
AirAsia Pte Ltd ("AAPL")	Singapore	48.9	0	Dormant

The Group discontinued equity accounting for its share of losses made by Thai Crunch Time and PT AWAIR in the current financial year as the Group has not incurred any obligations or guaranteed any obligations in respect of the associates. The unrecognised amount of the Group's share of losses of Thai Crunch Time and PT AWAIR amounted to RM95,000 (2004: Nil) and RM8,496,000 (2004: Nil) respectively.

15 OTHER INVESTMENTS

	Group and Company 2005 RM'000	Group and Company 2004 RM'000
Non-current:		
Recreational golf club membership	90	108
Current:		
Unquoted investment with a fund management company, at cost	7,717	0

16 DEFERRED SHARE ISSUE EXPENSE

The share issue expense arose in connection with the proposed listing of the entire issued and paid up capital of the Company on the Main Board of Bursa Malaysia.

17 INVENTORIES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
At cost:				
Spare and consumables	4,045	3,544	4,045	3,544
Raw materials	43	137	0	0
Finished goods	592	266	337	266
	4,680	3,947	4,382	3,810

18 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Trade receivables	44,908	12,338	44,908	12,338
Allowance for doubtful debts	(2,235)	(2,670)	(2,235)	(2,670)
	42,673	9,668	42,673	9,668
Other receivables	47,295	56,297	45,492	56,018
Allowance for doubtful debts	(1,192)	(192)	(1,192)	(192)
	46,103	56,105	44,300	55,826
Prepayments	37,617	3,480	37,617	3,444
Deposits	152,456	44,694	152,456	44,652
	278,849	113,947	277,046	113,590

Included in other receivables is an amount due from the former holding company, HICOM Holdings Bhd ("HICOM"), of RM5.8 million as at 30 June 2005 and 30 June 2004. The amount owing is unsecured, interest free and not subject to any fixed terms of repayment. This balance relates to liability paid by the Company on behalf of its former holding company, HICOM, whereby the Company and HICOM would bear the liability of the Company prior to the acquisition by Tune Air Sdn Bhd ("TASB") on a one to one basis. Both parties have agreed that the amount is to be recovered on resolution of the withholding tax issue as disclosed in Note 31 to the financial statements.

Included in other receivables as at 30 June 2004 were also amounts due from related companies, AAIL of RM20.0 million and Thai AirAsia of RM17.0 million respectively. The amounts were unsecured, interest free and had no fixed terms of repayment. The amount due from AAIL was fully converted to equity upon the subscription of shares in AAIL.

The normal credit terms of the Company range from 31 to 60 days (2004: 31 to 60 days).

18 TRADE AND OTHER RECEIVABLES (CONT'D)

The trade and other receivables are denominated in Ringgit Malaysia except for certain balances in which the foreign currency exposure is as follows:

	Group and Company 2005 RM'000	2004 RM'000
USD	33,217	27,260

19 AMOUNTS DUE FROM SUBSIDIARIES

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

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

	Company 2005 RM'000	2004 RM'000
Ringgit Malaysia	1,571	328
USD	21,866	0
	23,437	328

20 AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

The amount due from the jointly controlled entity is denominated in US Dollar, unsecured, interest free and has no fixed terms of repayment.

21 AMOUNTS DUE FROM ASSOCIATES

The amounts due from the 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		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Ringgit Malaysia	40,294	0	40,294	0
SGD	340	0	340	0
USD	0	202	0	0
	40,634	202	40,634	0

22 CASH AND CASH EQUIVALENTS

	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Cash and bank balances	287,567	26,486	286,195	26,423
Fixed deposits with licensed bank	16,741	7,558	16,741	7,558
Short-term deposits with a fund management company	24,981	32,103	24,981	32,103
	329,289	66,147	327,917	66,084
Fixed deposits pledged as securities	(16,741)	(7,558)	(16,741)	(7,558)
	312,548	58,589	311,176	58,526

The short-term deposit with a fund management company relates to a portfolio of investments undertaken on behalf of the Company by Intrinsic Capital Management Sdn Bhd ("INCAM"), a company in which a director of the Company has a financial interest. The Company had paid RM360,207 of management fee to INCAM during the financial year (2004: RM107,000).

The fixed deposits with the licensed bank 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 2005 %	Group 2004 %	Company 2005 %	Company 2004 %
Fixed deposits with a licensed bank	2.50	3.82	2.50	3.82
Short-term deposits with a fund management company	2.57	2.10	2.57	2.10

Maturity of the deposits range from 30 to 365 days (2004: 30 to 365 days).

23 TRADE AND OTHER PAYABLES

	Group 2005 RM'000	Group 2004 RM'000	Company 2005 RM'000	Company 2004 RM'000
Trade payables	34,042	11,155	33,173	10,189
Withholding tax (Note 31)	10,437	10,437	10,437	10,437
Other payables and accruals	49,594	47,419	46,655	47,107
Sales in advance	60,937	33,135	60,937	33,135
	155,010	102,146	151,202	100,868

23 TRADE AND OTHER PAYABLES (CONT'D)

Credit terms of trade payables granted to the Company is 30 days (2004: 30 days). The currency exposure profile of trade and other payables is as follows:

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Ringgit Malaysia	135,893	99,829	132,085	98,551
USD	18,676	2,290	18,676	2,290
Others	441	27	441	27
	155,010	102,146	151,202	100,868

24 HIRE-PURCHASE PAYABLES

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

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Hire-purchase liabilities:				
Minimum payments:				
– Not later than 1 year	196	153	172	129
– Later than 1 year and not later than 5 years	319	283	264	211
	515	436	436	340
Less: Future finance charges	(65)	(69)	(58)	(50)
Present value of liabilities	450	367	378	290
Present value of liabilities:				
– Not later than 1 year	167	128	148	110
– Later than 1 year and not later than 5 years	283	239	230	180
	450	367	378	290

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

As at 30 June 2005, the effective interest rate applicable to the lease liabilities was 5.5% (2004: 5.0%) per annum for the Group and Company. The entire balance is denominated in Ringgit Malaysia.

25 BORROWINGS (SECURED)

	Group and Company	
	2005	2004
	RM'000	RM'000
Current		
Revolving credit facility	0	47,728
Non-current		
Term loan	0	47,728
Total borrowings	0	95,456

The effective interest rates per annum of the borrowings at the balance sheet date are as follows:

	Group and Company	
	2005	2004
	%	%
Revolving credit facility	Not applicable	3.29
Term loan	Not applicable	4.80

(a) Revolving credit facility

The revolving credit in the previous year was secured against the Standby Letter of Credit ("SBLC") from DBS Bank Ltd, Labuan Branch, to cover total indebtedness under the revolving credit facility, with security coverage on a one to one basis.

The revolving credit had a tenure period of 1 year and is repayable on demand. The interest on the revolving credit facility was 0.3% per annum above the bank's cost of funds.

(b) Term loan

This facility required the Company to maintain its total net debt to total net worth at a ratio not exceeding 1.75 times, Earnings before Interest, Tax, Depreciation, Amortisation and Rental ("EBITDAR") to debt service ratio of not less than 1.5 times and net worth of not less than RM100 million at all times.

Total net worth as defined in the agreement equals to the aggregate amount of the paid up capital, share premium, other reserves and retained earnings of the Company. Total net debt as defined in the agreement includes the aggregate amount of all borrowed money indebtedness and the present value of non-cancellable operating lease commitment calculated using a discount rate of 8% per annum, less any cash and fixed deposits of the Company.

The term loan was secured by the following:

(i) Statutory legal mortgage over 2 of the aircraft of the Company
(ii) Specific debenture over each aircraft
(iii) Assignment of insurance for each of the aircraft
(iv) Negative pledge of all assets of the Company

The Group's and Company's borrowings which comprised secured revolving credit and term loan amounting to RM95.4 million, had been fully repaid on 4 January 2005 and 31 January 2005 respectively. The Group and Company have no outstanding borrowings or debt securities as at the end of the financial year (2004: RM95.4 million).

26 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	
	2005	2004
	RM'000	RM'000
Deferred tax liabilities	13,613	1,113

The movement in the deferred tax liabilities/(assets) is as follows:

	2005	2004
At start of year	1,113	(7,500)
Charged to income statement (Note 9)		
– Tax losses	0	(3,499)
– Property, plant and equipment	12,500	12,112
	12,500	8,613
At end of year	13,613	1,113

Breakdown of cumulative balances by each type of temporary difference:

	Group and Company	
	2005	2004
	RM'000	RM'000
Deferred tax assets		
Tax losses	10,322	10,322
Offsetting	(10,322)	(10,322)
Deferred tax assets (after offsetting)	0	0
Deferred tax liabilities		
Property, plant and equipment	23,935	11,435
Offsetting	(10,322)	(10,322)
Deferred tax liabilities (after offsetting)	13,613	1,113

27 SHARE CAPITAL

	Group and Company 2005 RM'000	2004 RM'000
Authorised:		
Authorised ordinary shares of RM0.10 each (2004: RM1.00 each):		
At beginning of the year	500,000	80,000
Redesignation of RCPS	0	120,000
Created during the year	0	300,000
At end of the year	500,000	500,000
Authorised RCPS of RM1.00 each:		
At beginning of the year	0	120,000
Redesignated as ordinary shares	0	(120,000)
At end of the year	0	0
Total authorised ordinary shares	500,000	500,000
Issued and fully paid up:		
Issued and fully paid up ordinary shares of RM0.10 each (2004: RM1.00 each):		
At beginning of the year	175,127	52,070
Issued during the year	58,376	13,841
RCPS redesignated as ordinary shares	0	109,216
At end of the year	233,503	175,127
Issued and fully paid up RCPS of RM1.00 each:		
At beginning of the year	0	109,216
RCPS redesignated as ordinary shares	0	(109,216)
At end of the year	0	0
Total issued and fully paid up shares	233,503	175,127

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM175,127,328 to RM233,503,108. The increase in share capital was undertaken in the following manner:

(a) subdivision of 175,127,328 ordinary shares of RM1.00 each into 1,751,273,280 ordinary shares of RM0.10 each, pursuant to a share split on 6 October 2004; and

(b) allotment and issuance of 583,757,800 new ordinary shares of RM0.10 each for cash.

27 SHARE CAPITAL (CONT'D)

The entire ordinary share capital of 2,335,031,080 ordinary shares of RM0.10 each was listed on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Malaysia") on 22 November 2004. The issue of new ordinary shares was undertaken to repay the existing loans of the Company and for working capital purposes.

The new ordinary shares issued during the financial year 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 year.

EMPLOYEE SHARE OPTION SCHEME ("ESOS")

The Company implemented an ESOS (or the "Scheme") on 1 September 2004 for a period of 5 years from the date the by-laws were approved by shareholders. The ESOS is governed by the by-laws which were approved by shareholders on 7 June 2004.

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.

(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.

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

At 30 June 2005, options to subscribe for 93,240,000 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.

Subsequent to the financial year end, 782,000 new ordinary shares of RM0.10 each were issued pursuant to the exercise of options.

28 SIGNIFICANT ACQUISITIONS DURING THE YEAR

(a) On 1 July 2004, the Company acquired 99.8% equity interest in AAIL for a total cash consideration of USD5,260,000. As a result of the acquisition, the Company effectively acquired 48.9% equity interest in Thai AirAsia.

The acquisition has no significant effect on the financial results of the Group in the financial year.

The effect of this acquisition on the financial position of the Group as at 30 June 2005 is as follows:

	2005 RM'000
Non-current assets	6,719
Current assets	1,382
Current liabilities	(791)
Increase in Group's net assets	7,310

Details of net assets acquired, goodwill and cash flow arising from this acquisition were as follows:

	Group and Company At date of acquisition RM'000
Non-current assets	12,030
Current assets	1,421
Current liabilities	(797)
Group's share of net assets	12,654
Goodwill on acquisition	7,334
Cost of acquisition	19,988
Purchase consideration discharged by cash	19,988
Less: Advances to AAIL capitalised (Note 18)	(19,988)
Cash outflow on acquisition	0

Goodwill arising on this acquisition is retained in the consolidated balance sheet. The carrying value of the goodwill is reviewed annually and is written down for impairment where it is considered necessary.

(b) The Company also acquired other subsidiaries during the year, as disclosed in Note 12 to the financial statements. These acquisitions do not have significant effect on the financial results of the Group in the financial year and financial position as at 30 June 2005.

There was no acquisition in the prior year.

29 RETAINED EARNINGS

The Company has sufficient tax credits under Section 108(6) of the Income Tax Act, 1967 to frank approximately RM5 million (2004: Not applicable) of its retained profits as at 30 June 2005 if paid out as dividends. The extent of the retained earnings not covered at that date amounted to RM22 million (2004: Not applicable).

In addition, the Company has tax exempt income as at 30 June 2005 amounting to approximately RM0.5 million (2004: Not applicable) 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	
	2005	**2004**
	RM'000	**RM'000**
Property, plant and equipment:		
Approved and contracted for	8,108,067	29,760
Approved but not contracted for	94,000	0
	8,202,067	29,760

(b) Non-cancellable operating leases

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

	2005		2004	
	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	90,995	18,059	58,319	0
Later than 1 year and not later than 5 years	258,926	64,571	185,662	0
Later than 5 years	62,871	0	58,240	0
	412,792	82,630	302,221	0

31 CONTINGENT LIABILITIES

The Company had made an application to the government for the waiver of withholding tax payable on the lease payments for the aircraft of the Group and the Company amounting to RM10,390,276. The Company has accrued for this amount as disclosed in Note 23 to the financial statements. The Directors are of the opinion that the Company's application will receive due consideration from the government and that a favorable response will be granted. In the event that the application is not successful, the potential shortfall of the provision for withholding tax payable as at 30 June 2005 is approximately RM2.3 million (2004: RM2.3 million).

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

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions which were carried out on terms and conditions attainable in transactions with unrelated parties disclosed in accordance with FRS2004 124 "Related Party Disclosures".

Name of company	**Relationship**
Thai AirAsia Co. Ltd ("Thai AirAsia")	A jointly controlled entity of the Company (previously related through common Directors)
PT AWAIR International ("PT AWAIR")	An associate of the Company

	Group	
	2005 **RM'000**	**2004** **RM'000**
Thai AirAsia		
– Sublease rental income on aircrafts	6,146	0
– Lease rental income on aircrafts	17,880	5,029
– Maintenance and overhaul charges	26,816	8,116
PT AWAIR		
– Sublease rental income on aircrafts	1,520	0
– Maintenance and overhaul charges	5,028	0

33 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

The individual significant outstanding balances arising from the above related party transactions (other than normal trade transactions) during the financial year are as follows:

		Group	
		2005	2004
Related party	**Type of transaction**	**RM'000**	**RM'000**
Thai AirAsia	Lease rental and maintenance charges	6,907	0
PT AWAIR	Lease rental and maintenance charges	40,294	0

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 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 activity are as follows:

(a) 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 investments and borrowings. Surplus funds are placed with reputable financial institutions at the most favorable interest rates.

(b) 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 are primarily USD, Thai Baht and Indonesian Rupiah.

(c) Credit risk

The Group's exposure to credit risks or the risk of counterparties defaulting arises mainly from cash deposits and receivables. 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.

The Group generally has no concentration of credit risk except for debt owing by 2 customers which constitutes approximately 22.2% of the outstanding trade receivables at the end of 30 June 2005. The Directors are however of the opinion that adequate provision has been made for any uncollectible amounts.

34 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(d) 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.

The Group is also exposed to market risk arising from the fluctuations in the prices of jet fuel as a result of actual or disruptions in supply. It seeks to hedge its fuel requirements and implements various fuel management strategies in order to manage the risk of rising fuel prices. This includes entering into jet fuel derivative contracts with a maturity period of 6 months each to partially protect against significant increase in fuel price.

(e) 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

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.

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

	2005		2004	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Unquoted investments	90	*	90	*
Hire-purchase payables	450	425	367	350

* It is not practicable to estimate the fair value of the Group's unquoted investments because of the lack of reference market prices and the inability to estimate fair value without incurring excessive cost. However, the carrying amounts recorded are not anticipated to differ significantly from their value at the balance sheet date.

36 DERIVATIVE FINANCIAL INSTRUMENTS

Fair value of derivative financial instruments is the present value of their future cash flow and is derived at based on valuation carried out by the Company's bankers.

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

	Maturity period	Contract or notional principal amount Barrels	Favourable net fair value RM'000	Unfavourable net fair value RM'000
Group and Company				
2005				
Fuel forward contracts	1.7.2005 – 30.6.2006	2,637,000	184,083	0
Fuel purchase options contracts	1.7.2005 – 30.6.2006	1,806,000	14,055	0
Fuel written options contracts	1.7.2005 – 30.6.2009	8,397,000	0	(140,569)
Fuel swap contracts	1.1.2006 – 29.6.2007	3,700,000	0	(1,763)
		16,540,000	198,138	(142,332)
2004				
Fuel forward contract	1.7.2004 – 31.12.2004	820,000	28,044	0

The Group and Company had entered into options contracts as part of the Group's overall hedging strategy. These arrangements are to be settled in US Dollars. The unrealised gain/loss on these contracts is deferred until upon the delivery of fuel.

37 COMPARATIVE FIGURES

Certain comparatives in finance costs amounting to RM695,000 have been reclassified to administrative expenses to ensure comparability with the current year's presentation.

38 SUBSEQUENT EVENTS

(a) Aircraft acquisition

On 12 August 2005, the Company announced that it had entered into a purchase agreement with Airbus S. A. S. for a firm order of 60 Airbus A320-200 aircraft and purchase rights for a further 40 of the same aircraft and the selection of CFM 56-5B6/P engine to be installed and as spare engines for its Airbus A320-200 fleet (the "Aircraft Acquisition").

Initial financing will be limited to the first two year aircraft deliveries from December 2005 to December 2007 for 33 aircraft with the total size of the deal valued approximately at USD1.2 billion, all of which will be funded by loans from financial institutions.

(b) Aircraft financing

On 5 September 2005, the Company announced the initial financing of 33 Airbus A320-200 aircraft. The Company is in the process of obtaining financing for 33 Airbus A320-200 aircraft with a two-year delivery schedule. These loans will be a mixture of Export Credit Agency ("ECA") backed loans, pure Commercial loans and Islamic loans.

The Company had also secured financing for pre-delivery payments for 33 aircraft.

The financing of the remaining 27 aircraft to be delivered in 2008 and 2009 will likely be confirmed at the end of next financial year.

In addition, the Company has entered into 33 forward starting swaps that will hedge the interest rate risk arising from this loan portfolio.

(c) Additional equity interest in Crunchtime

The Company had on 22 September 2005 entered into an agreement to acquire an additional 499,999 ordinary shares of RM1.00 each representing 49.999% of the total issued and paid-up share capital in Crunchtime, a subsidiary of the Company, from Skyhigh Culinary Services Sdn. Bhd. thereby increasing the Company's equity interest in Crunchtime from 50.001% to 100.0% and making Crunchtime a wholly-owned subsidiary of AirAsia.

None of the Directors and/or substantial shareholders of the Company and persons connected with them have any interest, direct or indirect in the above transaction.

39 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 17 October 2005.

statement by directors
pursuant to Section 169(15) of the Companies Act, 1965

We, **Dato' Pahamin Bin Ab. Rajab** and **Dato' Anthony Francis Fernandes,** being two of the Directors of AirAsia Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 72 to 110 are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at 30 June 2005 and of the results and the cash flows of the Group and Company for the financial year ended on that date in accordance with the provisions of the Companies Act, 1965 and the MASB approved accounting standards in Malaysia.

In accordance with a resolution of the Board of Directors dated 17 October 2005.

DATO' PAHAMIN BIN AB. RAJAB
Director

DATO' ANTHONY FRANCIS FERNANDES
Director

statutory declaration
pursuant to Section 169(16) of the Companies Act, 1965

I, **Raja Mohd Azmi Bin Raja Razali,** the officer primarily responsible for the financial management of AirAsia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 72 to 110 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.

RAJA MOHD AZMI BIN RAJA RAZALI

Subscribed and solemnly declared by the abovenamed **Raja Mohd Azmi Bin Raja Razali** at Kuala Lumpur in Malaysia on 17 October 2005, before me.

MEJAR (B) VICTOR JOE JOSEPH W168
Commissioner for Oaths

report of the auditors
to the members of AirAsia Berhad

We have audited the financial statements set out on pages 72 to 110. 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 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 30 June 2005 and of the results and cash flows of the Group and Company for the financial year 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

UTHAYA KUMAR S/O K. VIVEKANANDA
(No. 1455/06/06 (J))
Partner of the firm

Kuala Lumpur
17 October 2005

analysis of shareholdings
as at 26 September 2005

DISTRIBUTION OF SHAREHOLDINGS

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

Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	19	0.12	344	0.00
100 – 1,000	5,840	36.09	5,585,029	0.24
1,000 – 10,000	8,353	51.62	33,331,550	1.43
10,001 – 100,000	1,509	9.33	45,375,805	1.94
100,001 to less than 5% of issued shares	458	2.83	1,058,493,212	45.33
5% and above of issued shares	2	0.01	1,192,428,140	51.06
	16,181	100.00	2,335,214,080	100.00

SUBSTANTIAL SHAREHOLDERS

The direct and indirect shareholdings of the shareholders holding more than 5% in AirAsia based on the Register of Substantial Shareholders as at 26 September 2005 are as follows:-

	<----Direct---->		<-------Indirect----->	
Name	No. of Shares held	% of Issued Shares	No. of Shares held	% of Issued Shares
Tune Air Sdn. Bhd.	1,045,344,650	44.76	–	–
Dato' Anthony Francis Fernandes	100,010	–*	1,045,344,650[1]	44.76
Kamarudin Bin Meranun	100,000	–*	1,045,344,650[1]	44.76
Crescent Air Asia Investments Ltd. ("CAAL")	147,083,490	6.3	–	–
Crescent Control Company Ltd	–	–	147,083,490[2]	6.3
Sami Ali A. Sindi	100,000	–*	147,083,490[3]	6.3

Notes:

* *Negligible.*

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 *Deemed interested by virtue of Section 6A of the Act, as Crescent Control Company Ltd has 100% of the voting rights in CAAL.*

3 *Deemed interested by virtue of Section 6A of the Act, as Sami Ali A. Sindi wholly owns Crescent Control Company Ltd, which in turn has 100% of the voting rights in CAAL.*

analysis of shareholdings
as at 26 September 2005 (cont'd)

DIRECTORS' SHAREHOLDINGS

The interests of the Directors of AirAsia in the Shares and options over shares in the Company and its related corporations based on the Company's Register of Directors' Shareholdings as at 26 September 2005 are as follows:-

	<----Direct---->		<-------Indirect----->	
AIRASIA BERHAD	**No. of Shares held**	**% of Issued Shares**	**No. of Shares held**	**% of Issued Shares**
Dato' Pahamin bin Ab. Rajab	100,010	–*	–	–
Dato' Anthony Francis Fernandes	100,010	–*	1,045,344,650[1]	44.76
Kamarudin bin Meranun	100,000	–*	1,045,344,650[1]	44.76
John Francis Tierney	100,000	–*	–	–
Conor McCarthy	100,000	–*	–	–
Dato' Leong Sonny @ Leong Khee Seong	100,000	–*	–	-
Fam Lee Ee	100,000	–*	–	–
Abdel Aziz @ Abdul Aziz Bin Abu Bakar	200,000	–*	–	–
Richard Todd Scanlon	100,000	–*	–	–

CRUNCHTIME CULINARY SERVICES SDN BHD	**No. of ordinary shares of RM1.00**		**No. of ordinary shares of RM1.00**	
Dato' Anthony Francis Fernandes	–	–	500,001[2]	50.001%
Kamarudin Bin Meranun	–	–	500,001[2]	50.001%

AA INTERNATIONAL LTD	**No. of ordinary shares of USD1.00 each held**		**No. of ordinary shares of USD1.00 each held**	
Dato' Anthony Francis Fernandes	–	–	5,267,340[2]	99.9%
Kamarudin Bin Meranun	1[3]	–	5,267,340[2]	99.9%

Notes:

* *Negligible.*

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

2 *Deemed interested by virtue of Section 6A of the Act through a shareholding of more then 15% in TASB, which in turn has a substantial shareholding in the Company*

3 *Held in trust for TASB*

The interests of Directors in options over unissued ordinary shares of RM0.10 each of the Company as at 26 September 2005.

	Price Per Option Share	**No. of Option Shares**
Dato' Anthony Francis Fernandes	RM1.08	600,000
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 Employees' 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.

analysis of shareholdings
as at 26 September 2005 (cont'd)

THIRTY (30) LARGEST SHAREHOLDERS

	Name	No. of Shares held	% of Issued Shares Capital
1.	Tune Air Sdn Bhd	1,045,344,650	44.76
2.	Crescent Air Asia Investments Ltd	147,083,490	6.30
3.	IDBIF Malaysia Investments Ltd	107,487,910	4.60
4.	Deucalion Capital II Limited	88,129,180	3.77
5.	RHB Merchant Nominees (Tempatan) Sdn Bhd *A/C for Raja Mohd Azmi Bin Raja Razali*	67,155,292	2.88
6.	HSBC Nominees (Asing) Sdn Bhd *Emerging Markets Growth Fund*	51,211,800	2.19
7.	Crescent Air Asia Investments II Ltd	50,359,600	2.16
8.	Lembaga Tabung Haji	42,951,830	1.84
9.	HSBC Nominees (Asing) Sdn Bhd *Genesis Smaller Companies Sicav*	35,755,000	1.53
10.	HSBC Nominees (Asing) Sdn Bhd *BBH And Co Boston for Merrill Lynch Global Small Cap Fund Inc*	33,932,200	1.45
11.	HSBC Nominees (Asing) Sdn Bhd *Capital International Emerging Markets Investment Fund*	25,188,100	1.08
12.	Citigroup Nominees (Asing) Sdn Bhd *CB LDN for First State Asia Pacific Fund*	23,361,200	1.00
13.	Cartaban Nominees (Asing) Sdn Bhd *Investors Bank And Trust Company for William Blair International Growth (Fund)*	22,532,200	0.96
14.	Cartaban Nominees (Asing) Sdn Bhd *SSBT Fund SW8O for California Public Employees Retirement System*	20,614,000	0.88
15.	HSBC Nominees (Asing) Sdn Bhd *Saudi Arabian Monetary Agency*	20,320,700	0.87
16.	Citigroup Nominees (Asing) Sdn Bhd *Royal Bank of Scotland as Depository for First State Global Emerging Markets Fund*	17,732,200	0.76
17.	HSBC Nominees (Asing) Sdn Bhd *BNY Brussels for the State Teachers Retirement System of Ohio (Stewart Ivory)*	15,669,400	0.67
18.	Kumpulan Wang Amanah Pencen	13,843,300	0.59
19.	HSBC Nominees (Asing) Sdn Bhd *BNY Brussels for Global Smallcap Fund (MLIIF)*	12,745,200	0.55
20.	HSBC Nominees (Asing) Sdn Bhd *COAL Staff Superannuation Scheme Trustees Limited*	12,339,100	0.53
21.	Citigroup Nominees (Asing) Sdn Bhd *Goldman Sachs International*	11,777,500	0.50
22.	Cartaban Nominees (Asing) Sdn Bhd *SSBT Fund IG03 for MCBT Global Emerging Markets*	10,989,200	0.47
23.	Cartaban Nominees (Asing) Sdn Bhd *Investors Bank And Trust Company for William Blair Institutional International Growth Fund*	8,653,500	0.37
24.	HSBC Nominees (Asing) Sdn Bhd *TNTC for Government of Singapore Investment Corporation Pte Ltd*	8,608,100	0.37
25.	Kumpulan Wang Amanah Pencen	8,349,400	0.36
26.	Citigroup Nominees (Asing) Sdn Bhd *CBHK for Colonial First State Wholesale Global Emerging Markets Fund*	7,480,600	0.32
27.	HSBC Nominees (Asing) Sdn Bhd *Abu Dhabi Investment Authority*	7,291,700	0.31
28.	Citigroup Nominees (Tempatan) Sdn Bhd *Ing Insurance Berhad (INV-IL PAR)*	7,175,400	0.31
29.	Cartaban Nominees (Asing) Sdn Bhd *SSBT Fund NCJ5 for Public Employees Retirement System of Ohio*	7,170,100	0.31
30.	Citigroup Nominees (Asing) Sdn Bhd *CBLDN for Standard Life Assurance Company (Pen Emerg Mkts)*	7,094,400	0.30

list of properties held

Save as disclosed below, as at 30 June 2005, 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	Build up area	Approximate age of building	Audited net book value as at lease 30 June 2005 (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 21 months	2,000
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 one month	10,848

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 20 January 2006.*

[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 1 October 2003 to 30 September 2008 ("Concession Period").*

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

notice of annual general meeting

NOTICE IS HEREBY GIVEN THAT the Twelfth Annual General Meeting of AirAsia Berhad (284669-W) ("the Company") will be held at AirAsia Academy, Lot PT25B, Jalan KLIA S5, Southern Support Zone, KL International Airport, 64000 Sepang, Selangor Darul Ehsan on Friday, 25 November 2005 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 year ended 30 June 2005.
(Resolution 1)

2. To approve Directors' Fees of RM703,000 for the financial year ended 30 June 2005.
(Resolution 2)

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

   a) Mr. John Francis Tierney **(Resolution 3)**
   b) Mr. Mumtaz Khan **(Resolution 4)**

4. To re-elect the following Directors who retire pursuant to Article 130 of the Company's Articles of Association:

   a) Dato' Leong Sonny @ Leong Khee Seong **(Resolution 5)**
   b) Mr. Fam Lee Ee **(Resolution 6)**
   c) En. Abdel Aziz @ Abdul Aziz Bin Abu Bakar **(Resolution 7)**
   d) Mr. Timothy Wakefield Ross **(Resolution 8)**
   e) Datuk Alias Bin Ali **(Resolution 9)**

5. To consider and, if thought fit, pass the following resolution pursuant to Section 129 of the Companies Act, 1965:-

   "That Tan Sri Dato' (Dr) R.V. Navaratnam, retiring in accordance with Section 129 of the Companies Act, 1965, be and is hereby re-appointed as a Director of the Company to hold office until the next Annual General Meeting"
(Resolution 10)

6. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration.
(Resolution 11)

AS SPECIAL BUSINESS

7. To consider and if thought fit, to pass, with or without modifications, the following Ordinary Resolution:

   "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 12)

OTHER ORDINARY BUSINESS

8. 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
31 October 2005

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 shares 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:

The Ordinary Resolution proposed under Resolution 12 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.

STATEMENT ACCOMPANYING NOTICE OF TWELFTH ANNUAL GENERAL MEETING

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

1. Details of attendance of Directors at Board Meetings are set out in the Statement of Corporate Governance from pages 34 to 38 of this Annual Report.

2. The following are the Directors standing for re-election and re-appointment at the Twelfth Annual General Meeting of the Company:

   (a) Pursuant to Article 125 of the Articles of Association of the Company

   (i) Mr. John Francis Tierney
   (ii) Mr. Mumtaz Khan

   (b) Pursuant to Article 130 of the Articles of Association of the Company

   (i) Dato' Leong Sonny @ Leong Khee Seong
   (ii) Mr. Fam Lee Ee
   (iii) En. Abdel Aziz @ Abdul Aziz bin Abu Bakar
   (iv) Mr. Timothy Wakefield Ross
   (v) Datuk Alias bin Ali

   (c) Pursuant to Section 129 of the Companies Act, 1965

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

3. Profile of Directors

   Details of the Directors who are standing for re-election and re-appointment are set out in the Directors' Profile from pages 12 to 15 of this Annual Report and information on their shareholding (if any) are disclosed on pages 113 to 115 of this Annual Report.

form of proxy

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

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 Twelfth Annual General Meeting of the Company to be held on Friday, 25 November 2005 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	Receive the Audited Financial Statements and Reports		
No. 2	Approval of Directors' Fees		
No. 3	Re-election of Mr. John Francis Tierney		
No. 4	Re-election of Mr. Mumtaz Khan		
No. 5	Re-election of Dato' Leong Sonny @ Leong Khee Seong		
No. 6	Re-election of Mr. Fam Lee Ee		
No. 7	Re-election of En. Abdel Aziz @ Abdul Aziz bin Abu Bakar		
No. 8	Re-election of Mr. Timothy Wakefield Ross		
No. 9	Re-election of Datuk Alias bin Ali		
No. 10	Re-appointment of Tan Sri Dato' (Dr) R.V. Navaratnam		
No. 11	Re-appointment of Auditors		
No. 12	Special Business 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.

(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 shares 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.

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

Fold here

more than just low fares

mobile.airasia.com

Now you can book and pay for your AirAsia flights using your mobile phone anytime, from anywhere in the world.

Go Car

Your needs are taken care of even after you have reached your destination! It's now easy to rent a car at www.airasia.com.

AirAsia Credit Card

Now you can SHOP and FLY with the AirAsia credit card, your fastest way to free flights!

Go Holiday

From city tours to island getaways, you can now create your own holiday package or select from a range of exciting theme packages online at www.airasia.com.

Snack Attack

Enjoy our food and drinks available on board at affordable prices.