



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
SECOND QUARTER REPORT ENDED 30 June 2011

ANNOUNCEMENT

The Board of Directors of AirAsia Berhad (“AirAsia” or “the Company”) is pleased to announce the following unaudited consolidated results of AirAsia and its subsidiaries (collectively known as “the Group”) for the second quarter ended 30 June 2011.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	INDIVIDUAL QUARTER		CUMULATIVE	
		Quarter ended	Quarter ended	Period ended	Period ended
		30/06/2011 RM'000	30/06/2010 RM'000	30/06/2011 RM'000	30/06/2010 RM'000
Revenue	10	1,075,622	933,402	2,123,564	1,804,007
Operating expenses:					
- Staff costs		(110,374)	(84,902)	(228,906)	(175,330)
- Depreciation of property, plant and equipment		(142,532)	(121,986)	(283,668)	(238,724)
- Aircraft fuel expenses		(441,671)	(318,405)	(818,218)	(627,239)
- Maintenance, overhaul, user charges and other related expenses		(79,953)	(99,211)	(226,686)	(209,843)
- Aircraft operating lease expenses		(15,507)	(18,021)	(31,302)	(39,853)
- Travel and tour operating expenses		(18,622)	(16,056)	(36,555)	(31,251)
- Other operating expenses		(45,512)	(35,259)	(80,991)	(63,391)
Other (losses)/gains - net	11	(24,846)	(24,259)	(10,983)	(45,454)
Other income		18,198	7,254	50,267	14,690
Operating Profit		214,803	222,557	456,522	387,612
Finance Income	26	28,372	35,519	144,096	341,997
Finance Costs	26	(98,141)	(113,866)	(252,709)	(329,216)
Share of results of a jointly controlled entity	22	-	-	-	-
Share of results of associates	22	-	-	-	-
Profit before tax		145,034	144,210	347,909	400,393
Current Taxation	28	(8,025)	(3,951)	(11,682)	(8,317)
Deferred taxation	28	(32,751)	58,671	(60,039)	30,965
Profit after tax		104,258	198,930	276,188	423,041
Attributable to:					
-Equity holders of the company		104,258	198,930	276,188	423,041
-Minority interests		-	-	-	-
		104,258	198,930	276,188	423,041
Basic earnings per share (sen)		3.8	7.2	10.0	15.3
Diluted earnings per share (sen)		3.7	7.2	9.9	15.3

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
SECOND QUARTER REPORT ENDED 30 June 2011

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	INDIVIDUAL QUARTER		CUMULATIVE	
		Quarter ended	Quarter ended	Year ended	Year ended
		30/06/2011 RM'000	30/06/2010 RM'000	30/06/2011 RM'000	30/06/2010 RM'000
Profit/(Loss) for the period		104,258	198,930	276,188	423,041
Other comprehensive income / (loss) Cash flow hedges	12	56,037	(18,806)	57,442	(29,956)
Total comprehensive income/(loss) for the period		<u>160,295</u>	<u>180,124</u>	<u>333,630</u>	<u>393,085</u>
Total comprehensive income/(loss) attributable to: Equity holders of the company		160,295	180,124	333,630	393,085
Minority Interest		-	-	-	-



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
SECOND QUARTER REPORT ENDED 30 June 2011

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	PERIOD ENDED	PERIOD ENDED
	30/06/2011 RM'000	31/12/2010 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	347,909	1,098,856
Adjustments:		
Property, plant and equipment		
- Depreciation	283,668	519,984
- Impairment	-	6,996
- Gain on disposal	(29,956)	(1,311)
Amortisation of long term prepayments	9,872	24,741
Amortisation of other investments	3	12
Unwinding of discount on intercompany receivables	(5,664)	(9,647)
Fair value losses on derivative financial instruments	77,109	295,028
Net unrealised foreign exchange (gain)/loss	(132,194)	(586,755)
Interest expense	181,882	374,364
Interest income	(21,471)	(66,699)
	711,159	1,655,569
Changes in working capital		
Inventories	(321)	3,311
Receivables and prepayments	(110,580)	(162,883)
Trade and other payables	80,973	63,453
Intercompany balances	223,469	393,568
Cash generated from / (used in) operations	904,700	1,953,018
Interest paid	(243,332)	(379,099)
Interest received	21,471	57,052
Tax paid	(12,594)	(11,808)
Net cash from / (used in) operating activities	670,245	1,619,163
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment		
- Additions	(236,660)	(1,902,833)
- Proceeds from disposal	30,399	-
Purchase of AFS Financial Asset	-	(16,000)
Deposit on aircraft purchase	(1,112)	50,808
Long term prepayments	(9,539)	-
Net cash used in investing activities	(216,912)	(1,868,025)
CASH FLOWS FROM FINANCING FACILITIES		
Proceeds from allotment of shares	2,832	16,948
Hire purchase instalments paid	(15)	(57)
Proceeds from borrowings	191,714	1,562,856
Repayment of borrowings	(287,744)	(572,580)
Deposits pledged as securities	(675)	(942)
Net cash from financing activities	(93,888)	1,006,225
NET INCREASE/(DECREASE) FOR THE FINANCIAL PERIOD	359,444	757,363
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	1,475,828	718,465
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD*	1,835,272	1,475,828

* The balance at end of financial period excludes fixed deposits of RM29.464 million (31/12/10: RM28.789 million) pledged with licensed bank as securities for banking facilities granted to the Company

This Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Statements for the financial year ended 31 December 2010



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
SECOND QUARTER REPORT ENDED 30 June 2011

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		AS AT	AS AT
		30/06/2011 RM'000	31/12/2010 RM'000
	Note		
NON CURRENT ASSETS			
Property, plant and equipment	14	9,269,625	9,318,041
Investment in associates		29	29
AFS Financial Assets		152,942	152,942
Other investment		22	25
Goodwill		8,738	8,738
Deferred tax assets		659,133	719,260
Receivables and prepayments		23,260	23,593
Amounts due from an associate		117,964	117,964
Derivative Financial Instruments	33	19,535	25,544
		10,251,248	10,366,136
CURRENT ASSETS			
Inventories		17,874	17,553
Receivables and prepayments		950,851	841,122
Deposit on aircraft purchase		244,692	248,684
Amounts due from a jointly controlled entity		-	99,802
Amount due from associates		121,433	162,386
Deposits, bank and cash balances		1,864,736	1,504,617
Derivative Financial Instruments	33	7,925	-
		3,207,511	2,874,164
CURRENT LIABILITIES			
Trade and other payables		1,003,889	912,943
Sales in advance		335,549	328,549
Amount due to associate		5,139	5,223
Amount due to a related party		80,255	41,262
Amount due to a JV entity		37,686	-
Hire-purchase payables		-	15
Borrowings	32	561,001	553,967
Current tax liabilities		720	1,632
		2,024,239	1,843,591
NET CURRENT ASSETS			
		1,183,272	1,030,573
NON CURRENT LIABILITIES			
Borrowings	32	7,059,614	7,302,884
Derivative Financial Instruments	33	474,448	452,865
		7,534,062	7,755,749
		3,900,458	3,640,960
CAPITAL AND RESERVES			
Share capital	7	277,606	277,344
Share Premium		1,224,164	1,221,594
Foreign exchange reserve		485	485
Retained earnings		2,301,795	2,102,571
Other Reserves		96,408	38,966
Shareholders' funds		3,900,458	3,640,960
Net assets per share attributable to ordinary equity holders of the Company (RM)		1.41	1.31

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
SECOND QUARTER REPORT ENDED 30 June 2011

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Company							Minority Interest RM'000	TOTAL EQUITY RM'000	
	Issued and fully paid ordinary shares of RM0.10 each									
	Number of shares '000	Nominal Value RM'000	Share Premium RM'000	Foreign Exchange Reserves RM'000	Cash Flow Hedge Reserves RM'000	AFS Reserves RM'000	Retained Earnings RM'000	Total RM'000		
At 1 January 2011	2,773,437	277,344	1,221,594	485	(71,309)	110,275	2,102,571	3,640,960	-	3,640,960
Net Profit for the period	-	-	-	-	-	-	276,188	276,188	-	276,188
Dividends declared	-	-	-	-	-	-	(76,964)	(76,964)	-	(76,964)
Other comprehensive income	-	-	-	-	57,442	-	-	57,442	-	57,442
Issuance of ordinary shares - Pursuant to the Employees' Share Option Scheme ('ESOS')	2,623	262	2,570	-	-	-	-	2,832	-	2,832
At 30 June 2011	2,776,060	277,606	1,224,164	485	(13,867)	110,275	2,301,795	3,900,458	-	3,900,458
At 1 January 2010 (As restated)	2,757,745	275,774	1,206,216	592	(65,670)	105,996	1,041,160	2,564,068	-	2,564,068
Net Profit for the period	-	-	-	-	-	-	423,041	423,041	-	423,041
Other comprehensive income	-	-	-	-	(29,956)	-	-	(29,956)	-	(29,956)
Issuance of ordinary shares - Pursuant to the Employees' Share Option Scheme ('ESOS')	1,668	167	1,635	-	-	-	-	1,802	-	1,802
At 30 June 2010	2,759,413	275,941	1,207,851	592	-	-	1,464,201	2,958,955	-	2,958,955

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
SECOND QUARTER REPORT ENDED 30 June 2011

KEY OPERATING STATISTICS – 30 June 2011

Performance indicator for Malaysian operations for current quarter against the same quarter last year

Quarter Ended: 30 June	Apr-Jun 2011	Apr-Jun 2010	Change y-o-y
Passengers Carried	4,472,498	3,893,476	15%
Capacity	5,511,780	5,050,440	9%
Seat Load Factor	81%	77%	4 ppt
RPK (million)	5,250	4,317	22%
ASK (million)	6,436	5,943	8%
Average Fare (RM)	164	173	-5%
Ancillary Income Per Pax (RM)	50	43	15%
Unit Passenger Revenue (RM)	214	216	-1%
Revenue / ASK (sen)	16.71	15.71	6%
Revenue / ASK (US cents)	5.57	5.23	6%
Cost / ASK (sen)	13.38	11.96	12%
Cost / ASK (US cents)	4.46	3.98	12%
Cost / ASK-ex Fuel (sen)	6.51	6.60	-1%
Cost / ASK-ex Fuel (US cents)	2.17	2.20	-1%
Aircraft (end of period)	53	49	8%
Average Stage Length (km)	1,170	1,173	0%
Number of Flights	30,620	28,058	9%
Fuel Consumed (Barrels)	1,053,606	996,205	6%
Average Fuel Price (US\$ / Barrel)	140	106	31%

Exchange Rate: RM:USD – 3.0018, prior year US cents figures are restated at current exchange rate.

Definition and calculation methodology

ASK (Available Seat Kilometres)	Total available seats multiplied by the distance flown.
RPK (Revenue Passenger Kilometres)	Number of passengers carried multiplied by distance flown
Revenue/ASK	Total revenue divided by ASK
Cost/ASK	Total expenses before interest and tax divided by ASK
Cost/ASK – ex fuel	Costs, as defined above, less fuel expenses, divided by ASK



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
SECOND QUARTER REPORT ENDED 30 June 2011

NOTES TO THE UNAUDITED ACCOUNTS – 30 June 2011

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 31 December 2010.

2. Summary of significant accounting policies

The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the audited financial statements for the financial year ended 31 December 2010. In addition, there are standards, amendments to published standards and interpretations to existing standards that are or will be applicable to the Group and Company as detailed below.

The following new and revised standards, interpretations and amendments to standards have been published and are mandatory for the Group’s accounting periods beginning on or after 1 January 2011 or later periods, but the Group has not early adopted them:

Revised FRS 3 “Business combinations” - the Group will apply FRS 3 (revised) prospectively to all business combinations from 1 January 2011.

Revised FRS 124 “Related party disclosures” - effective from 1 January 2012.

Revised FRS 127 “Consolidated and separate financial statements” - the Group will apply FRS 127 (revised) prospectively to transactions with minority interests from 1 January 2011.

Amendments to FRS 7 “Financial instruments : Improving Disclosures” and FRS 1 “First-time adoption of financial reporting standards” (effective from 1 January 2011) - the Group and Company will apply Amendments to FRS 7 and FRS1 from 1 January 2011.

Amendments to FRS 132 “Financial instruments : Presentation” on classification of rights issue (effective from 1 March 2010) - the Group and Company will apply Amendments to FRS 132 “Classification of Rights Issues” prospectively from 1 January 2011.

IC Interpretation 15 “Agreements for construction of real estates” - effective from 1 January 2012).

IC Interpretation 16 “Hedges of a net investment in a foreign operation” - effective from 1 July 2010.



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
SECOND QUARTER REPORT ENDED 30 June 2011

NOTES TO THE UNAUDITED ACCOUNTS – 30 June 2011

IC Interpretation 17 “Distribution of non-cash assets to owners” - effective from 1 July 2010.

IC Interpretation 18 “Transfers of assets from customers” - effective prospectively for assets received on or after 1 January 2011.

IC Interpretation 19 “Extinguishing financial liabilities with equity instruments” - effective from 1 July 2011.

Amendments to IC Interpretation 14 “FRS 119 - The limit on a defined benefit assets, minimum funding requirements and their interaction” - effective from 1 July 2011.

The following amendments are part of the MASB’s improvements project that are relevant and effective for annual periods beginning on or after 1 July 2010

Improvements to FRSs:

FRS 2 - effective from 1 July 2010.

FRS 3 - effective from 1 January 2011.

FRS 5 “Non-current asset held for sale and discontinued operations” - effective from 1 July 2010.

FRS 101 “Presentation of financial statements” - effective from 1 January 2011.

FRS 138 “Intangible Assets” - effective from 1 July 2010.

IC Interpretation 9 - effective from 1 July 2010.

The above mentioned Improvement to FRSs are not expected to have any material impact on the Group’s and Company’s financial statements.

3. Auditors’ report on preceding annual financial statements

The auditors have expressed an unqualified opinion on the Group’s statutory financial statements for the financial year ended 31 December 2010 in their report dated 28 April 2011.

4. Seasonality of operations

AirAsia is primarily involved in the provision of air transportation services and thus, is subject to the seasonal demand for air travel. The seat load factor was 4 percentage points higher in the quarter under review against the same period last year. Compared against the immediate preceding quarter (first quarter January – March 2011), the seat load factor was



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
SECOND QUARTER REPORT ENDED 30 June 2011

NOTES TO THE UNAUDITED ACCOUNTS – 30 June 2011

1 percentage point higher. This seasonal 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.

6. Changes in estimates

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 quarter ended 30 June 2011, the total issued and paid-up share capital of the Company increased from RM277,551,608 to RM277,605,858 from the issuance of 542,500 ordinary shares of RM0.10 each pursuant to the exercise of ESOS at the option price of RM1.08. Other than the above, there was no cancellation, repurchases, resale and repayment of debt and equity securities for the period ended 30 June 2011.

8. Dividend paid

A first and final dividend of 3 sen per share, relating to the financial year ended 31 December 2010, was approved during the quarter ended 30 June 2011. The dividend will be paid in the subsequent quarter.

9. Segment reporting

The Group operates a single reportable segment, that of Airline Operations.



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
SECOND QUARTER REPORT ENDED 30 June 2011

NOTES TO THE UNAUDITED ACCOUNTS – 30 June 2011

10. Revenue

	Quarter ended 30/06/2011 RM million	Quarter ended 30/06/2010 RM million
Passenger seat sales	714.7	668.8
Aircraft operating lease income	120.7	92.2
Surcharges and fees	17.4	4.4
Travel and tour operations	23.8	18.9
Other revenue	199.0	149.1
	<u>1,075.6</u>	<u>933.4</u>

Other revenue includes excess baggage, baggage handling fee, freight and cancellation, documentation and booking fees amounting to RM162.6 million (2010: RM127.2 million) for the Group and Company.

11. Other gains/(losses) - net

Other gains/(losses) – net comprise fair value changes due to movement in mark-to-market (MTM) position on non-designated hedging contracts at 30 June 2011 as compared to 31 March 2011, and are detailed below:

	Quarter ended 30/06/2011 RM million	Quarter ended 30/06/2010 RM million
(i) Gain / (loss) from fuel contracts	(3.8)	2.0
(ii) Gain / (loss) from foreign currency contracts	1.0	28.6
(v) Gain / (loss) from interest rate contracts	(22.0)	(54.9)
	<u>(24.8)</u>	<u>(24.3)</u>

The above gains and losses arise from the movement in exchange rates (principally RM:US\$), interest rates and jet fuel prices relative to the contracted rate during the quarter.

The fair value of derivative financial instruments is determined by discounting future cash flows to present value.



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
SECOND QUARTER REPORT ENDED 30 June 2011

NOTES TO THE UNAUDITED ACCOUNTS – 30 June 2011

12. Other Comprehensive Income

Cash flow hedges represent fair value changes due to movement in MTM position on effective hedging contracts at 30 June 2011 as compared to 31 March 2011 as follows:

	Quarter ended 30/06/2011 RM million	Quarter ended 30/06/2010 RM million
(i) Fair value gain/(loss) in the period	50.0	(34.7)
(i) Amount transferred to income statement	6.0	15.9
	<u>56.0</u>	<u>(18.8)</u>

Fair value changes in effective hedging contracts are recognized directly in equity and are transferred to the income statement in the same period as the underlying hedged item affects profit or loss.

13. Disclosure of Realised and Unrealised Profits

The cumulative retained profit of the Group and its subsidiaries comprises realized and unrealized profit as disclosed in the table below.

	As at 30/06/2011 RM million	As at 31/12/2010 RM million
Total retained profit of AirAsia Berhad and its subsidiaries		
(i) Realised	1,158,835	997,581
(i) Unrealised	<u>1,159,126</u>	<u>1,121,156</u>
	<u>2,317,961</u>	<u>2,118,737</u>
Total share of accumulated losses from associates		
(i) Realised	(4,112)	(4,112)
(i) Unrealised	<u>-</u>	<u>-</u>
	<u>(4,112)</u>	<u>(4,112)</u>
Total share of accumulated losses from jointly controlled entities		
(i) Realised	(12,054)	(12,054)
(i) Unrealised	<u>-</u>	<u>-</u>
	<u>(12,054)</u>	<u>(12,054)</u>
Total group retained profit as per consolidated accounts	<u>2,301,795</u>	<u>2,102,571</u>



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
SECOND QUARTER REPORT ENDED 30 June 2011

NOTES TO THE UNAUDITED ACCOUNTS – 30 June 2011

14. Property, plant and equipment

(a) acquisition and disposals

During the quarter ended 30 June 2011, the Group acquired property, plant and equipment with a cost of RM10.2 million (quarter ended 30 June 2010: RM726.6 million).

During the quarter ended 30 June 2011, proceeds from the disposal of property, plant and equipment totalled RM9.1 million (quarter ended 30 June 2010: RM Nil).

(b) valuation

There was no revaluation of property, plant and equipment for the quarter ended 30 June 2011.

15. Post balance sheet events

There were no material events after the period end that have not been reflected in the financial statements for the financial period ended 30 June 2011 as at the date of this report.

16. Changes in composition of the Group

There were no changes in the composition of the Group during the quarter under review.

17. Contingent assets

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

18. Changes in contingent liabilities since the last annual balance sheet date

There were no material changes in contingent liabilities since the latest audited financial statements of the Group for the financial year ended 31 December 2010.



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
SECOND QUARTER REPORT ENDED 30 June 2011

NOTES TO THE UNAUDITED ACCOUNTS – 30 June 2011

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

Capital commitments for property, plant and equipment:

	<u>Group and Company</u>	
	<u>30/06/2011</u>	<u>30/06/2010</u>
	RM'000	RM'000
Contracted for	38,071,822	14,940,162
Authorised but not contracted for	2,352,621	8,415,305
	-----	-----
	40,424,443	23,355,467
	=====	=====

20. Material related party transactions

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

Name of company	Relationship
Thai AirAsia	A jointly controlled entity of the Company
PT Indonesia AirAsia	An associate of the Company
AirAsia X Sdn. Bhd.	An investment with common shareholders and directors of the Company

These following items have been included in the Income Statement.

	Quarter ended	Group	Quarter ended
	<u>30/06/2011</u>		<u>30/06/2010</u>
	RM'000		RM'000
Thai AirAsia			
- Lease rental income on aircraft	64,479		51,209
- Maintenance and overhaul charges	-		13,404
PT Indonesia AirAsia			
- Lease rental income on aircraft	56,208		40,945
- Maintenance and overhaul charges	1,977		3,795
AirAsia X Sdn. Bhd.			
- Services charged to AirAsia X Sdn Bhd	9,731		21,862



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(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
SECOND QUARTER REPORT ENDED 30 June 2011

NOTES TO THE UNAUDITED ACCOUNTS – 30 June 2011

21. Review of performance

(A) Performance of current quarter against the same quarter last year for Malaysia

Quarter Ended: 30 June RM'000	Apr-Jun 2011	Apr-Jun 2010
Revenue	1,075,622	933,402
Operating expenses:		
- Staff costs	(110,374)	(84,902)
- Depreciation of property, plant and equipment	(142,532)	(121,986)
- Aircraft fuel expenses	(441,671)	(318,405)
- Maintenance, overhaul, user charges and other related expenses	(79,953)	(99,211)
- Aircraft operating lease expenses	(15,507)	(18,021)
- Travel and tour operating expenses	(18,622)	(16,056)
- Other operating expenses	(45,512)	(35,259)
Other (losses)/gains - net	(24,846)	(24,259)
Other income	18,198	7,254
Operating Profit	214,803	222,557
Finance Income	28,372	35,519
Finance Costs	(98,141)	(113,866)
Profit before tax	145,034	144,210
Current Taxation	(8,025)	(3,951)
Deferred taxation	(32,751)	58,671
Profit after tax	104,258	198,930
EBITDAR	372,842	362,564
EBITDAR Margin	35%	39%
EBIT Margin	20%	24%

The Group recorded revenue of RM1,075.6 million for the quarter ended 30 June 2011 ("2Q11"), 15% higher than the revenue of RM933.4 million recorded in the quarter ended 30 June 2010 ("2Q10"). The revenue growth was supported by 15% growth in passenger



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
SECOND QUARTER REPORT ENDED 30 June 2011

NOTES TO THE UNAUDITED ACCOUNTS – 30 June 2011

volume offset by an average fare that was 5% lower at RM164 as compared to RM173 achieved in 2Q10. Ancillary income per passenger year-on-year rose by 15% to RM50 from RM43. Seat load factor was 4 percentage points higher at 81% compared to 77% in the same period last year.

The profit after tax for the period was RM104.3 million compared to RM198.9million in the same quarter of 2010.

(B) Cashflow commentary for current quarter against immediately preceding quarter

Net Cash Flow (RM'000)	Apr-Jun 2011	Jan-Mar 2011
Cash from Operations	216,059	454,186
Cash from Investing Activities	(6,479)	(210,433)
Cash from Financing Activities	(138,840)	44,951
Net Cash Flow	70,740	288,704

The Group's cash from operations was RM216.1 million, compared to RM454.2 million in the immediate preceding quarter ended March 2011. Net cash flow in the quarter amounted to RM70.7 million, as cash generated from operations exceeded investing and financing cash flows.

(C) Balance sheet commentary for current quarter

Balance Sheet RM million	Jun 2011	Mar 2011
Total Debt	7,621	7,770
Cash	1,865	1,794
Net Debt	5,756	5,976
Net Gearing	1.48	1.57

The Group's total debt as of end of 30 June 2011 was RM7,621 million. The Group's net debt after offsetting the cash balances amounted to RM5,756 million. This translates to a net gearing ratio of 1.48 times, 6% lower than the immediately preceding quarter.

22. Jointly Controlled Entity and Associate Company

i) Jointly Controlled Entity - AirAsia Thailand

AirAsia Thailand is a joint venture company owned 49% by AirAsia Berhad. As such it is accounted for using the equity method, as permitted by the Malaysian Accounting



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
SECOND QUARTER REPORT ENDED 30 June 2011

NOTES TO THE UNAUDITED ACCOUNTS – 30 June 2011

Standards Board FRS131, Interests in Joint Ventures. The Group's interest in AirAsia Thailand has been reduced to zero and the Group will only recognize its share of profits after its share of profits equals the share of losses not previously recognized.

AirAsia Thailand recorded revenue of THB3,760.2 million in 2Q11, 44% higher compared to the THB2,620.0 million achieved in 2Q10. The positive growth in revenue is attributed to higher passenger volume, a higher contribution from ancillary income and improving yields. AirAsia Thailand has achieved passenger growth of 30% as compared to 2Q10 while the seat load factor was higher by 3 percentage points at 78%. Average base fare was higher by 7% at THB1,924 as compared to THB1,804 achieved in 2Q10.

AirAsia Thailand's achieved a net profit of THB384.4 million in 2Q11, a 875% improvement over the THB39.4 million profit in 2Q10.

(A) Performance indicator for Thailand operations for current quarter against the same quarter last year

Quarter Ended: 30 June	Apr-Jun 2011	Apr-Jun 2010	Change y-o-y
Passengers Carried	1,614,853	1,237,952	30%
Capacity	2,063,160	1,651,192	25%
Seat Load Factor	78%	75%	3 ppt
RPK (million)	1,774	1,301	36%
ASK (million)	2,235	1,780	26%
Average Fare (THB)	1,924	1,804	7%
Ancillary Income Per Pax (THB)	405	312	30%
Unit Passenger Revenue (THB)	2,328	2,116	10%
Revenue / ASK (THB)	1.68	1.47	14%
Revenue / ASK (US cents)	5.55	4.86	14%
Cost / ASK (THB)	1.54	1.39	11%
Cost / ASK (US cents)	5.09	4.60	11%
Cost / ASK-ex Fuel (THB)	0.81	0.85	-4%
Cost / ASK-ex Fuel (US cents)	2.68	2.80	-4%
Aircraft (end of period)	20	20	0%
Average Stage Length (km)	1,083	1,060	2%
Number of Flights	11,462	9,686	18%
Fuel Consumed (Barrels)	385,243	316,398	22%
Average Fuel Price (US\$ / Barrel)	139	101	38%

Exchange Rate: USD:THB – 30.30, prior year US cents figures are restated at current exchange rate.



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
SECOND QUARTER REPORT ENDED 30 June 2011

NOTES TO THE UNAUDITED ACCOUNTS – 30 June 2011

(B) Performance of current quarter against the same quarter last year for Thailand

Quarter Ended: 30 June THB'000	Apr-Jun 2011	Apr-Jun 2010
Revenue	3,760,162	2,620,044
Operating expenses:		
- Staff costs	(373,336)	(268,256)
- Depreciation of property, plant and equipment	(20,641)	(28,325)
- Aircraft fuel expenses	(1,626,532)	(966,103)
- Maintenance, overhaul, user charges and other related expenses	(754,921)	(645,306)
- Aircraft operating lease expenses	(654,622)	(509,031)
- Travel and tour operating expenses	-	-
- Other operating expenses	(115,744)	(106,115)
Other (losses)/gains - net	-	-
Other income	100,962	44,386
Operating Profit	315,328	141,294
Finance Income	82,732	(4,204)
Finance Costs	(11,905)	(96,945)
Profit before tax	386,155	40,145
Taxation	(1,711)	(725)
Profit after tax	384,444	39,420
EBITDAR	990,591	678,650
EBITDAR Margin	26%	26%
EBIT Margin	8%	5%



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
SECOND QUARTER REPORT ENDED 30 June 2011

NOTES TO THE UNAUDITED ACCOUNTS – 30 June 2011

(C) Balance Sheet

Quarter Ended: 30 June THB'000	Jun 2011	Dec 2010
Property, Plant & Equipment	290,007	290,318
Work In Progress	5,995	5,448
Deferred Expenditure	-	-
Inventory	9,418	6,390
Other Debtors & Prepayments	1,283,373	1,240,661
Cash & Short Term Deposits	946,607	591,776
Total Assets	2,535,400	2,134,593
Sales In Advance	2,426,617	2,373,445
Other Creditors & Accruals	404,628	834,556
Amounts Owing to Related Party	158,414	1,429,543
Long Term Liabilities	920,663	-
Total Liabilities	3,910,322	4,637,544
Share Capital	400,000	400,000
Share Premium	1,228	1,228
Retained Earnings	(1,776,150)	(2,904,179)
Total Equity	(1,374,922)	(2,502,951)

ii) Associate Company - AirAsia Indonesia

AirAsia Indonesia is an associate company owned 49% by AirAsia Berhad. As such it is accounted for using the equity method, as permitted by the Malaysian Accounting Standards Board FRS128, Investments in Associates. The Group's interest in AirAsia Indonesia has been reduced to zero and the Group will only recognize its share of profits after its share of profits equals the share of losses not previously recognized.

AirAsia Indonesia recorded revenue of IDR895.2 billion in 2Q11, 37% higher as compared to the IDR653.9.5 billion achieved in 2Q10. The positive growth in revenue can be attributed to higher passenger volumes, improved contribution from ancillary income per passenger which increased by 10% and higher base fares which rose by 1% over the same quarter in 2010. Passengers carried by AirAsia Indonesia increased by 33% year on year and the seat load factor rose to 76% from 75% a year before as passenger growth outstripped capacity growth.

The Indonesian operations produced a profit after tax of IDR41.7 billion in 2Q11, compared to the IDR80.4 billion profit recorded in the same quarter of 2010.



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
SECOND QUARTER REPORT ENDED 30 June 2011

NOTES TO THE UNAUDITED ACCOUNTS – 30 June 2011

(A) Performance indicator for Indonesia operations for current quarter against the same quarter last year

Quarter Ended: 30 June	Apr-Jun 2011	Apr-Jun 2010	Change y-o-y
Passengers Carried	1,259,737	947,786	33%
Capacity	1,647,904	1,269,112	30%
Seat Load Factor	76%	75%	1 ppt
RPK (million)	1,664	1,228	35%
ASK (million)	2,205	1,637	35%
Average Fare (IDR)	570,987	563,219	1%
Ancillary Income Per Pax (IDR)	139,680	126,798	10%
Unit Passenger Revenue (IDR)	710,667	690,017	3%
Revenue / ASK (IDR)	405.98	399.41	2%
Revenue / ASK (US cents)	4.74	4.66	2%
Cost / ASK (IDR)	385.46	339.17	14%
Cost / ASK (US cents)	4.50	3.96	14%
Cost / ASK-ex Fuel (IDR)	196.86	187.42	5%
Cost / ASK-ex Fuel (US cents)	2.30	2.19	5%
Aircraft (end of period)	20	16	25%
Average Stage Length (km)	1,345	1,289	4%
Number of Flights	9,408	7,358	28%
Fuel Consumed (Barrels)	342,443	283,468	21%
Average Fuel Price (US\$ / Barrel)	142	102	39%

Exchange Rate: USD:IDR – 8,569, prior year US cents figures are restated at current exchange rate.



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
SECOND QUARTER REPORT ENDED 30 June 2011

NOTES TO THE UNAUDITED ACCOUNTS – 30 June 2011

(B) Performance of current quarter against the same quarter last year for Indonesia

Quarter Ended: 30 June IDR million	Apr-Jun 2011	Apr-Jun 2010
Revenue	895,254	653,988
Operating expenses:		
- Staff costs	(96,692)	(50,107)
- Depreciation	(5,077)	(4,313)
- Aircraft fuel expenses	(415,901)	(248,477)
- Aircraft operating lease expense	(161,238)	(114,412)
- Maintenance, overhaul, user charges and other related expenses	(156,466)	(121,117)
- Travel and tour operating expenses	-	-
- Other operating expenses	(23,599)	(18,712)
Other (losses)/gains - net	-	-
Other income	8,973	1,780
Operating Profit	45,254	98,630
Finance Income	9,789	(595)
Finance Costs	(13,353)	(17,626)
Profit before tax	41,690	80,409
Taxation	-	-
Profit after tax	41,690	80,409
EBITDAR	211,569	217,355
EBITDAR Margin	24%	33%
EBIT Margin	5%	15%



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
SECOND QUARTER REPORT ENDED 30 June 2011

NOTES TO THE UNAUDITED ACCOUNTS – 30 June 2011

(C) Balance Sheet

Quarter Ended: 30 June IDR million	Jun 2011	Dec 2010
Property, Plant & Equipment	102,722	102,976
Work In Progress	228	775
Deferred Expenditure	830	1,609
Inventory	847	3,834
Other Debtors & Prepayments	31,833	36,042
Cash & Short Term Deposits	94,507	40,403
Total Assets	230,967	185,639
Sales In Advance	524,477	440,251
Other Creditors & Accruals	408,436	250,691
Amounts Owing to Related Party	404,248	672,890
Borrowings	138,975	138,974
Total Liabilities	1,476,136	1,502,806
Share Capital	180,000	180,000
Share Premium	-	-
Retained Earnings	(1,425,169)	(1,497,167)
Total Equity	(1,245,169)	(1,317,167)

iii) Unrecognised share of profits/(losses) in jointly controlled entity and associate company.

FRS 128 states that interest in an associate is 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”. On this basis, the share of losses of the investment in associate was equity accounted for by the Group and limited to the Group’s investment in the ordinary share capital of the associate.

	Unrecognised share of net profit / (loss) for the Quarter ended 30/06/2011 RM’Million	Unrecognised share of net profit / (loss) as of 30/06/2011 RM’Million
Thai AirAsia	18.0	(70.1)
Indonesia AirAsia	7.1	(184.2)



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
SECOND QUARTER REPORT ENDED 30 June 2011

NOTES TO THE UNAUDITED ACCOUNTS – 30 June 2011

23. Variation of results against preceding quarter

The Group achieved a profit after taxation of RM104.3 million for the quarter under review. This is lower by RM67.6 million compared to the RM171.9 million profit after taxation achieved in the immediately preceding quarter ended 31 March 2011.

24. Commentary on prospects

Based on the current forward booking trends, the underlying passenger demand in the third quarter for the Malaysian, Thai and Indonesian operations remains positive. Load factors achieved in the month of July were ahead of the prior year for all three carriers, with average fares higher in Thailand and Indonesia and slightly behind the prior year for the Malaysian operations.

In Malaysia, forward loads for the remaining months of the third quarter and beyond remain in line with the prior year, indicating that demand remains strong. Passenger numbers are expected to continue increasing ahead of capacity growth, while new sources of ancillary income will maintain yields in combination with improved load factors.

In Thailand, demand continues to growing at a strong rate for both domestic and international sectors. The new hub in Chiang Mai continues to perform well and operates new routes where demand has exceeded expectations. Performance for the rest of the year is expected to remain good driven by higher loads and yields, though these will be tempered by the higher average fuel prices expected in the second half of the year.

In Indonesia, the next quarter will see continued increases in passenger numbers and the recent introduction of the A320 aircraft at Bandung will continue to improve yield, while reducing costs and improving operational reliability. The Medan hub also continues to exhibit strong growth, and on international sectors the abolition of the travel tax at the beginning of the year is helping to boost demand.

The Group will take delivery of three A320 aircraft in the third quarter of the year and a further four deliveries will made in the final quarter of the year. Three aircraft will be deployed in Malaysia, two in Thailand and two in the Philippines. The aircraft will be deployed on a total of three new routes to be operated out of Malaysia, two from Thailand and five from the Philippines, in combination with additions and reductions in frequency on existing routes. The commencement of routes from the Philippines is dependent on all regulatory approvals being received as anticipated.

The outlook for the third quarter and beyond should be seen in the context of the current volatility in the price of oil and aviation fuel. The introduction of a fuel surcharge during the second quarter is expected to mitigate, but not fully offset, the effect of higher fuel prices during in the second half of the year.



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
SECOND QUARTER REPORT ENDED 30 June 2011

NOTES TO THE UNAUDITED ACCOUNTS – 30 June 2011

However, barring any unforeseen circumstances, the Directors remain positive for the prospects of the Group for the third and final quarters of 2011.

25. Profit forecast

The disclosure requirements for explanatory notes for the variance of actual profit after tax and minority interest and forecast profit after tax and minority interest are not applicable for the current quarter and financial year-to-date.

26. Finance Income/(Cost)

All figures in RM'000	Group and Company			
	Quarter Ended 30/06/11	Quarter Ended 30/06/10	Year to Date 30/06/11	Year to Date 30/06/10
Finance Income				
Interest on amounts due from associates and JV entities	7,708	16,649	17,878	32,857
Interest on deposits	4,757	3,051	9,257	6,058
Foreign exchange gains - net	15,907	15,819	116,961	303,082
	28,372	35,519	144,096	341,997
Finance Costs				
Fair value losses on derivative financial instruments	(6,045)	(20,426)	(66,126)	(141,702)
Bank borrowings	(89,795)	(89,803)	(181,882)	(181,399)
Amortisation of premiums	(1,948)	(2,031)	(3,912)	(3,763)
Hire purchase payables	(1)	(3)	(3)	(6)
Bank facilities and other charges	(352)	(1,603)	(786)	(2,346)
	(98,141)	(113,866)	(252,709)	(329,216)
Net Finance (Cost) / Income	(69,769)	(78,347)	(108,613)	12,781

27. Exceptional item

There were no exceptional items in the quarter under review.



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
SECOND QUARTER REPORT ENDED 30 June 2011

NOTES TO THE UNAUDITED ACCOUNTS – 30 June 2011

28. Income tax expense

Current taxation

The current taxation charge of RM8.0 million comprises tax payable on interest income and taxes applicable in foreign branches.

Deferred taxation

The RM32.7 million deferred tax charge arises from the net of RM69.8 million deferred tax liabilities and RM37.1 million of deferred tax assets recognized during the period. The deferred tax liabilities arose as the difference between the net book value and tax written down value of property plant and equipment increased in the period a result of capital allowances granted offset by depreciation. The deferred tax assets arose from capital allowances granted in the period but which remained unutilized.

29. Unquoted investments and properties

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

30. Quoted investments and properties

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

31. Status of corporate proposals announced

Vietnam Joint Venture

Following the announcement on 24 May 2011 by AirAsia on the above matter, AirAsia wishes to update that there has been no change in the status of the above proposed Vietnam Joint Venture since the last AirAsia quarterly announcement.

Philippines Joint Venture

There is no change in the status of the above since the previous Bursa Announcement.

Expedia Inc Joint Venture

Following the announcements on 24 May 2011 and 7 June 2011 by AirAsia on the above matter, the Company is pleased to announce that it has through AirAsia Exp Pte. Ltd., a wholly-owned subsidiary of AirAsia Go Holiday Sdn Bhd, which in turn is a wholly-owned subsidiary of AirAsia, along with Expedia Inc. through Expedia Southeast Asia Pte. Ltd., as at 19 August 2011 each subscribed an aggregate of 12,288,559 ordinary shares at SGD 1 per share, representing fifty percent (50%) of the paid-up capital in AAE Travel Pte. Ltd. Please refer to General Announcement (Reference No.: CM-110819-62457) made by AirAsia on 19 August 2011 for more details.



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
SECOND QUARTER REPORT ENDED 30 June 2011

NOTES TO THE UNAUDITED ACCOUNTS – 30 June 2011

Japan Joint Venture

Following the announcement on 21 July 2011 by AirAsia on the above matter, AirAsia wishes to update that there has been no change in the status of the above proposed Japan Joint Venture.

CAE International Holdings Ltd. ('CAE') Joint Venture

Following the announcement on 20 June 2011 by AirAsia on the above matter, AirAsia wishes to update that Asian Aviation Centre of Excellence Sdn Bhd started operations on 1 July 2011 providing pilot training services (as stated in our announcement dated 20 June 2011) to the AirAsia Group of companies and third party clients.

Proposed Warrants Exchange Exercise with Malaysian Airline System Berhad

There is no change in the status of the above since the previous Bursa Announcement.

32. Borrowings and debt securities

	At 30/06/2011 RM'000	At 31/03/2011 RM'000
Current	561,001	556,231
Non-current	7,059,614	7,213,519
Total Debt	7,620,615	7,769,750

The borrowings are mainly in the form of term loans which are for the purchase of new Airbus A320-200 aircraft.

The maturity period of non-current borrowing is 14 years and below. Borrowings are denominated in US Dollar (predominantly), RM and Euro. The Company has substantially hedged its foreign exchange exposure through foreign exchange contracts as explained in Note 33 (i).

The Company's aircraft financing facilities are principally secured by the following types of security:

- Assignment of rights under contract with Airbus over each aircraft
- Assignment of insurance and reinsurances of each aircraft
- Assignment of airframe and engine warranties of each aircraft



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
SECOND QUARTER REPORT ENDED 30 June 2011

NOTES TO THE UNAUDITED ACCOUNTS – 30 June 2011

- (d) Mortgage of the aircraft
- (e) Deregistration Power of Attorney

33. Derivative Financial Instruments:

The fair value of derivative financial instruments is determined in accordance with FRS139 “Financial Instruments: Recognition and Measurement”

(i) Forward Foreign Exchange Contracts

As at 30 June 2011, the Group has hedged approximately 46% of its dollar liabilities pertaining to its aircraft, engine and simulator loans into Malaysian Ringgit (“MYR”) by using long dated foreign exchange forward contracts. The calculation includes loans for aircraft deployed to Thai AirAsia and Indonesia AirAsia where AirAsia receives lease payments in USD. However, if the calculation is based on loans pertaining to aircraft being

deployed to Malaysia, approximately 68% of the loans are hedged from USD into MYR. The latest weighted average foreign forward exchange rate is at 3.2399 USD:MYR.

(ii) Interest Rate Hedging

The Group has entered into interest rate hedging transactions to hedge against fluctuations in the US\$ Libor on its existing aircraft financing for aircraft delivering from 2005 to 2011. As at 30 June 2011 there were two forward start interest rate swaps at 3.20% with 12 years tenure for future aircraft loans for aircraft purchases delivering in 2011.

(iii) Fuel Hedging

As at 30 June 2011, the Group has entered into Brent fixed swap which represents up to 20% of the Group’s total expected fuel volume for the remaining period of 2011.

The Group has also entered into Singapore Jet Kerosene fixed swap which represents an additional 17% of the Group’s total expected fuel volume for the month of July 2011.



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
SECOND QUARTER REPORT ENDED 30 June 2011

NOTES TO THE UNAUDITED ACCOUNTS – 30 June 2011

Derivative financial instruments

Type of derivatives	Notional Value as at 30/06/2011	Fair Value as at 30/06/2011 Assets/(Liabilities)
(i) Fuel contract	Barrels (million)	RM (million)
- less than 1 year	0.1	7.9
- 1 year to 3 years	-	-
Total	0.1	7.9
	RM (million)	RM (million)
(ii) Interest rate contracts		
- less than 1 year	-	-
- 1 year to 3 years	-	-
- more than 3 years	3,202.5	(330.9)
Total	3,202.5	(330.9)
	RM (million)	RM (million)
(iii) Foreign currency contracts		
- less than 1 year	-	-
- 1 year to 3 years	-	-
- more than 3 years	3,920.0	(124.0)
Total	3,920.0	(124.0)

The related accounting policies, cash requirements of the derivatives, risks associated with the derivatives and policies to mitigate those risks are unchanged since the last financial year.

34. Material litigation

As at 23 August, there was no material litigation against the Group.

35. Proposed dividend

The Directors do not recommend any dividend for the quarter ended 30 June 2011.



AIRASIA BERHAD
(Company No. 284669-W)

(Incorporated in Malaysia with limited liability under the Companies Act, 1965)
SECOND QUARTER REPORT ENDED 30 June 2011

NOTES TO THE UNAUDITED ACCOUNTS – 30 June 2011

36. 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 30/06/11	Preceding Quarter Ended 30/06/10	Current Year to Date 30/06/11	Preceding Year to Date 30/06/10
Net profit for the financial period (RM'000)	104,258	198,930	276,188	423,041
Weighted average number of ordinary shares in issue for basic EPS ('000)	2,775,498	2,759,015	2,775,498	2,759,015
Adjusted for share options granted ('000)	5,072	4,944	5,072	4,944
Adjusted weighted average number of ordinary shares ('000)	2,780,570	2,763,959	2,780,570	2,763,959
Basic earnings per share (sen)	3.8	7.2	10.0	15.3
Diluted earnings per share (sen)	3.7	7.2	9.9	15.3

(b) Diluted earnings per share

Diluted 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, adjusted for share options granted.

37. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors.

By order of the Board

JASMINDAR KAUR a/p SARBAN SINGH

(MAICSA 7002687)
COMPANY SECRETARY
23 August 2011