

ASIA AVIATION COMPANY LIMITED

**INTERIM PROPORTIONATE CONSOLIDATED AND
COMPANY FINANCIAL STATEMENTS
(UNAUDITED)**

30 SEPTEMBER 2011



AUDITOR'S REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

To the Board of Directors of Asia Aviation Company Limited

I have reviewed the accompanying proportionate consolidated and company statements of financial position as at 30 September 2011 of Asia Aviation Company Limited, and the related proportionate consolidated and company statements of comprehensive income for the three-month and nine-month periods ended 30 September 2011 and 2010, and the related statements of changes in shareholders' equity, and cash flows for the nine-month periods ended 30 September 2011 and 2010. The Company's management is responsible for the correctness and completeness of information in these interim financial statements. My responsibility is to issue a report on these interim financial statements based on my reviews.

I conducted my reviews in accordance with the standard on auditing applicable to review engagements. This standard requires that I plan and perform a review to obtain moderate assurance as to whether the interim financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data, and thus provides less assurance than an audit, and accordingly, I do not express an audit opinion.

Based on my reviews, nothing has come to my attention that causes me to believe that the proportionate consolidated and company interim financial statements referred to above are not presented fairly, in all material respects, in accordance with generally accepted accounting principles.

I have audited the special purpose proportionate consolidated financial statements and the company statutory financial statements for the year ended 31 December 2010 of Asia Aviation Company Limited in accordance with generally accepted auditing standards and expressed unqualified opinions on those statements in my reports dated 2 February 2012 and 30 May 2011, respectively. The special purpose proportionate consolidated financial statements are the Company's first proportionate consolidated financial statements which were adjusted and prepared to comply with Thai Financial Reporting Standard ("TFRS") and the financial reporting requirements of the Securities and Exchange Commission. Referring to Note 6 to the financial statements, "Retrospective adjustment", during the year 2007, the Company over recorded impairment loss on investment in a joint venture amounting to Baht 400 million in the company statutory financial statements. Consequently, the Company restated the company statutory financial statements for the year ended 2010 as presented herewith for comparative purposes. I have already audited the retrospective adjustment and view that the retrospective adjustment was appropriately made. The proportionate consolidated and company statements of financial position as at 31 December 2010, presented for comparative purposes, is a part of the financial statements which I have audited and issued reports thereon, and I have not performed any other auditing procedures subsequent to the date of those reports except for the retrospective adjustment on the company financial statements as stated above.

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

Bangkok
2 February 2012

Asia Aviation Company Limited
Statements of Financial Position
As at 30 September 2011 and 31 December 2010

		Proportionate consolidated		Company	
		(Unaudited)	(Audited)	(Unaudited)	(Audited)
	Notes	30 September	31 December	30 September	31 December
		2011	2010	2011	2010
		Baht	Baht	Baht	Restated
					Baht
Assets					
Current assets					
Cash and cash equivalents		643,565,776	260,382,950	3,414,736	6,472,054
Short-term investments		4,506,422	4,489,237	-	-
Trade accounts receivable, net	8	81,749,229	41,979,518	-	-
Amounts due from related parties	14.5	144,007,578	1,366,092,516	-	-
Short-term loan to a director	14.7	-	52,583,531	-	-
Inventories		5,917,721	3,195,014	-	-
Prepaid expenses		153,528,868	89,121,327	-	-
Value added tax receivable, net		306,998,327	135,384,430	-	-
Other current assets		39,251,595	57,162,678	2,905,847	-
Total current assets		1,379,525,516	2,010,391,201	6,320,583	6,472,054
Non-current assets					
Cash at financial institutions pledged as security	11, 12, 18	36,000,017	37,487,800	-	-
Investment in a joint venture	9	-	-	400,000,000	400,000,000
General investment		3,464,750	3,743,550	-	-
Building improvements and equipment, net	10	140,612,397	137,327,711	2,006	5,800
Intangible assets, net	10	9,080,917	10,563,422	1,052	2,012
Goodwill	9	286,184,317	286,184,317	-	-
Other non-current assets		268,471,194	240,112,467	-	-
Total non-current assets		743,813,592	715,419,267	400,003,058	400,007,812
Total assets		2,123,339,108	2,725,810,468	406,323,641	406,479,866

The condensed notes to the interim proportionate consolidated and company financial statements form an integral part of these interim financial statements.

Asia Aviation Company Limited
Statements of Financial Position (Cont'd)
As at 30 September 2011 and 31 December 2010

		Proportionate consolidated		Company	
		(Unaudited)	(Audited)	(Unaudited)	(Audited)
	Notes	30 September	31 December	30 September	31 December
		2011	2010	2011	2010
		Baht	Baht	Baht	Restated
					Baht
Liabilities and shareholders' equity					
Current liabilities					
Short-term borrowings from a financial institution	11	-	100,000,000	-	-
Trade accounts payable		109,602,101	135,568,113	-	-
Amounts due to related parties	14.6	175,162,405	2,081,108,171	811,430	486,987
Deferred revenues		1,483,770,350	1,186,722,330	-	-
Accrued expenses		169,752,127	146,893,539	1,194,905	100,000
Other accounts payable		38,373,017	13,462,797	-	-
Current portion of long-term borrowing from a financial institution	12	243,000,000	-	-	-
Current portion of finance lease liabilities		2,469,606	579,141	-	-
Other current liabilities		16,590,294	20,190,524	10,296	5,167
Total current liabilities		2,238,719,900	3,684,524,615	2,016,631	592,154
Non-current liabilities					
Long-term borrowing from a financial institution	12	126,831,626	-	-	-
Finance lease liabilities		5,072,719	689,263	-	-
Employee benefit obligations	13	38,580,602	-	-	-
Total non-current liabilities		170,484,947	689,263	-	-
Total liabilities		2,409,204,847	3,685,213,878	2,016,631	592,154

The condensed notes to the interim proportionate consolidated and company financial statements form an integral part of these interim financial statements.

Asia Aviation Company Limited
Statements of Financial Position (Cont'd)
As at 30 September 2011 and 31 December 2010

	Proportionate consolidated		Company	
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	30 September	31 December	30 September	31 December
	2011	2010	2011	2010
				Restated
	Baht	Baht	Baht	Baht
Liabilities and shareholders' equity (Cont'd)				
Shareholders' equity				
Share capital				
Authorised share capital				
Ordinary shares,				
shares 41,000,000 shares				
of par Baht 10 each				
	<u>410,000,000</u>	<u>410,000,000</u>	<u>410,000,000</u>	<u>410,000,000</u>
Issued and paid-up share capital				
Ordinary shares,				
shares 41,000,000 shares				
of paid-up Baht 10 each				
	410,000,000	410,000,000	410,000,000	410,000,000
Deficits	<u>(695,865,739)</u>	<u>(1,369,403,410)</u>	<u>(5,692,990)</u>	<u>(4,112,288)</u>
Total shareholders' equity	<u>(285,865,739)</u>	<u>(959,403,410)</u>	<u>404,307,010</u>	<u>405,887,712</u>
Total liabilities and shareholders' equity	<u>2,123,339,108</u>	<u>2,725,810,468</u>	<u>406,323,641</u>	<u>406,479,866</u>

The condensed notes to the interim proportionate consolidated and company financial statements form an integral part of these interim financial statements.

Asia Aviation Company Limited
Statements of Comprehensive Income (Unaudited)
For the three-month periods ended 30 September 2011 and 2010

	Notes	Proportionate consolidated		Company	
		2011 Baht	2010 Baht	2011 Baht	2010 Baht
Revenues		1,886,016,476	1,397,626,075	-	-
Operating costs		(1,733,536,349)	(1,229,040,882)	-	-
Gross profit		152,480,127	168,585,193	-	-
Net gain on exchange rates		9,456,179	59,311,924	-	-
Other income		48,065,614	30,572,956	-	-
Profit before expenses		210,001,920	258,470,073	-	-
Selling expenses		(55,173,415)	(32,265,535)	-	-
Administrative expenses		(45,974,636)	(32,108,694)	(1,237,265)	(138,618)
Management remunerations	14.3	(4,247,832)	(3,714,028)	-	-
Profit (loss) before finance costs and income tax		104,606,037	190,381,816	(1,237,265)	(138,618)
Finance costs		(9,029,441)	(33,733,982)	-	-
Profit (loss) before income tax		95,576,596	156,647,834	(1,237,265)	(138,618)
Income tax		-	-	-	-
Profit (loss) for the period		95,576,596	156,647,834	(1,237,265)	(138,618)
Total comprehensive income (expense) for the period		95,576,596	156,647,834	(1,237,265)	(138,618)
Earnings (loss) per share	19				
Basic earnings (loss) per share		0.02	0.04	(0.00)	(0.00)

The condensed notes to the interim proportionate consolidated and company financial statements form an integral part of these interim financial statements.

Asia Aviation Company Limited
Statements of Comprehensive Income (Unaudited) (Cont'd)
For the nine-month periods ended 30 September 2011 and 2010

	Notes	Proportionate consolidated		Company	
		2011 Baht	2010 Baht	2011 Baht	2010 Baht
Revenues		5,859,472,430	4,207,762,112	-	-
Operating costs		(5,056,025,079)	(3,695,236,070)	-	-
Gross profit		803,447,351	512,526,042	-	-
Net gain on exchange rates		61,451,734	134,927,380	-	-
Other income		204,043,285	105,239,520	14,508	8,099
Profit before expenses		1,068,942,370	752,692,942	14,508	8,099
Selling expenses		(142,193,765)	(101,948,873)	-	-
Administrative expenses		(116,590,764)	(80,098,880)	(1,595,210)	(453,972)
Management remunerations	14.3	(18,232,970)	(11,139,568)	-	-
Profit (loss) before finance costs and income tax		791,924,871	559,505,621	(1,580,702)	(445,873)
Finance costs		(86,845,672)	(83,933,007)	-	-
Profit (loss) before income tax		705,079,199	475,572,614	(1,580,702)	(445,873)
Income tax		-	-	-	-
Profit (loss) for the period		705,079,199	475,572,614	(1,580,702)	(445,873)
Total comprehensive income (expense) for the period		705,079,199	475,572,614	(1,580,702)	(445,873)
Earnings (loss) per share	19				
Basic earnings (loss) per share		0.17	0.12	(0.00)	(0.00)

The condensed notes to the interim proportionate consolidated and company financial statements form an integral part of these interim financial statements.

Asia Aviation Company Limited
 Statements of Changes in Shareholders' Equity (Unaudited)
 For the nine-month periods ended 30 September 2011 and 2010

	Note	Proportionate consolidated		
		Issued and paid-up share capital Baht	Deficits Baht	Total Baht
Opening balance as at 1 January 2010		410,000,000	(2,374,345,788)	(1,964,345,788)
Total comprehensive income for the period		-	475,572,614	475,572,614
Closing balance as at 30 September 2010		<u>410,000,000</u>	<u>(1,898,773,174)</u>	<u>(1,488,773,174)</u>
Opening balance as at 1 January 2011		410,000,000	(1,369,403,410)	(959,403,410)
Adjustment for adoption of a new accounting standard	5	-	(31,541,528)	(31,541,528)
Balance after adjustment		410,000,000	(1,400,944,938)	(990,944,938)
Total comprehensive income for the period		-	705,079,199	705,079,199
Closing balance as at 30 September 2011		<u>410,000,000</u>	<u>(695,865,739)</u>	<u>(285,865,739)</u>

The condensed notes to the interim proportionate consolidated and company financial statements form an integral part of these interim financial statements.

Asia Aviation Company Limited
Statements of Changes in Shareholders' Equity (Unaudited) (Cont'd)
For the nine-month periods ended 30 September 2011 and 2010

	Notes	Company		
		Issued and paid-up share capital Baht	Deficits Baht	Total Baht
Opening balance as at 1 January 2010 - As previously reported		410,000,000	(403,536,647)	6,463,353
Retrospective adjustment	6		400,000,000	400,000,000
Opening balance as at 1 January 2010 - As restated		410,000,000	(3,536,647)	406,463,353
Total comprehensive expense for the period		-	(445,873)	(445,873)
Closing balance as at 30 September 2010		<u>410,000,000</u>	<u>(3,982,520)</u>	<u>406,017,480</u>
Opening balance as at 1 January 2011 - As previously reported		410,000,000	(404,112,288)	5,887,712
Retrospective adjustment	6		400,000,000	400,000,000
Opening balance as at 1 January 2011 - As restated		410,000,000	(4,112,288)	405,887,712
Adjustment for adoption of a new accounting standard	5	-	-	-
Balance after adjustment		410,000,000	(4,112,288)	405,887,712
Total comprehensive expense for the period		-	(1,580,702)	(1,580,702)
Closing balance as at 30 September 2011		<u>410,000,000</u>	<u>(5,692,990)</u>	<u>404,307,010</u>

The condensed notes to the interim proportionate consolidated and company financial statements form an integral part of these interim financial statements.

Asia Aviation Company Limited
Statements of Cash Flows (Unaudited)
For the nine-month periods ended 30 September 2011 and 2010

	Notes	Proportionate consolidated		Company	
		2011 Baht	2010 Baht	2011 Baht	2010 Baht
Cash flows from operating activities					
Profit (loss) before income tax for the period		705,079,199	475,572,614	(1,580,702)	(445,873)
Adjustments for:					
Depreciation	10	24,960,540	48,709,830	3,794	6,103
Amortisation	10	1,870,794	1,589,790	960	963
Gain on disposals of building improvements and equipment		(1,914,227)	(191,368)	-	-
Loss on assets written off		1,088,126	-	-	-
Employee benefit obligations	13	7,039,074	-	-	-
Unrealised gain on exchange rates		(7,958,250)	(6,675,223)	-	-
Finance costs		86,845,672	83,933,007	-	-
Interest income		(61,488,934)	(7,581,446)	(14,508)	(8,099)
		755,521,994	595,357,204	(1,590,456)	(446,906)
Changes in operating assets and liabilities:					
- Cash at financial institutions pledged as security		1,487,783	(3,000,000)	-	-
- Trade accounts receivable		(39,769,711)	(971,447)	-	-
- Amounts due from related parties		829,181,778	(1,197,299,183)	-	-
- Inventories		(2,722,707)	(257,636)	-	-
- Prepaid expenses		(64,407,541)	(72,771,677)	-	-
- Value added tax receivable		(171,613,897)	(17,755,283)	-	-
- Other current assets		17,911,083	(50,368,319)	(2,905,847)	(1,221)
- Other non-current assets		(28,358,727)	(27,893,923)	-	1,140
- Trade accounts payable		(25,966,012)	17,036,181	-	-
- Amounts due to related parties		(1,530,121,316)	506,226,010	324,443	306,049
- Deferred revenues		297,048,020	285,960,810	-	-
- Accrued expenses		22,858,588	(58,977,883)	1,094,905	52,000
- Other accounts payable		24,910,220	(8,234,433)	-	-
- Other current liabilities		(3,600,230)	(3,689,284)	5,129	66
Cash generated from (used in) operation		82,359,325	(36,638,863)	(3,071,826)	(88,872)
Interest paid		(24,546,606)	(112,839)	-	-
Interest received		14,202,202	-	-	-
Net cash generated from (used in) operating activities		72,014,921	(36,751,702)	(3,071,826)	(88,872)

The condensed notes to the interim proportionate consolidated and company financial statements form an integral part of these interim financial statements.

Asia Aviation Company Limited
Statements of Cash Flows (Unaudited) (Cont'd)
For the nine-month periods ended 30 September 2011 and 2010

	Notes	Proportionate consolidated		Company	
		2011 Baht	2010 Baht	2011 Baht	2010 Baht
Cash flows from investing activities					
Short-term loan granted					
to a director	14.7	(31,520,600)	(31,000,000)	-	-
Short-term loan repaid					
from a director	14.7	81,520,600	7,000,000	-	-
Proceeds from general investment		278,800	390,300	-	-
Proceeds from disposals of building improvements and equipment		3,025,920	2,064,273	-	-
Payments for building improvements and equipment		(20,613,654)	(46,145,794)	-	-
Payments for intangible assets		(1,241,633)	(6,699,696)	-	-
Interest received		4,632,720	1,186,587	14,508	8,099
Net cash generated from (used in) investing activities		36,082,153	(73,204,330)	14,508	8,099
Cash flows from financing activities					
Payments on short-term borrowings from a financial institution	11	(100,000,000)	-	-	-
Repayments of finance lease		(2,704,124)	(368,113)	-	-
Proceed from long-term borrowing from a financial institution	12	480,581,626	-	-	-
Repayments of long-term borrowing from a financial institution	12	(110,750,000)	-	-	-
Net cash generated from (used in) financing activities		267,127,502	(368,113)	-	-
Net increase (decrease) in cash and cash equivalents					
		375,224,576	(110,324,145)	(3,057,318)	(80,773)
Cash and cash equivalents at the beginning of the period		260,382,950	333,595,160	6,472,054	6,557,387
Effect of exchange rates		7,958,250	6,675,223	-	-
Cash and cash equivalents at the end of the period		643,565,776	229,946,238	3,414,736	6,476,614

Non-cash transactions

Significant non-cash transactions during the nine-month periods ended 30 September 2011 and 2010 are as follows:

Purchase of motor vehicles under finance lease agreements	8,798,045	-	-	-
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The condensed notes to the interim proportionate consolidated and company financial statements form an integral part of these interim financial statements.

Asia Aviation Company Limited
Unaudited Condensed Notes to the Interim Proportionate Consolidated and
Company Financial Statements (Unaudited)
For the three-month and nine-month periods ended 30 September 2011 and 2010

1 General information

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

60/1 Monririn Tower 3rd floor, B Building, Soi Sailom, Phahol-yothin Road, Samsennai, Phayathai, Bangkok 10400.

The principal business operations of the Company and its joint venture are summarised below:

The Company’s principal business operation is to invest in low-fare airline business company which is Thai AirAsia Co., Ltd. The Company’s shareholding interest is 50%.

The Joint Venture, Thai AirAsia Co., Ltd., is principally providing low-fare airline service.

The interim proportionate consolidated and company financial statements were approved by the Board of Directors on 27 January 2012.

These interim proportionate consolidated and company financial statements have been reviewed, not audited.

2 Financial position

The proportionate consolidated financial statements for the year ended 31 December 2010 indicated the existence of an uncertainty about the Company and its joint venture’s ability to continue as a going concern. However, the financial information for the nine-month period ended 30 September 2011 (reviewed), revealed a significant improvement in operating results. Revenues have increased over the same period of last year by Baht 1,652 million, and there was a net profit for the nine-month period of Baht 705 million. (30 September 2010: Baht 476 million). Therefore, these financial statements have been prepared on a going concern basis.

Asia Aviation Company Limited
Unaudited Condensed Notes to the Interim Proportionate Consolidated and
Company Financial Statements (Unaudited)
For the three-month and nine-month periods ended 30 September 2011 and 2010

3 Basis of preparation

These interim proportionate consolidated and company financial statements have been 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. The primary financial statements (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 the Securities and Exchange Commission. The notes to the financial statements are prepared in a condensed format according to Thai Accounting Standard 34, "Interim Financial Reporting" and additional notes are presented as required by the Securities and Exchange Commission under the Securities and Exchange Act.

The interim proportionate consolidated financial statements have been prepared in its shares of the joint venture's individual income and expenses, assets and liabilities and cash flows of Thai AirAsia Co., Ltd. which is its joint venture from the Company's interest at 50% portion.

An English version of the interim proportionate consolidated and company financial statements has been prepared from the interim financial statements that are in the Thai language. In the event of a conflict or a difference in interpretation between the two languages, the Thai language interim financial statements shall prevail.

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 Accounting policies

The accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2010 except as described in Note 5.

Asia Aviation Company Limited
Unaudited Condensed Notes to the Interim Proportionate Consolidated and
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For the three-month and nine-month periods ended 30 September 2011 and 2010

5 New accounting policies

Employee benefits

Retirement benefits

The retirement benefit is a defined benefit plan that an employee will receive on retirement according to Thai Labour Law depending on age and years of service.

The liability of retirement benefit is recognised in the proportionate consolidated and company statement of financial position using the present value of the obligation at the statement of financial position date, together with adjustments for unrecognised actuarial gains or losses and past service costs. The retirement benefit is calculated annually by an independent actuary using the projected unit credit method. The present value of the benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related retirement liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the present value of benefit obligations are charged or credited to the statements of comprehensive income over the employees' expected average remaining working lives.

The Company and its joint venture choose to apply this standard for the first time by adjusting a total amount against the deficits as of 1 January 2011. The effects of the adoption of the above standards to the interim financial statements are as follows:

	Proportionate consolidated Baht	Company Baht
	<hr/>	<hr/>
Statements of changes in shareholders' equity		
Deficits as of 1 January 2011 increased	31,541,528	-

Asia Aviation Company Limited
Unaudited Condensed Notes to the Interim Proportionate Consolidated and
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For the three-month and nine-month periods ended 30 September 2011 and 2010

6 Retrospective adjustment

During the year 2007, the Company recorded an impairment loss on investment in a joint venture amounting to Baht 400 million because as at 31 December 2007 management considered some indicators that the investment might be impaired. However, during the year 2011, the management has reassessed the information in detail by concentrating on future operation as at 31 December 2007 which is in compliance with Thai Accounting Standard No.36 “Impairment of Assets”, and found that the recoverable amount was over book value of investment. The Company had over recorded an impairment loss on investment and provision for impairment by Baht 400 million since 2007. Consequently, the Company restated the company financial statement for the year 2010, presented herewith for comparative purposes, to be in accordance with generally accepted accounting principles.

	Company 2010 Baht
	<hr/>
Statement of financial position as at 31 December	
Increase in investment in a joint venture	400,000,000
Decrease in brought forward deficits	400,000,000

7 Segment information

The Company and its joint venture do not disclose the segment information because there is no significant business segment other than the provision of air transportation services.

8 Trade accounts receivable, net

	Proportionate consolidated		Company	
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	30 September	31 December	30 September	31 December
	2011	2010	2011	2010
	Baht	Baht	Baht	Baht
	<hr/>	<hr/>	<hr/>	<hr/>
Trade accounts receivable	83,183,418	43,413,707	-	-
<u>Less</u> Allowance for doubtful accounts	(1,434,189)	(1,434,189)	-	-
Trade accounts receivable, net	<hr/> 81,749,229	<hr/> 41,979,518	<hr/> -	<hr/> -

Asia Aviation Company Limited
Unaudited Condensed Notes to the Interim Proportionate Consolidated and
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For the three-month and nine-month periods ended 30 September 2011 and 2010

8 Trade accounts receivable, net (Cont'd)

Outstanding trade accounts receivable can be analysed by age as follows:

	Proportionate consolidated		Company	
	(Unaudited) 30 September 2011 Baht	(Audited) 31 December 2010 Baht	(Unaudited) 30 September 2011 Baht	(Audited) 31 December 2010 Baht
Up to 3 months	78,171,404	39,709,869	-	-
3 - 6 months	1,934,710	568,199	-	-
6 - 12 months	809,983	553,948	-	-
Over 12 months	2,267,321	2,581,691	-	-
	83,183,418	43,413,707	-	-
<u>Less</u> Allowance for doubtful accounts	(1,434,189)	(1,434,189)	-	-
Trade accounts receivable, net	<u>81,749,229</u>	<u>41,979,518</u>	-	-

Outstanding trade accounts receivable over 12 months are mainly from an air cargo agency. The Company and its joint venture have received a letter of guarantee issued by a bank at proportionate amount of Baht 2.5 million as the collateral (31 December 2010: Baht 2.5 million).

9 Investment in a joint venture

Details of jointly controlled company are as follows:

	Business	Total number of shares	Par value Baht per share	% of shareholding Percent	Company	
					(Unaudited) 30 September 2011 Baht	(Audited) 31 December 2010 Restated Cost method Baht
Thai AirAsia Company Limited	providing a low-fare airline service	20,000,000	10	50.00	400,000,000	400,000,000
					<u>400,000,000</u>	<u>400,000,000</u>

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9 Investment in a joint venture (Cont'd)

Thai AirAsia Company Limited is jointly controlled by the Company and AA International Limited, incorporated in Malaysia, which own 50% and 49% of the joint venture's shares, respectively. Another 1% of the joint venture's shares are owned by Thai individuals. Investment in Thai AirAsia Company Limited is thus considered as investment in a joint venture.

Investment in a joint venture as at 30 September 2011 and 31 December 2010 includes goodwill of Baht 286,184,317.

10 Building improvements, equipment and intangible assets, net

	Proportionate consolidated		Company	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Building	Intangible	Building	Intangible
	improvements	assets	improvements	assets
	and equipment	and equipment	and equipment	and equipment
	Baht	Baht	Baht	Baht
For the nine-month period ended 30 September 2011				
Opening net book amount	137,327,711	10,563,422	5,800	2,012
Additions	29,591,701	1,241,633	-	-
Disposals, net	(1,111,693)	-	-	-
Write-offs, net	(234,782)	(853,344)	-	-
Depreciation/amortisation	(24,960,540)	(1,870,794)	(3,794)	(960)
Closing net book amount	<u>140,612,397</u>	<u>9,080,917</u>	<u>2,006</u>	<u>1,052</u>

11 Short-term borrowings from a financial institution

	Proportionate consolidated		Company	
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	30 September	31 December	30 September	31 December
	2011	2010	2011	2010
	Baht	Baht	Baht	Baht
Promissory notes	-	100,000,000	-	-
Total short-term borrowings from a financial institution	<u>-</u>	<u>100,000,000</u>	<u>-</u>	<u>-</u>

Short-term borrowings from a financial institution are four-month promissory notes with a local commercial bank and have interest rate at MLR (approximately 6.56% per annum). The Company and its joint venture used its fixed deposit account amounting to Baht 25 million (proportionated) as the collateral for these promissory notes. During the nine-month period ended 30 September 2011, the Company and its joint venture had already repaid these borrowings.

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12 Long-term borrowing from a financial institution

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

	Proportionate consolidated		Company	
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	30 September	31 December	30 September	31 December
	2011	2010	2011	2010
	Baht	Baht	Baht	Baht
Within 1 year	243,000,000	-	-	-
Over 1 year but less than 5 years	126,831,626	-	-	-
	<u>369,831,626</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

	Proportionate consolidated	Company
	(Unaudited)	(Unaudited)
	Baht	Baht
Opening net book value	-	-
Addition during the period	480,581,626	-
Loan repayments	<u>(110,750,000)</u>	<u>-</u>
Closing net book value	<u>369,831,626</u>	<u>-</u>

As at 25 April 2011, the Company and its joint venture entered into a borrowing agreement with a local commercial bank with respect to the credit facility of Baht 485 million (proportionated) in order to repay debts to related parties. This borrowing bears an interest at the rate of MLR-1% per annum, with repayment term within 2 years.

This borrowing is secured by a fixed deposit account amounting to Baht 25 million (proportionated). In addition, the Company and its joint venture has to maintain deposits at bank not less than amount of Baht 250 million (proportionated) over the borrowing periods.

13 Employee benefit obligations

		Proportionate consolidated	Company
		(Unaudited)	(Unaudited)
	Note	Baht	Baht
For the nine-month period ended 30 September 2011			
Opening book amount as at 1 January 2011		-	-
Adjust to deficits as at 1 January 2011	5	31,541,528	-
Retirement benefit expenses during the period		<u>7,039,074</u>	<u>-</u>
Closing book amount as at 30 September 2011		<u>38,580,602</u>	<u>-</u>

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14 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.

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 adjust 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.
- Purchase of merchandises and equipment	At the purchase price.
- 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.
- Interest expenses	At a rate equivalent to AirAsia Group's borrowing rate.

The following significant transactions were carried out with related parties:

14.1) Income

	<u>Proportionate consolidated</u>		<u>Company</u>	
	<u>For the three-month periods ended 30 September (Unaudited)</u>			
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	<u>Baht</u>	<u>Baht</u>	<u>Baht</u>	<u>Baht</u>
Interest income				
Other related parties	1,901,364	3,779,948	-	-
A director	247,610	602,230	-	-
	<u>2,148,974</u>	<u>4,382,178</u>	<u>-</u>	<u>-</u>

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14 Related party transactions (Cont'd)

The following significant transactions were carried out with related parties:

14.1) Income

	Proportionate consolidated		Company	
	For the nine-month periods ended 30 September (Unaudited)			
	2011	2010	2011	2010
	Baht	Baht	Baht	Baht
Interest income				
Other related parties	59,422,561	5,036,353	-	-
A director	655,038	1,303,480	-	-
	<u>60,077,599</u>	<u>6,339,833</u>	<u>-</u>	<u>-</u>

14.2) Purchases of goods and services

	Proportionate consolidated		Company	
	For the three-month periods ended 30 September (Unaudited)			
	2011	2010	2011	2010
	Baht	Baht	Baht	Baht
Share of gain from fuel price swap agreements				
Other related party	(1,116,319)	(6,419,312)	-	-
Share of staff costs for accounting services				
Other related parties	(4,267,105)	(2,387,776)	-	-
Aircraft rental				
Other related party	347,963,280	292,978,378	-	-
Aircraft repair and maintenance				
Other related party	122,112,796	101,225,395	-	-
Purchase of merchandises and equipment				
Other related party	4,930,615	210,000	-	-
Management fee expenses				
Other related party	1,827,420	1,888,232	-	-
Booking fee expenses				
Other related party	6,628,137	4,512,410	-	-
Interest expenses				
Other related party	413,076	33,698,427	-	-

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14 Related party transactions (Cont'd)

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

14.2 Purchases of goods and services (Cont'd)

	Proportionate consolidated		Company	
	For the nine-month periods ended 30 September (Unaudited)			
	2011	2010	2011	2010
	Baht	Baht	Baht	Baht
Share of gain from fuel price swap price agreements				
Other related party	<u>(9,194,911)</u>	<u>(16,766,522)</u>	<u>-</u>	<u>-</u>
Share of staff costs accounting services				
Other related parties	<u>(12,798,747)</u>	<u>(15,031,121)</u>	<u>-</u>	<u>-</u>
Aircraft rental				
Other related party	<u>1,002,852,680</u>	<u>797,750,436</u>	<u>-</u>	<u>-</u>
Aircraft repair and maintenance				
Other related party	<u>361,679,621</u>	<u>294,634,403</u>	<u>-</u>	<u>-</u>
Purchase of merchandises and equipment				
Other related party	<u>13,750,376</u>	<u>39,983,193</u>	<u>-</u>	<u>-</u>
Management fee expenses				
Other related party	<u>5,505,476</u>	<u>5,823,562</u>	<u>-</u>	<u>-</u>
Booking fee expenses				
Other related party	<u>20,840,934</u>	<u>13,344,443</u>	<u>-</u>	<u>-</u>
Interest expenses				
Other related party	<u>74,322,470</u>	<u>83,820,169</u>	<u>-</u>	<u>-</u>

14.3 Management remunerations

During the three-month and nine-month periods ended 30 September 2011, management remunerations, which are short-term employee benefits and post employee benefits, are at proportionate amount of Baht 4,247,832 and Baht 18,232,870, respectively (30 September 2010: Baht 3,714,028 (proportionated) Baht 11,139,568 (proportionated), respectively).

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14 Related party transactions (Cont'd)

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

14.4) Passenger revenues and expenses paid and received on behalf

	<u>Proportionate consolidated</u>		<u>Company</u>	
	<u>For the three-month periods ended 30 September (Unaudited)</u>			
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	<u>Baht</u>	<u>Baht</u>	<u>Baht</u>	<u>Baht</u>
Passenger revenues received on behalf of the Company and its joint venture by other related parties	261,313,640	522,247,002	-	-
Cash received on behalf of other related party	56,290,722	29,081,850	-	-
Expenses paid on behalf of the Company and its joint venture by other related parties	95,565,365	89,154,784	-	-
Advance payment on behalf of other related parties	26,482,584	62,320,759	-	-
	<u>Proportionate consolidated</u>		<u>Company</u>	
	<u>For the nine-month periods ended 30 September (Unaudited)</u>			
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	<u>Baht</u>	<u>Baht</u>	<u>Baht</u>	<u>Baht</u>
Passenger revenues received on behalf of the Company and its joint venture by other related parties	1,495,167,042	1,235,783,047	-	-
Cash received on behalf of other related party	161,790,721	172,584,399	-	-
Expenses paid on behalf of the Company and its joint venture by other related parties	275,151,396	255,111,022	-	-
Advance payment on behalf of other related parties	161,451,126	134,530,625	-	-

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14 Related party transactions (Cont'd)

Outstanding balances arising from receivables, payables, short-term loan to a director and other non-current assets are summarised as follows:

14.5) Amounts due from related parties

	<u>Proportionate consolidated</u>		<u>Company</u>	
	<u>(Unaudited)</u>	<u>(Audited)</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
	30 September	31 December	30 September	31 December
	2011	2010	2011	2010
	Baht	Baht	Baht	Baht
Amounts due from related parties				
Other related parties	<u>144,007,578</u>	<u>1,366,092,516</u>	<u>-</u>	<u>-</u>

Amount due from related parties have been charged the interest on the outstanding balance at 6.00% per annum (2010: 6.00% per annum).

14.6) Amounts due to related parties

	<u>Proportionate consolidated</u>		<u>Company</u>	
	<u>(Unaudited)</u>	<u>(Audited)</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
	30 September	31 December	30 September	31 December
	2011	2010	2011	2010
	Baht	Baht	Baht	Baht
Amounts due to related parties				
Other related party	175,162,405	2,081,108,171	-	-
A joint venture	<u>-</u>	<u>-</u>	<u>811,430</u>	<u>486,987</u>
Total amounts due to related parties	<u>175,162,405</u>	<u>2,081,108,171</u>	<u>811,430</u>	<u>486,987</u>

Amounts due to related parties are mainly denominated in US Dollar. Amount due to related parties have been charged the interest on the outstanding balance at 6.00% per annum (2010: 6.00% per annum).

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14 Related party transactions (Cont'd)

Outstanding balances arising from receivables, payables, short-term loan to a director and other non-current assets are summarised as follows: (Cont'd)

14.7) Short-term loan to a director

Movements of short-term loan to a director for the nine-month period ended 30 September 2011 are summarised as follows:

	Proportionate consolidated (Unaudited) Baht	Company (Unaudited) Baht
	<u>Baht</u>	<u>Baht</u>
Short-term loan to a director		
Beginning balance	52,583,531	-
Increase during the period	31,520,600	-
Received during the period	(81,520,600)	-
Increase from interest receivable during the period	655,038	-
Interest received during the period	(3,238,569)	-
	<u> </u>	<u> </u>
Ending balance	<u> </u>	<u> </u>

As at 31 December 2010, short-term loan to a director was unsecured and denominated in Thai Baht under credit facility in the proportion of Baht 95 million, carried interest at 1.50% per annum and was due for repayment at call.

14.8) Other non-current assets

	Proportionate consolidated		Company	
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	30 September	31 December	30 September	31 December
	2011	2010	2011	2010
	Baht	Baht	Baht	Baht
	<u>Baht</u>	<u>Baht</u>	<u>Baht</u>	<u>Baht</u>
Aircraft deposits				
Other related party	<u>235,007,372</u>	<u>205,285,063</u>	<u>-</u>	<u>-</u>
Fuel price swap deposit				
Other related party	<u>8,412,400</u>	<u>8,412,400</u>	<u>-</u>	<u>-</u>

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15 Net fair value of financial instruments

Fuel price swap agreements

As at 30 September 2011, the Company and its joint venture's proportionate net fair value of fuel price swap agreements was USD 505,789 (unfavourable).

As at 31 December 2010, there was no outstanding balance from fuel price swap agreements.

16 Commitments

For the nine-month period ended 30 September 2011, there were no significant changes in commitments or contingent liabilities, including significant contracts from the year ended 31 December 2010 (please see financial statements for the year ended 31 December 2010).

As at 30 September 2011, the Company and its joint venture had outstanding commitments in respect of aircraft lease agreements made with AirAsia (Mauritius) Limited, a related company, which cover rental and insurance agreements of the 21 aircrafts (As at 31 December 2010: 19 aircrafts) as follows:

	Proportionate consolidated			
	(Unaudited)		(Audited)	
	30 September 2011		31 December 2010	
	Rental	Insurance	Rental	Insurance
	USD	agreement	USD	agreement
	USD	USD	USD	USD
Not later than 1 year	36,516,000	705,208	29,833,068	425,424
Later than 1 year but not later than 5 years	34,410,000	-	29,103,341	-
Total	70,926,000	705,208	58,936,409	425,424

17 Guarantee

As at 30 September 2011, there was a commitment relating to guarantees issued by banks in respect of the loans that the Company and its joint venture have given to pilot trainees in accordance with its professional pilot course amounting to Baht 13.45 million (31 December 2010: nil). Normally, a guarantee is terminated when the pilot trainee earns a commercial pilot's licence and is assigned as a co-pilot or when the pilot trainee settles all outstanding debts with the bank. However, the Company and its joint venture can fully reclaim the said liabilities from the pilot trainees' guarantors, who have pledged guarantees with the Company and its joint venture.

As at 30 September 2011 and 31 December 2010, the Company had obligations relating to guarantees given to the borrowers under a credit agreement for the Baht equivalent of USD 39,000,000. The agreement was between Credit Suisse, Singapore branch, as the lender, and the borrowers, a group of six of the Company's shareholders. Under the credit agreement, the borrowers pledged the Company's shares and the Company pledged its investment in equity securities in Thai AirAsia Co., Ltd to such lender as a guarantee.

18 Letters of guarantee

As at 30 September 2011, the Company and its joint venture had commitments relating to guarantees issued by banks in respect of ground handling, technical support, and other flight operation activities in the ordinary course of business at proportionated amount of Baht 2.8 million, USD 45,000 and India Rupee 13.5 million (As at 31 December 2010: Baht 3.8 million, USD 45,000 and India Rupee 13.5 million). The Company and its joint venture used its fixed-deposit account at proportionate amount of Baht 3 million and India Rupee 13.5 million (As at 31 December 2010: Baht 3 million and India Rupee 13.5 million) as the collateral for these letters of guarantee.

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19 Earnings (loss) per share

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

	<u>Proportionate consolidated</u>		<u>Company</u>	
	<u>For the three-month periods ended 30 September (Unaudited)</u>			
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Net profit (loss) attributable to shareholders (Baht)	95,576,596	156,647,834	(1,237,265)	(138,618)
Weighted average number of paid-up ordinary shares outstanding (Shares)	41,000,000	41,000,000	41,000,000	41,000,000
Basic earnings (loss) per share (Baht) before share split	2.33	3.82	(0.03)	(0.00)
Weighted average number of paid-up ordinary shares outstanding (Shares)	4,100,000,000	4,100,000,000	4,100,000,000	4,100,000,000
Basic earnings (loss) per share (Baht) after share split	0.02	0.04	(0.00)	(0.00)
	<u>Proportionate consolidated</u>		<u>Company</u>	
	<u>For the nine-month periods ended 30 September (Unaudited)</u>			
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Net profit (loss) attributable to shareholders (Baht)	705,079,199	475,572,614	(1,580,702)	(445,873)
Basic earnings (loss) per share (Baht) before share split	17.20	11.60	(0.04)	(0.01)
Weighted average number of paid-up ordinary shares outstanding (Shares)	4,100,000,000	4,100,000,000	4,100,000,000	4,100,000,000
Basic earnings (loss) per share (Baht) after share split	0.17	0.12	(0.00)	(0.00)

The above calculations already reflect the share split as mentioned in note 20.2.

The Company does not have diluted ordinary shares as at 30 September 2010 and 2009.

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20 Subsequent events

20.1 Prior to 8 November 2011, the Company invested in ordinary shares representing 50% of the total issued shares in Thai AirAsia Co., Ltd. On 8 November 2011, the Company entered into the Agreement for Sale and Purchase Shares in Thai AirAsia Co., Ltd. with a director of Thai AirAsia Co., Ltd. to additionally purchase 399,993 shares at a par value of Baht 10 constituting 1% of total issued and paid-up share capital of its joint venture, Thai AirAsia Co., Ltd. The total purchase value was Baht 3,999,930. Therefore, the Company's interest in Thai AirAsia Co., Ltd. was increased from 50% to 51% from that date.

20.2 At the Extraordinary Shareholders' Meeting held on 26 December 2011, there were matters approved by the shareholders as follows:

- A change in status from a company limited to a public company limited and change in its name from "Asia Aviation Company Limited" to "Asia Aviation Public Company Limited". The Company registered the changes in status and name with the Ministry of Commerce on 26 December 2011.
- An alteration of par value from Baht 10 per share to Baht 0.10 per share. Therefore, the number of the Company's shares increased from 41 million shares to 4,100 million shares. The Company registered the alternation of par value with the Ministry of Commerce on 26 December 2011.
- An increase in the registered share capital of the Company from Baht 410 million to Baht 485 million by issuing additional ordinary shares of 750 million shares with a par value of Baht 0.10 each. The Company registered the increase in the additional shares with the Ministry of Commerce on 26 December 2011.
- The allocation of the new additional ordinary shares of no greater than 750 million shares with the par value of Baht 0.10 per share for the initial public offering.