AirAsia Berhad (284669-W)
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Dataran Prima, 47301 Petaling Jaya
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WORLD AIRLINE WINNER SKYTRAX AWARDS 2009

WORLD'S BEST LOW-COST AIRLINE 2009

Thanks to YOU

AirAsia

Annual Report 2008

16TH ANNUAL GENERAL MEETING

Date: Monday, 3 August 2009
Time: 10.00 a.m.
Venue: AirAsia Academy, Jalan KLIA S5, Southern Support Zone KLIA, Sepang, Selangor

Notice of Annual General Meeting page 128

TOP 50 most innovative companies in the world

World's Best Low Cost Airline 2009

Over 61 Million Guests... ...and counting

Thanks to YOU

Ultimately, it is our guests who have made us what we are today. A passion for exceeding our guests' expectations is what spurs us to relentlessly pursue innovative ways to enhance the service we provide. Constant innovation is the tool we use to expand our guests' freedom to travel so that **Now Everyone Can Fly**.

In 2008, a total commitment to innovation enabled us to stay ahead of the game and once again win an array of prestigious awards. In the years to come, the same commitment will see us successfully navigate the ongoing global economic turbulence, broaden our horizons and not only survive but prosper.

In 2009 we will unroll a series of initiatives designed to boost customer service while keeping fares down. So it is apt that this year's Annual Report focuses on innovations which will enable AirAsia Berhad ("AirAsia") to retain its pole position as the world's preferred low fare airline.

Above all, it is appropriate for us to acknowledge the support our guests give us by making **Thanks to YOU** the key message of this report.

CONTENTS

Corporate Vision, Mission and Values

Vision

To be the largest low cost airline in Asia and serving the 3 billion people who are currently underserved with poor connectivity and high fares.

Mission

- To be the best company to work for whereby employees are treated as part of a big family
- Create a globally recognized ASEAN brand
- To attain the lowest cost so that everyone can fly with AirAsia
- Maintain the highest quality product, embracing technology to reduce cost and enhance service level

Values

Safety Adopting a zero tolerance to unsafe practices and strive for zero accidents through proper training, work practices, risk management and adherence to safety regulations at all times.

Valuing Our People Committing to our people's development and well-being and treating them with respect, dignity and fairness.

Customer Focused We care and treat everyone in the same manner that we want to be treated.

Integrity Practicing highest standards of ethical behaviour and demonstrate honesty in all our lines of work in order to command trust and mutual respect.

Excellence in Performance Setting goals beyond the best and reinforcing high quality performance standards and achieving excellence through implementing best practices.

Commitment To Excellence

AirAsia is committed to excellence. We intend to excel in everything we do by achieving exceptional results. We have set high standards, but no higher than our customers' expectations. Day after day, our people do their best so that we meet these expectations. In all our efforts, there are five fundamental values: Safety, Passion, Integrity, Caring and Fun. They provide a frame of reference for the AirAsia experience and a corporate culture in which we live and deliver peak performance.

Dato' Abdul Aziz bin Abu Bakar

Dato' Sri Tony Fernandes

Dato' Kamarudin bin Meranun

Conor Mc Carthy

Dato' Leong Khee Seong

Fam Lee Ee

Datuk Alias bin Ali

Dato' Mohamed Khadar bin Merican

Corporate Information

Board Of Directors

Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar
Non-Executive Chairman

Dato' Sri Anthony Francis Fernandes
(commonly known as Dato' Sri Tony Fernandes)
Group Chief Executive Officer

Dato' Kamarudin bin Meranun
Deputy Group Chief Executive Officer

Conor Mc Carthy
Non-Executive Director

Dato' Leong Sonny @ Leong Khee Seong
Independent Non-Executive Director

Fam Lee Ee
Independent Non-Executive Director

Datuk Alias bin Ali
Independent Non-Executive Director

Dato' Mohamed Khadar bin Merican
Independent Non-Executive Director

Audit Committee

Dato' Leong Sonny @ Leong Khee Seong
Fam Lee Ee
Datuk Alias bin Ali
Dato' Mohamed Khadar bin Merican

Remuneration Committee

Datuk Alias bin Ali
Dato' Leong Sonny @ Leong Khee Seong
Fam Lee Ee

Nomination Committee

Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar
Datuk Alias bin Ali
Fam Lee Ee

Safety Review Board

Conor Mc Carthy
Dato' Mohamed Khadar bin Merican

Company Secretary

Jasmindar Kaur A/P Sarban Singh (Maicsa 7002687)

Auditors

PricewaterhouseCoopers
Level 10, 1 Sentral, Jalan Travers, Kuala Lumpur Sentral
50706 Kuala Lumpur
Tel: 603-2173 1188 Fax: 603-2173 1288

Registered Office

AirAsia Berhad (Company No. 284669-W)
25-5, Block H, Jalan PJU 1/37
Dataran Prima, 47301 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel: 603-7880 9318 Fax: 603-7880 6318
E-mail : investorrelations@airasia.com
Website : www.airasia.com

Head Office

LCCT Terminal, Jalan KLIA S3
Southern Support Zone, KLIA
64000 Sepang
Selangor Darul Ehsan, Malaysia
Tel: 603-8660 4333 Fax: 603-8775 1100

Share Registrar

Symphony Share Registrars Sdn Bhd
Level 26, Menara Multi-Purpose, Capital Square
8 Jalan Munshi Abdullah
50100 Kuala Lumpur, Malaysia
Tel: 603-2721 2222 Fax: 603-2721 2530/1

Solicitors

Messrs Logan Sabapathy & Co.

Corporate Broker

ECM Libra Berhad

Corporate Advisor

Credit Suisse Securities (Malaysia) Sdn. Bhd.

Stock Exchange Listing

Main Board of Bursa Malaysia Securities Berhad
(Listed since 22 November 2004)
(Stock code: 5099)

Corporate Profile

AirAsia is a name synonymous with low fares, quality service and dependability. With over 110 routes across 13 countries, AirAsia is truly Asia's leading airline with the widest route connectivity and largest customer base.

With the unmistakable tagline, "Now Everyone Can Fly", AirAsia has made flying affordable for more than 61 million guests.

Against All Odds

In 2001, Dato' Sri Tony Fernandes along with Dato' Pahamin Ab. Rajab (Former Chairman, AirAsia), Dato' Kamarudin bin Meranun (Deputy Group Chief Executive Officer, AirAsia) and Dato' Abdul Aziz bin Abu Bakar (Current Chairman, AirAsia) formed a partnership to set up Tune Air Sdn Bhd and bought AirAsia for a token sum of RM1.00. With the help of Conor Mc Carthy (Director, AirAsia; former Director of Tune Air Sdn Bhd and former Director of Group Operations, Ryanair), AirAsia was remodeled into a low cost carrier and by January 2002, their vision to make air travel more affordable for Malaysians took flight.

Valued at RM2.3 billion, AirAsia is today an award winning and the largest low cost carrier in Asia. From a two aircraft operation of Boeing 737-300, AirAsia currently boasts a fleet of 78 aircraft that flies to over 60 domestic and international destinations and operates over 500 domestic and international flights daily from six hubs located at Low Cost Carrier Terminal (KLIA), Johor Bahru, Kota Kinabalu, Bangkok (Thailand), Jakarta (Indonesia) and Bali (Indonesia). AirAsia is fast spreading its wings to create a bigger and more extensive route network through its associate companies, Thai AirAsia and Indonesia AirAsia. The airline has carried, thus far, over 61 million guests since its first day of operation.

Bringing Asia Closer

At AirAsia, we are bringing people closer by bridging boundaries through our philosophy of offering low fares. It has sparked a revolution in travel, as more and more people from all walks of life are now able to fly for the first time, while many others have made air travel with AirAsia their preferred choice of transport. We are consistently adding new routes, which include city pairs that never existed before, in our relentless efforts to create a seamless bridge of unity across

Asia. It is something very close to our hearts as we continuously strive to promote air travel and create excitement amongst our guests with our range of innovative products and personalised services.

The Foundation of Our Business

AirAsia's success has taken flight through the continued confidence of our guests who prefer a no-frills, hasslefree, low fare and convenient option in air travel. The key to delivering low fares is to consistently keep cost low. Attaining low cost requires high efficiency in every part of the business and maintaining simplicity. Therefore every system process must incorporate best industry practices. We make this possible through the implementation of the following key strategies:

- Safety First – Safety is the single most important criteria in every aspect of the operations, an area that AirAsia will never compromise on. AirAsia complies with the conditions set by regulators in all the countries where the airline operates. In addition, AirAsia partners with the world's most renowned maintenance providers to ensure that its fleet is always in the best condition.

- High Aircraft Utilisation – AirAsia's high frequency flights have made it more convenient for guests to travel as the airline implements a quick turnaround of 25 minutes, which is the fastest in the region. This has resulted in high aircraft utilisation, lower costs and greater airline and staff productivity.

- Low Fare, No Frills – AirAsia targets guests who are prepared to do away with frills such as meals, frequent flyer miles or airport lounges in exchange for fares lower than those currently offered without comprising on quality and service. Guests have the choice of buying exclusively prepared meals, snacks and drinks from our in-flight service at an affordable price.

- Streamline Operations – Making the process as simple as possible is the key to AirAsia's success. We are working towards a single aircraft fleet; this greatly reduces duplicating manpower requirements as well as stocking of maintenance parts. There is only one class seating, i.e. first class, and passengers are free to sit where they choose.

- Lean Distribution System – AirAsia offers a wide and innovative range of distribution channels to make booking and traveling easier for its guests. AirAsia's ticketless service provides a low cost alternative to issuing printed tickets.

- Point to point network – The LCC model shuns the hub-andspoke system and adopts the simple point-to-point network. All AirAsia flights are shorthaul (four hour flight or less). The underlying business is to get a person from point A to B.

Our Commitment

AirAsia has a firm commitment with a purchase order for 225 Airbus A320 aircraft (175 firm + 50 options), thus securing our growth pipeline up till 2014. We are committed to be a truly Asian airline that operates an extensive route network, fosters economic prosperity, stimulates tourism and promotes stronger cultural integration.

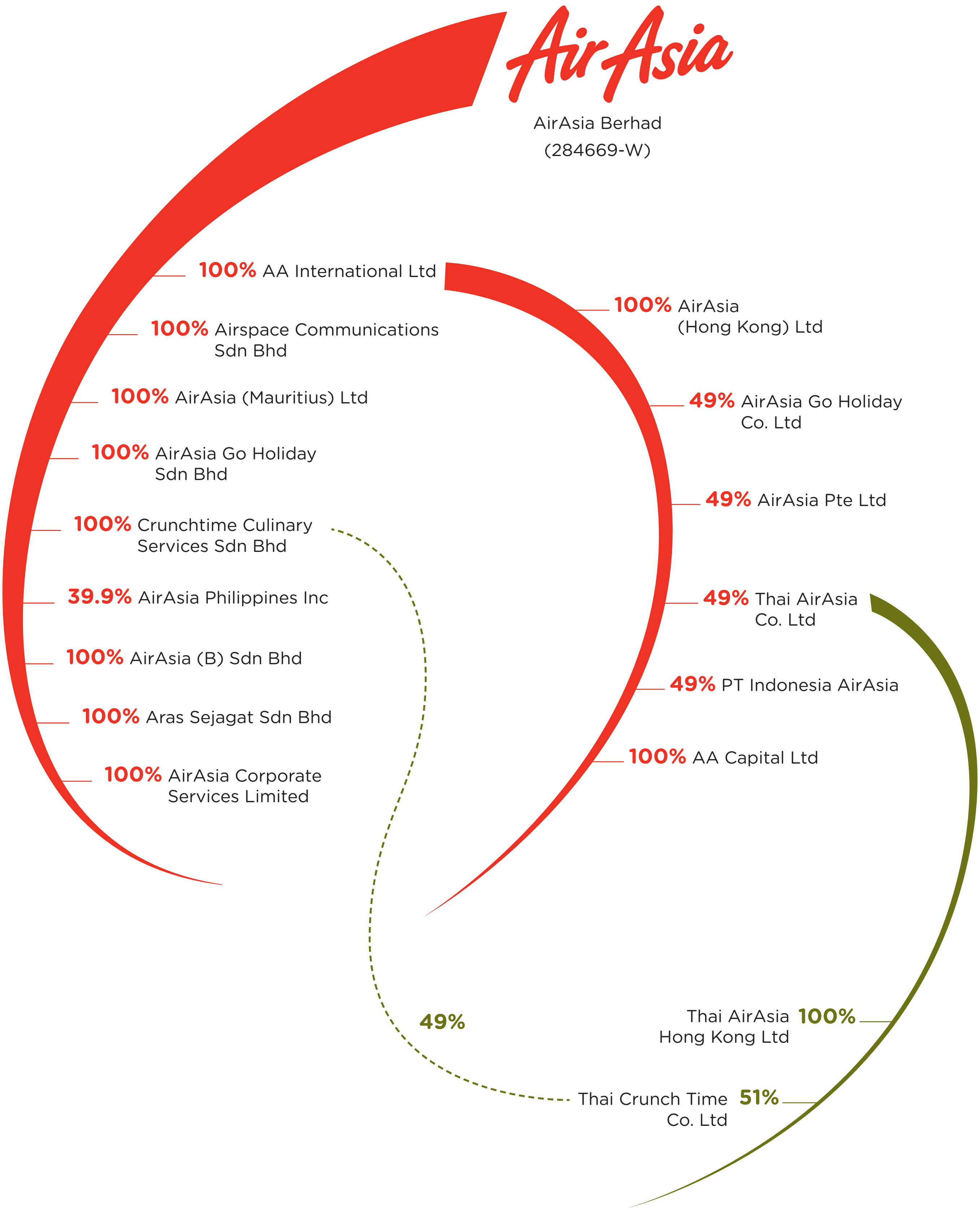
Five-Year Financial Highlights

(RM million, unless otherwise stated)	For the year ended 30 June			For the 6 months ended 31 December	For the year ended 31 December
	2005	**2006**	**2007**	**2007**	**2008**
Revenue	718	1,071	1,603	1,094	2,635
Total expenses	596	997	1,322	858	2,966
EBIT	122	74	281	237	-331
Associates contributions	-5.4	-0.5	-3.9	-	-
Profit before tax	114.6	86.2	278	276.7	-869
Tax	-14.3	115.5	220	149	373
Net income*	**100.8**	**201.7**	**498**	**425.7**	**-497**
BALANCE SHEET					
Cash & cash equivalent	329	426	595	425	154
Total Assets	1,123	2,574	4,779	6,448	9,521
Net Debt (Total Debt – Total Cash)	-329	627	1,959	3,272	6,539
Shareholders' Equity	953	1,148	1,662	2,099	1,606
CASH FLOW STATEMENTS					
Net cash from operating activities	-38	282	595	256	-416
Cash flow from investing activities	-297	-1,249	-1,943	-1,581	-2,602
Cash flow from financing activities	589	1,067	1,509	1,141	2,749
Net Cash Flow	**254**	**100**	**161**	**-184**	**-269**
CONSOLIDATED FINANCIAL PERFORMANCE (%)					
Return on total assets	9	7.8	10.4	-	-
Return on shareholders' equity	10.6	17.6	30	-	-
R.O.C.E (EBIT/(Net Debt + Equity))	19.6	4.2	7.7	-	-
EBIT margin	17	6.9	17.5	21.6	-
Net Income margin	14	18.8	31.1	38.9	-
CONSOLIDATED OPERATING STATISTICS					
Passengers carried	4,414,069	5,719,411	8,737,939	5,197,567	11,808,058
RPK (million)	4,881	6,702	9,863	5,930	13,485
ASK (million)	6,525	8,646	12,391	7,919	18,717
Load factor (%)	75	78	80	79	75
Aircraft utilisation (hours per day)	12.1	12	12	11.9	11.8
Average fare (RM)	143	174	171	195	204
Yield Revenue per ASK (sen)	10.2	12.2	12.9	13.8	14.1
Cost per ASK (sen)	8.3	10.9	11.2	11	11.7
Cost per ASK – excluding fuel (sen)	4.2	6.1	5.6	5.3	4.2
Yield Revenue per ASK (US¢)	2.69	3.29	3.64	4.07	4.23
Cost per ASK (US¢)	2.19	2.95	3.16	3.22	3.49
Cost per ASK – excluding fuel (US¢)	1.11	1.63	1.57	1.57	1.27
Number of Stages	40,679	48,339	68,195	38,507	89,118
Average stage length (km)	1,024	1,163	1,088	1,183	1,207
Average fleet size (Malaysia)	16.3	20.5	27.1	31.6	36.6
Size of fleet at year end (Malaysia)	19	26	34	39	44
Size of fleet at year end (Group)	27	42	54	65	78
Number of employees at year end	2,016	2,224	2,924	3,474	3,799
Percentage revenue via internet (%)	47	60	65	65	70

* Net income after minorities.
Refer to page 131 for definition.

AirAsia Group

for the year ended 31 December 2008



akhon Si Thammarat
Krabi Narathiwat
et Ranong Surat
Thani n Ratchathani
Singapo Hanoi Ho Chi
Minh Chiang Mai Hat Yai
wau Udon Thani Macau
ngkok Dhaka Vientiane
kan Surabaya
akassar
akarta
Solo

AirAsia – Leading Through Innovation

At AirAsia, the ease, speed and convenience of checking in through the internet and by mobile phone will soon become the norm.

PIKOM ICT
Organisation Excellent Award

Board of Directors

Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar

Dato' Sri Tony Fernandes

Dato' Kamarudin bin Meranun

Conor Mc Carthy

Dato' Leong Khee Seong

Fam Lee Ee

Datuk Alias bin Ali

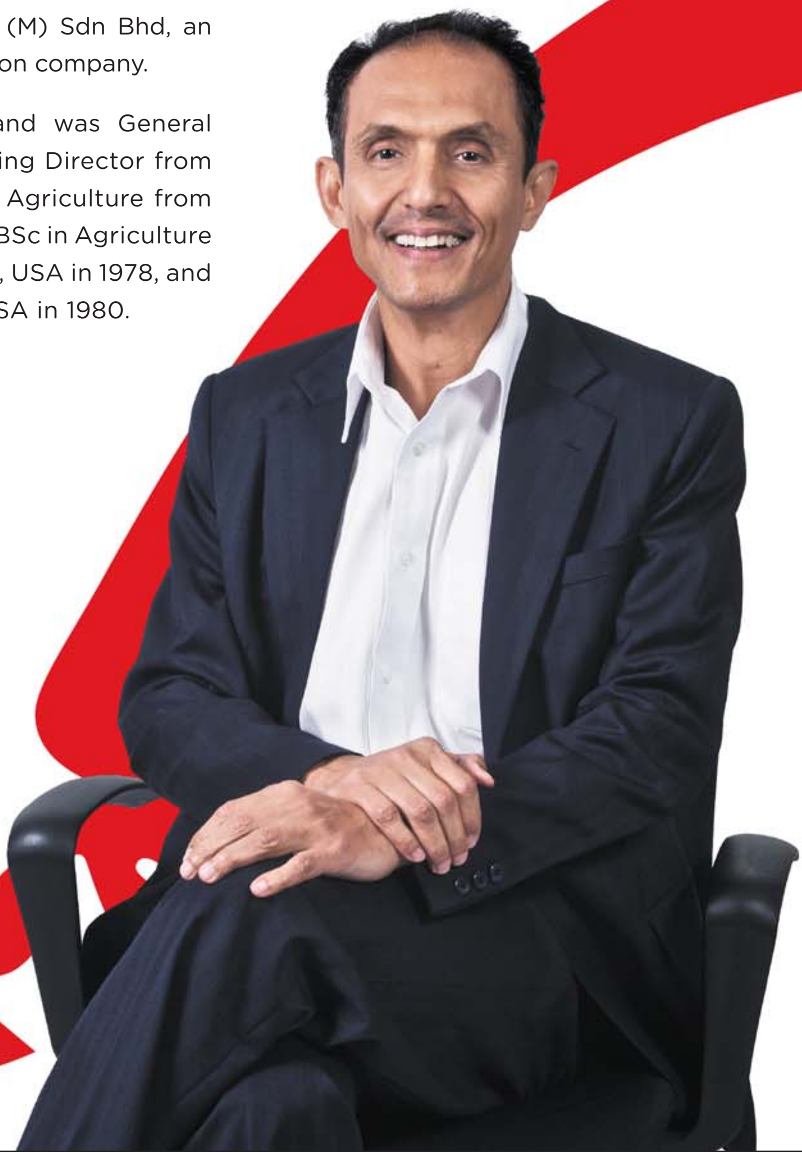
Dato' Mohamed Khadar bin Merican

Directors' Profiles

DATO' ABDEL AZIZ @ ABDUL AZIZ BIN ABU BAKAR, Malaysian, aged 56, was appointed as Non-Executive Director of the Company on 20 April 2005 and on 16 June 2008, he was re-designated to Non-Executive Chairman. He is also the Chairman of the Nomination Committee. Prior to this, he served as an Alternate Director of the Company to Dato' Pahamin Ab. Rajab since 11 October 2004. He also served earlier as a Director of the Company from 12 December 2001 to 11 October 2004.

He is currently the Non-Executive Chairman of VDSL Network Sdn Bhd. He is also the Chairman of PAIMM (Academy of Malaysian Music Industry Association) and PRISM (Performance and Artists Rights Malaysia Sdn. Bhd.), a music performers collection body. From 1981 to 1983 he was Executive Director of Showmasters (M) Sdn Bhd, an artiste management and concert promotion company.

He subsequently joined BMG Music and was General Manager from 1989 to 1997 and, Managing Director from 1997 to 1999. He received a Diploma in Agriculture from Universiti Pertanian Malaysia in 1975, his BSc in Agriculture Business from Louisiana State University, USA in 1978, and an MBA from the University of Dallas, USA in 1980.



DATO' SRI TONY FERNANDES, Malaysian, aged 45, was appointed Group Chief Executive Officer of the Company in December 2001. He is also a member of the Employee Share Option Committee of the Board.

Prior to joining the Company, he was Financial Controller at Virgin Communications London from 1987 to 1989, Senior Financial Analyst at Warner Music International London from 1989 to 1992, Managing Director at Warner Music Malaysia, from 1992 to 1996, Regional Managing Director, ASEAN from August 1996 to December 1999 and Vice President, ASEAN from December 1999 to July 2001 at Warner Music South East Asia. He was actively involved in developing the Malaysian music industry and received the title "Setia Mahkota Selangor" from DYMM, Sultan Selangor Sultan Salahuddin Abdul Aziz Shah in 1999 in recognition of his contributions and was also the recipient of the "Recording Industry Person of the Year 1997" by the Recording Industry Association of Malaysia.

A highly decorated man, he has received numerous awards from the industry observers and international press alike. Among the awards are, "Malaysia CEO of the Year 2003" by American Express and the Business Times, "Emerging Entrepreneur of the Year – Malaysia 2003" at the Ernst & Young Entrepreneur of the Year Awards in 2004, "Airline Business Strategy Award 2005 and Low Cost Leadership" by Airline Business and he was also named Asia Pacific Aviation Executive by the Centre for Asia Pacific Aviation ("CAPA") for the year 2004 and 2005.

In July 2005, he was conferred the Darjah Datuk Paduka Tuanku Ja'afar (DPTJ) which carries the title Dato' by the Negeri Sembilan's Yang DiPertuan Besar Tuanku Ja'afar Tuanku Abdul Rahman in conjunction with His Majesty's 83rd birthday celebrations in recognition of his services rendered to the betterment of the nation and community.

In 2006, he was named the Master Entrepreneur of the Ernst & Young Entrepreneur of the Year 2006 Malaysia. He also bagged 'The Brand Laureate' Brand Personality for his exemplary performance, dedication and contribution towards the aviation industry in Malaysia in the same year and also in 2007. He was admitted as an Associate Member of the Association of Chartered Certified Accountants in 1991 and became a Fellow Member in 1996.

In 2007, he was conferred yet another title, the Darjah Sultan Ahmad Shah Pahang (DSAP) which carries the title Dato' by the Pahang's KDYMM Sultan Haji Ahmad Shah ibni Almarhum Sultan Sir Abu Bakar Riayatuddin Al- Muadzam Shah as recognition of his services rendered to the betterment of the nation and community. In the following year, he was bestowed with another title by the Sultan, the Darjah Kebesaran Sultan Ahmad Shah Pahang Yang Amat Di Mulia which carries the title Dato Sri'.

Directors' Profiles

DATO' KAMARUDIN BIN MERANUN, Malaysian, aged 48, was appointed Director of the Company on 12 December 2001. In January 2004, he was appointed Executive Director and on 8 December 2005, he was re-designated to Group Deputy Chief Executive Officer. He is also the Chairman of the Employee Share Option Scheme Committee of the Board.

Prior to joining the Company, he worked in Arab-Malaysian Merchant Bank from 1988 to 1993 as a Portfolio Manager, managing both institutional and high net-worth individual clients' investment funds. In 1994, he was appointed Executive Director of Innosabah Capital Management Sdn Bhd, a subsidiary of Innosabah Securities Sdn Bhd. He subsequently acquired the shares of its joint venture partner of Innosabah Capital Management Sdn Bhd, which was later renamed Intrinsic Capital Management Sdn Bhd.

He received a Diploma in Actuarial Science from University Technology MARA (UiTM) and was named the "Best Actuarial Student" by the Life Insurance Institute of Malaysia in 1983. He received a B.Sc. degree with Distinction (Magna Cum Laude) majoring in Finance in 1986, and an MBA in 1987 from Central Michigan University.

CONOR MC CARTHY, Irish, aged 47, was appointed Non-Executive Director of the Company on 21 June 2004. He heads the Safety Review Board of the Company.

He is Managing Director of PlaneConsult, a leading aviation business solutions provider which he set up in 2000 which specialises in advising and establishing Low Cost Carriers.

Prior to establishing PlaneConsult, Conor was the Director of Group Operations at Ryanair from 1996 to 2000. Before joining Ryanair, he was the CEO of Aer Lingus Commuter. Prior to that, he was General Manager/SVP for Aer Lingus in the Marketing and Strategic Planning divisions. He spent 18 years with Aer Lingus in all areas of the airline business from Engineering, Operations and Maintenance to Commercial Planning, Marketing and Route Economics to Finance, Strategic Management, Fleet Planning and General Management. He is a qualified Avionics Engineer and holds a First Class Honours degree in Engineering from Trinity College Dublin.

DATO' LEONG KHEE SEONG, Malaysian, aged 70, was appointed Independent Non-Executive Director of the Company on 8 October 2004. He is Chairman of the Audit Committee and a member of the Remuneration Committee of the Board.

He was Deputy Minister of Primary Industries from 1974 to 1978, Minister of Primary Industries from 1978 to 1986 and a Member of Parliament from 1974 to 1990. Prior to this, he was a substantial shareholder of his family's private limited companies, which were principally involved in general trading. He was the Chairman of the General Agreement on Tariffs and Trade's Negotiating Committee on Tropical Products (1986 to 1990) and was the Chairman of the Group of 14 on ASEAN Economic Cooperation and Integration (1986 to 1987).

He graduated with a degree in Chemical Engineering in 1964 from University of New South Wales, Australia. He is an Executive Chairman of Nanyang Press Holdings Berhad and Independent Non-Executive Director of TSH Resources Berhad.

FAM LEE EE, Malaysian, aged 48, was appointed Independent Non-Executive Director of the Company on 8 October 2004. He is also a member of the Audit, Remuneration and Nomination Committees of the Board.

He received his BA (Hons) from the University of Malaya in 1986 and an LLB (Hons) from the University of Liverpool, England in 1989. He obtained his Certificate of Legal Practice in 1990 and has been practising law since 1991 and currently is the senior partner at Messrs YF Chun, Fam & Yeo. He also serves as a Director of M-Mode Berhad.

Directors' Profiles

DATUK ALIAS BIN ALI, Malaysian, aged 61, was appointed Independent Non-Executive Director of the Company on 23 September 2005. He is also the Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees of the Board.

Prior to this, he had a long and distinguished career with the Government which began soon after his graduation from the University of Malaya in 1970. He started as an Administration Trainee Officer in the Statistics Department. He subsequently joined the Prime Minister's Department as Administration Development Officer. Whilst still with the department, he completed his Master in Business Management and assumed the position of Head of Department (Consultancy) at the National Institute of Public Administration (INTAN) in 1975. Over the next 15 years with the Government, he held various senior positions in several Ministries and Department including as Deputy Director of Training (Operations) in the Public Services Department, Under Secretary (Establishment and Services) in the Ministry of Works and Director of Industrial Development Division in the Ministry of Trade and Industry. He moved back to the Prime Minister's Department in 1990 as Cabinet Under Secretary.

In June 2000, he was appointed Secretary General of the Ministry of Health, a post he held until his retirement in March 2004. He received a Master in Business Management from the Asian Institute of Management, Philippines in 1975 and a Bachelor of Economics (Honours) from the University of Malaya in 1970. He is also presently a Director of FIMA Corporation Berhad, Duopharma Biotech Bhd. and Melati Ehsan Holdings Bhd.

DATO' MOHAMED KHADAR BIN MERICAN, Malaysian, aged 53, was appointed Independent Non-Executive Director of the Company on 10 September 2007. He is also a member of the Safety Review Board and Audit Committee of the Board.

He has had more than 20 years' experience in financial and general management. He has been an auditor and a management consultant with an international accounting firm, before joining a financial services group in 1986. Between 1988 and April, 2003, Dato' Khadar held several senior management positions in Pernas International Holdings Berhad (now known as Tradewinds Corporation Berhad), a company listed on the Main Board of Bursa Malaysia Securities Berhad, including as President and Chief Operating Officer.

He is a member of both the Institute of Chartered Accountants in England and Wales and the Malaysian Institute of Accountants. He is also presently a Director of Rashid Hussain Berhad, RHB Capital Berhad, RHB Investment Bank Berhad (formerly known as RHB Sakura Merchant Bankers Berhad) and ASTRO All Asia Networks PLC.

Shenzhen Phnom Penh
Ho Chi Minh Clark
Makassar Bandar
Seri Begawan Penang
ngon Kuala Terengganu
iem Reap Tiruchi Guilin
Balikpapan Banda Aceh
Bandung Batam Jakarta
Kuching Medan
Padang
Palembang
Pekanbaru
Pontianak

AirAsia – Leading Through Innovation

We are the only airline in the world to provide an 'On-Time Guarantee', assuring our guests of punctuality. This reflects our confidence in our ability to fly our guests on time without compromising safety or quality of service.

World's First
5 STAR
Low Fare Airline

Senior Management

Dato' Sri Tony Fernandes

Group Chief Executive Officer

Details of Dato' Sri Tony Fernandes are disclosed in the Directors' Profile on page 13 of this Annual Report.

Dato' Kamarudin Meranun

Deputy Group Chief Executive Officer

Details of Dato' Kamarudin Meranun are disclosed in the Directors' Profile on page 14 of this Annual Report.

Tassapon Bijleveld

Chief Executive Officer, Thai AirAsia

Tassapon joined Thai AirAsia in 2003 as Chief Executive Officer and is entrusted with the responsibility of overseeing all aspects of the airline's operations as well as driving growth in Thailand. Tassapon has more than 12 years experience in the consumer products industry, having worked in various countries in South East Asia and Indo China for two Fortune 500 companies – Adams (Thailand) Co. Ltd (a division of Warner Lambert) and Monsanto (Thailand) Co. Ltd. Prior to joining AirAsia he was Managing Director of Warner Music (Thailand) Co. Ltd for 5 years.

Dharmadi

Chief Executive Officer, Indonesia

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

Rozman Omar

Regional Head Finance

Rozman Omar has been the Regional Head for Finance since August 2006. Rozman was part of the key management team that spearheaded the flotation of AirAsia Berhad on Bursa Malaysia. He was also one of the key personnel involved in the formation of AirAsia's joint ventures in Thailand and Indonesia. Upon completion of the Company's flotation in November 2004, he was made the CFO of PT Indonesia AirAsia responsible for all the financial and corporate legal aspects of the Company.

Rozman has over 22 years of extensive corporate finance experience. Upon completion of his ACCA examinations in 1984, Rozman joined Arab- Malaysian Merchant Bank Berhad for six years and then moved on to join some other financial institutions before rejoining back to Arab-Malaysian Merchant Bank Berhad as General Manager, Corporate Finance from 1994 to 1996. Rozman later joined Innosabah Corporate Services Sdn. Bhd. as the Managing Director until 1999 before venturing out with InCAM Consulting Sdn. Bhd. until 2003.

Kathleen Tan

Regional Head, Commercial

Kathleen joined AirAsia Bhd in August 2004 as Senior Vice President for Greater China and assumed the role of Regional Head of Commercial for AirAsia Group in 2005. She is involved in AirAsia's aggressive network and hub planning strategy and helped build a strong route network in Asean, Australia, China and develop strong AirAsia branding over the last 4 years to become a global player and a key commercial driver to accelerate the Group's network growth in new markets. Her current portfolio includes Revenue Management, Marketing, Sales and Distribution, development of AirAsia's product and services. She has also recently assumed new Commercial responsibilities for Ancillary Revenue such as GoHoliday, Airspace, Credit Card products, Insurance and Inflight Products.

Prior to flying high with AirAsia, Kathleen brought with her a wealth of brand and marketing management experience in the music and fashion industry. She worked 3 years in Hong Kong as Regional Marketing Director with Warner Music Asia Pacific office and subsequently relocated to Singapore to head Warner Music Singapore operation as Managing Director for 7 years. She spent a couple of years as Divisional Head of Marketing with FJ Benjamin, a leading high fashion listed company involving designer labels for SE Asian markets such as Gucci, Coach, Fendi, Lanvin, Guess.

Senior Management

Captain Chin Nyok San

Head of Business Development

Captain Chin Nyok San was one of the pioneers of AirAsia, then under the DRB HICOM. Captain Chin has over 30 years of illustrious career in the airline industry encompassing the whole aspect of the industry. He is a licensed pilot for multiple types of aircraft, an authorised examiner, training Captain and served as the flight operations manager.

He obtained his Commercial Pilot's License in 1976 and Airline Transport Pilot's License in 1985 from the Department of Civil Aviation Malaysia. He also obtained an Airline Transport Pilot's License from the Federal Aviation Administration in 1994. Captain Chin has been the Head of Business Development since January 2005. His team single handedly established Thai-AirAsia aircraft operating certificate and effectively reactivated Indonesia AirAsia's aircraft operating certificate and recommenced the business unit.

Bo Lingam

Regional Head, Operations

Bo Lingam has worked extensively in the publication and music industry at various production houses. He joined AirAsia in November 2001 as Ground Operations Manager. Prior to his current appointment as Regional Head of Operations, Bo held several other key roles at AirAsia including as Regional Director – Guest Services, Senior Manager – Purchasing and Supplies before he was seconded to Thai AirAsia to oversee and assist in the initial set-up of Thai AirAsia operations in Bangkok.

Ashok Kumar

Regional Head, Strategic Planning and Airport Policy

Ashok Kumar has been Regional Director, Airport and Public Policy of the Company since January 2005. Prior to that, Ashok was Regional Director, Government and Business Relations from October 2004.

He has had 37 years experience in the airline industry, having worked at Malaysia-Singapore Airlines as Management Trainee/Marketing Executive from 1970 to 1972 and Malaysia Airlines from 1972 to 2003, where he held various key positions, including as Assistant General Manager, Operations Planning, before joining the Company in 2003 as Senior Manager, Commercial Planning and Strategy. Ashok received a Bachelor of Applied Economics (Hons) from the University of Malaya in 1970.

Captain Ahmad Ridzwan Mohd Salleh

Regional Head, Flight Safety

Captain Ridzwan, a graduate of the Empire Test Pilot School, UK, joined AirAsia in October 2004 as a Test Pilot. He was appointed to the current position in January 2008. As Regional Head of Flight Safety, he is responsible for the implementation and maintenance of the Safety Management System covering the areas of Flight/Cabin/Ground/Occupational Safety, Hazards and Risk Management and Emergency Response within the AirAsia Group. His past experience involved serving as Director of Airworthiness and Flight Operations at DCA Malaysia and as Director of Air Plans at the RMAF.

He had attended several courses, including Flight Instructor, Test Pilot/Certification Flight Testing, Aircraft Accident Investigation, Flight Simulator Certification, Operational Research, Advanced Management Program, Defence Management and Flight Safety Management. With 40 years flying experience and having flown more than 50 types of aircraft (including B747 and MiG 29), he is currently flying both the A320 and A340 in AirAsia.

Lau Kin Choy

Regional Head, Information Technology & E-Commerce

Lau Kin Choy has been Regional Head, Information Technology & E-Commerce since July 2004 and was previously Chief Information Officer from August 2002. Prior to joining the Company, Lau was the General Manager of WEB Distribution Services Sdn Bhd, a joint venture music distribution and logistic center for Warner Music, EMI Malaysia and BMG Music, from 1998 to 2002. Lau was a finalist for Pikom's 2006 CIO Recognition Award.

Azhari Dahlan

Regional Head, Engineering

Azhari Dahlan has been Regional Director of Engineering since September 2004 overseeing the Group's airline engineering functions in Malaysia, Indonesia and Thailand. Prior to that, Azhari was Manager, Planning and Logistics from 1996 to 2004.

He started his career in the aviation industry with Malaysia Airlines as Licensed Aircraft Engineer from 1981 to 1992, Aircraft Check Foreman from 1992 to 1994 and Production Inspector from 1994 to 1995. From 1995 to 1996, he was with Transmile Air initially as a Licenses Aircraft Engineer and subsequently, as Quality Assurance Engineer. Azhari is a Licensed Aircraft Engineer by profession, and has undergone training at Leonard Isitt Training School, Christchurch, New Zealand and Malaysia Airlines Technical Training School, Subang, Selangor.

Senior Management

Captain Adrian Jenkins

Regional Head, Flight Operations

Captain Adrian joined AirAsia in 1996 when the airline was then under DRB HICOM. Prior to his appointment as Regional Head for Flight Operations in September 2006, he served AirAsia in various positions including as Instructor and Company Check Airman, Assistant Chief Pilot – Training and Standards and Assistant Chief Pilot -0perations. He also helped in the setting up of Thai AirAsia's flight operations and pilot training.

Dato' Nasser Kassim

Regional Head, Cargo

Dato' Nasser served as Regional Director, In-flight Services, Charter and Cargo for AirAsia before his streamlining his efforts to the cargo business unit. His prior appointments at AirAsia include that of Country Director of Indonesia AirAsia and Executive Director, Business Development managing AirAsia's Haj operations, cargo, charter and in-flight services.

Dato' Nasser had an illustrious 18-year career at Warner Music Malaysia Sdn Bhd where he held various key positions including Artist and Repertoire Director from 1985 to 1988 and Executive Director from 1989 to 2001. As one of the pioneers in the Malaysian music industry, Dato' Nasser had managed some of the biggest selling artists in Malaysia and was responsible for marketing and developing these talents across Asia.

Megat Kamarruddin Megat Shamsuddin

Head of Treasury

Megat Kamarruddin, has over 20 years of experience gained at various financial institutions in major financial centres where he held senior positions. He was principally responsible for amongst others, trading and investing in the foreign exchange, interest rate and fixed income markets.

Prior to joining AirAsia in June 2006, he was Head of Treasury at Bumiputra Commerce Bank and Head of Global Sales and Global Funding at Group Treasury, CIMB. Megat is responsible for group corporate treasury matters, principally market interfacing activities which includes though not restricted to Forex, Interest rates, and Fuel Hedging.

Tan Hock Soon

Head of Go-Holiday

Tan has been Head of Go-Holiday since April 2006. Since then, he has successfully revamped the business model and developed it as the biggest online travel portal in South East Asia. Prior to his appointment, he was Regional Director, Distribution from July 2005 to March 2006 where he was instrumental in establishing AirAsia franchise outlets in the distribution channel.

From 1987 to 1993 he held various positions at Procter & Gamble including Jobber Distribution Supervisor, Key Account Manager and Section Manager. From 1993 to 1994, he was Area Sales Manager at Cusson UK International where he was successful in penetrating key shopping complexes and establishing good customer relationships. From 1994 to 1996, he served as an Assistant Sales Manager and helped increase both product distribution and revenue in the East Malaysia and Southern regions. Prior to joining AirAsia, he served at Warner Music Malaysia from 1996 to 2005 as a Sales Director.

Evelyn Koh

Regional Head, Legal

Evelyn came on board AirAsia as General Counsel at the end of 2006. Her legal career spans over 22 years of legal private practice and as in-house Legal Counsel for Carlsberg, Channel 9 and Uniphone Telecommunciations (a subsidiary of Sapura Holdings Sdn Bhd), where she also served all companies within the Sapura Group.

Her experience covers a diversity of businesses and industries which include manufacturing, property investment, telecommunications, IT, education, automotive, broadcast and multimedia. Evelyn holds a Bachelor of Arts (Honours) degree in Law from the University of London, UK and is currently the Regional Head, Legal of AirAsia Berhad.

Shireen Chia Yin Ting

Regional Head of Procurement and Efficiency

Shireen was appointed as Regional Head of Procurement and Efficiency in 2006, heading the In-flight and Purchasing division of the company. She has more than 12 years of working experience and is a Fellow of the Association of Chartered Certified Accountants; and a member of the Malaysian Institute of Accountants.

She was formerly with PricewaterhouseCoopers from 1996 (Coopers & Lybrand) till 2000 and later joined AirAsia in 2001 as the Management Accountant preparing the financial model for AirAsia's turnaround. Shireen is one of the pioneer team members and also involved in the formation of AirAsia's joint ventures in Thailand and Indonesia.

Chairman's Statement

With more than 6,000 talented, hardworking and committed employees and a market capitalization in excess of RM2 billion, we have earned a reputation as a consistent performer no matter what the external environment.

My Fellow Shareholders,

This marks my first address to you as Chairman of AirAsia. My long time friend, Dato' Pahamin Ab. Rajab, stepped down as Chairman of the Board of Directors at the 2008 Annual General Meeting to enjoy the pleasures of retirement. He was one of the pioneers of the AirAsian family, who helped lay the foundation for our growth and expansion. We will miss his wisdom, and we wish him the very best in his retirement.

After much deliberation, the board decided that I should serve as Chairman. I am fully aware of the challenging nature of the position, and that I have big shoes to fill.

We take great pride in our history here at AirAsia and the fact that despite the challenges we have faced, AirAsia continues to defy the odds. Since December 8, 2001, when this company was taken over by our management, AirAsia has grown to become the largest low-cost carrier in Asia. Today we are an airline with operations in Malaysia, Thailand and Indonesia. With more than 6,000 talented, hardworking and committed employees and a market capitalization in excess of RM2 billion, we have earned a reputation as a consistent performer no matter what the external environment. We see a future in which our success is not constrained by resources or opportunity.

Looking back at the past year, we were confronted by events that tested and confirmed the resilience of AirAsia and the highly-motivated people who work here. The global financial meltdown exposed us to stresses and strains that challenged every ounce of our management's ingenuity. I am proud to say that, once again, they rose to the challenge. They demonstrated courage in addressing the problems and made decisions which will serve us well in the long term. The factors that exposed the Company to risk have since been explicitly revisited; we completed a thorough review of controls and risk practices in the business, and management oversight has been strengthened. We made the commitment that our exposure would remain a one-time event, a commitment we intend to keep.

While it is important to be frank about challenges, I believe that we should also take time to celebrate our progress and our remarkable performance. There was

"Thanks to a number of initiatives, launch of new products and a concerted focus on customer service, our business increased significantly. The Group carried 20% more guests (18.3 million), launched several new routes and increased frequency on many others, expanded the network to India and saw ancillary income grow exponentially."

Chairman's Statement

much of that in 2008. Thanks to a number of initiatives, launch of new products and a concerted focus on customer service, our business increased significantly. The Group carried 20% more guests (18.3 million), launched several new routes and increased frequency on many others, expanded the network to India and saw ancillary income grow exponentially.

Our confidence in the future is affirmed by the strength of our business model and the demonstrated capacity of the core operating businesses to grow revenue and net income. In every area, we are examining the impact of our actions and our decisions on our customers. It is central to our philosophy as a company that provides 5-Star service. Whether they are on the front lines, in the back office, or in a corporate role, every single one of our staff is taught and encouraged to put our customers first.

The creation of value for our shareholders flows directly from the value we deliver to our customers. We know that the best way to do that is to ensure that the entire resources of our Company are brought to bear in not just meeting but exceeding the expectations of our customers. On behalf of the Board of Directors and the management, I give you my solemn pledge that we will spare no effort in ensuring success in this goal.

Dato' Abdul Aziz bin Abu Bakar
Non Executive Chairman

DORIC CONGRATULATES AIRASIA ON ITS SUCCESSFUL GROWTH!

Doric Asset Finance – Managing and Investing in Assets You Can Touch

Doric is pleased to conclude the leasing of 2 Airbus A320-200 aircraft for AirAsia, giving its European investors the opportunity to share in the airline's success and the popular aircraft type. The long-term operating lease agreements fit very well with Doric's core purpose of providing its investors with quality assets on leases to reliable and well managed companies.

DORIC ASSET FINANCE
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Group CEO's Report

The critical qualities needed to navigate through the current economic turbulence are a focus on innovation, maintaining tight discipline in line with the low-cost model, creative marketing and an unwavering self belief.

Dear Shareholders,

What a turbulent year! It was a roller-coaster ride that began with record jet fuel prices in the first half of 2008. And when fuel prices tumbled in the latter half of the year, the global financial meltdown struck with venomous force, hammering the airline industry with economic shocks unprecedented in history. By the end of the year, airlines of all stripes were battered. To merely survive was considered an achievement.

Amid this gloom, however, the Group managed to carry 22% more passengers, launched several new routes, increased the frequency on many existing routes and expanded the network to India.

Highlights

In 2008, Asia-Pacific airlines carried 1.5% fewer passengers than the year before and many cut capacity, grounded aircraft and terminated under-performing routes as they strive to reduce operating costs. Even so, industry losses were staggering (Asia-Pacific airlines are estimated to have lost US$500 million in 2008) and the ripples are spreading wider to this day.

AirAsia, on the other hand, thrived amidst this adversity and managed to produce a core operating profit of RM171 million. First, and most important, passenger demand for our services remains robust and we enjoy a high success ratio for our new routes. Secondly, our ancillary business is expanding, with 73% growth year on year.

Without seeming immodest, looking back at our performance in 2008, AirAsia once again proved that it is up to any challenges hurled its way. I owe my thanks to our fantastic staff that always gives their very best, our uncompromising discipline with the low-cost business model, the quality of our assets and our dedication to meeting and exceeding the expectations of our customers.

Expanding the Route Network

In 2008, we achieved many milestones. The one closest to my heart is our entry into Singapore. For too long, passengers on the Malaysia to Singapore route were burdened with high fares extracted by the monopolistic nature of the route operators. This is no longer the case – AirAsia introduced unheard-of low fares on a route that has proven to be high-yielding and is expected to deliver sustained profits. We have six destinations linking to Singapore at the end of 2008 and this number will double by the end of 2009.

For years, we have gazed upon India and waited for an opportunity. That day finally came and our maiden route, Kuala Lumpur to Tiruchirappalli, has been a resounding success. There is plenty more to come, we currently have on our radar screen to commence services to Coimbatore, Kochi and Kolkata. India presents a fantastic opportunity for AirAsia and I envisage it as one of our biggest markets in years to come.

Group CEO's Report

International flights continue to be the main engine of growth with 39% more passengers carried than the year before. This significantly outpaced the domestic Malaysia passenger numbers that grew by 13%. While we continue to see and capitalise on opportunities in Malaysia, we expect the higher rate of growth in international sectors to continue.

With the launch of AirAsia X, AirAsia's route network has evolved from being Asia-centric to include Australia and Europe. The impact of this connectivity – for instance, connecting Australia and London by providing an alternative, affordable version of the so-called Kangaroo Route – is being felt not just by AirAsia but by Malaysia. Our route connectivity and the frequency of our flights is now turning Kuala Lumpur into the premier regional hub for low-cost travel. Our services in boosting tourism in Malaysia are helping to alleviate some of the pain inflicted by the global economic downturn. Our investments in these new routes and in boosting the Malaysian economy demonstrate our unwavering commitment to the nation and its people.

Strategic Actions

The major strategic action undertaken this year was the unwinding of our derivative structures. Excessive speculation drove oil prices to levels unprecedented in history. Even the experts and pundits prophesied that oil would soon hit US$200 per barrel.

We were of the opinion that such price levels were unsustainable. Nevertheless, we bought into fuel hedges as a precaution to protect the business from this unpredictable market volatility. When the credit crisis unfolded in the latter half of 2008, the true value of oil began to crystallise, and our fuel hedges – which we entered into as an insurance measure – became liabilities.

While other airlines whined and moaned, and continue to pay the now exceedingly high prices for their hedged oil, we reviewed our hedging structures in depth, bit the bullet, and decided to unwind our hedges. But even with our swift action, the damage amounted to RM641 million, including margins held by the now bankrupt Lehman Brothers.

It was not a decision taken easily or lightly. Ultimately, it was an imperative that reflected the fundamental principle that we at AirAsia have practised since we took over the Company: sacrificing short-term pain for long-term gain. We have never allowed ourselves to be ruled by the tyranny of the quarterly bottom line. Instead, we are driven to fulfill the long-term prospects and potential that AirAsia has unlocked with its business model. While the cost of unwinding the hedges was high, we are now one of the rare airlines with clean balance sheets and transparent earnings. We currently purchase fuel at the spot market price, enjoying the low price.

Industry Overview and Challenges

The Asia-Pacific aviation industry is facing one of the most challenging period since the 1997 Asian financial crisis. According to the International Air Transport Association (IATA), passenger numbers in the Asia Pacific region shrunk by 1.5% in 2008 and is expected to contract by a further 0.6% in 2009. Financial loss projections paint an even more dismal scenario – Asia-Pacific airlines posted a US$500 million loss in 2008, with the loss forecast to balloon up to US$1.5 billion in 2009.

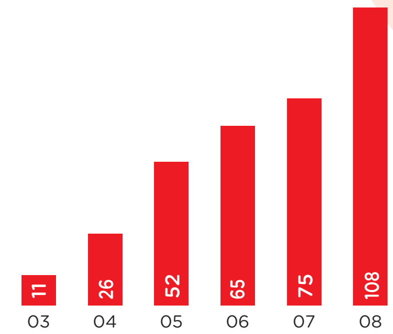
The competitive environment has gone awry amid confusion. Many airlines have terminated under-performing services, deferred scheduled aircraft deliveries and frozen excess capacity in an attempt to reduce their cost base. Legacy carriers are also slashing fares on main routes, often putting themselves in direct competition with low-cost airlines such as AirAsia.

I am confident, however, that we will more than hold our own. AirAsia is not just about low fares. Our route connectivity, the frequency of our flights, Industry leading punctuality, the 5-Star quality of our service and our determination to excel in everything we do provides our customers and guests unparalleled value. We welcome fair competition conducted on a level playing field because we are confident we can triumph over all comers.

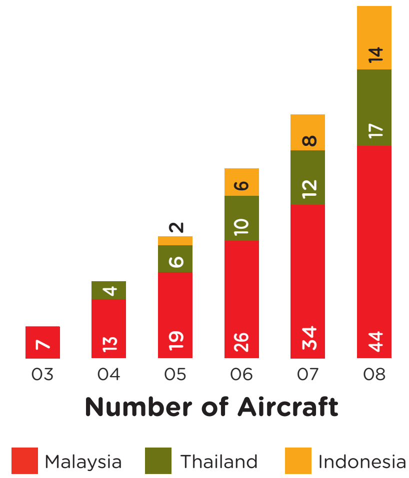
In fact, we are noticing an upsurge of interest in flying AirAsia by the corporate sector as it seeks to cut travel costs for its executives by switching to us instead of using legacy carriers. This is just one example of how the current economic downturn has benefited us and we have good reason to believe there are many more. Our market share will likely grow in 2009, partly because much of the rest of the industry is in acute distress.

Going forward

The critical qualities needed to navigate through the current economic turbulence are a focus on innovation, maintaining tight discipline in line with the low-cost model, creative marketing and an unwavering self belief. As many of you are aware, I am an incorrigible optimist. I look for silver lining in any situation and I am confident that the economy will rebound.



Route Served by AirAsia Group



Number of Aircraft

"AirAsia is not just about low fares. Our route connectivity, the frequency of our flights, Industry leading punctuality, the 5-Star quality of our service and our determination to excel in everything we do provides our customers and guests unparalleled value."

Group CEO's Report

Unit cost is expected to reduce substantially stemming from our decision to purchase fuel on the spot market, the benefits of a younger fleet and economies of scale.

I am also a person who firmly believes in lighting a candle rather than cursing the darkness. Which is why we made the painful decisions we made and have put in place strategies that will see us through this uncertain period and continue to deliver long-term value to our customers, shareholders and all our other stakeholders.

Unit cost is expected to reduce substantially stemming from our decision to purchase fuel on the spot market, the benefits of a younger fleet and economies of scale. The current price of fuel is substantially lower than the US$128 per barrel that we paid in 2008. The benefit of the lower fuel price goes straight to the bottom line. With these gains in hand, 2009 will be a strong year for the Group.

It's been an extremely eventful and exciting year. The Board of Directors and I are pleased and proud to be leading our talented and committed employees as we begin this new chapter in the history of AirAsia. We have every confidence that the future will be both successful and full of opportunities.

Tony

Dato' Sri Tony Fernandes
Group Chief Executive Officer


NOW EVERYONE CAN FLY
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3648

Making Innovations – Just for You

Simple is good, simple is what we want and simple is what we all need.

Why is AirAsia performing so well? The answer couldn't be any simpler: AirAsia grows because it saves money for people. Nobody wants to part with their money whenever possible, but I am certain that almost everyone likes to travel. So, sensibly, people look for the lowest cost option with first class service.

Providing first class service is imperative for any service oriented company, customers simply won't have it any other way. We realise this importance and have consistently upgraded our service level, and succeeded in doing so without any compromise to efficiency and cost.

I will explain in the following pages our initiatives – present and future – to enhance customer service delivery. Some are innovative ideas inspired by the talented people of AirAsia and some are simple but functional moves that came from other sources.

Efficient Fleet

AirAsia continues to invest in new aircraft. As of the end of 2008, the Group received a total of 56 Airbus A320 aircraft and the deployment is as follows.

Malaysian operations has received 46 and is now a fully Airbus A320 aircraft feet. Thailand operations has received six and Indonesian operation, four. Our fleet is among the youngest in Asia and we will get even younger as we take delivery of 14 Airbus A320 aircraft and retire nine older Boeing 737-300 "Classics" aircraft in 2009.

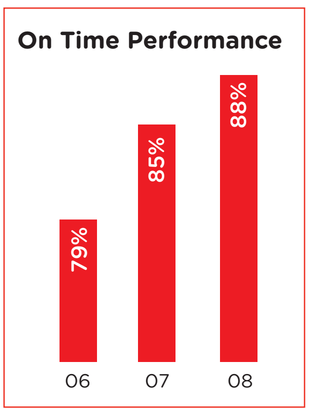
These Airbus A320 are ultra modern, more fuel efficient and environmentally friendly aircraft with unparalleled levels of passenger comfort, serviceability and reliability. We have received positive feedback that our passengers love this aircraft. These aircraft have reduced operational cost significantly and helped to deliver strong profits.

On Time Performance

Nothing irks airline passengers more than a delay. Often, these delays are caused by factors beyond our control – when Mother Nature throws a fit, for instance – but we can try to mitigate these occurrences by ensuring that we take actions within our control to do so.

One of the benefits of a young fleet is reliability. AirAsa's On Time Performance (OTP) has improved by nine percentage points since the first Airbus A320 aircraft was inducted into our fleet. The graph below indicates OTP will rise with more Airbus A320 aircraft in the fleet. We will back test this conclusion and aim for 92% OTP in 2009. If we succeed, it will make us the most punctual airline in the world.

In line with our confidence in achieving this goal, we have launched a revolutionary campaign called On Time Guarantee (OTG). In a snapshot, this campaign compensates a passenger inconvenienced by a substantial delay due to our fault – at no additional cost. We believe this pioneering and unique campaign will help to boost the retention rate and raise our brand equity.



"Providing first class service is imperative for any service oriented company, customers simply won't have it any other way. We realise this importance and have consistently upgraded our service level, and succeeded in doing so without any compromise to efficiency and cost."

- Dato' Sri Tony Fernandes

Seat Allocation

A common passenger grouse was our seating arrangement – or the lack thereof. Our free seating strategy has proven to work very well in supporting our quick turnaround. However, it also led to complaints from our guests.

We will change our free seating policy to assigned seating in the first quarter of 2009. Passengers will be able to choose a seat of their liking when they book their flight. We will charge a nominal fee for this service, which we adopted from our sister company, AirAsia X, which has been practicing this procedure without problems.

Making Innovations – Just for You

Simple Distribution System

Simple is good, simple is what we want and simple is what we all need. Bearing this in mind, we have worked very hard through countless hours of research and development to ensure that our distribution system is, simple. It is ironic that so much work is required to be 'simple' but bear in mind that 'simple' is a relative word when you are catering to the needs of millions of people across the world.

We have developed a comprehensive, yet simple distribution system. One that is capable of handling the most technologically savvy customer to the most technologically deprived. Our website www.airasia.com is available in seven languages and our call centre is conversant in the major spoken Asian languages. For those always on the go, you can book a flight using your mobile phone at www.mobile.airasia.com

We have recently upgraded our self check-in machines with a simpler and more powerful version. The transaction takes not more than two minutes to complete. This new machine also has an advanced security feature which effectively cuts the risk of fraud.

We have also expanded our web check-in facility to all stations and destinations. You can now use the web check-in facility even if you have baggage (previously web check-in was only for passengers without baggage). Simply stroll over to the baggage drop off counter – every station has one – and then proceed to the departure hall for your flight.

If you have not tried any of these convenient services, I recommend you do so the next time you fly with AirAsia. Not only will it save you valuable time and eliminate the stress of queuing up, it will also reward AirAsia in the form of lower cost – and thus lower my stress. It's a mutually healthy proposition!

Food And Beverage

While onboard AirAsia the best thing to do, of course, is to eat and drink. We will help you do that by offering a vast selection of food and drinks without punching a hole in your wallet. And our fun and friendly crew will ensure the merriment part of your travel experience.

Snack Attack
exclusively for AirAsia

If you have an idea or suggestion on how we can better serve you and make things simpler than they are, do share your views with us by emailing them to investorrelations@airasia.com. My team and I look forward to your input.

Nakhon Si Thammarat
Krabi Narathiwat
et Ranong Surat
Thani n Ratchathani
Singapo Hanoi Ho Chi
Minh Chiang Mai Hat Yai
wau Udon T ani Macau
ngkok Dhaka Vientiane
kan Surabaya
Makassar
akarta
Solo

AirAsia – Leading Through Innovation

The dynamic expansion of AirAsia's fleet was funded by innovative and advantageous financing arrangements.

ISLAMIC FINANCE AWARD

Our Safety Commitment

Corporate Safety Commitment

AirAsia has committed itself to a program of reducing risks and hazards normally associated with our industry through a Safety Management System. This commitment is extended to ensure the full integration of a safety culture, safety policy and safety objectives in a proactive approach to aviation safety. In short, our Safety Management System is not just an add-on but a core part of our business process. It is the way we do business.

The critical safety functions of senior management are in the areas of strategy and leadership. Senior management will provide a vision for safety management and provide adequate resources to achieve this level of safety.

A Safety Management System relies on the development of a reporting culture by all employees. A just reporting system forms the framework around which the Safety Management System is built. Its a vehicle for ensuring that hazards and safety deficiencies are brought to the attention of those who have the authority to make changes. I pledge that no disciplinary action will be taken against any employee for reporting a safety hazard or concern to this company's management. I pledge also that no staff member will be asked to compromise our safety standards to "get the job done". The Safety Management System approach ensures that authority and accountability co-exist.

Training of employees to ensure they can perform their tasks in the safety and efficient manner is an essential ingredient of AirAsia's Safety Management System. It is management's responsibility to make available and carry out this training, and it is the employee's responsibility to follow safety working practices.

Ultimate responsibility for safety in the company rests with me as the Chief Executive Officer/Accountable Manager. Responsibility for making our operations safer for everyone lies with each one of us – from head of department and/or managers to front-line employees. Each head of department and/or manager is responsible for implementing the safety management system in his or her area of responsibility, and will be held accountable to ensure that all reasonable steps are taken to prevent incidents and accidents. Each of us will be responsible for the safety of others in our organization.

Our business will be strengthened by making safety excellence an integral part of all our aviation activities. Safety is a core value of this company, and we believe in providing our employees and guests with safe environment. All employees must comply with this policy.

Safety Policy Statement

Safety is the first priority in all of our activities. We are committed to developing, implementing, maintaining, and improving safety strategy, management systems, and processes to ensure that all our aviation activities are undertaken with balanced resource allocation, aimed at achieving the highest level of safety performance and meeting the highest international safety standards.

All levels of management are accountable for the delivery of this highest level of safety performance, starting with the Chief Executive Officer.

Our commitment is to:

a) Develop and embed a safety culture in all our aviation activities that recognizes the importance and value of effective aviation safety management and acknowledges at all times that safety is paramount.

b) Clearly define for all staff their accountabilities and responsibilities for the development and delivery of aviation safety strategy and performance

c) Ensure that all staff are provided with adequate and appropriate aviation safety information and training, are competent in safety matters and are only allocated tasks commensurate with their skills

d) Establish and implement a hazard identification and risk management process to minimize the risks associated with aircraft operations to a point that is as low as reasonably practicable/achievable, and conduct safety reviews to ensure that relevant action is taken

e) Ensure that sufficient skilled and trained resources are always available to implement safety strategy, policy and processes.

f) Establish and measure our safety performance against realistic objectives and/or targets.

g) Ensure that the externally supplied systems and services that impacts upon the safety of our operations meet appropriate safety standards.

h) Actively develop and improve our safety processes to conform to world class standards and comply with and, wherever possible, exceed legislative and regulatory requirements and standards.

i) To foster and encourage the maximum level of reporting and transparency with non-punitive safety/hazard reporting and having a just culture in the airline.

Tony

Dato' Sri Tony Fernandes
Group Chief Executive Officer
26 November 2008

Corporate Social Responsibility

Our People

Nothing keeps us flying high as surely as our talented, resourceful people. They've proven to be the pillar that holds a company that continues to break new ground. By empowering our staff with creative freedom and corporate support, AirAsia has been enriched with brilliant ideas and initiative from our people, who in turn enjoy the satisfaction of knowing they are valued members of a team that is much envied by their peers.

At AirAsia, we turn a blind eye to race, gender, creed, age, disability, religion and sexual orientation. What matters in our domain is the quality of our staffs' work and the results, together with their passion that is always noted and rewarded.

We run a skills-training programme, employ advanced systems to simplify work and promote a happy workplace. We also help our people maintain a healthy balance between work and personal life.

To encourage interaction and friendships between the families of AirAsians, we set up the Junior Wings Club to bring together children of our staff. The club's activities are designed to help our children build their characters and leadership skills, understand their parents' jobs, teach them various subjects and tap their creativity.

Junior Wings Club

Borneo International Marathon

Know Your Health

Our Community

As an airline, AirAsia has always understood how vital and real a role it can play as a responsible corporate citizen. As an indispensable link between people and distances, AirAsia has always gone out of its way to help the less fortunate. We come forward when communities are struck by natural calamity, support the disabled community and help disaster response teams deliver aid.

Among our efforts in disaster relief was the Help Myanmar Project, set up immediately after Cyclone Nargis had devastated much of Yangon and its surrounding villages. The mammoth project was coordinated across AirAsia's entire network to collect donations that our staff and guests sent in through our offices and check-in counters, and rushed the aid to the stricken country. We also offered free seats to NGO relief workers headed to Yangon. Similarly, after a giant earthquake hit Sichuan in China, AirAsia teamed up with Hainan Red Cross to raise funds for victims.

We have also learned to think quickly on our feet, responding to unusual circumstances in order to relieve hardship. When thousands of our guests were stranded in Bangkok after Suvarnabhumi International Airport was forced to cease operations due to civil unrest back in November, AirAsia deployed a series of rescue flights. Landing and taking off from nearby U-Tapao Airbase, more than 80 flights were organized to airlift our passengers to complete a safe journey home.

Breast Cancer Awareness

Riding for the Disabled

Corporate Social Responsibility

Our Environment

Red Heart, Green Mind Campaign

To reduce our environmental impact of our activities, we have also initiated the 'red heart, green mind' campaign in our workplace where we encourage our staff to be mindful of paper usage and to use electronic copies of documents for all internal discussions and memorandums. There is even a restriction placed on the maximum amount of printing by each staff per day. Recycling bins are placed in every department to encourage staff to recycle.

We fully utilize our Intranet for purposes such as leave application (e-Leave), monthly pay slip viewing (e-Payslip), Internal Service Requests and for storing training manuals, minimizing the use of paper.

We are slowly moving towards phasing out the use of polystyrene and styrofoam plates and packaging in the office. Staff are encouraged to bring non-disposable packaging and plates to the office to use at our office cafeteria. We have also given out eco-friendly green bags to all staff to discourage them from using plastic bags when they shop.

Kuala Gandah Elephant Sanctuary

On 9 August 2008, Corporate Culture organised a trip to a well kept secret in Kuala Gandah, Pahang. The Kuala Gandah Elephant Sanctuary, a two hour drive away from KL, was part of our CSR efforts in educating the staff into conserving wildlife and the ecology for the future generation.

Operations with the Environment in Mind

The aviation industry is by default a contributor to air pollution in the form of noise and harmful emissions such as carbon dioxide, nitrogen oxides, hydrocarbons and dust particles.

AirAsia has crafted an efficient operation with enlightened aspects to be kind to the environment. Our goal is to ensure that our existing business is as efficient as possible, both in the air and on the ground and to continue to find ways to minimise our environmental footprint.

Whilst achieving zero pollution level is impossible, there are ways to mitigate the impact on the environment. Listed below are AirAsia's strategies:

1. **Technology**
   We have invested significantly in the latest technology at all levels of our operation. For example, our Airbus A320 aircraft is the most fuel efficient in its class, we are a ticket-less airline and therefore paper wastage is kept at minimum, passengers pre-order food and therefore substantially reduce the amount of wastage food onboard the aircraft.

2. **Efficient use of Aircraft**
   Our standard aircraft is the Airbus A320. The typical seating configuration of an Airbus A320 is 150 seats (source: Airbus). However, we have configured our Airbus A320 with 180 seats – thus achieving 20% less emission than other standard configured aircraft.

3. **Keeping it Light**
   Our no-frills service allows us to reduce the space and weight inside the plane devoted to galleys, lavatories and storage. In addition, we have furnished our fleet with lightweight seats, carpets and other components. We also encourage our passengers to travel lightly and chare extra for those who bring excessive baggage. The reduced weight of the aircraft translates to lower fuel consumption and air pollution.

4. **Keeping it Clean**
   As part of our aircraft maintenance procedure, the engines are washed daily. This ensures that the engines are always in a pristine condition and minimise any debris related drag. Similarly, our aircraft are washed every month to ensure that our aircraft glides through the atmosphere with optimal fuel burn.

5. **Simple Airport Infrastructure**
   AirAsia has simple airport infrastructure requirements. As a short-haul point-to-point airline with one class of service, AirAsia has no need for segregated check-in areas or for complex baggage handling systems and facilities to transfer passengers between flights. Wherever possible, AirAsia uses basic steps, staircases and ramps rather than energy-consuming aero bridges.

Major Milestones 2008

January • February

11 Jan AirAsia launches 'Donate Your Loose Change' campaign jointly with the National Heart Institute (IJN) to raise funds for needy heart patients

16 Jan AirAsia's maiden flight from KL to Guangzhou, China

1 Feb AirAsia starts 2 daily flights from KL to Singapore.

March

20 Mar AirAsia unveils the world's first commercial A320 aircraft with a Formula One team livery.

April • May

2 Apr AirAsia was recognized as one of the world's most innovative companies by Fast Company magazine, making it the only ASEAN brand and the only airline to have made it on the "Fast 50" list.

12 Apr AirAsia announces ambulift facility for disabled guests – available at the LCC Terminal and Kota Kinabalu International Airport.

9 May AirAsia extends assistance for cyclone victims in Myanmar by sponsoring flights for aid workers and transporting aid materials.

June

3 Jun AirAsia holds its 15th Annual General Meeting at the AirAsia Academy in Sepang.

16 Jun AirAsia introduces On Time Guarantee that compensates guests whose flights are delayed for more than 3 hours from the scheduled time of flight departure with a RM200 AirAsia e-gift voucher.

18 Jun AirAsia launches its vast selection of in-flight hot meals.

19 Jun AirAsia signs a Memorandum of Understanding (MoU) with Bumiputra Travel and Tours Association of Malaysia (Bumitra), offering a discounted rates for government officials.

25 Jun AirAsia celebrates 50 millionth guest Ms. Wendy Ng Tze Wee.

November

1 Nov AirAsia's inaugural daily flights from Kuching to Singapore and Kota Kinabalu to Singapore.

7 Nov AirAsia has been recognized as the 'top brand to watch' in the UK Trade & Investment's New World Brands annual report. AirAsia is the only South East Asian company to make the list of top ten brands from emerging markets across Brazil, Russia, India and China.

11 Nov AirAsia becomes the first in the world to abolish fuel surcharges on all its international and domestic flights. The airline is dedicated to making travel more affordable and accessible for everyone.

14 Nov AirAsia receives the ICT Organization Excellence Award from the The Association of Computer and Multimedia Industry, Malaysia (PIKOM) for its extensive and successful use of modern ICT to support operations.

28 Nov AirAsia mounts its first rescue flight to Bangkok due to the closure of Suvarnabhumi Airport. The daily rescue flights were mounted until the airport reopened on 4 Dec.

July • September

14 Jul AirAsia honoured with Airline Strategy Award in the Finance Category, bolstering its competency in managing its finances through brilliant cost effective measures and incessant innovations.

29 Sep AirAsia Berhad and AirAsia Indonesia reaped honours at the prestigious Friends of Thailand Awards 2008 for actively contributing to the growth of Thailand's tourism industry.

October

7 Oct AirAsia is now 100% Airbus in Malaysia! AirAsia today bids farewell to its final Boeing 737-300 aircraft on its Malaysian operations.

9 Oct AirAsia bags the Best Asian Low-Cost Carrier award in the TTG Travel Awards 2008.

21 Oct AirAsia has emerged Top 5 among the most recognized and admired airlines in the Asia-Pacific region. Notably, AirAsia was the only low-cost carrier to be listed among the 'Top 10 Asia-Pacific Airlines', which saw it coming ahead of other full-service, legacy carriers including Qantas and Malaysia Airlines.

23 Oct AirAsia enhances its On-Time Guarantee for guests who are affected by flight delays from 3 hours to 2 hours.

December

1 Dec AirAsia increases frequency of flights from Kuala Lumpur to Singapore to 7 daily.

18 Dec AirAsia Group CEO Dato' Sri Tony Fernandes was named Tourism Personality of the Year at the Libur Tourism Awards 2008.

22 Dec AirAsia launches an online shopping portal – the Red Megastore – that offers a fine array of exclusive and affordable AirAsia merchandise.

Awards and Accolades

The Asean leader in affordable Asian travel and an award-winning low cost carrier.

Tony Fernades awarded the Malaysia Brand Icon Award from Deputy Prime Minister YAB Dato' Seri Najib Tun Razak at the Global Brand Forum Malaysia

Malaysia's Most Valuable Brands 2008

AirAsia – Malaysia's 30 Most Valuable Brands 2008 by Malaysia's Most Valuable Brands (MMVB)

PIKOM ICT Organisation Excellence Award 2008 by Association of the computer and multimedia industry (PIKOM)

Best Asian Low-Cost Carrier by TTG Travel Awards 2008

Top CEO brand and 3rd Best Corporate Brand in Malaysia by Pulse Group Survey

Friends Of Thailand Award 2008 by Tourism Authority of Thailand

Asia Pacific's Top 1000 Brands 2008 Survey (AirAsia – Top 5 Airline) by Taylor Nelson Sofres

Asia's Best Budget Airline under Best In Travel Poll 2008 by SmartTravelAsia.com

AirAsia recognized as one of the 50 Most Innovative Companies In The World by FastCompany.com

Aircraft Leasing Deal of the Year for Asia and indirectly through BNP Paribas, Aircraft Leasing Innovator of the Year by Jane's Transport Finance

Most Innovative Deal of the Year 2008 by AirFinance Journal

Rising Leaders – The Next 10 Years by (SIIA) in collaboration with AXN Asia

AirAsia wins Airline Strategy Award in the Finance Category by Airline Business

Airline Market Penetration Leadership of the Year by Frost & Sullivan

Commendations of Prestige Award for outstanding contribution in Macau by Macau Special Administrative Region

Top 10 deal in Asia – Groundbreakers, 2008 by Islamic Finance Asia

Cross Border Deal of the Year 2008 and Ijarah Deal of the Year 2008 by Islamic Finance News

Shenzhen Phnom Penh
Ho Chi Minh Clark
Makassar Bandar
Seri Begawan Penang
ngon Kuala Terengganu
iem Reap Tiruchi Guilin
Balikpapan Banda Aceh
Bandung Batam Jakarta
Kuching Medan
Padang
mbang
baru
rk

AirAsia - Leading Through Innovation

Our new menu gives you great choice, great taste and great value - plus discounts if you order online.

Asia Pacific
Airline Market Penetration Leader 2008

The Youngest Fleet in Asia

The Airbus A320 is known for its fuel efficiency, high reliability and low operating costs. In December 2007, AirAsia became the largest Airbus A320 customer in the world.

AirAsia's image is synonymous with the image of the red and white livery of the Airbus A320 aircraft. The fleet consists of 56 Airbus A320 aircraft spread across Malaysia (44 aircraft), Thailand (8 aircraft) and Indonesia (4 aircraft) as of the end of 2008.

AirAsia's purchase agreement with Airbus is for 225 aircraft, of which 175 are firm orders with an option to purchase a further 50. This purchase order effectively makes AirAsia as the single largest Airbus A320 customer in the world. We have taken delivery of 56 aircraft to date, and the remainder of the purchase order will be delivered sequentially up to 2014.

Since we have embarked on our fleet rejuvenation process back in 2005, it has significantly helped to enhance our reliability and improving on-time performance. The Airbus A320 has elevated our image and brand equity in terms of service quality, comfort and reliability. In fact, the Airbus A320 has proven to be exceptionally popular given the consistent and positive feedback from our guests.

The Airbus A320 is reputed as the most modern and sophisticated aircraft of its class. It is renowned for its high reliability and low operating costs, while offering guests greater width space, a quieter ride and unrivalled comfort.

> The savings we make on fuel consumption are passed on as low fares to our customers, testament to AirAsia's commitment to making air travel accessible and affordable to all.
>
> - Dato' Sri Tony Fernandes

Do You Know That

- Every 2 minutes, an AirAsia aircraft is either taking off or landing somewhere in Asia.
- Our aircraft flies an average of 2.8 million kilometres each year; that's an equal distance to the moon and back, four times over.
- Our pilots and cabin crew travel 500,000 kilometres every year; roughly circling the Earth 13 times.
- Each of our ramp staff carries an equivalent of 110 tons of luggage every year.
- Our aircraft consumes approximately 90,000 barrels of fuel each year. This is sufficient to fuel 4,650 passenger cars for one year
- Airbus A320 is the first fully digital fly-by-wire flight control system in a civil airliner
- Airbus A320 is the first narrow body aircraft that utilises composite materials in the body structure

AirAsia Academy
The Relentless Pursuit of Excellence

Today, our engineers and technicians are trained to fulfil the requirements regulated by the EASA Part 66 licence. EASA is the cornerstone of the European Union's strategy for aviation safety.

In our endeavour to be a full-fledged self-sufficient airline, AirAsia set up its own Academy which commenced operations in April 2005 with a vision to provide and fulfil our training needs that would support our mission to deliver low-fare, high quality benefits to the people of this region and the world.

The Academy is a one-stop, comprehensive learning centre and caters to all the necessary training needs for all the employees of the Group – which includes pilots, engineers, cabin crew, ramp support and guest services front-line staff. The curriculum undertaken conforms to international standards and this training facility complies to all the regulations of Malaysian Department of Civil Aviation, Thai Department of Civil Aviation, Indonesian Department of Civil Aviation and Civil Aviation Safety Authority, Australia.

Among the notable facilities and equipment are:

- Six Aircraft Simulators
- Three units of Maintenance Flight Training Devices
- Three Cabin Emergency Evacuation Trainers
- A half-size Olympic swimming pool to perform wet-drills and emergency water evacuation procedures
- A Smoke-House to perform practical fire-drill exercises
- A First Aid and Disability training room
- A Grooming Room that enables trainee flight attendants to practice make-up, hair and deportment

The full-range of training aids and facilities at AirAsia Academy is designed to provide the necessary simulated experiential learning for trainees. Additionally, the internal and external layouts have been aesthetically designed to provide an environment that is not only impressive but one that is conducive for learning.

AirAsia Academy is a TRTO (Type Rating Training Organisation). Recently, AirAsia entered into a partnership with CAE (a globally recognised integrated training solutions provider for the civil aviation industry) to manage and enhance its TRTO training at the Academy. With this partnership in place, AirAsia Academy can not only serve as a training ground for our pilots but also as a centre to train pilots from other airlines.

A similar partnership was struck with Aviation Australia to deliver aircraft maintenance engineering training. Today, our engineers and technicians are trained to fulfil the requirements regulated by the European Aviation Safety Agency ("EASA") Part 66 licence. EASA is the cornerstone of the European Union's strategy for aviation safety. Its core mission is to promote the highest common standards of safety and environmental protection in civil aviation. EASA works with counterpart organizations across the world such as the Federal Aviation Administration (FAA) in the United States and the International Civil Aviation Organization ("ICAO") to promote best practices in aviation safety worldwide. Hence, through the EASA Part 66 training programme our engineers receive the appropriate training that meets European and international standards.

AirAsia's in-house Flight Attendant (FA) training started in 2003 and is today also a very significant part of the training programmes conducted at the Academy. Initial FA training is conducted over 2 1/2 months. Trainees undergo rigorous safety training in line with AirAsia's commitment to high safety standards and this includes awareness training for bomb threats, dangerous goods and emergency response. Included in the curriculum are other required modules that cover aviation terminology, in-flight service procedures, grooming, announcement, product knowledge and terms and conditions. Initial FA trainees are also equipped with the necessary soft skills on customer service and communication skills to deliver service excellence.

Statement on Corporate Governance

The Board of Directors of AirAsia is committed in ensuring the highest standards of corporate governance are applied throughout the Group. The Board considers that it has complied throughout the year under review with the principles and best practices as set out in the Malaysian Code on Corporate Governance ("the Code"). The following sections explain how the Company applies the principles and supporting principles of the Code.

A. Directors

Roles and Responsibilities of the Board

The Board has assumed the following to ensure the effectiveness of the Board and to discharge its duties and responsibilities:

- Reviewing and adopting a strategic plan for the Company;
- Identifying principal risks and to ensure implementation of appropriate system to manage these risks;
- Overseeing and evaluating the conduct of the Company's business;
- Succession planning;
- Developing and implementing an investor relations program; and
- Reviewing adequacy and integrity of the Company's internal controls.

Board Balance and Meetings

The Board of Directors consists of eight (8) Members, the details are given on pages 12 to 16. One (1) of the Board Member is the Non-Executive Chairman, two (2) are Executive Directors and five (5) are Non-Executive Directors. Four (4) of the Non-Executive Directors fulfil the criteria of independence as defined in the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The high proportion of Independent Non-Executive Directors (more than one-third) provides for effective check and balance in the functioning of the Board.

The roles of Chairman and Group Chief Executive Officer ("Group CEO") are separate with a clear division of responsibility between them.

The size, balance and composition of the Board supports the Board's role, which is to determine the long term direction and strategy of the Group, create value for shareholders, monitor the achievement of business objectives, ensure that good corporate governance is practised and to ensure that the Group meets its other responsibilities to its shareholders, guests and other stakeholders.

The Non-Executive Directors bring wide and varied commercial experience to Board and Committee deliberations. The Non-Executive Directors devote sufficient time and attention as necessary in order to perform their duties. Other professional commitments of the Non-Executive Directors are provided in their biographies on pages 12 to 16. The Board requires that all Non-Executive Directors are independent in character and judgement.

Board meetings for each financial year are scheduled well ahead before the end of the preceding financial year so that the Directors can plan accordingly and fit the year's Board meetings into their respective schedules. During the financial year ended 31 December, 2008, the Board of Directors held a total of five (5) meetings and the details of Directors' attendances are set out below:

Name	No. of Meetings Attended
Dato' Pahamin Ab Rajab *(ceased as Director and Chairman on 03/06/2008)*	1
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar *(redesignated as Chairman on 16/06/08)*	5
Dato' Sri Anthony Francis Fernandes	5
Dato' Kamarudin bin Meranun	5
Conor Mc Carthy	5
Dato' Leong Sonny @ Leong Khee Seong	5
Fam Lee Ee	5
Datuk Alias bin Ali	4
Dato' Mohamed Khadar bin Merican	4

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

Supply of Information

Five (5) days prior to the Board Meetings, all Directors will receive the agenda and a set of Board papers containing information for deliberation at the Board Meetings. This is to accord sufficient time for the Directors to review the Board papers and seek clarifications that they may require from the Management or the Company Secretary. Urgent papers may be presented and tabled at the Board meetings under supplemental agenda. The Board meeting papers are presented in a concise and comprehensive format. Board meeting papers tabled to Directors include progress reports on business operations; detailed information on business propositions and corporate proposals including where relevant, supporting documents such as risk evaluations and professional advice from solicitors or advisers. In order to maintain confidentiality, meeting papers on issues or corporate proposals which are deemed material and price-sensitive would be handed out to Directors at the Board meeting. The Company Secretary ensures that all Board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are recorded and maintained in the statutory register at the registered office of the Company.

As a Group practice, any Director who wishes to seek independent professional advice in the furtherance of his duties may do so at the Group's expense. Directors have access to all information and records of the Group and also the advice and services of the Company Secretary, who also serve in that capacity in the various Board Committees. The Company Secretary also serves notice to Directors on the closed period for trading in AirAsia shares, in accordance with the black-out periods stated in Chapter 14 on Dealings in Securities of the Bursa Malaysia's Listing Requirements.

Appointments to the Board

The Group has implemented procedures for the nomination and election of Directors via the Nomination Committee. The Company Secretary will ensure that all appointments are properly made, that all information necessary is obtained, as well as all legal and regulatory obligations are met.

Directors' Training

All the Directors have attended the Mandatory Accreditation Program prescribed by Bursa Malaysia.

Directors are regularly updated on the Group's businesses and the competitive and regulatory environment in which they operate. Directors, especially newly appointed ones, are encouraged to visit the Company's operating centre to have an insight on the Company's operations which could assist the Board to make effective decisions.

For the year under review, the Directors had continuingly kept abreast with the development in the market place with the aim of enhancing their skills, knowledge and experience.

Among the training programmes, seminars and briefings attended during the year were as follows:

Name	Programme
Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	• Kongress Kebudayaan Tanah Air
Dato' Sri Anthony Francis Fernandes	• On-going private briefings on financial markets by corporate adviser, Credit Suisse
Dato' Kamarudin bin Meranun	• On-going private briefings on financial markets by corporate adviser, Credit Suisse
Dato' Leong Sonny @ Leong Khee Seong	• RISI's 8th Annual Asian Pulp and Paper Conference in Shanghai, China • In-house briefing on treasury functions
Fam Lee Ee	• One day educational tour to Airbus Assembly Plant at Toulouse, France • In-house briefing on treasury functions
Conor Mc Carthy	• Raymond James Growth Airlines Seminar
Datuk Alias Bin Ali	• Risk Management conducted by IA Essential Sdn Bhd • In-house briefing on treasury functions
Dato' Mohamed Khadar Bin Merican	• Understanding the Working Methodology of Enterprise Risk Management • Contemporary Issues of Shariah & Islamic • An Overview of the Malaysian Capital Market – Capital Markets and Services Act 2007 (CMSA) and Regulation of the Securities Market • Derivatives – Effective and Costly • Board Remuneration on the Upswing – a foreseeable trend? • In-house briefing on treasury functions

All Directors were also constantly updated by the Company Secretary on changes to the relevant guidelines on the regulatory and statutory requirements.

Re-election of Directors

The Articles of Association of the Company provide that at least one-third of the Directors are subject to retirement by rotation at each Annual General Meeting ("AGM") and that all Directors shall retire once in every three years, and are eligible to offer themselves for re-election. The Articles of Association also provide that a Director who is appointed by the Board in the course of the year shall be subject to re-election at the next AGM to be held following his appointment. Directors over seventy years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

Board Committees

To assist the Board in discharging its duties, various Board Committees have been established. The functions and terms of reference are clearly defined and, where applicable, comply with the recommendations of the Code.

The **Audit Committee** comprises four Independent Non-Executive Directors.

Further information on the composition, terms of reference and other information relating to the Audit Committee are set out on pages 58 to 61 of this Annual Report.

The **Nomination Committee** comprises three Non-Executive Directors, two of whom are independent namely:

Chairman	Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar *(Non-Executive Director)*
Members	Datuk Alias bin Ali *(Independent Non-Executive Director)*
	Mr. Fam Lee Ee *(Independent Non-Executive Director)*

The primary responsibility of the Nomination Committee in accordance with its terms of reference is to assist the Board with the following functions:

- To assess and recommend new nominees for appointment to the Board and Board Committees. (the ultimate decision as to who shall be nominated should be the responsibility of the full Board after considering the recommendations of such a Committee).
- To review the required mix skills and experience and other qualities, including core competencies which the Non-Executive Directors should bring to the Board.
- To assess the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual Director.

The **Remuneration Committee** comprises three Independent Non-Executive Directors namely:

Chairman	Datuk Alias bin Ali *(Independent Non-Executive Director)*
Members	Dato' Leong Sonny @ Leong Khee Seong *(Independent Non-Executive Director)*
	Mr. Fam Lee Ee *(Independent Non-Executive Director)*

The primary responsibility of the Remuneration Committee in accordance with its terms of reference is to assist the Board with the following functions:

- To review and to consider the remuneration of Executive Directors which is in accordance with the skill, experience and expertise they possess and make recommendation to the Board on the remuneration packages of Executive Directors.
- To provide an objective and independent assessment of the benefits grated to the Executive Directors.
- To conduct continued assessment of individual Executive Directors to ensure that remuneration is directly related to corporate and individual performance.

The **Safety Review Board** was established in August 2005 with the purpose of providing Board level oversight and input to the management of Safety within AirAsia's operations. The Board appoints the Chairman of the Committee and a meeting is held each quarter to review progress and trends in relation to Safety and Security Management, Incident Reports, Investigations and recommendations and Flight Data Analysis and Recommendations. The Committee comprises of two Non-Executive Directors, namely:

Chairman	Mr. Conor Mc Carthy *(Non-Executive Director)*
Member	Dato' Mohamed Khadar bin Merican *(Independent Non-Executive Director)*

and the other members include relevant operations safety and security specialists from AirAsia and from our affiliates in Thailand and Indonesia. A report is provided to Board each Quarter.

The **Employee Share Option Scheme ("ESOS") Committee** comprises of the Group CEO, the Deputy Group Chief Executive Officer ("Deputy Group CEO'), the Group Regional Head Finance and the Company's External Legal Advisor. The ESOS Committee was established to administer the ESOS of the Group in accordance with the objectives and regulations thereof and to determine the participation eligibility, option offers and share allocations and to attend to such other matters as may be required.

Statement on Corporate Governance

B. Directors Remuneration

The remuneration package comprises the following elements:

1. **Fee**
   The fees payable to each of the Non-Executive Directors for their service on the Board are recommended by the Board for final approval by shareholders of the Company at the AGM.

2. **Basic salary**
   The basic salary for each Executive Director is recommended by the Remuneration Committee and approved by the Board, taking into account the performance of the individual, the inflation price index and information from independent sources on the rates of salary for similar positions in other comparable companies internationally. Salaries are reviewed annually.

3. **Bonus scheme**
   The Group operates a bonus scheme for all employees, including the Executive Directors. The criteria for the scheme are dependent on various performance measures of the Group, together with an assessment of each individual's performance during the period.

4. **Benefits-in-kind**
   Other customary benefits (such as private medical care, car allowance, travel coupons, etc.) are made available as appropriate.

5. **Service contract**
   Both the Group CEO and Deputy Group CEO, have a three-year service contract with AirAsia.

6. **Directors' share options**
   There was no movement in Directors' share options during the year ended 31 December 2008.

Details of the Directors' remuneration are set out in Note 5 of the Audited Financial Statements on pages 89 and 90 of this Annual Report.

C. Shareholders

Investor Relations

The Company is committed to maintaining good communications with shareholders and investors. Communication is facilitated by a number of formal channels used to inform shareholders about the performance of the Group. These include the Annual Report and Accounts and announcements made through Bursa Malaysia, as well as through the AGM.

Members of senior management are directly involved in investor relations through periodic roadshows and investor briefings in the country and abroad with financial analysts, institutional shareholders and fund managers.

Reports, announcements and presentations given at appropriate intervals to representatives of the investment community are also available for download at the Group's website at www.airasia.com.

Any queries or concerns regarding the Group may be directed to the Investor Relations Department at investorrelations@airasia.com.

Annual General Meeting

Given the size and geographical diversity of our shareholder base, the AGM is another important forum for shareholder interaction. All shareholders are notified of the meeting together with a copy of the Group's Annual Report at least 21 days before the meeting is held.

At the AGM, the Group CEO will conduct a brief presentation on the Group's performance for the year and future prospects. The Chairman and all Board Committee chairmen will be present at the AGM to answer shareholders' questions and hear their views during the meeting. Shareholders are encouraged to participate in the proceedings and engage with dialogue with the Board and Senior Management.

Corporate Disclosure Policy
AirAsia observed the continuing disclosure obligation imposed upon a listed issuer by Bursa Malaysia. A Corporate Disclosure Policy was approved by the Board, which provides accurate, balanced, clear, timely and complete disclosure of corporate information to enable informed and orderly market decisions by investors. In this respect, the Company follows the disclosure guidelines and regulation of Bursa Malaysia.

Material information will in all cases be disseminated via Bursa Malaysia and other means.

D. Accountability and Audit

Financial Reporting
The Board aims to ensure that the quarterly reports, annual audited financial statements as well as the annual review of operations in the Annual Report reflect full, fair and accurate recording and reporting of financial and business information in accordance with the Listing Requirements of Bursa Malaysia.

The Directors are also required by the Companies Act, 1965 to prepare the Group's annual audited financial statements with all material disclosures such that they are complete, accurate and in conformance with applicable accounting standards and rules and regulations. The Audit Committee assists the Board in overseeing the financial reporting process.

Audit Committee and Internal Control
The Board's governance policies include a process for the Board, through the Audit Committee to review regularly the effectiveness of the system of internal control as required by the Code. A report on the Audit Committee and its terms of reference is presented on pages 58 to 61 of this Annual Report.

The Board has overall responsibility for the Group's system of internal control, which comprises a process for identifying, evaluating and managing the risks faced by the Group and for regularly reviewing its effectiveness in accordance with the Code.

The Board confirms that this process was in place throughout the year under review and up to the date of approval of these financial statements. The primary aim is to operate a system which is appropriate to the business and which can, over time, increase shareholder value whilst safeguarding the Group's assets. The system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Statement of Internal Control is set out in pages 62 to 63.

Relationship with the External Auditors
The Board, through the Audit Committee, has maintained appropriate, formal and transparent relationship with the external auditors. The Audit Committee meets the external auditors without the presence of management, whenever necessary, and at least once a year. Meetings with the external auditors are held to further discuss the Group's audit plans, audit findings, financial statements as well as to seek their professional advice on other related matters. From time to time, the external auditors inform and update the Audit Committee on matters that may require their attention.

This statement is made in accordance with a resolution of the Board of Directors of AirAsia dated 23 April, 2009.

Audit Committee Report

The Board of Directors of AirAsia is pleased to present the report on the Audit Committee of the Board for the year ended 31 December 2008.

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

i) all of the Committee members are non-executive directors;

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

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

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

Composition of the Committee and Meetings

During the financial year ended 31 December, 2008, the Committee held a total of six (6) meetings. The members of the Committee together with their attendance are set out below:

Name	Directorship	No. of Meetings Attended
Datuk Leong Khee Seong *(Chairman of the Committee)*	Independent Non-Executive Director	6
Fam Lee Ee	Independent Non-Executive Director	6
Datuk Alias Bin Ali	Independent Non-Executive Director	6
Dato' Mohamed Khadar Bin Merican	Independent Non-Executive Director	6

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

The Committee is governed by its Terms of Reference as stipulated below:

Terms of Reference of the Audit Committee

A. Membership

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

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

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

- he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
- he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or

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

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

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

If a member of the Committee resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced below three, the Board shall, within three months appoint such number of new members as may be required to make up the minimum of three members.

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

B. Roles Responsibility

- To consider the appointment of the external auditor, the audit fees, any questions of resignation or dismissal of the external auditor;
- To submit a copy of written representation or submission of external auditors' resignation to the Exchange;
- To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- To provide a line of communication between the Board and the external auditors;
- To review the quarterly and year-end financial statements of the Group and Company, focusing particularly on:
    - any change in accounting policies and practices;
    - significant adjustments arising from the audit;
    - litigation that could affect the results materially;
    - the going concern assumption; and
    - compliance with accounting standards and other legal requirements.
- To discuss problems and reservations arising from the interim and final audits, and any matter the external auditor may wish to discuss (in the absence of management where necessary);
- To review the external auditor's management letter and management's response;
- To do the following, in relation to the internal audit function:
    - mandate the internal audit function to report directly to the Committee;
    - review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary independence and authority to carry out its work, which should be performed professionally and with impartiality and proficiency;
    - review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
    - review any appraisal or assessment of the performance of members of the internal audit function;
    - approve any appointment or termination of senior staff members of the internal audit function;
    - take cognisance of resignations of internal audit staff and provide the staff an opportunity to submit reasons for resigning; and
    - ensure information pertaining to the internal audit function are disclosed in the annual reports of the Company.
- Review the adequacy and integrity of the Company's system of internal controls and

management information systems, including systems to ensure compliance with applicable laws, regulations, rules, directives and guidelines;

- To consider any related party transactions within the Company or Group;
- To consider compliance with the Company's conflict of interest and insider trading policies;
- To consider the major findings of internal investigations and management's response;
- To consider any other matters as directed by the Board;
- To review the risk management framework of the Group and Company to ensure the existence of effective risk management policies to monitor and manage all financial and non-financial risks; and
- To review the Company's procedures for detecting fraud and whistle blowing and ensure that arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or any other matters (in compliance with provisions made in the Companies Act, 1965).

C. Authority and powers of the Audit Committee

In carrying out its duties, an Audit Committee shall, at the cost of the Company,

- have authority to investigate any matter within its terms of reference;
- have full, free and unrestricted access to the Group and Company's records, properties, personnel and other resources;
- have full and unrestricted access to any information regarding the Group and Company;
- have direct communication channels with the external auditors and person(s) carrying out the internal audit function;
- be able to obtain independent professional or other advice; and
- convene meetings with the external auditors, internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

Where the Committee is of the view that a matter reported by it to the Board of directors has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Malaysia, the Committee is authorised to promptly report such matters to the Exchange.

D. Meetings

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

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

c) The External Auditor has the right to appear and be heard at any meeting of the Committee and shall appear before the Committee when required to do so.

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

e) The Company Secretary shall act as Secretary of the Committee and shall be responsible, with the concurrence of the Chairman, for drawing up and circulating the agenda and the notice of meetings together with the supporting explanatory documentation to members prior to each meeting.

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

g) In addition to the availability of detailed minutes of the Audit Committee Meetings to all Board members, the Committee at each Board Meeting will report a summary of significant matters resolutions.

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

Summary of Activities

A summary of the activities performed by the Committee during the financial year ended 31 December 2008 is set out below.

Risk Management

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

Internal Audit

- Approved the Group's internal audit plan, scope and budget for the financial year.
- Reviewed the results of internal audit reports and monitor the implementation of management action plans in addressing and resolving issues.

External Audit

- The Committee reviewed PricewaterhouseCoopers ("PwC") overall work plan and recommended to the Board their remuneration and terms of engagement as external auditors and considered in detail the results of the audit, PwC's performance and independence and the effectiveness of the overall audit process. The Committee recommended PwC's re-appointment as auditors to the Board and this resolution will be put to shareholders at the AGM Group External Auditor.
- Reviewed updates on the introduction of International Financial Reporting Standards and how they will impact the Company and has monitored progress in meeting the new reporting requirements.

Employee Share Option Scheme

- The Committee verified the allocation options pursuant to the criteria disclosed to the employees of the Group and established pursuant to the Employee Share Option Scheme for the financial year ended 31 December 2008.

Financial Reporting

- Reviewed and deliberated on the Quarterly Financial Announcements and Annual Financial Statements prior to submission to the Board of Directors for consideration and approval.

Related Party Transactions

- Reviewed the related party transactions entered into by AirAsia Berhad Group.

Internal Audit Function

The internal audit function is undertaken by the Internal Audit Department (IAD) of AirAsia Group, which is an independent department that reports directly to the Committee. The IAD maintains its impartiality, proficiency and due professional care by having its plans and reports directly under the purview of the Committee.

The Company has an adequately resourced internal audit function to assist the Board in maintaining an effective system of internal control and the overall governance practices within the Company. The audits and reviews conducted by internal audit are defined in an annual audit plan that was reviewed and approved by the Committee at the beginning of each financial year. The plan was derived from a risk assessment process which considers the risks within each department and the extent that it would have an impact on the Company.

Findings from the internal audit undertaken are forwarded to the management for attention and necessary corrective actions. The management is responsible to ensure that corrective actions are implemented within the required time frame.

Statement on Internal Control

The Board remains committed to complying with the Malaysian Code of Corporate Governance which "… requires listed companies to maintain a sound system of internal control to safeguard shareholders' investment and the Company's assets" and Bursa Malaysia's Listing Requirements Paragraph 15.27 (b) which requires the Board to make a statement about the state of internal control of the listed issuer as a group. The Board is pleased to issue the following statement of internal control for the financial year ended 31 December 2008.

Board Accountability

The Company aims to achieve the highest standards of professional conduct and ethics, to raise the bar on accountability and to govern itself in accordance to the relevant regulations and laws. To achieve long term shareholder value through responsible and sustainable growth, the Company has established and maintains an internal control environment that incorporates various control mechanisms at different levels throughout the Company. The Board of Directors is responsible for reviewing the effectiveness of these control mechanisms. Due to the limitations inherent in any such system, this is designed to manage rather than eliminate risk and to provide reasonable but not absolute assurance against material misstatement or loss.

Management is responsible for assisting the Board implement policies and procedures on risk and control by identifying and assessing the risks faced, and in the implementation of suitable remedial internal controls to enhance operational controls and enhance risk management. Indeed, the first level of assurance comes from business operations which perform the day to day risk management activity. The Board is informed of major control issues encompassing internal controls, regulatory compliance and risk taking.

The Group has in place an on-going process for identifying, evaluating, monitoring and managing significant risks that may materially affect the achievement of corporate objectives. This process has been in place throughout the year and is subject to regular review by the Board of Directors. Where exceptions were noted, they were not material in the context of this report and corrective actions have been taken.

Integrating Risk Management With Internal Controls

The Group continues to rely on the enterprise-wide risk management framework to manage its risks and to form the basis of the internal audit plan. Effective risk management is particularly challenging as the Company operates in a rapidly changing environment. The process of risk management is ongoing where the coverage includes the Group's associated companies.

Risk profiling and assessments for all business divisions and associated companies have been performed and management action plans to monitor and mitigate risks have been prepared. All risk management reports are presented and deliberated by the Audit Committee.

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

Business Continuity Management

Business continuity management is regarded an integral part of the Group's risk management process. The Group continues to cooperate with Malaysia Airports Holdings Berhad to formulate detailed strategies and operational requirements to recover operations in the event of a disaster.

The Group has completed its Business Continuity Planning Manual which will require testing as well as scheduled updating and revision. Business continuity management will also need to be initiated in the rest of the Group's associates.

Control Structure And Environment

The key elements of the Group's internal control system are described below:

- Clearly defined delegation of responsibilities to Board Committees within the definition of terms of reference and organisation structures.
- The Audit Committee, chaired by an independent non-executive director reviews the internal controls system and findings of the internal auditors and external auditors.
- The Internal Audit Department, which is an independent function that reports to the Audit Committee, is responsible for undertaking regular and systematic review of the internal controls with significant summary reports on the effectiveness and weaknesses of internal controls. Management is responsible for ensuring that corrective actions to address control weaknesses are implemented within a defined time frame. The status of implementation is monitored through follow-up audits which are also reported to the Audit Committee.
- The conducts of internal audit work is governed by the Internal Audit Charter, which is approved by the Audit Committee. The Audit Committee also reviews the adequacy of scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work.
- The Audit Committee also reviews and considers matters relating to internal controls as highlighted by the external auditors in the course of their statutory audit of the Company's financial statements.
- The formal documentation of internal procedures and processes in Standard Operating Procedures is ongoing. This would be critical to ensure compliance with internal controls and relevant laws and regulations. Key policies such as approval limits and treasury manual are tabled to the Audit Committee for review.
- Heads of Department present their annual budget, including financial and operating targets and capital expenditure plans for the approval of the Group Chief Executive Officer.
- Group annual budget is prepared and tabled for Board approval. These budgets and business plans are cascaded throughout the organisation to ensure effective execution and follow through. Actual performance is compared against budget and reviewed by the Board.
- The Company has implemented a formal performance appraisal system for all levels of employees.

The statement does not include the state of internal controls in material joint ventures and associated companies. There was no material loss incurred as a result of internal control weaknesses.

Additional Compliance Information

The information set out below is disclosed in compliance with the Listing Requirements of Bursa Malaysia:

1. **Utilisation of Proceeds Raised from Corporate Proposal**
   There were no proceeds raised by the Company from corporate proposals during the financial year ended 31 December, 2008.

2. **Share Buy-Back**
   The Company does not have a scheme to buy-back its own shares.

3. **Options, Warrants or Convertible Securities Exercised**
   The Company did not issue any warrants or convertible securities during the financial year ended 31 December, 2008. The AirAsia ESOS came into effect on 1 September 2004. The details of the ESOS exercised are disclosed in page 111 to 113 of the financial statements.

4. **American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") Programme**
   The Company did not sponsor any ADR or GDR programme during the financial year ended 31 December, 2008.

5. **Sanctions and/or Penalties**
   There were no public sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies during the financial year ended 31 December, 2008.

6. **Non-Audit Fees**
   The amount of non-audit fees incurred for services rendered to the Group by the external auditors and their affiliated companies for the financial year ended 31 December, 2008 are as follows:

   PricewaterhouseCoopers, Malaysia: RM70,000

7. **Variation In Results**
   There were no profit estimations, forecasts or projections made or released by the Company during the financial year ended 31 December 2008.

8. **Profit Guarantee**
   During the financial year ended 31 December, 2008, the Group and the Company did not give any profit guarantee.

9. **Material Contracts Involving Directors' and Major Shareholders'**
   There were no material contracts entered into by the Company and its subsidiaries involving directors and major shareholders' interests still subsisting at the financial year ended 31 December, 2008.

Keeping costs low demands high efficiency business-wide. Innovations in efficiency create the savings needed to make affordable air travel a reality – so the more efficient we are, the more we can give back to our guests.

Financial Statements

Airline Strategy Award:
FINANCE
Category

Directors' Report

The Directors hereby submit their annual report to the members together with the audited financial statements of the Group and Company for the financial year ended 31 December 2008.

Principal Activities

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

Financial Results

	Group RM'000	Company RM'000
Net loss for the financial year	(496,563)	(495,352)

Dividends

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

The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2008.

Reserves and Provisions

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

Issuance of Shares

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM237,154,058 to RM237,420,958 by way of the issuance of 2,669,000 ordinary shares of RM0.10 each pursuant to the exercise of the Employee Share Option Scheme ("ESOS") at an exercise price of RM1.08 per share. The premium arising from the exercise of ESOS of RM2,615,620 has been credited to the Share Premium account.

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 share capital of the Company during the financial year.

Employee Share Option Scheme ("ESOS")

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

Details of the ESOS are set out in Note 29 to the financial statements.

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

Directors

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

Dato' Sri Anthony Francis Fernandes
Dato' Kamarudin Bin Meranun
Conor Mc Carthy
Dato' Leong Sonny @ Leong Khee Seong
Fam Lee Ee
Datuk Alias Bin Ali
Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar
Dato' Mohamed Khadar Bin Merican
Dato' Pahamin Ab. Rajab (retired on 3 June 2008)

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, other than the Company's Employee Share Option Scheme (see Note 5 to the financial statements).

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

Directors' Interests in Shares

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

	Number of ordinary shares of RM0.10 each			
	At 1.1.2008	**Acquired**	**Disposed**	**At 31.12.2008**
The Company				
Direct interests				
Dato' Sri Anthony Francis Fernandes	2,627,010	-	-	2,627,010
Dato' Kamarudin Bin Meranun	1,692,900	-	-	1,692,900
Conor Mc Carthy	28,761,403	-	(1,250,100)	27,511,303**
Dato' Leong Sonny @ Leong Khee Seong	100,000	-	-	100,000
Fam Lee Ee	200,000	-	-	200,000
Indirect interests				
Dato' Sri Anthony Francis Fernandes*	729,458,382	-	-	729,458,382
Dato' Kamarudin Bin Meranun*	729,458,382	-	-	729,458,382

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

** 100,000 shares held in personal name and 27,411,303 shares held under HSBC Nominees (Asing) Sdn Bhd

	Number of options over ordinary shares of RM0.10 each			
	At 1.1.2008	Granted	Exercised	At 31.12.2008
The Company				
Dato' Sri Anthony Francis Fernandes	600,000	-	-	600,000
Dato' Kamarudin Bin Meranun	600,000	-	-	600,000

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

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.

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, other than the exceptional loss on the unwinding of derivatives as disclosed in the income statements; 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 30 April 2009.

Dato' Sri Anthony Francis Fernandes
Director

Dato' Kamarudin Bin Meranun
Director

Income Statements

For The Financial Year Ended 31 December 2008

	Note	Group Year ended 31.12.2008 RM'000	Group 6 months financial period ended 31.12.2007 RM'000	Company Year ended 31.12.2008 RM'000	Company 6 months financial period ended 31.12.2007 RM'000
Revenue	4	2,634,688	1,094,377	2,635,977	1,091,346
Operating expenses					
- Staff costs	5	(236,793)	(111,682)	(235,773)	(110,969)
- Depreciation of property, plant and equipment	11	(346,954)	(129,761)	(346,946)	(129,761)
- Aircraft fuel expenses		(1,389,841)	(443,831)	(1,389,841)	(443,831)
- Maintenance, overhaul, user charges and other related expenses		(345,150)	(148,641)	(307,205)	(148,119)
- Loss on unwinding of derivatives		(678,503)	-	(678,503)	-
- Provision for loss on unwinding of derivatives	25	(151,713)	-	(151,713)	-
- Other operating expenses	6	(139,219)	(105,939)	(137,276)	(105,438)
Other income	7	301,827	64,589	260,830	64,551
Operating (loss)/profit		(351,658)	219,112	(350,450)	217,779
Finance income	8	20,990	148,251	20,990	148,251
Finance costs	8	(538,530)	(90,648)	(538,527)	(90,648)
(Loss)/profit before taxation		(869,198)	276,715	(867,987)	275,382
Taxation					
- Current taxation	9	(3,769)	(1,504)	(3,769)	(1,504)
- Deferred taxation	9	376,404	150,489	376,404	150,489
		372,635	148,985	372,635	148,985
Net (loss)/profit for the financial year/period		(496,563)	425,700	(495,352)	424,367
(Loss)/earnings per share (sen)					
- Basic	10	(21.1)	18.1		
- Diluted	10	(21.1)	17.9		

The notes on pages 77 to 120 form part of these financial statements.

Balance Sheets
As at 31 December 2008

	Note	Group		Company	
		31.12.2008 RM'000	31.12.2007 RM'000	31.12.2008 RM'000	31.12.2007 RM'000
Non-Current Assets					
Property, plant and equipment	11	6,594,299	4,352,770	6,593,414	4,351,906
Investment in subsidiaries	12	-	-	22,194	22,194
Investment in a jointly controlled entity	13	-	-	-	-
Investment in associates	14	29	29	29	29
Other investments	15	26,715	26,728	26,715	26,728
Goodwill	16	8,738	8,738	-	-
Deferred tax assets	17	856,109	479,705	856,109	479,705
Receivables and prepayments	18	103,341	65,405	103,341	65,405
		7,589,231	4,933,375	7,601,802	4,945,967
Current Assets					
Inventories	19	20,684	17,567	20,137	17,019
Other investments	15	-	30,892	-	30,892
Receivables and prepayments	18	694,432	542,729	692,527	540,740
Deposits on aircraft purchase		334,628	318,251	334,628	318,251
Amounts due from subsidiaries	20	-	-	192,614	99,725
Amount due from a jointly controlled entity	21	340,627	74,285	120,181	-
Amounts due from associates	22	387,647	88,168	387,647	88,168
Deposits, cash and bank balances	23	153,762	425,195	154,446	421,090
		1,931,780	1,497,087	1,902,180	1,515,885
Less: Current Liabilities					
Trade and other payables	24	1,060,711	620,881	1,015,718	610,834
Provision for loss on unwinding of derivatives	25	151,713	-	151,713	-
Amounts due to subsidiaries	26	-	-	18,022	11,369
Amount due to a jointly controlled entity	21	-	-	-	21,337
Amounts due to an associate	22	4,359	3,761	4,359	3,761
Amount due to a related company	26	3,634	3,528	3,634	3,528
Hire-purchase payables	27	77	77	77	77
Borrowings (secured)	28	543,985	278,550	543,985	278,550
Current tax liabilities		4,216	5,178	4,216	5,178
		1,768,695	911,975	1,741,724	934,634
Net Current Assets		163,085	585,112	160,456	581,251

The notes on pages 77 to 120 form part of these financial statements.

Balance Sheets *(continued)*

As at 31 December 2008

		Group		Company	
	Note	31.12.2008 RM'000	31.12.2007 RM'000	31.12.2008 RM'000	31.12.2007 RM'000
Non-Current Liabilities					
Hire-purchase payables	27	72	149	72	149
Borrowings (secured)	28	6,146,708	3,419,121	6,146,708	3,419,121
		6,146,780	3,419,270	6,146,780	3,419,270
		1,605,536	2,099,217	1,615,478	2,107,948
Capital And Reserves					
Share capital	29	237,421	237,154	237,421	237,154
Share premium		735,352	732,737	735,352	732,737
Foreign exchange reserve		592	592	-	-
Retained earnings	30	632,171	1,128,734	642,705	1,138,057
Shareholders' equity		1,605,536	2,099,217	1,615,478	2,107,948

The notes on pages 77 to 120 form part of these financial statements.

Statements of Changes in Equity

For The Financial Year Ended 31 December 2008

		Attributable to equity holders of the Company							
		Issued and fully paid ordinary shares of RM0.10 each							
	Note	Number of shares '000	Nominal value RM'000	Share premium RM'000	Foreign exchange reserve RM'000	Retained earnings RM'000	Total RM'000	Minority interests RM'000	Total equity RM'000
Group									
At 1 July 2007		2,360,766	236,077	722,178	592	702,995	1,661,842	39	1,661,881
Net profit for the financial period		-	-	-	-	425,700	425,700	-	425,700
Acquisition of additional investment in a subsidiary		-	-	-	-	39	39	(39)	-
Issuance of ordinary shares - pursuant to the Employee Share Option Scheme ('ESOS')	29	10,775	1,077	10,559	-	-	11,636	-	11,636
At 31 December 2007		2,371,541	237,154	732,737	592	1,128,734	2,099,217	-	2,099,217
Net loss for the financial year		-	-	-	-	(496,563)	(496,563)	-	(496,563)
Issuance of ordinary shares - pursuant to the Employee Share Option Scheme ('ESOS')	29	2,669	267	2,615	-	-	2,882	-	2,882
At 31 December 2008		2,374,210	237,421	735,352	592	632,171	1,605,536	-	1,605,536

The notes on pages 77 to 120 form part of these financial statements.

Statements of Changes in Equity *(continued)*

For The Financial Year Ended 31 December 2008

		Issued and fully paid ordinary shares of RM0.10 each		Non-distributable	Distributable	
	Note	**Number of shares '000**	**Nominal value RM'000**	**Share premium RM'000**	**Retained earnings RM'000**	**Total RM'000**
Company						
At 1 July 2007		2,360,766	236,077	722,178	713,690	1,671,945
Net profit for the financial period		-	-	-	424,367	424,367
Issuance of shares - pursuant to the Employee Share Option Scheme ('ESOS')	29	10,775	1,077	10,559	-	11,636
At 31 December 2007		2,371,541	237,154	732,737	1,138,057	2,107,948
Net loss for the financial year		-	-	-	(495,352)	(495,352)
Issuance of shares - pursuant to the Employee Share Option Scheme ('ESOS')	29	2,669	267	2,615	-	2,882
At 31 December 2008		2,374,210	237,421	735,352	642,705	1,615,478

The notes on pages 77 to 120 form part of these financial statements.

Cash Flow Statements

For The Financial Year Ended 31 December 2008

	Note	Group		Company	
		Year ended 31.12.2008 RM'000	6 months financial period ended 31.12.2007 RM'000	Year ended 31.12.2008 RM'000	6 months financial period ended 31.12.2007 RM'000
Cash Flows From Operating Activities					
(Loss)/profit before taxation		(869,198)	276,715	(867,987)	275,382
Adjustments:					
Property, plant and equipment					
- Depreciation		346,954	129,761	346,946	129,761
- Write off		29	476	37	476
- (Gain)/loss on disposals		(15,554)	5	(15,554)	5
Loss on disposal of other investments		4,217	-	4,217	-
Amortisation of long term prepayments		10,261	4,628	10,261	4,628
Amortisation of other investments		13	6	13	6
Write-off of receivables		737	-	737	-
Reversal of allowance for doubtful debts		-	(2,467)	-	(2,467)
Provision for loss on unwinding of derivatives		151,713	-	151,713	-
Unrealised foreign exchange loss/(gain)		227,994	(108,340)	227,994	(108,340)
Interest expense		297,533	88,292	297,533	88,292
Interest income		(20,990)	(13,820)	(20,990)	(13,820)
		133,709	375,256	134,920	373,923
Changes in working capital:					
Inventories		(3,117)	(8,055)	(3,118)	(8,057)
Receivables and prepayments		(148,520)	(218,409)	(145,076)	(217,343)
Trade and other payables		390,480	140,630	352,006	142,208
Intercompany balances		(565,117)	10,922	(526,529)	9,613
Cash (used in)/generated from operations		(192,565)	300,344	(187,797)	300,344
Interest paid		(239,755)	(57,497)	(239,755)	(57,497)
Interest received		20,990	13,820	20,990	13,820
Tax paid		(4,731)	(901)	(4,731)	(901)
Net cash (used in)/from operating activities		(416,061)	255,766	(411,293)	255,766

The notes on pages 77 to 120 form part of these financial statements.

Cash Flow Statements *(continued)*

For The Financial Year Ended 31 December 2008

	Note	Group Year ended 31.12.2008 RM'000	Group 6 months financial period ended 31.12.2007 RM'000	Company Year ended 31.12.2008 RM'000	Company 6 months financial period ended 31.12.2007 RM'000
Cash Flows from Investing Activities					
Property, plant and equipment					
- Additions		(2,623,001)	(1,532,571)	(2,622,980)	(1,532,571)
- Proceeds from disposals		50,043	1	50,043	1
Deposit on aircraft purchase		-	(955)	-	(955)
Deposit on lease of aircraft		(7,448)	-	(7,448)	-
Long term prepayments		(48,197)	(23,549)	(48,197)	(23,549)
Proceeds from disposal/ (acquisition) of other investments		26,675	(23,423)	26,675	(23,423)
Net cash used in investing activities		(2,601,928)	(1,580,497)	(2,601,907)	(1,580,497)
Cash Flows from Financing Activities					
Proceeds from allotment of shares		2,882	11,636	2,882	11,636
Hire-purchase instalments paid		(77)	(39)	(77)	(39)
Proceeds from borrowings		3,044,531	1,273,434	3,044,531	1,273,434
Repayment of borrowings		(300,780)	(130,348)	(300,780)	(130,348)
Deposits pledged as securities		2,019	(14,082)	2,019	(14,082)
Net cash from financing activities		2,748,575	1,140,601	2,748,575	1,140,601
Net Decrease for the Financial Year/Period		(269,414)	(184,130)	(264,625)	(184,130)
Cash and Cash Equivalents at Beginning of the Financial Year/Period		390,217	574,347	386,112	570,242
Cash and Cash Equivalents at End of the Financial Year/Period	23	120,803	390,217	121,487	386,112

The notes on pages 77 to 120 form part of these financial statements.

Notes To The Financial Statements

31 December 2008

1 General Information

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

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

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

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

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

2 Summary of Significant Accounting Policies

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

(a) Basis of preparation of the financial statements

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

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

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

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

2 Summary of Significant Accounting Policies (continued)

(a) Basis of preparation of the financial statements (continued)

(i) Standards and interpretations that are applicable to the Group but not yet effective

The Group has considered all published standards not yet effective.

The new accounting standards that are relevant and mandatory for the Group's financial periods beginning on 1 January 2009 or later periods, but which the Group has not early adopted, are as follows:

- FRS 8 Operating segments
- FRS 139 Financial Instruments: Recognition and Measurement
- FRS 7 Financial Instruments: Disclosures
- IC Interpretation 9 Reassessment of Embedded Derivatives
- IC Interpretations 10 Interim Financial Reporting and Impairment

The Group will apply these standards when effective. The Group has applied the transitional provision in the respective standards which exempts entities from disclosing the possible impact arising from the initial application of the standard on the financial statements of the Group and Company.

(ii) Standards that are not yet effective and are not relevant to the Group

The new accounting standard which is not yet effective and not relevant to the Group is as follows:

- FRS 4 Insurance Contracts

(b) Group accounting

(i) Subsidiaries

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

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

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

2 Summary of Significant Accounting Policies (continued)

(b) Group accounting (continued)

(i) Subsidiaries (continued)

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

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

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

(ii) Jointly controlled entities

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

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

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

(iii) Associates

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

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

2 Summary of Significant Accounting Policies (continued)

(b) Group accounting (continued)

(iii) Associates (continued)

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

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

(c) Goodwill

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

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

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

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

(d) Property, plant and equipment

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

Aircraft	
- engines	7 or 25 years
- airframe	7 or 25 years
- service potential	7 or 13 years
Aircraft spares	10 years
Aircraft fixtures and fittings	Useful life of aircraft or remaining lease term of aircraft, whichever is shorter

2 Summary of Significant Accounting Policies (continued)

(d) Property, plant and equipment (continued)

Buildings	
- simulator	28.75 years
- hangar	50 years
Motor vehicles	5 years
Office equipment, furniture and fittings	5 years
Office renovation	5 years
Simulator equipment	25 years
Operating plant and ground equipment	5 years
Kitchen equipment	5 years
In flight equipment	5 years
Training equipment	5 years

Residual values, where applicable, are reviewed annually against prevailing market rates at the balance sheet date for equivalent aged assets and depreciation rates are adjusted accordingly on a prospective basis. For the current financial year ended 31 December 2008, the estimated residual value for aircraft airframes and engines is 10% of their cost.

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

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

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

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

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

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

2 Summary of Significant Accounting Policies (continued)

(e) Investments

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

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

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

(f) Impairment of assets

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

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

(g) Maintenance and overhaul

Owned aircraft

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

Leased aircraft

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

(h) Leases

Finance leases

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

2 Summary of Significant Accounting Policies (continued)

(h) Leases (continued)

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

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

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

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

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

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

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

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

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

(l) Provisions
Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

2 Summary of Significant Accounting Policies (continued)

(m) Share capital

(i) Classification

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

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

(ii) Share issue costs

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

(iii) Dividends to shareholders of the Company

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

(n) Borrowings

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

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

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

(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 foreign subsidiaries, jointly controlled entities or associates.

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

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

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

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

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

2 Summary of Significant Accounting Policies (continued)

(p) Employee benefits

(i) Short term employee benefits

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

(ii) Defined contribution plan

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

(iii) Share based payments

FRS 2 – Share-based Payment requires recognition of share-based payment transactions including the value of share options in the financial statements. There was no impact on the financial statements of the Group following the prospective application of FRS 2 in 2006 as all the share options of the Company were fully vested prior to the effective date of the standard.

(q) Revenue recognition

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

Revenue includes fuel surcharge, insurance surcharge, administrative fees, excess baggage and baggage handling fees. Cargo, freight and other related revenue are recognised upon the completion of services rendered and where applicable, are stated net of discounts.

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

Interest and rental income are recognised on an accruals basis.

(r) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

2 Summary of Significant Accounting Policies (continued)

(r) Foreign currencies (continued)

(iii) Group companies

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

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

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

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

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

(s) Contingent liabilities

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

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

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

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

2 Summary of Significant Accounting Policies (continued)

(t) Financial instruments

(i) Description

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

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

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

(ii) Financial instruments recognised on the balance sheet

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

(iii) Financial instruments not recognised on the balance sheet

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

These instruments are not recognised in the financial statements on inception apart from fuel option contracts whereby cash payments on option premiums are recorded in deposits.

Fuel option contracts

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

Foreign currency forward contracts

The Group enters into foreign currency forward contracts to protect the Group from movements in exchange rates by establishing the rate at which a foreign currency asset or liability will be settled.

Exchange gains and losses on such contracts are recognised in the income statement when settled.

Interest rate swap contracts

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

2 Summary of Significant Accounting Policies (continued)

(t) Financial instruments (continued)

(iv) Fair value estimation for disclosure purposes

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

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

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

3 Critical Accounting Estimates and Judgments

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

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

(i) Estimated useful lives and residual values of aircraft frames and engines

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

Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives and residual values of aircraft frames and engines as disclosed in Note 2(d), would increase the recorded depreciation and decrease the carrying amount of property, plant and equipment.

(ii) Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. This involves judgement regarding the future financial performance of the Company.

(iii) Recoverability of intercompany balances

The Group has investments in Thai AirAsia Co. Ltd and PT Indonesia AirAsia, both of which provide air transportation services. As at the balance sheet date, the amounts owing by these related parties amount to RM340.6 million (31.12.2007: RM74.3 million) and RM378.5 million (31.12.2007: RM81.6 million) respectively. No allowances for doubtful debts have been provided for these balances as the Directors are of the view that these related parties would have sufficient future funds to repay these debts, based on the projected cash flows of these entities over the next 5 years.

4 Revenue

	Group		Company	
	Year ended 31.12.2008 RM'000	6 months financial period ended 31.12.2007 RM'000	Year ended 31.12.2008 RM'000	6 months financial period ended 31.12.2007 RM'000
Passenger seat sales	1,594,203	689,689	1,595,492	689,689
Surcharges and fees	810,670	326,154	810,670	326,154
Other revenue	229,815	78,534	229,815	75,503
	2,634,688	1,094,377	2,635,977	1,091,346

Other revenue includes excess baggage, baggage handling fee, freight and cancellation and documentation fees amounting to RM189.0 million (2007: RM58.8 million) for the Group and Company.

5 Staff Costs

	Group		Company	
	Year ended 31.12.2008 RM'000	6 months financial period ended 31.12.2007 RM'000	Year ended 31.12.2008 RM'000	6 months financial period ended 31.12.2007 RM'000
Wages, salaries, bonus and allowances	219,406	102,418	218,494	101,774
Defined contribution retirement plan	17,387	9,264	17,279	9,195
	236,793	111,682	235,773	110,969

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

	Group and Company	
	Year ended 31.12.2008 RM'000	6 months financial period ended 31.12.2007 RM'000
Executive Directors		
- basic salaries, bonus and allowances	4,440	2,520
- defined contribution plan	533	317
- other emoluments	-	120
Non-executive Directors		
- fees	983	575
	5,956	3,532

5 Staff Costs (continued)

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

	Executive		Non-executive	
	Year ended 31.12.2008	6 months financial period ended 31.12.2007	Year ended 31.12.2008	6 months financial period ended 31.12.2007
Range of remuneration				
In bands of RM50,000				
Up to RM50,000	-	-	-	4
RM50,001 to RM100,000	-	-	1	3
RM100,001 to RM150,000	-	-	3	-
RM150,001 to RM200,000	-	-	3	1
RM200,001 to RM250,000	-	-	-	-
RM250,001 to RM300,000	-	-	-	-
RM300,001 to RM350,000	-	-	-	-
RM1,000,000 to RM2,000,000	2	2	-	-

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

Grant date	Expiry date	Exercise prices RM/share '000	At 1.1.2008 '000	Exercised '000	Lapsed '000	At 31.12.2008 '000
30 June 2007						
1 September 2004	6 June 2009	1.08	1,200	-	-	1,200

	31.12.2008 '000	31.12.2007 '000
Number of share options vested at balance sheet date	1,200	900

6 Other Operating Expenses

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

	Group		Company	
	Year ended 31.12.2008 RM'000	6 months financial period ended 31.12.2007 RM'000	Year ended 31.12.2008 RM'000	6 months financial period ended 31.12.2007 RM'000
Property, plant and equipment				
- Write off	29	476	37	476
- (Gain)/loss on disposals	(15,554)	5	(15,554)	5
Aircraft operating lease expenses	92,302	51,294	92,302	51,294
Rental of land and building	3,167	1,346	3,142	1,316
Auditors' remuneration	455	220	455	200
Write-off of receivables	737	-	737	-
Reversal of allowance for doubtful debts	-	(2,467)	-	(2,467)
Rental of equipment	530	270	530	269
Amortisation of long term prepayments	10,261	4,628	10,261	4,628
Amortisation of other investments	13	6	13	6
Loss on disposal of other investments	4,217	-	4,217	-
Foreign exchange loss/(gain)				
- Realised	2,314	989	2,314	989
- Unrealised	(21,277)	18,711	(21,277)	18,711

7 Other Income

	Group		Company	
	Year ended 31.12.2008 RM'000	6 months financial period ended 31.12.2007 RM'000	Year ended 31.12.2008 RM'000	6 months financial period ended 31.12.2007 RM'000
Aircraft operating lease income	179,285	53,196	179,285	53,196
Others	122,542	11,393	81,545	11,355
	301,827	64,589	260,830	64,551

8 Finance Income/(Costs)

	Group		Company	
	Year ended 31.12.2008 RM'000	6 months financial period ended 31.12.2007 RM'000	Year ended 31.12.2008 RM'000	6 months financial period ended 31.12.2007 RM'000
Finance income:				
Foreign exchange gain on borrowings	-	134,431	-	134,431
Interest income				
- deposits with licensed banks	1,687	3,622	1,687	3,622
- short term deposits with fund management companies	5,435	5,235	5,435	5,235
- other interest income	13,868	4,963	13,868	4,963
	20,990	148,251	20,990	148,251
Finance costs:				
Foreign exchange loss on borrowings	(235,016)	-	(235,016)	-
Interest expense				
- bank borrowings	(297,521)	(88,286)	(297,521)	(88,286)
- hire-purchase payables	(12)	(6)	(12)	(6)
Bank facilities and other charges	(5,981)	(2,356)	(5,978)	(2,356)
	(538,530)	(90,648)	(538,527)	(90,648)
Net finance (costs)/income	(517,540)	57,603	(517,537)	57,603

9 Taxation

	Group		Company	
	Year ended 31.12.2008 RM'000	6 months financial period ended 31.12.2007 RM'000	Year ended 31.12.2008 RM'000	6 months financial period ended 31.12.2007 RM'000
Current taxation:				
- Malaysian tax	2,179	1,504	2,179	1,504
- Foreign tax	1,590	-	1,590	-
Deferred taxation (Note 17)	(376,404)	(150,489)	(376,404)	(150,489)
	(372,635)	(148,985)	(372,635)	(148,985)
Current taxation:				
- Current financial year	3,769	1,504	3,769	1,504
Deferred taxation:				
- Origination and reversal of temporary differences	(164,179)	23,467	(164,179)	23,467
- Tax incentives	(212,225)	(173,956)	(212,225)	(173,956)
	(372,635)	(148,985)	(372,635)	(148,985)

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

The explanation of the relationship between taxation and (loss)/profit before taxation is as follows:

	Group		Company	
	Year ended 31.12.2008 RM'000	6 months financial period ended 31.12.2007 RM'000	Year ended 31.12.2008 RM'000	6 months financial period ended 31.12.2007 RM'000
(Loss)/profit before taxation	(869,198)	276,715	(867,987)	275,382
Tax calculated at Malaysian tax rate of 26% (31.12.2007: 26%)	(225,991)	71,946	(225,677)	71,599
Tax effects of:				
- expenses not deductible for tax purposes	66,973	2,760	66,659	2,760
- income not subject to tax	(2,237)	(50,270)	(2,237)	(49,923)
- temporary differences not recognised within the pioneer period	845	535	845	535
- tax incentives	(212,225)	(173,956)	(212,225)	(173,956)
Taxation	(372,635)	(148,985)	(372,635)	(148,985)

10 (Loss)/Earnings Per Share

(a) Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the net (loss)/profit for the financial year/period by the weighted average number of ordinary shares in issue during the financial year/period.

	Group	
	Year ended 31.12.2008 RM'000	6 months financial period ended 31.12.2007 RM'000
(Loss)/profit for the financial year/period (RM'000)	(496,563)	425,700
Weighted average number of ordinary shares in issue ('000)	2,358,313	2,356,186
(Loss)/earnings per share (sen)	(21.1)	18.1

(b) Diluted earnings per share

For the diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

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

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

	Group	
	Year ended 31.12.2008 RM'000	6 months financial period ended 31.12.2007 RM'000
(Loss)/profit for the financial year/period (RM'000)	(496,563)	425,700
Weighted average number of ordinary shares in issue ('000)	2,358,313	2,356,186
Adjustment for ESOS ('000)	3,388	19,104
Weighted average number of ordinary shares for diluted earnings per share	2,361,701	2,375,290
Diluted (loss)/earnings per share (sen)	N/A	17.9

As the diluted loss per share computation is anti-dilutive, the diluted loss per share is assumed to be similar to the basic loss per share.

11 Property, Plant and Equipment

	At 1 January 2008 RM'000	Additions RM'000	Write off RM'000	Disposals RM'000	Depreciation charge RM'000	At 31 December 2008 RM'000
Group						
Net book value						
Aircraft engines, airframe and service potential	4,153,322	2,527,299	-	(34,489)	(308,870)	6,337,262
Aircraft spares	67,555	45,492	-	-	(12,227)	100,820
Aircraft fixtures and fittings	25,941	21,467	(6)	-	(10,618)	36,784
Buildings	14,386	116	-	-	(520)	13,982
Motor vehicles	6,686	585	(1)	-	(2,076)	5,194
Office equipment, furniture and fittings	10,708	4,233	(19)	-	(4,714)	10,208
Office renovation	3,374	749	-	-	(1,309)	2,814
Simulator equipment	51,504	462	-	-	(2,226)	49,740
Operating plant and ground equipment	9,602	6,432	(3)	-	(4,259)	11,772
Kitchen equipment	202	-	-	-	(8)	194
In flight equipment	-	343	-	-	(35)	308
Training equipment	-	712	-	-	(92)	620
Assets not yet in operation	9,490	15,111	-	-	-	24,601
	4,352,770	2,623,001	(29)	(34,489)	(346,954)	6,594,299

	Cost RM'000	Accumulated depreciation RM'000	Net book value RM'000
Group			
At 31 December 2008			
Aircraft engines, airframe and service potential	6,933,414	(596,152)	6,337,262
Aircraft spares	134,546	(33,726)	100,820
Aircraft fixtures and fittings	62,312	(25,528)	36,784
Buildings	15,834	(1,852)	13,982
Motor vehicles	11,610	(6,416)	5,194
Office equipment, furniture and fittings	31,389	(21,181)	10,208
Office renovation	7,588	(4,774)	2,814
Simulator equipment	55,762	(6,022)	49,740
Operating plant and ground equipment	21,489	(9,717)	11,772
Kitchen equipment	299	(105)	194
In flight equipment	343	(35)	308
Training equipment	712	(92)	620
Assets not yet in operation	24,601	-	24,601
	7,299,899	(705,600)	6,594,299

11 Property, Plant and Equipment (continued)

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

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

11 Property, Plant and Equipment (continued)

	At 1 January 2008 RM'000	Additions RM'000	Write off RM'000	Disposals RM'000	Depreciation charge RM'000	At 31 December 2008 RM'000
Company						
Net book value						
Aircraft engines, airframe and service potential	4,153,322	2,527,299	-	(34,489)	(308,870)	6,337,262
Aircraft spares	67,555	45,492		-	(12,227)	100,820
Aircraft fixtures and fittings	25,941	21,467	(6)	-	(10,618)	36,784
Buildings	14,386	116	-	-	(520)	13,982
Motor vehicles	6,081	585	(1)	-	(2,076)	4,589
Office equipment, furniture and fittings	10,651	4,212	(27)	-	(4,714)	10,122
Office renovation	3,374	749	-	-	(1,309)	2,814
Simulator equipment	51,504	462	-	-	(2,226)	49,740
Operating plant and ground equipment	9,602	6,432	(3)	-	(4,259)	11,772
Inflight equipment	-	343	-	-	(35)	308
Training equipment	-	712	-	-	(92)	620
Assets not yet in operation	9,490	15,111	-	-	-	24,601
	4,351,906	2,622,980	(37)	(34,489)	(346,946)	6,593,414

	Cost RM'000	Accumulated depreciation RM'000	Net book value RM'000
Company			
At 31 December 2008			
Aircraft engines, airframe and service potential	6,933,414	(596,152)	6,337,262
Aircraft spares	134,546	(33,726)	100,820
Aircraft fixtures and fittings	62,312	(25,528)	36,784
Buildings	15,834	(1,852)	13,982
Motor vehicles	11,608	(7,019)	4,589
Office equipment, furniture and fittings	31,303	(21,181)	10,122
Office renovation	7,588	(4,774)	2,814
Simulator equipment	55,762	(6,022)	49,740
Operating plant and ground equipment	21,489	(9,717)	11,772
In flight equipment	343	(35)	308
Training equipment	712	(92)	620
Assets not yet in operation	24,601	-	24,601
	7,299,512	(706,098)	6,953,414

11 Property, Plant and Equipment (continued)

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

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

11 Property, Plant and Equipment (continued)

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

	Group and Company	
	31.12.2008	31.12.2007
	RM'000	RM'000
Net book value of owned aircraft sub-leased out	1,392,929	486,788
Aircraft pledged as security for borrowings (Note 28)	6,247,372	3,996,376
Simulator pledged as security for borrowings (Note 28)	45,444	47,312
Motor vehicles on hire-purchase	166	255

The beneficial ownership and operational control of certain aircraft pledged as security for borrowings rests with the Company when the aircraft is delivered to the Company.

Where the legal title to the aircraft is held by financiers during delivery, the legal title will be transferred to the Company only upon settlement of the respective facilities.

12 Investment in Subsidiaries

	Group and Company	
	31.12.2008	31.12.2007
	RM'000	RM'000
Unquoted investments, at cost	22,194	22,194

The details of the subsidiaries are as follows:

Name	Country of incorporation	Group's effective equity interest		Principal activities
		31.12.2008	31.12.2007	
		%	%	
Directly held by the Company				
Crunchtime Culinary Services Sdn Bhd ("Crunchtime")	Malaysia	100.0	100.0	Provision of inflight meals, currently dormant
AA International Ltd ("AAIL")	Malaysia	100.0	100.0	Investment holding
AirAsia Go Holiday Sdn Bhd	Malaysia	100.0	100.0	Tour operating business
AirAsia (Mauritius) Limited ("AirAsia Mauritius")* Co.	Malaysia	100.0	100.0	Providing aircraft leasing facilities to Thai AirAsia Ltd
Airspace Communications Sdn Bhd ("Airspace")	Malaysia	100.0	100.0	Media owner with publishing division
AirAsia (B) Sdn Bhd*	Negara Brunei Darussalam	100.0	100.0	Providing air transportation services, currently dormant
AirAsia Corporate Services Limited^	Malaysia	100.0	-	Facilitate business transactions for AirAsia Group with non-resident goods and service providers, currently dormant
Aras Sejagat Sdn Bhd^	Malaysia	100.0	-	Special purpose vehicle for financing arrangements required by AirAsia, currently dormant

12 Investment in Subsidiaries (continued)

Name	Country of incorporation	Group's effective equity interest 31.12.2008 %	31.12.2007 %	Principal activities
Held by AAIL				
AirAsia (Hong Kong) Limited ("AirAsia HK")*	Hong Kong	100.0	100.0	Dormant
AA Capital Ltd	Malaysia	100.0	100.0	Dormant

* Not audited by PricewaterhouseCoopers, Malaysia

^ Subscribed during the financial year

13 Investment in a Jointly Controlled Entity

	Group 31.12.2008 RM'000	31.12.2007 RM'000
Represented by:		
Unquoted investment, at cost	12,054	12,054
Group's share of post acquisition reserves	(12,054)	(12,054)
	-	-

The details of the jointly controlled entity are as follows:

Name	Country of incorporation	Group's effective equity interest 31.12.2008 %	31.12.2007 %	Principal activities
Held by AAIL				
Thai AirAsia Co. Ltd ("Thai AirAsia")	Thailand	48.9	48.9	Aerial transport of persons, things and posts

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

	Year ended 31.12.2008 RM'000	6 months financial period ended 31.12.2007 RM'000
Revenue	434,873	164,463
Expenses	(579,258)	(182,443)
Loss before taxation	(144,385)	(17,980)
Taxation	-	-
Net loss for the financial year/period	(144,385)	(17,980)

13 Investment in a Jointly Controlled Entity (continued)

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

	31.12.2008 RM'000	31.12.2007 RM'000
Non-current assets	16,316	11,967
Current assets	70,738	47,682
Current liabilities	(277,944)	(107,130)
Share of net liabilities of a jointly controlled entity	(190,890)	(47,481)

The Group discontinued recognition of its share of further losses made by Thai AirAsia as the Group's long-term interest in the jointly controlled entity has been reduced to zero and the Group has not incurred any obligations or guaranteed any obligations in respect of the jointly controlled entity. As at 31 December 2008, the unrecognised amount of the Group's share of losses of Thai AirAsia which has not been equity accounted for amounted to RM179.9 million (31.12.2007: RM35.5 million).

14 Investment in Associates

	Group		Company	
	31.12.2008 RM'000	31.12.2007 RM'000	31.12.2008 RM'000	31.12.2007 RM'000
Unquoted investment, at cost	4,141	4,141	29	29
Group's share of post acquisition losses	(4,112)	(4,112)	-	-
	29	29	29	29

The details of the associates are as follows:

Name	Country of incorporation	Group's effective equity interest 31.12.2008 %	Group's effective equity interest 31.12.2007 %	Principal activities
AirAsia Philippines Inc	Philippines	39.9	39.9	Providing air transportation services
Held by Crunchtime and Thai AirAsia				
Thai Crunch Time Co. Ltd ("Thai Crunch Time")	Thailand	49.0	49.0	Provision of inflight meals
Held by AAIL				
PT Indonesia AirAsia ("IAA")	Indonesia	48.9	48.9	Commercial air transport service
AirAsia Pte Ltd ("AAPL")	Singapore	48.9	48.9	Dormant
AirAsia Go Holiday Co. Ltd	Thailand	49.0	49.0	Tour operating business, currently dormant

14 Investment In Associates (continued)

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

	Year ended 31.12.2008 RM'000	6 months financial period ended 31.12.2007 RM'000
Revenue	235,813	85,591
Expenses	(357,480)	(88,790)
Loss before taxation	(121,667)	(3,199)
Taxation	-	-
Net loss for the financial year/period	(121,667)	(3,199)

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

	31.12.2008 RM'000	31.12.2007 RM'000
Non-current assets	9,204	6,842
Current assets	31,399	24,204
Current liabilities	(173,184)	(43,339)
Non-current liabilities	(31,526)	(35,511)
Share of net liabilities of associates	(164,107)	(47,804)

The Group discontinued recognition of its share of further losses made by Thai Crunch Time and IAA as the Group's long-term interest in these associates has been reduced to zero and the Group has not incurred any obligations or guaranteed any obligations in respect of the associates. As at 31 December 2008, the unrecognised amount of the Group's share of losses of Thai Crunch Time and IAA which has not been equity accounted for amounted to RM0.1 million (31.12.2007: RM0.1 million) and RM185.9 million (31.12.2007: RM64.2 million) respectively.

15 Other Investments

	Group and Company	
	31.12.2008 RM'000	31.12.2007 RM'000
Non-current:		
Recreational golf club membership	48	61
Investment in AirAsia X Sdn Bhd ("AAX")	26,667	26,667
	26,715	26,728
Current:		
Unquoted investment with a fund management company, at cost (Note 23)	-	30,892

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

16 Goodwill

	Group RM'000
Cost	
At 31 December 2007/31 December 2008	8,738
Net book value	
At 31 December 2007/31 December 2008	8,738

The Group undertakes an annual test for impairment of its goodwill. The carrying amount of goodwill is allocated to the Group's cash generating unit, i.e. primarily the investment in a subsidiary, AAIL. No impairment loss was required for the carrying amount of goodwill assessed as at 31 December 2008 as the recoverable amount is in excess of the carrying amount.

Key assumptions used in the value-in-use calculations

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

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

Impact of possible change in key assumptions

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

17 Deferred Taxation

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	Group and Company	
	31.12.2008 RM'000	31.12.2007 RM'000
Deferred tax assets	856,109	479,705

17 Deferred Taxation (continued)

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

	Group and Company	
	31.12.2008 RM'000	31.12.2007 RM'000
At start of year	479,705	329,216
Charged to income statement (Note 9)		
- Property, plant and equipment	101,839	(23,467)
- Tax incentives	212,225	173,956
- Tax losses	24,412	-
- Provisions	37,928	-
	376,404	150,489
At end of year/period	856,109	479,705
Deferred tax assets (before offsetting)		
Tax incentives	809,151	596,926
Tax losses	33,950	9,538
Provisions	37,928	-
	881,029	606,464
Offsetting	(24,920)	(126,759)
Deferred tax assets (after offsetting)	856,109	479,705
Deferred tax liabilities (before offsetting)		
Property, plant and equipment	(24,920)	(126,759)
Offsetting	24,920	126,759
Deferred tax liabilities (after offsetting)	-	-

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

18 Receivables and Prepayments

	Group		Company	
	31.12.2008 RM'000	31.12.2007 RM'000	31.12.2008 RM'000	31.12.2007 RM'000
Non-current:				
Long term prepayments	103,341	65,405	103,341	65,405
Current:				
Trade receivables	47,952	18,699	47,374	17,687
Less: Allowance for doubtful debts	(1,994)	(1,994)	(1,994)	(1,994)
	45,958	16,705	45,380	15,693
Other receivables	135,141	104,872	134,327	104,148
Less: Allowance for doubtful debts	(1,072)	(1,072)	(1,072)	(1,072)
	134,069	103,800	133,255	103,076
Prepayments	112,786	69,245	112,722	69,182
Deposits	401,619	352,979	401,170	352,789
	694,432	542,729	692,527	540,740

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

	Group		Company	
	31.12.2008 RM'000	31.12.2007 RM'000	31.12.2008 RM'000	31.12.2007 RM'000
RM	122,918	79,091	121,013	77,102
USD	571,429	460,168	571,429	460,168
Others	85	3,470	85	3,470
	694,432	542,729	692,527	540,740

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

Included in deposits are cash collateral for derivatives and deposits to lessor for maintenance of aircraft amounting to RM364.8 million (2007: RM320.3 million) for the Group and Company.

19 Inventories

	Group		Company	
	31.12.2008 RM'000	31.12.2007 RM'000	31.12.2008 RM'000	31.12.2007 RM'000
Spares and consumables	17,622	16,904	17,622	16,904
In flight merchandise and others	3,062	663	2,515	115
	20,684	17,567	20,137	17,019

20 Amounts Due from Subsidiaries

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

21 Amount Due from/(to) A Jointly Controlled Entity

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

22 Amounts Due from/(to) Associates

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

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

	Group and Company	
	31.12.2008 RM'000	31.12.2007 RM'000
Amounts due from associates		
- USD	387,647	88,168
Amount due to an associate		
- SGD	(4,359)	(3,761)

23 Cash and Cash Equivalents

	Group		Company	
	31.12.2008 RM'000	31.12.2007 RM'000	31.12.2008 RM'000	31.12.2007 RM'000
Cash and bank balances	72,625	23,930	73,309	19,825
Deposits with licensed banks	81,137	109,775	81,137	109,775
Short-term deposits with fund management companies	-	291,490	-	291,490
Deposits, cash and bank balances	153,762	425,195	154,446	421,090
Deposits pledged as securities	(32,959)	(34,978)	(32,959)	(34,978)
	120,803	390,217	121,487	386,112

23 Cash and Cash Equivalents (continued)

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

	Group		Company	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	78,399	367,267	79,083	364,164
USD	59,787	47,937	59,787	46,935
IDR	1,744	2,626	1,744	2,626
SGD	5,551	7,311	5,551	7,311
HKD	217	7	217	7
EUR	10	10	10	10
THB	79	37	79	37
Others	7,975	-	7,975	-
	153,762	425,195	154,446	421,090

The unquoted investment of the Group and the Company (Note 15) and short-term deposits with a fund management company amounting to RM Nil and RM Nil respectively (31.12.2007: RM 30.9 million and RM 5.0 million) are portfolio investments undertaken on behalf of the Group and the Company by Intrinsic Capital Management Sdn Bhd ("INCAM"), a company in which a Director of the Company has a financial interest. The Company paid RM89,926 of management fee to INCAM during the financial year (2007: RM45,097).

The deposits with licensed banks are pledged as security for banking facilities granted to the Company.

The weighted average effective interest rates of deposits at the balance sheet dates are as follows:

	Group		Company	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
	%	%	%	%
Deposits with licensed banks	3.27	3.47	3.27	3.47
Short-term deposits with fund management companies	-	1.56	-	1.56

24 Trade and Other Payables

	Group		Company	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
	RM'000	RM'000	RM'000	RM'000
Trade payables	109,327	98,443	104,646	97,502
Other payables and accruals	695,867	353,325	666,141	347,730
Sales in advance	255,517	169,113	244,931	165,602
	1,060,711	620,881	1,015,718	610,834

24 Trade and Other Payables (continued)

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

	Group		Company	
	31.12.2008 RM'000	31.12.2007 RM'000	31.12.2008 RM'000	31.12.2007 RM'000
Ringgit Malaysia	839,973	592,696	794,980	582,649
USD	219,009	26,550	219,009	26,550
Others	1,729	1,635	1,729	1,635
	1,060,711	620,881	1,015,718	610,834

25 Provision for Loss on Unwinding of Derivatives

As disclosed in the summary of significant accounting policies, the Group had entered into interest rate swap contracts to protect the Group against upward movements in interest rates . Payments relating to these periodic cash settled contracts are recognised as a component of interest income or expense over the period of the contracts. Gains and losses on early termination of interest rate swaps are taken to the income statement.

During the financial year, the Company had terminated a number of its interest rate swap contracts in view of the sharp decline in both short-term and long-term interest rates. However, in view of continuing uncertainties in the global economy, the Group had evaluated and made arrangements to further terminate some of its swap positions. A provision has been recognised at the end of the financial year for the expected amount of loss on the termination in respect of these contracts.

Subsequent to the financial year end, the Group terminated the said swap contracts and the provision for loss on unwinding of derivatives was substantially utilised.

The movements during the financial year in the amount recognised in the financial statements are as follows:

	Group and Company	
	2008 RM'000	2007 RM'000
At 1 January	-	-
Charged to income statement	151,713	-
At 31 December	151,713	-

26 Amounts Due to Subsidiaries and A Related Company

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

27 Hire-Purchase Payables

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

	Group and Company	
	31.12.2008	**31.12.2007**
	RM'000	**RM'000**
Minimum payments:		
- Not later than 1 year	90	90
- Later than 1 year and not later than 5 years	84	174
	174	264
Less: Future finance charges	(25)	(38)
Present value of liabilities	149	226
Present value of liabilities:		
- Not later than 1 year	77	77
- Later than 1 year and not later than 5 years	72	149
	149	226

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

As at 31 December 2008, the effective interest rate applicable to the lease liabilities was 3.33% (31.12.2007: 3.29%) per annum for the Group and Company. The entire balance is denominated in Ringgit Malaysia.

28 Borrowings (Secured)

	Group and Company		
	Weighted average rate of finance	**31.12.2008**	**31.12.2007**
	%	**RM'000**	**RM'000**
Current:			
Term loans	5.11	437,621	209,932
Revolving credit facilities	4.58	46,995	49,597
Finance lease liabilities	6.09	51,224	19,021
Commodity Murabaha Finance	5.04	8,145	-
		543,985	278,550
Non-current:			
Term loans	5.11	4,509,447	3,093,322
Finance lease liabilities	6.09	1,099,319	325,799
Commodity Murabaha Finance	5.04	117,942	-
Sukuk	4.98	420,000	-
		6,146,708	3,419,121
Total borrowings		6,690,693	3,697,671

28 Borrowings (Secured) (continued)

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

	Group and Company	
	31.12.2008	**31.12.2007**
	RM'000	**RM'000**
Not later than 1 year	543,985	278,550
Later than 1 year and not later than 5 years	2,091,234	997,703
Later than 5 years	4,055,474	2,421,418
	6,690,693	3,697,671

The currency exposure profile of borrowings is as follows:

Ringgit Malaysia	593,081	49,597
USD	5,949,766	3,500,237
EURO	147,846	147,837
	6,690,693	3,697,671

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

The repayment terms of borrowings are on a quarterly or semi-annually basis. The borrowings are secured by the following:

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

(b) Assignment of insurance of each aircraft

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

(d) Assignment of simulator warranties

The Commodity Murabaha Finance is secured by a second priority charge over the aircraft.

The purpose of the Sukuk was to fund the Company's capital expenditure and working capital.

The Sukuk is secured by the following:

(i) An unconditional and irrevocable bank guarantee, and;

(ii) An assignment over the proceeds of the Ijarah Service Reserve Account opened by the Company pursuant to the exercise.

29 Share Capital

	Group and Company	
	31.12.2008	31.12.2007
	RM'000	RM'000
Authorised:		
Ordinary shares of RM0.10 each:		
At beginning and end of the financial year/period	500,000	500,000
Issued and fully paid up:		
Ordinary shares of RM0.10 each:		
At beginning of the financial year/period	237,154	236,077
Issued during the financial year/period	267	1,077
At end of the financial year/period	237,421	237,154

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM237,154,058 to RM237,420,958 by way of issuance of 2,669,000 ordinary shares of RM0.10 each pursuant to the exercise of the Employee Share Option Scheme ("ESOS") at the exercise price of RM1.08 per share. The premium arising from the exercise of ESOS of RM2,615,620 has been credited to the Share Premium account.

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

The main features of the ESOS are as follows:

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

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

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

(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.

29 Share Capital (continued)

Employee Share Option Scheme ("ESOS") (continued)

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

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

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

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

At 31 December 2008, options to subscribe for 31,528,900 (31.12.2007: 37,230,000) ordinary shares of RM0.10 each at the exercise price of RM1.08 per share remain unexercised.

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

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

Grant date	Expiry date	Exercise price RM/share	At 1.1.2008 '000	Granted '000	Exercised '000	Lapsed '000	At 31.12.2008 '000
1 September 2004	6 June 2009	1.08	37,230	-	(2,669)	(3,032)	31,529

	31.12.2008 '000	31.12.2007 '000
Number of share options vested at balance sheet date	31,529	19,805

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

Exercise date	Quoted price of shares at share issue date RM/share	Exercise price RM/share	Number of shares issued '000
January 2008 to February 2008	1.46-1.64	1.08	1,561
March 2008 to April 2008	1.29-1.53	1.08	803
May 2008	1.01-1.17	1.08	147
October 2008	1.17-1.25	1.08	126
December 2008	0.88	1.08	32
			2,669

29 Share Capital (continued)

Employee Share Option Scheme ("ESOS") (continued)

	31.12.2008 '000	31.12.2007 '000
Ordinary share capital at par	267	1,077
Share premium	2,615	10,559
Proceeds received on exercise of share options	2,882	11,636
Fair value at exercise date of shares issued	3,918	20,587

30 Retained Earnings

Under the single-tier tax system introduced by the Finance Act 2007 which came into effect from the year of assessment 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders.

Companies with Section 108 credits as at 31 December 2008 may continue to pay franked dividends until the Section 108 credits are exhausted or 31 December 2013, whichever is earlier, unless they opt to disregard the Section 108 credits to pay single-tier dividends under the special transitional provisions of the Finance Act 2007.

As at 31 December 2008, the Company has sufficient Section 108 tax credits to pay approximately RM19.0 million (31.12.2007: RM17.9 million) of its retained earnings of the Company as franked dividends. The extent of the retained earnings not covered at that date amounted to RM623.7 million (31.12.2007: RM1,120.1 million). The tax credits under Section 108(6) of the Act are subject to the agreement by the Inland Revenue Board.

In addition, the Company has tax exempt income as at 31 December 2008 amounting to approximately RM0.5 million (31.12.2007: RM0.5 million) available for distribution as tax exempt dividends to shareholders. This tax exempt income is subject to the agreement by the Inland Revenue Board.

31 Commitments

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

	Group and Company	
	31.12.2008 RM'000	31.12.2007 RM'000
Property, plant and equipment:		
Approved and contracted for	17,684,836	19,786,549
Approved but not contracted for	8,581,247	8,139,809
	26,266,083	27,926,358
Property, plant and equipment:		
Share of a jointly controlled entity's capital commitments	3,365	17,576
Share of an associate's capital commitments	4,754	18,943

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

31 Commitments (continued)

(b) Non-cancellable operating leases

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

	Group and Company			
	31.12.2008		31.12.2007	
	Future minimum lease payments RM'000	Future minimum sublease receipts RM'000	Future minimum lease payments RM'000	Future minimum sublease receipts RM'000
Not later than 1 year	55,355	259,350	82,729	66,912
Later than 1 year and not later than 5 years	100,629	500,251	157,530	43,012
Later than 5 years	-	-	18,318	-
	155,984	759,601	258,577	109,924

Sublease receipts include lease receipts from both owned and leased aircraft.

32 Contingent Liabilities

During the financial year, the dispute by the Company over certain expenses charged by a service provider amounting to RM19.9 million, which was disclosed as a contingent liability in the previous financial period, has been resolved in the Company's favour.

Thai AirAsia Co. Ltd ("TAA"), a jointly controlled entity of the Group, has contingent liabilities relating to guarantees issued by banks in respect of the company's pilot trainees loans in accordance with the pilot professional course amounting to RM5.0 million (31.12.2007: RM5.0 million) which will be terminated when the student pilot earns a commercial pilot license and is assigned as co-pilot, or whenever the pilot trainee can completely settle all outstanding debt with the bank. However, TAA can fully reclaim the said liabilities from the pilot trainees' guarantors as the guarantees have been pledged with TAA.

33 Segmental Information

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

34 Significant Related Party Transactions

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

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

Key management personnel are categorised as head or senior management officers of key operating divisions within the Group and Company. The key management compensation is disclosed in Note 34(e) below.

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

34 Significant Related Party Transactions (continued)

	Group		Company	
	Year ended 31.12.2008 RM'000	6 months financial period ended 31.12.2007 RM'000	Year ended 31.12.2008 RM'000	6 months financial period ended 31.12.2007 RM'000
(a) Income:				
Aircraft operating lease income for owned and leased aircraft				
- Thai AirAsia	122,935	34,456	122,935	34,456
- Indonesia AirAsia	56,350	18,740	56,350	18,740
Services charged to AirAsia X Sdn Bhd	53,102	10,483	53,102	10,483
(b) Recharges:				
Maintenance and overhaul charges				
- Thai AirAsia	51,102	30,176	51,102	30,176
- Indonesia AirAsia	43,865	19,546	43,865	19,546
Loss on unwinding of derivatives				
- Thai AirAsia	221,724	-	211,724	-
- Indonesia AirAsia	206,707	-	206,707	-

	31.12.2008 RM'000	31.12.2007 RM'000	31.12.2008 RM'000	31.12.2007 RM'000
(c) Receivables:				
- AirAsia Mauritius	-	-	189,502	95,815
- AirAsia International Limited	-	-	3,112	3,910
- Thai AirAsia	340,627	74,285	120,181	-
- Indonesia AirAsia	378,526	81,571	378,526	81,571
- AirAsia Philippines	9,121	6,598	9,121	6,598
(d) Payables:				
- AirAsia Go Holiday Sdn Bhd	-	-	16,890	10,022
- Crunchtime Culinary Services Sdn Bhd	-	-	1,133	1,347
- Thai AirAsia	-	-	-	21,337
- AirAsia Pte Limited	4,359	3,761	4,359	3,761
- AirAsia X Sdn Bhd	3,634	3,528	3,634	3,528
(e) Key management compensation				
- basic salaries, bonus and allowances	10,155	6,102	10,155	6,102
- defined contribution plan	1,219	658	1,219	658
- other emoluments	-	1,928	-	1,928
	11,374	8,688	11,374	8,688

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

35 Financial Risk Management Policies

The Group's financial risk management policy seeks to ensure that the financial resources that are available for the development of the Group's businesses are constantly monitored and managed vis-a-vis its ongoing exposure to fuel price, interest rate, foreign currency, credit, market, liquidity and cash flow risks. The Group operates within defined guidelines that are approved and reviewed periodically by the Board to minimise the effects of such volatility on its financial performance.

The policies in respect of the major areas of treasury activities are as follows:

(a) Fuel price risk

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

The year also saw unprecedented volatility in crude and jet fuel prices with WTI rising from USD100 per barrel to an unprecedented level of USD147 before plummeting to USD35 within a 5 month period, rendering the Group's fuel hedges costly to acquire. When fuel prices dropped drastically, these hedges then turned expensive to maintain, requiring swift decisive actions to unwind the positions that became untenable.

(b) Interest rate risk

In view of the substantial borrowings taken to finance the acquisition of aircraft, the Group's income and operating cash flows are also influenced by changes in market interest rates. Interest rate exposure arises from the Group's borrowings and deposits and is managed by maintaining a prudent mix of fixed and floating rate debt and derivative financial instruments. Derivative financial instruments are used, as far as possible and where appropriate, to generate the desired fixed interest rate profile. Surplus funds are placed with reputable financial institutions at the most favourable interest rates.

The Group had previously entered into a number of immediate and forward start interest rate swap contracts and Ringgit cross currency swap contracts that will effectively convert its existing and future long-term floating rate debt facilities into fixed rate debts. However, loans for approximately 2% of total long term debt are not currently covered by such swaps and have therefore remained at floating rates linked to the London Inter Bank Offer Rate ("LIBOR").

During the financial year, the Company has terminated a number of its interest rate swap contracts in view of the sharp decline in both short-term and long-term interest rates.

The remaining terms of the outstanding interest rate swap contracts of the Company at 31 December 2008, which are denominated in US Dollars, are as follows:

	Year ended 31.12.2008 RM'000 equivalent	**6 months financial period ended 31.12.2007 RM'000 equivalent**
Later than 5 years	5,167,456	5,320,707
	5,167,456	5,320,707

The notional principal amount of the outstanding Ringgit cross currency swap contracts of the Company at 31 December 2008 was RM228 million.

35 Financial Risk Management Policies (continued)

(b) Interest rate risk (continued)

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

Financial Instruments	Functional currency/ currency exposure	Effective interest at balance sheet date % per annum	Total carrying amount RM'000	Floating interest rate RM'000	Fixed interest rate: 1 year or less RM'000	> 1-2 years RM'000	> 2-3 years RM'000	> 3-4 years RM'000	> 4-5 years RM'000	More than 5 years RM'000
Group and Company										
31 December 2008										
Deposits with licensed bank	RM/RM	3.27	81,137	-	81,137	-	-	-	-	-
Term loans	RM/USD	5.11	(4,947,068)	(232,706)	(312,398)	(331,383)	(335,578)	(346,688)	(351,769)	(3,036,546)
Finance lease	RM/USD	6.09	(1,150,543)	-	(51,224)	(54,579)	(58,153)	(61,830)	(66,009)	(858,748)
Commodity Murabaha Finance	RM/USD	3.54	(126,087)	-	(8,145)	(8,593)	(9,067)	(9,566)	(10,094)	(80,622)
Sukuk	RM/RM	4.98	(420,000)	-	-	-	-	-	(420,000)	-
Revolving credit	RM/USD	4.58	(46,995)	-	(46,995)	-	-	-	-	-
Hire-purchase payables	RM/RM	3.33	(149)	-	(77)	(72)	-	-	-	-
			(6,609,705)	(232,706)	(337,702)	(394,627)	(402,798)	(418,084)	(847,872)	(3,975,916)

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

35 Financial Risk Management Policies (continued)

(c) Foreign currency risk

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

The Company enters into forward foreign currency exchange contracts to limit its exposure on foreign currency receivables and payables. At 31 December 2008, the settlement dates on open forward contracts are in accordance with the loan instalment repayment dates (31.12.2007: No change). The foreign currency amounts to be received and contractual exchange rates of the Company's outstanding contracts were as follows:

Hedge item	Currency to be received	Currency to be paid	RM'000 equivalent	Contractual rate
As at 31 December 2008	USD	MYR	4,268,044	3.000-3.369
As at 31 December 2007	USD	MYR	3,335,716	3.000-3.369

The net unrecognised and unrealised losses at 31 December 2008 on open contracts which hedge future payments on term loans amounted to RM78.9 million (31.12.2007: RM69.2 million).The full extent of crystallisation of any favourable or unfavourable variances can only be ascertained upon realisation of each settlement over the period of the long-term hedge contracts. The nature and amount of variance may vary over time.

(d) Credit risk

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

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

The Group generally has no concentration of credit risk arising out of trade receivables.

(e) Market risk

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

(f) Liquidity and cash flow risks

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

36 Fair Values of Financial Instruments for Disclosure Purposes

On balance sheet financial instruments

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

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

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

	31.12.2008		31.12.2007	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Group and Company				
Borrowings (non-current portion)	6,146,708	4,451,556	3,419,121	3,443,865
Hire-purchase payables (non-current portion)	72	69	149	143

Derivative financial instruments

The fair value of derivative financial instruments as at the balance sheet date is as follows:

(a) Fuel options contracts

	Maturity period	Contract or notional principal amount Barrels	Unfavourable net fair value RM'000
Group and Company			
31.12.2008			
Fuel options contracts	1.1.2009 – 30.6.2010	11,430,000	37,669
31.12.2007			
Fuel options contracts	1.1.2008 – 30.6.2010	46,340,000	127,918

(b) Other derivatives

	31.12.2008		31.12.2007	
	Notional amount RM'000 equivalent	Fair value RM'000	Notional amount RM'000 equivalent	Fair value RM'000
Interest rate swaps	5,205,199	(844,786)	5,320,707	(166,270)
Cross currency interest rate swaps	245,939	(6,419)	-	-
Foreign currency forward contracts	4,719,010	(78,953)	3,335,716	(69,191)

36 Fair Values of Financial Instruments for Disclosure Purposes (continued)

(b) Other derivatives (continued)

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

37 Reclassification

Certain comparative figures have been reclassified to conform with the current year's presentation for purposes of fairer presentation, as follows:

	As previously reported RM'000	Reclassification RM'000	As restated RM'000
Income statements for the 6 months financial period ended 31.12.2007			
Group			
Depreciation of property, plant and equipment	120,031	9,730	129,761
Finance costs	79,718	10,930	90,648
Other operating expenses	73,403	32,536	105,939
Other income	11,393	53,196	64,589
Company			
Depreciation of property, plant and equipment	120,031	9,730	129,761
Finance costs	79,718	10,930	90,648
Other operating expenses	72,902	32,536	105,438
Other income	11,355	53,196	64,551

Operating sublease income for owned aircraft which was previously offset against depreciation of property, plant and equipment and finance costs has now been regrossed and classified in other income.

Operating sublease income for leased aircraft which was previously offset against other operating expenses has now been regrossed and classified in other income.

38 Comparative Figures

The comparative figures for the income statements, statements of changes in equity and cash flows and related notes are not comparable as they are for the 6 months financial period ended 31 December 2007.

39 Approval Of Financial Statements

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 30 April 2009.

Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, Dato' Anthony Francis Fernandes and Dato' Kamarudin Bin Meranun, being two of the Directors of AirAsia Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 66 to 120 are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at 31 December 2008 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 FRSs, the MASB approved accounting standards in Malaysia for Entities Other than Private Entities.

In accordance with a resolution of the Board of Directors dated 30 April 2009.

Dato' Sri Anthony Francis Fernandes
Director

Dato' Kamarudin Bin Meranun
Director

Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, Rozman Bin Omar, the Officer primarily responsible for the financial management of AirAsia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 66 to 120 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Rozman Bin Omar

Subscribed and solemnly declared by the abovenamed Rozman Bin Omar at Petaling Jaya in Malaysia on 30 April 2009, before me.

PESURUHJAYA SUMPAH
B 299
K. CHERIAN ABRAHAM
MALAYSIA

1-5, Block F1, Jalan PJU 1/42,
Dataran Prima, [illegible] Petaling Jaya
[illegible] Ehsan

Commissioner for Oaths

Independent Auditors' Report

To the Members of Airasia Berhad (Incorporated in Malaysia) (Company No. 284669 W)

Report On The Financial Statements

We have audited the financial statements of AirAsia Berhad, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 66 to 120.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with MASB approved accounting standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with MASB approved accounting standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2008 and of their financial performance and cash flows for the financial year then ended.

Report On Other Legal And Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in note 12 to the financial statements.

c) We are 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 financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PricewaterhouseCoopers
(No. AF: 1146)
Chartered Accountants

Sridharan Nair
(No. 2656/05/10 (J))
Chartered Accountant

Kuala Lumpur
30 April 2009

Analysis of Shareholdings

as at 8 June 2009

Distribution of Shareholdings

Class of shares: Ordinary shares of RM0.10 each ("Shares")

Voting rights: One vote per ordinary shares

Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	41	0.19	838	0.00
100 – 1,000	6,180	28.05	5,698,850	0.24
1,001 – 10,000	13,082	59.37	56,176,908	2.37
10,001 – 100,000	2,346	10.65	66,497,580	2.80
100,001 to less than 5% of issued shares	383	1.74	1,046,421,022	44.05
5% and above of issued shares	4	0.02	1,200,216,382	50.54
	22,036	100.00	2,375,011,580	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 are as follows:

	Direct		Indirect	
	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
Tune Air Sdn Bhd	729,458,382	30.71	-	-
Dato' Sri Anthony Francis Fernandes	2,627,010	0.11	729,458,382[1]	30.71
Dato' Kamarudin bin Meranun	1,692,900	0.07	729,458,382[1]	30.71
Employees Provident Fund Board	229,835,600	9.68	-	-
Nomad Investment Partnership LP Cayman	-	-	138,400,000[2]	5.83

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

[2] Shares held under HSBC Nominees (Asing) Sdn Bhd

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 are as follows:

	Direct		Indirect	
	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
Dato' Sri Anthony Francis Fernandes	2,627,010	0.11	729,458,382[1]	30.71
Dato' Kamarudin bin Meranun	1,692,900	0.07	729,458,382[1]	30.71
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	-	-	-	-
Conor Mc Carthy	100,000	-*	24,710,403[2]	1.04
Dato' Leong Sonny @ Leong Khee Seong	100,000	-*	-	-
Fam Lee Ee	200,000	0.01	-	-
Datuk Alias bin Ali	-	-	-	-
Dato' Mohamed Khadar bin Merican	-	-	-	-

Notes

* Negligible.

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

[2] Shares held under HSBC Nominees (Asing) Sdn Bhd Exempt AN for Credit Suisse (SG BR-TST-Asing)

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

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

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

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

Analysis of Shareholdings *(continued)*

as at 8 June 2009

Thirty (30) Largest Shareholders

	Name of Shareholders	No. of Shares Held	% of Issued Share Capital
1.	Tune Air Sdn Bhd	715,458,382	30.12
2.	Employees Provident Fund Board	202,279,700	8.52
3.	HSBC Nominees (Asing) Sdn Bhd *Exempt An For JPMorgan Chase Bank, National Association (U.K.)*	144,078,300	6.07
4.	HSBC Nominees (Asing) Sdn Bhd *TNTC for The Nomad Investment Partnership LP Cayman*	138,400,000	5.83
5.	ECML Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Raja Mohd Azmi B Raja Razali (001)*	117,600,000	4.95
6.	HSBC Nominees (Asing) Sdn Bhd *Exempt AN for Morgan Stanley & Co. International PLC (Client)*	113,270,000	4.77
7.	HSBC Nominees (Asing) Sdn Bhd *RBS Coutts Zur for Alliance Global Mutual Fund Ltd.*	97,763,900	4.12
8.	Lembaga Tabung Haji	85,723,430	3.61
9.	HSBC Nominees (Asing) Sdn Bhd *BBH (LUX) SCA for Genesis Smaller Companies*	70,246,200	2.96
10.	Citigroup Nominees (Asing) Sdn Bhd *Exempt AN for Citibank NA, Singapore (Julius Baer)*	47,341,800	1.99
11.	ECM Libra Investment Bank Berhad *IVT (A02) for ECM Libra Investment Bank Berhad*	41,226,300	1.74
12.	HSBC Nominees (Asing) Sdn Bhd *Exempt AN for Credit Suisse (SG BR-TST-Asing)*	23,430,403	0.99
13.	HSBC Nominees (Tempatan) Sdn Bhd *Nomura Asset Mgmt Malaysia for Employees Provident Fund*	19,044,600	0.80
14.	HSBC Nominees (Asing) Sdn Bhd *Exempt AN For JPMorgan Chase Bank, National Association (U.S.A)*	18,808,400	0.79
15.	EB Nominees (Tempatan) Sendirian Berhad *Pledge Securities Account for Tune Air Sdn Bhd (KLM)*	14,000,000	0.59
16.	Mayban Nominees (Tempatan) Sdn Bhd *Mayban Trustees Berhad for Public Ittikal Fund (N14011970240)*	13,850,900	0.58
17.	Nor Ashikin Binti Khamis	13,049,700	0.55
18.	HSBC Nominees (Asing) Sdn Bhd *TNTC for Saudi Arabian Monetary Agency*	12,730,000	0.54
19.	Cartaban Nominees (Asing) Sdn Bhd *SSBT Fund SW80 For California Public Employees Retirement System*	11,941,800	0.50
20.	HSBC Nominees (Asing) Sdn Bhd *Exempt AN For JPMorgan Chase Bank, National Association (Jersey)*	11,672,200	0.49
21.	HSBC Nominees (Asing) Sdn Bhd *Exempt AN for Morgan Stanley & Co. Incorporated (Client)*	11,400,300	0.48
22.	Inverway Sdn Bhd	10,920,600	0.46
23.	Deucalion Capital II Limited	9,700,000	0.41
24.	HSBC Nominees (Asing) Sdn Bhd *BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund*	9,691,648	0.41
25.	HSBC Nominees (Asing) Sdn Bhd *Exempt AN for The Bank of New York Mellon (Mellon Acct)*	9,140,000	0.38
26.	HSBC Nominees (Asing) Sdn Bhd *BBH and Co Boston for Merril Lynch Global Small Cap Fund*	8,864,400	0.37
27.	Cartaban Nominees (Asing) Sdn Bhd *Government of Singapore Investment Corporation Pte Ltd for Government of Singapore (C)*	8,297,300	0.35
28.	Amanah Raya Nominees (Tempatan) Sdn Bhd *Public Islamic Sector Select Fund*	8,080,000	0.34
29.	Mayban Nominees (Tempatan) Sdn Bhd *Mayban Trustees Berhad for Public Regular Savings Fund (N14011940100)*	8,040,800	0.34
30.	Mayban Nominees (Tempatan) Sdn Bhd *Mayban Trustees Berhad for Saham Amanah Sabah (ACC2-940410)*	6,631,900	0.28

List of Properties Held

Save as disclosed below, as at 31 December 2008. Neither the Company nor any of its subsidiaries owned any land or building:

Owner of building	Postal address/ location of building	Description/ existing use of building	Tenure/ Date of expiry of lease	Build up area	Approximate age of building	Audited net book value as at 31 December 2008 (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 63 months	1,928
AirAsia Berhad	Lot PT25, Jalan KLIA S5, Southern Support Zone KL International Airport, 64000 Sepang, Selangor, Malaysia	Aircraft Simulator building	30 years/ 31 March 2034	4,996.58 metre2	Approximately 43 month	12,717

Notes:

(1) On the fitness of occupation of the hangar, it is the subject of a year-to-year"Kelulusan Permit Bangunan Sementara" issued by the Majlis Daerah Sepang. The permit has been renewed and will expire on December 31, 2009.

(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 one year tenancy from September 30, 2008 to September 30, 2009.

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 Sixteenth Annual General Meeting of AirAsia Berhad (284669-W) ("the Company") will be held at AirAsia Academy, Lot PT25B, Jalan KLIA S5, Southern Support Zone, Kuala Lumpur International Airport, 64000 Sepang, Selangor Darul Ehsan on Monday, 3 August 2009 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 31 December 2008. (Resolution 1)
2. To approve Directors' Fees of RM983,000 for the financial year ended 31 December 2008. (Resolution 2)
3. To re-elect the following Directors who retire pursuant to Article 124 of the Company's Articles of Association:
   a) Dato' Sri Anthony Francis Fernandes (Resolution 3)
   b) Dato' Kamarudin Bin Meranun (Resolution 4)
4. To consider and, if thought fit, pass the following resolution pursuant to Section 129 of the Companies Act, 1965:
   "THAT Dato' Leong Sonny @ Leong Khee Seong, 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 5)
5. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 6)

As Special Business

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

6. **Ordinary Resolution – Authority to Allot Shares Pursuant to Section 132D of the Companies Act, 1965**
   "THAT pursuant to Section 132D of the Companies Act, 1965 and subject to the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue shares in the capital of the Company from time to time and upon such terms and conditions and for such purposes as the Directors may in their discretion deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being (excluding the number of ordinary shares arising from the exercise of the Employees' Share Option Scheme) and that the Directors be and are hereby also empowered to obtain the approval from the Bursa Malaysia Securities Berhad for the listing and quotation of the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company." (Resolution 7)

Other Ordinary Business

7. To transact any other business for which due notice shall have been given in accordance with the Articles of Association of the Company and the Companies Act, 1965.

By Order of the Board

Jasmindar Kaur A/P Sarban Singh (MAICSA 7002687)
Company Secretary

Selangor Darul Ehsan
26 June 2009

Notes:

1. **Extension of time to table the audited financial statements for the year ended 31 December 2008 at the Sixteenth Annual General Meeting**

   The Companies Commission of Malaysia vide its letter dated 20 May 2009 had granted the Company an extension of time up to 31 August 2009 to table its audited financial statements for the year ended 31 December 2008 at the Sixteenth Annual General Meeting.

2. **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 as defined under the Central Depositories Act, 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.

3. **Explanatory Note to Special Business:**

   Ordinary Resolution – Resolution 7 – Authority to Directors to issue and allot shares pursuant to Section 132D of the Companies Act, 1965.

   The effect of the resolution under Resolution 7 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 Annual General Meeting

For The Year Ended 31 December 2008

Directors Standing for Re-Election at the Sixteenth Annual General Meeting of the Company

The Directors who are standing for re-election at the Sixteenth Annual General Meeting are as follows:

a) Pursuant to Article 124 of the Articles of Association of the Company:
   i) Dato' Sri Anthony Francis Fernandes
   ii) Dato' Kamarudin Bin Meranun

b) Pursuant to Section 129 of the Companies Act, 1965:
   i) Dato' Leong Sonny @ Leong Khee Seong

The details of the above Directors standing for re-election are set out in the Profile of Directors from pages 12 to 16 of this Annual Report. Their securities holdings in the Company are set out on page 124 to 125 of this Annual Report.

Airline Terminology

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

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 Sixteenth Annual General Meeting of the Company to be held on Monday, 3 August 2009 at 10.00 a.m. and at any adjournment of such meeting and to vote as indicated below:

Ordinary Resolution	Description	For	Against
No. 1	**Ordinary Business** Receive the Audited Financial Statements and Reports		
No. 2	Approval of Directors' Fees		
No. 3	Re-election of Dato' Sri Anthony Francis Fernandes		
No. 4	Re-election of Dato' Kamarudin Bin Meranun		
No. 5	Re-appointment of Dato' Leong Sonny @ Leong Khee Seong		
No. 6	Re-appointment of Auditors		
No. 7	**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 as defined under the Central Depositories Act, 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.**

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Proxy Form

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

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