AIRASIA BERHAD
(Company No. 284669-W)
(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
FIRST QUARTER REPORT ENDED 30 SEPTEMBER 2006

ANNOUNCEMENT

The Board of Directors of AirAsia Berhad ("AirAsia" or "the Company") is pleased to announce the following unaudited consolidated results of AirAsia and its subsidiaries (collectively known as "the Group") for the first quarter ended 30 September 2006.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Individual quarter		Cumulative quarter	
	Current quarter ended	Preceding year corresponding quarter ended	Current quarter ended	Preceding year corresponding quarter ended
	30/09/06 RM'000	30/09/05 RM'000 (restated)	30/09/06 RM'000	30/09/05 RM'000 (restated)
Revenue	239,574	186,277	239,574	186,277
Cost of sales	(167,786)	(150,701)	(167,786)	(150,701)
Gross profit from operations	71,788	35,576	71,788	35,576
Other operating expenses	(15,526)	(15,093)	(15,526)	(15,093)
Other operating income	2,345	4,274	2,345	4,274
Profit from operations	58,607	24,757	58,607	24,757
Finance costs	(12,608)	(120)	(12,608)	(120)
Depreciation and amortisation	(34,876)	(12,775)	(34,876)	(12,775)
Share of results of jointly controlled entity	255	88	255	88
Share of results of associates	394	(3,016)	394	(3,016)
Profit before taxation	11,772	8,934	11,772	8,934
Taxation	(846)	(162)	(846)	(162)
Deferred taxation	(5,264)	-	(5,264)	-
Profit for the period	5,662	8,772	5,662	8,772
Attributable to:				
Shareholders of the Company	5,650	8,655	5,650	8,655
Minority interests	12	117	12	117
Profit for the period	5,662	8,772	5,662	8,772
Earning per share				
Basic (sen)	0.2	0.4	0.2	0.4
Diluted (sen)	0.2	0.4	0.2	0.4

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

AIRASIA BERHAD
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FIRST QUARTER REPORT ENDED 30 SEPTEMBER 2006

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2006

	Unaudited as at end of current quarter	Unaudited as at preceding financial year end
	30/09/06	30/06/06
	RM'000	RM'000 (restated)
Non current assets		
Fixed assets	1,794,619	1,261,993
Interest in jointly controlled entity	13,554	13,299
Investment in associates	21,766	14,919
Other investments	75	78
Goodwill	8,738	8,738
Deferred expenditure	1,278	1,278
Long term prepayments	34,506	35,110
	1,874,536	1,335,415
Current assets		
Inventories (at cost)	10,748	10,578
Other investments	30,696	30,696
Trade and other receivables	239,691	276,838
Deposit on aircraft purchase	294,176	268,634
Amount due from a jointly controlled entity	44,328	26,750
Amount due from associates	11,878	6,795
Deposits, bank and cash balances	503,370	425,641
	1,134,887	1,045,932
Current liabilities		
Trade and other payables	355,294	267,081
Borrowings (secured)	277,714	265,360
Hire-purchase payables	172	153
Current tax liabilities	1,895	1,295
	635,075	533,889
Net current assets	499,812	512,043
Non current liabilities		
Borrowings (secured)	1,302,198	787,276
Hire-purchase payables	231	288
Deferred tax liabilities	43,793	38,529
	1,346,222	826,093
	1,028,126	1,021,365
Equity		
Share capital	234,751	234,649
Reserves	793,336	786,689
Total equity attributable to shareholders of the Company	1,028,087	1,021,338
Minority interests	39	27
Total equity	1,028,126	1,021,365
Net assets per share attributable to ordinary equity holders of the Company (RM)	0.44	0.44

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

AIRASIA BERHAD
(Company No. 284669-W)
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FIRST QUARTER REPORT ENDED 30 SEPTEMBER 2006

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	Current quarter ended	Preceding year corresponding quarter ended
	30/09/06	30/09/05
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	11,772	8,934
Adjustments:		
Share of results of a jointly controlled entity	(255)	(88)
Share of results of associates	(394)	3,016
Interest expense	17,493	120
Depreciation & amortisation	34,876	12,775
Amortisation of deferred expenditure	-	919
Amortisation of long term prepayments	604	-
Interest income	(4,886)	(1,978)
	59,210	23,698
Changes in working capital		
Inventories	(170)	(1,948)
Trade and other receivables	37,146	599
Trade and other payables	88,217	16,701
Intercompany balances	(17,578)	6,892
Cash generated from operations	166,825	45,942
Interest paid	(17,493)	(120)
Interest received	4,886	1,978
Tax paid	(246)	(671)
Net cash from operating activities	153,972	47,129
Cash flows from investing activities		
Fixed assets		
- Additions	(567,502)	(39,298)
Deposit on aircraft purchase	(25,542)	(60,805)
Purchase of investments	-	(22,701)
Net cash flow on acquisition of subsidiary	-	(1,400)
Advance to associates	(11,535)	(18,280)
Net cash used in investing activities	(604,579)	(142,484)
Cash flows from financing activities		
Proceeds from allotment of shares	1,099	568
Hire purchase instalments paid	(38)	(70)
Proceeds from borrowings	601,186	-
Repayment of borrowings	(73,910)	-
Fixed deposits pledged as securities	(52)	47
Net cash from financing activities	528,285	545
Net increase for the financial year	77,678	(94,810)
Cash and cash equivalents at beginning of the financial year	412,907	312,548
***Cash and cash equivalents at end of the financial year**	490,585	217,738

* The balance at end of financial period excludes fixed deposits of RM12.8million (2006: RM16.7million) pledged with licensed bank as securities for banking facilities granted to the Company.

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

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FIRST QUARTER REPORT ENDED 30 SEPTEMBER 2006

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	←------------------ Attributable to equity holders of the Company ------------------→							
	Issued and fully paid ordinary shares of RM0.10 each		**Non-distributable**		**Distributable**			
	Number of shares '000	**Nominal value RM'000**	**Share premium RM'000**	**Foreign exchange reserve RM'000**	**Retained profits RM'000**	**Total RM'000**	**Minority Interests RM'000**	**Total Equity RM'000**
At 1 July 2006								
- as previously stated	2,346,487	234,649	708,185	592	109,165	1,052,591	27	1,052,618
- Prior year adjustment -effect of adopting FRS 128	-	-	-	-	(31,253)	(31,253)	-	(31,253)
- as restated	2,346,487	234,649	708,185	592	77,912	1,021,338	27	1,021,365
Issuance of shares pursuant to Employees' Share Option Scheme ("ESOS")	1,019	102	997	-	-	1,099		1,099
Profit for the period	-	-	-	-	5,650	5,650	12	5,662
At 30 September 2006	2,347,506	234,751	709,182	592	83,562	1,028,087	39	1,028,126
At 1 July 2005								
- as previously stated	2,159,903	233,503	698,602	-	20,751	952,856	15	952,871
Prior year adjustment -effect of adopting FRS 128	-	-	-	-	(8,496)	(8,496)	-	(8,496)
- as restated	2,159,903	233,503	698,602	-	12,255	944,360	15	944,375
Issuance of shares pursuant to ESOS	526	53	515	-	-	568	-	568
Profit for the period (restated)	-	-	-	-	8,655	8,655	117	8,772
At 30 September 2005	2,160,429	233,556	699,117	-	20,910	953,583	132	953,715

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

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FIRST QUARTER REPORT ENDED 30 SEPTEMBER 2006

KEY OPERATING STATISTICS – 30 SEPTEMBER 2006

PERFORMANCE INDICATORS	ACTUAL Q4 FY2006	ACTUAL Q1 FY2007
Passengers carried	1,623,130	1,944,621
RPK (million)	1,979	2,152
ASK (million)	2,388	2,713
Average fares (RM)	130	104
Passenger load factor (%)	83%	79%
Revenue per RPK (sen)	12.22	11.24
Cost per ASK (sen)	8.45	8.04
Cost per ASK (sen) excl fuel	5.35	4.27
Sectors flown	12,750	15,558
Number of aircraft at period/ year end	26.00	30.00
Average number of aircraft	21.84	24.85

AIRASIA BERHAD
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FIRST QUARTER REPORT ENDED 30 SEPTEMBER 2006

UNAUDITED NOTES TO THE ACCOUNTS – 30 SEPTEMBER 2006

1. Basis of preparation

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

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

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

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

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

UNAUDITED NOTES TO THE ACCOUNTS – 30 SEPTEMBER 2006

2. Changes in accounting policies

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

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

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

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

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

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

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

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

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

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

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

The above revisions were accounted for as a change in accounting estimates. With the adoption of FRS 116, the Group has reassessed its estimation of the useful lives and residual values of property, plant and equipment. This change in accounting estimates is applied prospectively and resulted in an increase in depreciation charge of RM1.8 million for the quarter.

The revisions are as follows:

Changes in useful life

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

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

** - % of original cost*

UNAUDITED NOTES TO THE ACCOUNTS – 30 SEPTEMBER 2006

2(c) FRS 128: Investments in Associates

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

With effect from 1 January 2006, in accordance with FRS 128, interest in an associate is now defined as "the carrying amount of the investment in the associate under the equity method together with any long-term interests that, in substance, form part of the investor's net investment in the associate".

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

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

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

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

In thousands of RM	Note	Retained profits	Capital and other reserves	Total	Minority interests	Total equity
At 1 July 2006						
As previously stated	2(c)	109,165	943,426	1,052,591	27	1,052,618
Prior period adjustments						
- effect of adopting FRS 128:						
Investments in Associates		(31,253)	-	(31,253)	-	(31,253)
As restated		77,912	943,426	1,021,338	27	1,021,365

(ii) Effect on profit after taxation for the three months ended 30 September 2006 and 30 September 2005 (as adjusted)

In respect of the three month period ended 30 September 2006, the following table provides estimates of the extent to which the profits for that period are higher or lower than they would have been had the previous policies still been applied in the interim period, where it is practicable to make such estimates.

In respect of the three month period ended 30 September 2005, the table discloses the adjustments that have been made to the profits as previously reported for that period, in accordance with the transitional provisions of the respective FRSs.

UNAUDITED NOTES TO THE ACCOUNTS – 30 SEPTEMBER 2006

Effect of changes in accounting policies (increase/(decrease))		**Current quarter ended 30 September 2006**			**Preceeding year quarter ended 30 September 2005**		
In thousands of RM	**Note**	**Shareholders of the Company**	**Minority interests**	**Total**	**Shareholders of the Company**	**Minority interests**	**Total**
FRS 128							
Investments in Associates	2(c)	394	-	394	(3,016)	-	(3,016)
Total effect for the period		394	-	394	(3,016)	-	(3,016)
Effect on earnings per share:							
- Basic earnings per share (sen)		-	-	-	0.2	-	0.2
- Diluted earnings per share (sen)		-	-	-	0.2	-	0.2

3. Auditors' report on preceding annual financial statements

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

4. Seasonality of operations

AirAsia is basically involved in the provision of air transportation services and thus, is subject to the seasonal demand for air travel. The cost of air travel has increased in tandem with recent hikes in global fuel prices and has invariably affected overall demand in the short-term.

The passenger load factor has decreased from 83% in the previous quarter as compared to 79% in the current quarter under review. The decrease in demand of air travel during the months from July to Sept was due to the month of Ramadhan. This pattern is in line with the expectation of the Group.

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

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter and financial period-to-date, except for the changes in accounting policies as disclosed in Note 2 and changes in estimates as disclosed in Note 6.

UNAUDITED NOTES TO THE ACCOUNTS – 30 SEPTEMBER 2006

6. Changes in estimates

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

7. Capital and reserves

During the financial period ended 30 September 2006, the issued and paid-up capital of the Company increased from 2,346,488,080 to 2,347,506,080 ordinary shares by the issuance of 1,018,000 ordinary shares pursuant to the exercise of ESOS at the option price of RM1.08. Other than the above, there was no issuance, cancellation, resale or repayment of debt and equity securities for the period ended 30 September 2006.

8. Dividend paid

There were no dividends paid in the quarter ended 30 September 2006.

9. Segment reporting

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

10. Property, plant and equipment

(a) acquisition and disposals

During the first quarter ended 30 September 2006, the Group acquired plant and equipment with a cost of RM567.5 million (first quarter ended 30 September 2005: RM38.8 million). There was no disposal of plant and equipment during the quarter under review (2006: Nil)

(b) valuation

There was no revaluation of property, plant and equipment for the period ended 30 September 2006.

UNAUDITED NOTES TO THE ACCOUNTS – 30 SEPTEMBER 2006

11. Post balance sheet events

There were no material events after the period end that has not been reflected in the financial statements for the financial period ended 30 September 2006.

12. Changes in composition of the Group

During the financial period under review, the Group incorporated AirAsia (B) Sdn Bhd, a wholly-owned subsidiary incorporated in Brunei. The intended principal activity of the subsidiary is to carry on the business of air transportation.

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

13. Contingent assets

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

14. Contingent liabilities

The Company is currently disputing certain expenses charged by a service provider as at 30 September 2006 amounting to approximately RM9.6 million. The Directors are confident that resolution of the dispute would be favorable to the Company.

The Company has made an application to the government for the waiver of penalty on the late payment of withholding tax in respect of lease payments incurred prior to the financial year ended 30 June 2002 for certain aircraft of the Group. The Directors are of the opinion that the Company's application on the waiver for the penalty will receive due consideration from the government and that a favourable response will be granted.

Thai AirAsia, a jointly controlled entity of the Group has contingent liabilities relating to guarantees issued by banks in respect of company's pilot trainees loans in accordance with the pilot professional course amounting to RM6.7 million (30 June 2006: RM6.7 million) which will be terminated when the student pilot earns a commercial pilot license and is assigned as co-pilot, or whenever the pilot trainee can completely settle all outstanding debt with the bank. However, Thai AirAsia can fully reclaim the said liabilities from the pilot trainees' guarantors as the guarantees have been pledged with Thai AirAsia.

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

Capital commitments for property, plant and equipment:

	Group and Company	
	30.09.06	30.06.06
	RM'000	RM'000
Contracted for	6,253,852	6,805,533
Authorised but not contracted for	86,020	99,928
	--------------	--------------
	6,339,872	6,905,461
	=========	=========

16. Material related party transactions

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

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

	Group	
	Current quarter ended 30 September 2006	Preceding year quarter ended 30 September 2005
	RM'000	RM'000
Thai AirAsia		
- Sublease rental income on aircrafts	7,264	2,498
- Lease rental income on aircrafts	4,843	4,997
- Maintenance and overhaul charges	6,764	3,928
PT Indonesia AirAsia		
- Sublease rental income on aircrafts	3,632	2,082
- Lease rental income on aircrafts	3,632	1,666
- Maintenance and overhaul charges	3,981	1,942
FAX		
- Sublease rental income on aircrafts	2,824	-
- Maintenance and other charges	9,380	-

17. Review of performance

The Group recorded revenue of RM239.6 million (2006: RM186.3 million) and profit before tax of RM11.8 million (2006: RM8.9 million-restated) respectively for the quarter under review. The corresponding quarter's profit before tax in the preceding quarter was restated due to the adoption of FRS 128 as explained in Note 2 (c) above.

The average fare for the quarter was lower by 20% to RM104 as compared to RM130 in the previous quarter. The first quarter is seasonally the weakest quarter for the year. Furthermore, the Ramadhan fasting month coincided with the first quarter and the Group launched two new bases in Kota Kinabalu on 7 July and Kuching on 20 July. These factors necessitate lower average fare in order to maintain strong passenger growth momentum and to protect load factor.

The domestic rationalization commenced on 1 August 2006 with no complications. This process has helped the Company to capture significant market growth and expand market share. In September 2006, AirAsia became the market leader in domestic Malaysian operations with 47% market share.

18. Variation of results against preceding quarter

The Group achieved a profit before tax of RM11.8 million for the quarter under review. This was a decrease of RM14.4 million compared to that of the immediately preceding quarter ended 30 June 2006. The company incurred a higher depreciation and amortisation charge and higher finance costs due to loans attributed to the new Airbus A320 aircraft in our current fleet. As of 30 September 2006, the AirAsia Group has already taken delivery of 11 new Airbus A320 aircraft.

19. Current year prospects

The Group will be adding more capacity over the next nine (9) months; the additional capacity will be used to introduce several new destinations and increase frequency on existing routes. The domestic rationalization is proceeding smoothly and should aid market share expansion for the Group. Based on current forward booking trend, the underlying demand remains strong.

The induction of more Airbus A320 aircraft into our fleet has continued to contribute significant cost savings and better reliability. In addition, the Airbus A320's better economics and higher fuel efficiency helps to mitigate the impact of high fuel prices. However, the Board remains concerned with the high cost and volatility of jet fuel and is actively endeavouring to put into place fuel hedge structures to cover its entire fuel requirements for the financial year ending 30 June 2007.

The Directors remain positive on the long term business outlook of the Group and expect profit growth for the financial year ending 30 June 2007.

20. Income tax expense

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter Ended	Preceding Year Quarter Ended	Current Year Period Ended	Preceding Year Corresponding Period Ended
	30/09/06 RM'000	30/09/05 RM'000	30/09/06 RM'000	30/09/05 RM'000
Group				
Current tax	846	162	846	162
Deferred tax	5,264	-	5,264	-
	6,110	162	6,110	162

In the preparation of the financial statements, the Group and Company has complied with FRS 112 on Income Taxes, specifically Paragraph 36 which does not allow the recognition of deferred tax asset on initial recognition of an asset qualifying for re-investment or other allowances in excess of its normal capital allowances, even though such recognition is permissible under International Financial Reporting Standards in particular International Accounting Standards ("IAS") 12 on Accounting for Taxes on Income. Deferred tax assets amounting to RM242.4 million in respect of unutilised investment allowances have not been recognised in the financial statements in accordance with the current accounting policy and approved accounting standards in Malaysia.

Application of FRS 112 required the Group and Company to record a charge of RM5.3 million in the income statement for the financial period ended 30 June 2006 and a deferred tax liability of RM43.8 million as at 30 September 2006.

The Directors are however of the view that compliance with FRS 112 does not in substance fairly present the financial position and performance of the Group and Company. Based on the confirmed number of new Airbus A320 aircraft ordered by the Company, the agreed purchase price and an assumption of reasonable future profitability, the unutilised capital allowances is anticipated to accumulate substantially. Over and above the unutilised capital allowances, the Company will have an increasing amount of unutilised investment tax allowances granted by the Malaysian Government over the next few years as its aircraft acquisition program continues, which can be carried forward indefinitely. Accordingly, the Company does not expect to pay any tax in the foreseeable future.

If IAS 12 had been applied, the net profit for the financial period ended 30 September 2006 of the Group would be RM94.5 million. The basic and diluted earnings per share of the Group for the financial period ended 30 September 2006 would be 4.0 sen. There is no impact in respect of the comparatives for the corresponding period of the preceding year as the investment allowances only arose during the second quarter of the previous financial year.

Group	Adoption of IAS 12 (Full Recognition)	Compliance with FRS 112
	RM'000	RM'000
Profit after tax and minority interests	94,520	5,662
Shareholders' Funds	1,270,573	1,028,126
Basic Earnings Per Share	4.0 Sen	0.2 Sen
Diluted Earnings Per Share	4.0 Sen	0.2 Sen

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

21. Unquoted investments and properties

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

22. Quoted investments

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

23. Status of corporate proposals announced

There were no corporate proposals announced.

24. Borrowings and debt securities

	At 30 Sept 2006 RM'000	At 30 June 2006 RM'000
Current		
Secured	277,714	265,360
Non-current		
Secured	1,302,198	787,276

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

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

As at the balance sheet date, the weighted average effective interest rate of the borrowings is 5.01% per annum (30 June 2006: 5.01% per annum).

The term loans are for the purchase of new aircraft A320-200. These term loans are secured by the followings:

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

(b) Assignment of insurance of each aircraft

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

There are some minor financial covenants given to a bank under the pre-delivery payment financing facility.

25. Off balance sheet financial instruments

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

(i) Forward foreign exchange contracts

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

As at 27 November 2006, the contracts amount of foreign exchange contracts that were entered into as hedges were USD8.7 million (RM32.2 million). These amounts represent the future cash flows under forward foreign exchange contracts to purchase the foreign currency. The settlement periods of these contracts range between 1 and 3 months.

(ii) Interest rate swap

The Company entered into a capped interest rate swap to hedge against fluctuations in the US LIBOR on its projected USD2.0 billion term loan (including the drawn down amount) on its aircraft financing from 5 Dec 2005 to 1 Feb 2009. The effect of this transaction obliges it to pay fixed interest rate of between 4.71% and 4.85% instead of being subject to floating US LIBOR for the entire amount.

(iii) Fuel swap

As at 27 November 2006, the Group and Company had taken forward hedge positions covering a period up to 30 September 2008 to protect itself against movements in fuel prices upwards of USD74.50 (WTI benchmark). In this regard, the Company already hedged 33% of its requirements for the current quarter (ending 31 December 2006) and approximately 54%-86% for the remaining periods in the current financial year (ending 30 June 2007). This is extended to cover approximately 47% of our requirements in the first quarter of FY2008.

26. Material litigation

As at 27 November 2006, there was no material litigation against the Group.

27. Dividend

The Directors do not recommend any dividend for the quarter ended 30 September 2006.

UNAUDITED NOTES TO THE ACCOUNTS – 30 SEPTEMBER 2006

28. Earnings per share

(a) Basic earnings per share

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Quarter Ended	Preceding Year Corresponding Quarter Ended	Current Year Ended	Preceding Year Corresponding Year Ended
	30/09/06	30/09/05	30/09/06	30/09/05
Net profit/(loss) for the financial period (RM'000)	5,662	8, 772	5,662	8,772
Weighted average number of ordinary shares in issue for basic EPS ('000)	2,347,275	2,115,796	2,347,275	2,115,796
Adjusted for share options granted ('000)	27,400	266,392	27,400	266,392
Adjusted weighted average number of ordinary shares ('000)	2,374,675	2,142,188	2,374,675	2,142,188
Basic earnings per share (sen)	0.2	0.4	0.2	0.4
Diluted earnings per share (sen)	0.2	0.4	0.2	0.4

(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's dilutive potential ordinary shares are in respect of options over shares granted to employees.

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

29. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Board on 30 November 2006.

By order of the Board

JASMINDAR KAUR a/p SARBAN SINGH

(MAICSA 7002687)
COMPANY SECRETARY
30 November 2006