

**THAI AIRASIA COMPANY LIMITED**

**INTERIM FINANCIAL INFORMATION (UNAUDITED)**

**30 JUNE 2012**



## AUDITOR'S REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of Thai AirAsia Company Limited

I have reviewed the accompanying statement of financial position as at 30 June 2012, the related statements of comprehensive income for the three-month and six-month periods ended 30 June 2012 and 2011, the related statement of changes in shareholders' equity, and cash flows for the six-month periods ended 30 June 2012 and 2011, and condensed notes to interim financial information of Thai AirAsia Company Limited. Management is responsible for the preparation and presentation of this interim of financial information in accordance with Thai Accounting Standard 34, "Interim Financial Reporting". My responsibility is to express a conclusion on this interim financial information based on my reviews.

### Scope of review

I conducted my reviews in accordance with Thai Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity". A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Thai Standards on Auditing and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

### Conclusion

Based on my reviews, nothing has come to my attention that causes me to believe that the interim financial information is not prepared, in all material respects, in accordance with Thai Accounting Standard 34, "Interim Financial Reporting".



**Statement of financial position as at 31 December 2011 presented for comparative purposes**

I have audited the financial statements for the year ended 31 December 2011 of Thai AirAsia Company Limited, in accordance with Thai Standards on Auditing and expressed an unqualified opinion on those statements in my report dated 8 March 2012. The statements of financial position as at 31 December 2011, presented for comparative purposes, are part of the financial statements. I have not performed any other auditing procedures subsequent to the date of that report.

A handwritten signature in black ink, appearing to read 'Chanchai Chaiprasit', with a large, stylized flourish at the end.

Chanchai Chaiprasit  
Certified Public Accountant (Thailand) No. 3760  
PricewaterhouseCoopers ABAS Ltd.

Bangkok  
8 August 2012

**Thai AirAsia Company Limited**  
**Statements of Financial Position**  
**As at 30 June 2012 and 31 December 2011**

	<b>Notes</b>	<b>Unaudited 30 June 2012 Baht</b>	<b>Audited 31 December 2011 Baht</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		2,771,288,591	1,359,702,567
Cash at financial institutions pledged as security		174,483,200	14,458,500
Short-term investments		2,186,548,882	9,120,279
Trade and other receivables	6	332,883,703	191,835,196
Amounts due from related parties	12.5	204,148,019	275,965,053
Inventories		50,074,854	51,232,834
Prepaid expenses		332,166,821	225,538,898
Value added tax receivable, net		61,631,240	689,158,323
Other current assets		18,665,336	19,339,214
<b>Total current assets</b>		<b>6,131,890,646</b>	<b>2,836,350,864</b>
<b>Non-current assets</b>			
Cash at financial institutions pledged as security		8,152,226	56,000,000
General investment		6,929,500	6,929,500
Leasehold improvements and equipment, net	8	372,831,195	302,933,748
Intangible assets, net	8	11,493,796	14,260,815
Other non-current assets		626,900,746	573,371,519
<b>Total non-current assets</b>		<b>1,026,307,463</b>	<b>953,495,582</b>
<b>Total assets</b>		<b>7,158,198,109</b>	<b>3,789,846,446</b>

The accompanying notes are an integral part of these interim financial information.

**Thai AirAsia Company Limited**  
**Statements of Financial Position (Cont'd)**  
**As at 30 June 2012 and 31 December 2011**

		<b>Unaudited</b>	<b>Audited</b>
		<b>30 June</b>	<b>31 December</b>
		<b>2012</b>	<b>2011</b>
	<b>Notes</b>	<b>Baht</b>	<b>Baht</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Trade accounts payable		72,755,760	105,931,528
Other accounts payable		91,377,248	66,368,776
Amounts due to related parties	12.6	372,271,473	361,092,140
Deferred revenues		2,989,642,702	2,716,364,349
Accrued expenses		456,630,551	476,097,173
Accrued income tax		46,583,323	-
Current portion of long-term borrowing from a financial institution	9	-	486,000,000
Current portion of finance lease liabilities		4,162,144	4,767,819
Other current liabilities		31,803,337	14,029,860
<b>Total current liabilities</b>		<b>4,065,226,538</b>	<b>4,230,651,645</b>
<b>Non-current liabilities</b>			
Long-term borrowing from a financial institution	9	-	13,163,251
Finance lease liabilities		7,694,796	9,254,534
Employee benefit obligations		100,706,723	82,752,289
<b>Total non-current liabilities</b>		<b>108,401,519</b>	<b>105,170,074</b>
<b>Total liabilities</b>		<b>4,173,628,057</b>	<b>4,335,821,719</b>

The accompanying notes are an integral part of these interim financial information.

**Thai AirAsia Company Limited**  
**Statements of Financial Position (Cont'd)**  
**As at 30 June 2012 and 31 December 2011**

	<b>Note</b>	<b>Unaudited 30 June 2012 Baht</b>	<b>Audited 31 December 2011 Baht</b>
<b>Liabilities and shareholders' equity (Cont'd)</b>			
<b>Shareholders' equity</b>			
Share capital	10		
Authorised share capital			
Ordinary shares, shares 43,555,560 shares of par Baht 10 each (31 December 2011 : 40,000,000 shares of par Baht 10 each)		435,555,600	400,000,000
Issued and paid-up share capital			
Ordinary shares, shares 43,555,560 shares of paid-up Baht 10 each (31 December 2011 : 40,000,000 shares of paid-up Baht 10 each)		435,555,600	400,000,000
Premium on share capital		2,628,786,469	1,227,629
Deficits		(79,772,017)	(947,202,902)
<b>Total shareholders' equity</b>		<b>2,984,570,052</b>	<b>(545,975,273)</b>
<b>Total liabilities and shareholders' equity</b>		<b>7,158,198,109</b>	<b>3,789,846,446</b>

The accompanying notes are an integral part of these interim financial information.

**Thai AirAsia Company Limited**  
**Statements of Comprehensive Income (Unaudited)**  
**For the three-month periods ended 30 June 2012 and 2011**

	<b>Note</b>	<b>2012</b> <b>Baht</b>	<b>2011</b> <b>Baht</b>
Revenues		4,432,775,279	3,832,737,735
Operating costs		<u>(4,110,747,398)</u>	<u>(3,429,136,872)</u>
<b>Gross profit</b>		322,027,881	403,600,863
Net gain on exchange rates		44,813,867	68,022,497
Other income		<u>115,083,642</u>	<u>107,418,958</u>
<b>Profit before expenses</b>		481,925,390	579,042,318
Selling expenses		(62,857,723)	(81,102,562)
Administrative expenses		<u>(124,760,651)</u>	<u>(89,349,419)</u>
<b>Profit before finance costs and income tax</b>		294,307,016	408,590,337
Finance costs		<u>(162,704)</u>	<u>(80,494,794)</u>
<b>Profit before income tax</b>		294,144,312	328,095,543
Income tax		<u>(48,355,749)</u>	<u>-</u>
<b>Net profit for the period</b>		<u>245,788,563</u>	<u>328,095,543</u>
<b>Total comprehensive income for the period</b>		<u><u>245,788,563</u></u>	<u><u>328,095,543</u></u>
<b>Earnings per share</b>			
Basic earnings per share	11	<u><u>5.95</u></u>	<u><u>8.20</u></u>

The accompanying notes are an integral part of these interim financial information.

**Thai AirAsia Company Limited**  
**Statements of Comprehensive Income (Unaudited) (Cont'd)**  
**For the six-month periods ended 30 June 2012 and 2011**

	<b>Note</b>	<b>2012</b> <b>Baht</b>	<b>2011</b> <b>Baht</b>
Revenues		9,300,883,996	7,992,986,545
Operating costs		<u>(8,141,492,371)</u>	<u>(6,644,977,460)</u>
<b>Gross profit</b>		1,159,391,625	1,348,009,085
Net gain on exchange rates		48,157,276	103,991,110
Other income		<u>211,360,760</u>	<u>265,851,688</u>
<b>Profit before expenses</b>		1,418,909,661	1,717,851,883
Selling expenses		(260,185,031)	(174,040,703)
Administrative expenses		<u>(236,792,673)</u>	<u>(168,486,642)</u>
<b>Profit before finance costs and income tax</b>		921,931,957	1,375,324,538
Finance costs		<u>(6,145,323)</u>	<u>(155,632,461)</u>
<b>Profit before income tax</b>		915,786,634	1,219,692,077
Income tax		<u>(48,355,749)</u>	<u>-</u>
<b>Net profit for the period</b>		<u>867,430,885</u>	<u>1,219,692,077</u>
<b>Total comprehensive income for the period</b>		<u><u>867,430,885</u></u>	<u><u>1,219,692,077</u></u>
<b>Earnings per share</b>			
Basic earnings per share	11	<u><u>21.34</u></u>	<u><u>30.49</u></u>

The accompanying notes are an integral part of these interim financial information.



**Thai AirAsia Company Limited**  
**Statements of Changes in Shareholder's Equity (Unaudited)**  
**For the six-month periods ended 30 June 2012 and 2011**

	<u>Notes</u>	<u>Issued and paid-up share capital Baht</u>	<u>Premium on share capital Baht</u>	<u>Deficits Baht</u>	<u>Total Baht</u>
<b>Opening balance as at 1 January 2011</b>		400,000,000	1,227,629	(2,904,178,505)	(2,502,950,876)
Adjustment for adoption of a new accounting standard	4.1	-	-	(63,083,056)	(63,083,056)
<b>Balance after adjustment</b>		400,000,000	1,227,629	(2,967,261,561)	(2,566,033,932)
Total comprehensive income for the period		-	-	1,219,692,077	1,219,692,077
<b>Closing balance as at 30 June 2011</b>		<u>400,000,000</u>	<u>1,227,629</u>	<u>(1,747,569,484)</u>	<u>(1,346,341,855)</u>
<b>Opening balance as at 1 January 2012</b>		400,000,000	1,227,629	(947,202,902)	(545,975,273)
Proceeds from shares issued	10	35,555,600	2,627,558,840	-	2,663,114,440
Total comprehensive income for the period		-	-	867,430,885	867,430,885
<b>Closing balance as at 30 June 2012</b>		<u>435,555,600</u>	<u>2,628,786,469</u>	<u>(79,772,017)</u>	<u>2,984,570,052</u>

The accompanying notes are an integral part of these interim financial information.

**Thai AirAsia Company Limited**  
**Statements of Cash Flows (Unaudited)**  
**For the six-month periods ended 30 June 2012 and 2011**

	<b>Note</b>	<b>2012</b> <b>Baht</b>	<b>2011</b> <b>Baht</b>
<b>Cash flows from operating activities</b>			
Profit before income tax		915,786,634	1,219,692,077
Adjustments for:			
Depreciation	8	35,097,979	34,057,708
Amortisation	8	2,007,910	2,472,697
Loss (gain) on disposals and write-offs of leasehold improvements, equipment, and intangible assets		1,201,320	(2,825,465)
Employee benefit expenses		17,954,434	9,385,432
Unrealised gain on exchange rates		(36,658,785)	(28,579,778)
Finance costs		6,145,323	155,632,461
Interest income		(26,231,270)	(117,506,274)
		<u>915,303,545</u>	<u>1,272,328,858</u>
<b>Changes in operating assets and liabilities:</b>			
- Cash at financial institutions pledged as security		(112,176,926)	1,954,800
- Trade and other receivables		(129,541,212)	(3,972,122)
- Amounts due from related parties		73,809,331	1,513,208,557
- Inventories		1,157,980	(3,028,142)
- Prepaid expenses		(106,627,923)	(114,909,257)
- Value added tax receivable		627,527,083	(14,841,699)
- Other current assets		673,878	51,690,421
- Other non-current assets		(53,529,227)	(34,213,667)
- Trade accounts payable		(33,175,768)	22,798,630
- Other accounts payable		24,233,382	39,587,762
- Amounts due to related parties		11,179,333	(2,960,630,730)
- Deferred revenues		273,278,353	15,111,811
- Accrued expenses		(26,888,065)	(90,819,311)
- Other current liabilities		17,773,477	(6,922,159)
		<u>1,482,997,241</u>	<u>(312,656,248)</u>
Cash generated from (used in) operation		1,482,997,241	(312,656,248)
Interest paid		-	(147,818,788)
Interest received		5,051,864	125,372,325
Income tax paid		(1,772,426)	-
		<u>1,486,276,679</u>	<u>(335,102,711)</u>
Net cash generated from (used in) operating activities		<u>1,486,276,679</u>	<u>(335,102,711)</u>

The accompanying notes are an integral part of these financial statements.

**Thai AirAsia Company Limited**  
**Statements of Cash Flows (Unaudited) (Cont'd)**  
**For the six-month periods ended 30 June 2012 and 2011**

	<b>Notes</b>	<b>2012 Baht</b>	<b>2011 Baht</b>
<b>Cash flows from investing activities</b>			
Payment for short-term loan to director		-	(63,041,201)
Repayment of short-term loan to director		-	38,041,201
Payments for short-term investment		(2,177,428,603)	-
Proceeds from disposals of leasehold improvements and equipment		1,235,439	3,181,732
Payments for leasehold improvements and equipment		(98,488,679)	(25,421,542)
Payments for intangible assets		(327,000)	(775,370)
Interest received		7,679,814	1,649,024
Net cash used in investing activities		<u>(2,267,329,029)</u>	<u>(46,366,156)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares	10	2,663,114,440	-
Repayments of short-term borrowings from a financial institution		-	(200,000,000)
Repayments of finance lease		(1,826,277)	(2,027,069)
Proceeds from long-term borrowing from a financial institution		-	961,163,251
Repayments of long-term borrowing from a financial institution	9	(499,163,251)	(40,500,000)
Interest paid		(6,145,323)	(7,609,254)
Net cash generated from financing activities		<u>2,155,979,589</u>	<u>711,026,928</u>
<b>Net increase in cash and cash equivalents</b>		1,374,927,239	329,558,061
Cash and cash equivalents at the beginning of the year		1,359,702,567	507,821,793
Effect of exchange rates		36,658,785	28,579,778
<b>Cash and cash equivalents at the end of the year</b>		<u><u>2,771,288,591</u></u>	<u><u>865,959,632</u></u>

**Non-cash transactions**

Significant non-cash transactions during the periods ended 30 June 2012 and 2011 are as follows:

Purchase of leasehold improvements and equipment which have not been paid	7,857,397	10,924,504
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The accompanying notes are an integral part of these financial statements.

**Thai AirAsia Company Limited**  
**Condensed Notes to Interim Financial Information (Unaudited)**  
**For the three-month and six-month periods ended 30 June 2012 and 2011**

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**1 General information**

Thai AirAsia Company Limited (“the Company”) is a limited company and incorporated in Thailand. The address of the Company’s registered office is as follows:

99 OSC Building, 1<sup>st</sup> floor, Moo 5, Kingkaew Road, Rachatewa, Bangplee, Samutprakarn 10540.

The principal business operation of the Company is to provide low-fare airline service.

On 4 May 2012 the Company was changed from a joint venture of Asia Aviation Public Company Limited, incorporated in Thailand and AirAsia Investment Ltd., incorporated in Malaysia to a subsidiary of Asia Aviation Public Company Limited in accordance with “Amend and Restated Shareholders’ Agreement” between Asia Aviation Public Company Limited and Air Asia Investment Ltd., which own 55% and 45% of the Company’s shares, respectively (31 December 2011: 51% and 49%, respectively).

The interim financial information were approved by the Board of Directors on 8 August 2012.

These interim financial information have been reviewed, not audited.

**2 Basis of preparation**

These interim financial information are prepared in accordance with Thai Generally Accepted Accounting Principles under the Accounting Act B.E. 2543, being those Thai Accounting Standards issued under the Accounting Professions Act B.E. 2547, and the financial reporting requirements of the Securities and Exchange Commission (“SEC”) under the Securities and Exchange Act. The primary financial information (i.e., statement of financial position, statements of comprehensive income, changes in shareholders’ equity and cash flows) are prepared in the full format as required by SEC. The notes to the financial information are prepared in a condensed format according to Thai Accounting Standard 34, “Interim Financial Reporting” and additional notes are presented as required by the SEC.

These interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011.

An English version of the interim financial information has been prepared from the interim financial information that is in the Thai language. In the event of a conflict or a difference in interpretation between the two languages, the Thai language interim financial information shall prevail.

### **3 Significant accounting policies**

The accounting policies used in the preparation of the interim financial information are consistent with those used in the financial statements for the year ended 31 December 2011 except as described in Note 4.

#### **New accounting standards, amendments to accounting standards and new financial reporting standards**

The new accounting standards, amendments to accounting standards and new financial reporting standards are currently mandatory for the accounting periods beginning on or after 1 January 2013, which are relevant to the Company but the Company has not early adopted them are as follows:

TAS 12	Income taxes
TAS 21 (Revised 2009)	The Effects of Changes in Foreign Exchange Rates
TFRS 8	Operating Segments

The Company's management has assessed and determined that the new accounting standards, amendments to accounting standards and new financial reporting standards will not significantly impact the interim financial information being presented, except for TAS 12 which the management is currently assessing the impact of applying this standard.

TFRS 8: The standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Company will apply this standard from 1 January 2013. The expected impact is still being assessed in detail by management, it appears that the Group may need to disclose operating segments that is consistent with the internal reporting provided to the chief operating decision-maker.

Costs that are incurred unevenly during the financial year are anticipated or deferred in the interim report only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

#### **4 New accounting policies**

##### **4.1) Employee benefits**

The Company has applied Thai Accounting Standard 19, which dealt with accounting for employee benefits since 1 January 2011 by adjusting a total amount against the deficits as of 1 January 2011. The effects of the adoption of the above standards were as follows:

	<u>Baht</u>
<b>Statement of changes in shareholders' equity</b>	
Deficits as of 1 January 2011 increased	63,083,056

##### **4.2) Share-based payment**

As disclosed in Note 7, the Company has share-based payment transactions so the Company applied Thai Financial Reporting Standard 2, which dealt with accounting for transactions in which an entity receives goods or services as consideration for either:

- Equity instruments of the entity (equity-settled) which is recognised as equity; or
- Cash or other assets, the amount of which is based on the price or value of the entity's share (cash-settled) that is recognised as liability.

The measurement of the transaction is based on the fair value of the goods or service received. The equity-settled transactions are not re-measured once the grant date fair value has been determined. The cash-settled transactions are required to be re-measured at the date of each statement of financial position and at the date of settlement, with change in fair value recognised in profit or loss.

#### **5 Segment information**

The Company does not disclose the segment information because there is no significant business segment other than the provision of air transportation services.

**Thai AirAsia Company Limited**  
**Condensed Notes to Interim Financial Information (Unaudited)**  
**For the three-month and six-month periods ended 30 June 2012 and 2011**

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**6 Trade and other receivables**

	<b>Unaudited 30 June 2012 Baht</b>	<b>Audited 31 December 2011 Baht</b>
Trade accounts receivable	263,136,604	155,797,194
Accrued revenues	48,820,371	32,542,570
Other accounts receivable	20,926,728	3,495,432
Total trade and other receivables	<u>332,883,703</u>	<u>191,835,196</u>

Trade accounts receivable can be analysed by age as follows:

	<b>Unaudited 30 June 2012 Baht</b>	<b>Audited 31 December 2011 Baht</b>
Up to 3 months	236,558,872	141,043,413
3 - 6 months	12,875,664	7,461,857
6 - 12 months	7,419,143	5,007,647
Over 12 months	6,282,925	2,284,277
Total trade accounts receivable	<u>263,136,604</u>	<u>155,797,194</u>

**7 Share-based payment**

On 9 May 2012, the Company announced to allot new issuance of initial public offering ordinary share of Asia Aviation Public Company Limited, the parent company of 23.69 million shares totalling Baht 87.65 million to grant to its eligible employees. The value of the shares granted to employees is equal to the public offering price of the shares. The plan is conditional on completed service of the employees for one year after initial public offering date of the parent company, then the employees would be able to sell the granted shares.

On 29 May 2012, the eligible employees acquired the granted shares totalling 23.69 million shares.

During the period, the Company recognised the expenses related to cash-settled share-based payments in the statement of comprehensive income totalling Baht 14.61 million.

**Thai AirAsia Company Limited**  
**Condensed Notes to Interim Financial Information (Unaudited)**  
**For the three-month and six-month periods ended 30 June 2012 and 2011**

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**8 Leasehold improvements, equipment and intangible assets, net**

	<b>Unaudited</b>	
	<b>Leasehold improvements and equipment Baht</b>	<b>Intangible assets Baht</b>
<b>For the six-month period ended 30 June 2012</b>		
Opening net book amount	302,933,748	14,260,815
Additions	106,346,075	327,000
Disposals, net	(1,350,649)	(1,086,109)
Depreciation/amortisation	(35,097,979)	(2,007,910)
Closing net book amount	<u>372,831,195</u>	<u>11,493,796</u>

**9 Long-term borrowing from a financial institution**

Maturity of long-term borrowing from a financial institution is as follows:

	<b>Unaudited 30 June 2012 Baht</b>	<b>Audited 31 December 2011 Baht</b>
Within 1 year	-	486,000,000
Over 1 year but less than 5 years	-	13,163,251
	-	<u>499,163,251</u>

Movements in long-term borrowing from a financial institution are summarised as follows:

	<b>Unaudited Baht</b>
<b>For the six-month period ended 30 June 2012</b>	
Opening book amount	499,163,251
Loan repayments	<u>(499,163,251)</u>
Closing book amount	<u>-</u>



**Thai AirAsia Company Limited**  
**Condensed Notes to Interim Financial Information (Unaudited)**  
**For the three-month and six-month periods ended 30 June 2012 and 2011**

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**10 Share capital**

	<b>Par value Baht</b>	<b>Number of authorised ordinary shares Shares</b>	<b>Issued and paid-up ordinary shares Shares</b>	<b>Issued and paid-up ordinary shares Baht</b>	<b>Share premium Baht</b>	<b>Total Baht</b>
At 1 January 2012	10	40,000,000	40,000,000	400,000,000	1,227,629	401,227,629
Issue of shares	10	3,555,560	3,555,560	35,555,600	2,627,558,840	2,663,114,440
As at 30 June 2012	10	43,555,560	43,555,560	435,555,600	2,628,786,469	3,064,342,069

At the Extraordinary Shareholders' Meeting of the Company held on 15 February 2012, the shareholders approved an increase in registered share capital of the Company from 40,000,000 shares to 43,555,560 shares by issuing additional ordinary shares of 3,555,560 shares with a par value of Baht 10 each in order to offer for the existing shareholders. The Company registered such increase in share capital with the Ministry of Commerce on 29 May 2012.

**11 Earnings per share**

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of paid-up ordinary shares outstanding during the period.

	<b>For the three-month periods ended 30 June (Unaudited)</b>	
	<b>2012 Baht</b>	<b>2011 Baht</b>
Net profit for the period attributable to ordinary shareholders (Baht)	245,788,563	328,095,543
Weighted average number of paid-up ordinary shares outstanding during the period (Shares)	41,289,379	40,000,000
Basic earnings per share (Baht)	5.95	8.20

  

	<b>For the six-month periods ended 30 June (Unaudited)</b>	
	<b>2012 Baht</b>	<b>2011 Baht</b>
Net profit for the period attributable to ordinary shareholders (Baht)	867,430,885	1,219,692,077
Weighted average number of paid-up ordinary shares outstanding during the period (Shares)	40,644,689	40,000,000
Basic earnings per share (Baht)	21.34	30.49

The Company does not have diluted ordinary shares as at 30 June 2012 and 2011.

**Thai AirAsia Company Limited**  
**Condensed Notes to Interim Financial Information (Unaudited)**  
**For the three-month and six-month periods ended 30 June 2012 and 2011**

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**12 Related party transactions**

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related-party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

On 30 June 2012, the Company are controlled by Asia Aviation Public Company Limited which owns 55% of the Company (31 December 2011: 51%).

Related party transactions were carried out on conditions as follows:

	<u>Pricing policies</u>
- Interest income	At a mutual agreed rate and equivalent to interest expenses rate paid to other related parties.
- Share of loss (gain) on fuel price swap agreements	Based on fuel consumption ratio.
- Share of staff costs for accounting services	Actual staff costs allocated by number of aircrafts.
- Aircraft rental	For aircrafts owned by AirAsia Berhad, rental charge is based on AirAsia Berhad's cost of capital. For sub-leased aircrafts, rental charge is based on master agreement that AirAsia Group has leased from a third party adjusted with some assumptions to reflect the Company's credit risk profile.
- Aircraft repair and maintenance	Based on the average of the contractual amount between AirAsia Berhad and the vendor, adjusted for annual escalation and stepped incremental rates under the master agreement.
- Expenses paid on behalf for purchasing of merchandises and equipment	At the purchase price with third parties.
- Management fee expenses	At agreement price with AirAsia Berhad.
- Booking fee expenses	At agreement price which approximates the master agreement that AirAsia Group has agreed with third parties.
- Pilot training expenses	Under negotiation process with Asian Aviation Centre of Excellence Sdn Bhd (CAE).
- Brand license fee <sup>(a)</sup>	At 1% of total revenues per annum (started in 2012).
- Interest expenses	At a rate equivalent to AirAsia Group's borrowing rate.

<sup>(a)</sup> On 18 June 2012, the Company had received the letter from AirAsia Berhad to waive the brand license fee charge for one year from 1 January 2012 to 31 December 2012.

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**12 Related party transactions (Cont'd)**

The following significant transactions were carried out with related parties:

**12.1) Income**

	<b>For the three-month periods ended 30 June (Unaudited)</b>	
	<b>2012</b>	<b>2011</b>
	<b>Baht</b>	<b>Baht</b>
<b>Interest income</b>		
Parent company	225,173	-
Other related parties	213,719	67,349,904
A director	-	378,625
	<u>438,892</u>	<u>67,728,529</u>

	<b>For the six-month periods ended 30 June (Unaudited)</b>	
	<b>2012</b>	<b>2011</b>
	<b>Baht</b>	<b>Baht</b>
<b>Interest income</b>		
Parent company	225,173	-
Other related parties	1,767,124	115,042,394
A director	-	814,858
	<u>1,992,297</u>	<u>115,857,252</u>

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**12 Related party transactions (Cont'd)**

The following significant transactions were carried out with related parties: (Cont'd)

**12.2) Purchases of goods and services**

	<b>For the three-month periods ended 30 June (Unaudited)</b>	
	<b>2012</b>	<b>2011</b>
	<b>Baht</b>	<b>Baht</b>
<b>Share of loss (gain) from fuel swap agreements</b>		
Other related party	<u>13,310,040</u>	<u>(4,836,593)</u>
<b>Share of staff costs for accounting services</b>		
Other related party	<u>(6,650,707)</u>	<u>(5,539,183)</u>
<b>Aircraft rental</b>		
Other related party	<u>795,491,658</u>	<u>654,622,332</u>
<b>Aircraft repair and maintenance</b>		
Other related party	<u>310,842,829</u>	<u>236,506,333</u>
<b>Purchase of merchandises and equipment</b>		
Other related party	<u>60,829,290</u>	<u>17,832,996</u>
<b>Management fee expenses</b>		
Other related party	<u>3,794,832</u>	<u>3,657,108</u>
<b>Booking fee expenses</b>		
Other related party	<u>16,522,448</u>	<u>13,294,833</u>
<b>Pilot training expenses</b>		
Other related party	<u>11,349,369</u>	<u>-</u>
<b>Interest expenses</b>		
Other related party	<u>-</u>	<u>72,996,882</u>

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**12 Related party transactions (Cont'd)**

The following significant transactions were carried out with related parties: (Cont'd)

**12.2) Purchases of goods and services (Cont'd)**

	<b>For the six-month periods ended 30 June (Unaudited)</b>	
	<b>2012</b>	<b>2011</b>
	<b>Baht</b>	<b>Baht</b>
<b>Share of gain from fuel swap agreements</b>		
Other related party	<u>(26,587,162)</u>	<u>(16,157,184)</u>
<b>Share of staff costs for accounting services</b>		
Other related party	<u>(15,524,245)</u>	<u>(13,652,332)</u>
<b>Aircraft rental</b>		
Other related party	<u>1,548,563,675</u>	<u>1,309,778,799</u>
<b>Aircraft repair and maintenance</b>		
Other related party	<u>602,201,418</u>	<u>477,107,508</u>
<b>Purchase of merchandises and equipment</b>		
Other related party	<u>106,904,917</u>	<u>36,637,346</u>
<b>Management fee expenses</b>		
Other related party	<u>7,497,164</u>	<u>7,356,112</u>
<b>Booking fee expenses</b>		
Other related party	<u>34,320,517</u>	<u>28,425,594</u>
<b>Pilot training expenses</b>		
Other related party	<u>46,676,646</u>	<u>-</u>
<b>Interest expenses</b>		
Other related party	<u>-</u>	<u>147,818,788</u>

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**12 Related party transactions (Cont'd)**

The following significant transactions were carried out with related parties: (Cont'd)

**12.3) Management remunerations**

Key management includes directors (executive and non-executive). The compensation paid or payable to key management for employee service is shown below:

	<b>For the three-month periods ended 30 June (Unaudited)</b>	
	<b>2012</b>	<b>2011</b>
	<b>Baht</b>	<b>Baht</b>
Salaries and other short-term employee benefits	21,836,959	10,976,165
Retirement benefits	11,128,189	524,059
	<u>32,965,148</u>	<u>11,500,224</u>
	<b>For the six-month periods ended 30 June (Unaudited)</b>	
	<b>2012</b>	<b>2011</b>
	<b>Baht</b>	<b>Baht</b>
Salaries and other short-term employee benefits	32,648,690	27,970,275
Retirement benefits	11,709,080	1,048,121
	<u>44,357,770</u>	<u>29,018,396</u>

**12.4) Passenger revenues and expenses received and paid on behalf**

	<b>For the three-month periods ended 30 June (Unaudited)</b>	
	<b>2012</b>	<b>2011</b>
	<b>Baht</b>	<b>Baht</b>
- Passenger revenues received on behalf of the Company by other related parties	671,103,502	940,679,691
- Cash received on behalf of other related party	101,384,569	122,493,867
- Expenses paid on behalf of the Company by other related parties	81,965,237	232,796,897
- Advance payment on behalf of other related Parties and parent company	38,650,411	101,026,470

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**12 Related party transactions (Cont'd)**

The following significant transactions were carried out with related parties: (Cont'd)

**12.4) Passenger revenues and expenses received and paid on behalf (Cont'd)**

	<b>For the six-month periods ended 30 June (Unaudited)</b>	
	<b>2012</b>	<b>2011</b>
	<b>Baht</b>	<b>Baht</b>
- Passenger revenues received on behalf of the Company by other related parties	1,333,420,061	2,467,706,804
- Cash received on behalf of other related party	224,371,440	255,152,611
- Expenses paid on behalf of the Company by other related parties	232,304,219	349,982,317
- Advance payment on behalf of other related parties and parent company	85,718,028	259,083,712

Outstanding balances arising from receivables, payables, other non-current assets and accrued expenses are summarised as follows:

**12.5) Amounts due from related parties**

	<b>Unaudited 30 June 2012 Baht</b>	<b>Audited 31 December 2011 Baht</b>
<b>Amounts due from related parties</b>		
Other related parties	204,148,019	275,965,053

Amounts due from related parties have been charged the interest for overdue amount at 6.00% per annum (2011: 6.00% per annum).

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**12 Related party transactions (Cont'd)**

Outstanding balances arising from receivables, payables, other non-current assets and accrued expenses are summarised as follows: (Cont'd)

**12.6) Amounts due to related parties**

	<b>Unaudited 30 June 2012 Baht</b>	<b>Audited 31 December 2011 Baht</b>
<b>Amounts due to related parties</b>		
Other related party	372,271,473	361,092,140

Amounts due to related parties are mainly denominated in US Dollars and have been charged the interest for overdue amount at 6.00% per annum (2011: 6.00% per annum).

**12.7) Other non-current assets**

	<b>Unaudited 30 June 2012 Baht</b>	<b>Audited 31 December 2011 Baht</b>
<b>Aircraft rental deposits</b>		
Other related party	543,750,636	497,866,890
<b>Fuel price swap deposits</b>		
Other related party	15,843,550	15,775,250

**12.8) Accrued expenses**

	<b>Unaudited 30 June 2012 Baht</b>	<b>Audited 31 December 2011 Baht</b>
<b>Accrued pilot training expenses</b>		
Other related party	41,836,866	-



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**13 Net fair value of financial instruments**

**Fuel price swap agreements**

The net fair value of fuel price swap agreements at the statement of financial position date is as follows:

	<b>Unaudited 30 June 2012 US Dollars</b>	<b>Audited 31 December 2011 US Dollars</b>
Favourable (unfavourable) fuel price swap agreements	<u>(5,203,792)</u>	<u>1,611,554</u>

**14 Commitments**

For the six-month periods ended 30 June 2012, there were no significant changes in commitments or contingent liabilities from the year ended 31 December 2011 (please see financial statements for the year ended 31 December 2011).

As at 30 June 2012, the Company had outstanding commitments in respect of non-cancellable aircraft lease agreements made with AirAsia (Mauritius) Limited, a related company and insurance agreements of the 24 aircrafts (As at 31 December 2011: 22 aircrafts) as follows:

	<b>Unaudited 30 June 2012</b>		<b>Audited 31 December 2011</b>	
	<b>Rental US Dollars</b>	<b>Insurance agreement US Dollars</b>	<b>Rental US Dollars</b>	<b>Insurance agreement US Dollars</b>
Within 1 year	100,620,000	2,504,372	89,700,977	805,951
Later than 1 year but not later than 5 years	402,480,000	-	116,267,650	-
Later than 5 years	442,385,814	-	46,039,785	-
Total	<u>945,485,814</u>	<u>2,504,372</u>	<u>252,008,412</u>	<u>805,951</u>

**15 Guarantee**

As at 30 June 2012, there was a commitment related to the guarantees issued by banks in respect of pilot trainees' loans in accordance with their professional pilot courses amounting to Baht 26.9 million (31 December 2011: Baht 26.9 million).

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**16 Letters of guarantee**

The Company had commitments relating to guarantees issued by banks in respect of ground handling, technical support, and other flight operating activities in the ordinary course of business as follows:

	<b>Unaudited</b>			<b>Audited</b>		
	<b>30 June 2012</b>			<b>31 December 2011</b>		
	<b>Baht</b>	<b>US</b>	<b>India</b>	<b>Baht</b>	<b>US</b>	<b>India</b>
<b>million</b>	<b>Dollars</b>	<b>Rupee</b>	<b>million</b>	<b>Dollars</b>	<b>Rupee</b>	
	<b>million</b>	<b>million</b>	<b>million</b>	<b>million</b>	<b>million</b>	<b>million</b>
Guarantees relating to flight operating activities	5.60	0.39	30.83	5.60	0.09	27.83
Guarantees relating to value added tax refund process	631.11	-	-	-	-	-
<b>Total</b>	<b>636.71</b>	<b>0.39</b>	<b>30.83</b>	<b>5.60</b>	<b>0.09</b>	<b>27.83</b>

The Company also used its fixed-deposit accounts and bills of exchange as collateral for these letters of guarantee as follows:

	<b>Unaudited</b>		<b>Audited</b>	
	<b>30 June 2012</b>		<b>31 December 2011</b>	
	<b>Baht</b>	<b>India Rupee</b>	<b>Baht</b>	<b>India Rupee</b>
	<b>million</b>	<b>million</b>	<b>million</b>	<b>million</b>
Fixed-deposit accounts	8.40	31.13	6.00	27.83
Bills of exchange	158.00	-	-	-
<b>Total</b>	<b>166.40</b>	<b>31.13</b>	<b>6.00</b>	<b>27.83</b>