MALAYSIAN AIRLINE SYSTEM BERHAD
(COMPANY NO.: 10601-W)
(INCORPORATED IN MALAYSIA)
QUARTERLY REPORT ON THE FOURTH QUARTER ENDED 31 DECEMBER 2006

ANNOUNCEMENT

The Board of Directors of Malaysian Airline System Berhad ("MAS" or "the Company") would like to announce the following unaudited consolidated results for the fourth quarter ended 31 December 2006. This announcement should be read in conjunction with the audited annual financial statements for the period ended 31 December 2005 and the accompanying explanatory notes attached to the quarterly condensed financial report.

In the previous financial period, the Group changed its financial year end from 31 March to 31 December so as to be coterminous with the year-end of that of its ultimate holding company. Accordingly, the income statements, cash flow statements, statements of changes in equity for the individual quarter ended 31 December 2005 represent the third/final quarter for financial period ended 31 December 2005 and cumulative quarter ended 31 December 2005 represents the period from 1 January 2005 to 31 December 2005.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/12/2006 RM '000	Quarter ended 31/12/2005 RM '000 (Restated)	Year ended 31/12/2006 RM '000	* Year ended 31/12/2005 RM '000 (Restated)
Operating revenue	3,708,178	3,129,329	13,171,838	11,911,793
Operating expenses	(3,685,703)	(3,816,994)	(13,792,392)	(13,480,563)
Other operating income	72,198	82,540	317,711	412,843
Profit/(loss) from operations	94,673	(605,125)	(302,843)	(1,155,927)
Finance costs	(15,674)	(3,607)	(49,215)	(5,900)
Compensation for domestic rationalisation	-	-	650,000	-
Domestic rationalisation expenses and redundancy expenses	-	-	(517,803)	-
Gain on sale of properties	20,926	-	83,351	-
Gain on sale of aircraft and engines	35,629	-	35,629	25,752
Share of results from associated companies	7,537	9,539	27,789	27,792
Profit/(Loss) before taxation	143,091	(599,193)	(73,092)	(1,108,283)
Taxation	(21,053)	(10,420)	(60,645)	(31,304)
Profit/(Loss) after taxation	**122,038**	**(609,613)**	**(133,737)**	**(1,139,587)**
Attributable to:				
Equity holders of the Company	121,472	(611,303)	(136,432)	(1,143,929)
Minority interest	566	1,690	2,695	4,342
Profit/(Loss) after taxation	**122,038**	**(609,613)**	**(133,737)**	**(1,139,587)**
Earnings/(Loss) per share attributable to equity holders of the Company				
Basic (sen)	9.69	(48.78)	(10.89)	(91.28)

Notes:
1. The comparative figures have been reclassified to conform with current year's presentation as reflected in Notes 1, 5 and 16 of Part A - Explanatory Notes Pursuant to FRS 134, Paragraph 16.
2 (a). The comparative figures in the income statements, cash flow statements and statements of change in equity for the period ended 31 December 2005 which conform with the audited annual report for the nine-month period ended 31 December 2005 (with prior year adjustment - effect of adopting FRS 128) are presented in Appendices I to IV respectively.
2 (b). * Year ended 31 December 2005 comparatives represent fourth quarter ended 31 March 2005 and cumulative three (3) quarters period from 1 April 2005 to 31 December 2005.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	As at 31/12/2006 RM '000	As at 31/12/2005 RM '000 (Restated)
Property, plant and equipment	2,496,764	2,223,558
Investment in associated companies	67,461	40,376
Long term investments	105,233	119,568
Amount owing by fellow subsidiary	295,860	351,815
Intangible assets	80,362	25,314
Deferred tax assets	41,828	92,503
	3,087,508	**2,853,134**
Current assets		
Non-current assets held for sale	10,647	-
Inventories	385,769	454,720
Trade receivables	1,015,143	1,191,678
Other receivables	841,600	534,801
Tax recoverable	45,608	69,717
Cash and bank balances	1,584,699	1,179,409
	3,883,466	**3,430,325**
Current liabilities		
Trade payables	1,665,663	1,820,604
Other payables	1,070,815	862,352
Short term borrowings	1,050,000	-
Amount owing to holding company	72,031	81,475
Provision for taxation	20,457	22,033
Sales in advance of carriage	1,202,060	1,473,159
	5,081,026	**4,259,623**
Net current liabilities	(1,197,560)	(829,298)
	1,889,948	**2,023,836**
Equity attributable to equity holders of the Company	**1,873,425**	**2,009,857**
Share capital - ordinary shares	1,253,244	1,253,244
Reserves		
Share premium	3,301,164	3,301,164
General reserve	501,530	501,530
Accumulated losses	(3,182,513)	(3,046,081)
Minority interest	15,246	13,152
Total equity	1,888,671	2,023,009
Long term liabilities		
Deferred tax liabilities	1,277	827
	1,889,948	**2,023,836**
Net assets per share (RM)	1.51	1.61

Note: The comparative figures have been reclassified to conform with current year's presentation as reflected in Notes 1, 5 and 16 of Part A - Explanatory Notes Pursuant to FRS 134, Paragraph 16.

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	Year ended 31/12/2006 RM '000	* Year ended 31/12/2005 RM '000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	**(73,092)**	**(1,108,283)**
Adjustments for :-		
Depreciation of property, plant and equipment	317,380	307,194
Interest expense	32,847	87
Provision for doubtful debts, net of reversals	42,920	28,320
Unrealised foreign exchange losses/(gain)	36,941	(18,464)
Property, plant and equipment written off, net	3,659	50,594
Impairment losses net of reversal - property, plant and equipment	14,864	33,244
Amortisation of intangible assets	2,231	-
Writeback of unavailed credits on sales in advance of carriage	(159,330)	(145,166)
Gain on sale of property, plant and equipment, net	(84,358)	(39,231)
Interest income	(47,323)	(30,797)
Dividend income	(32,364)	(15,845)
Share of results of associated companies	(27,789)	(27,792)
Gain on disposal of other investment	-	(3,246)
Writeback of allowance for dimunition in investment of an associates	-	(47,652)
Operating profit/(loss) before working capital changes	**26,586**	**(1,017,037)**
Decrease/(increase) in inventories	68,950	(29,743)
Increase in trade and other receivables	(93,922)	(186,709)
(Decrease)/increase in amount owing to holding company	(9,444)	137,873
Increase in trade and other payables	21,260	463,694
(Decrease)/increase in sales in advance of carriage	(111,768)	205,764
Cash used in operating activities	**(98,338)**	**(426,158)**
Interest paid	(37,524)	(71)
Taxes paid	(11,095)	(14,382)
Net cash used in operating activities	**(146,957)**	**(440,611)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of property, plant and equipment	176,581	50,394
Interest received	48,123	34,848
Dividend received	33,068	20,385
Proceeds from sale of other investments	14,356	36,628
Purchase of property, plant and equipment	(711,980)	(710,679)
Purchase of intangible assets	(57,279)	(10,548)
Purchase of other investments	(21)	(5,354)
Net cash used in investing activities	**(497,152)**	**(584,326)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Short term borrowings drawdown	1,600,000	-
Repayment of short term loan	(550,000)	-
Dividend paid to minority interest in a subsidiary	(601)	(2,211)
Dividend paid to equity holders of the Company	-	(31,331)
Net cash generated from/ (used in) financing activities	**1,049,399**	**(33,542)**
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	**405,290**	**(1,058,479)**
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	**1,179,409**	**2,237,888**
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	**1,584,699**	**1,179,409**

Notes:
1. The comparative figures have been reclassified to conform with current year's presentation as reflected in Notes 1, 5 and 16 of Part A - Explanatory Notes Pursuant to FRS 134, Paragraph 16.
2. * Year ended 31 December 2005 comparatives represent fourth quarter ended 31 March 2005 and cumulative three (3) quarters period from 1 April 2005 to 31 December 2005.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2006

	Attributable to equity holders of the Company							
	Share capital RM '000	Non-distributable Share premium RM '000	Distributable General reserves RM '000	Accumulated losses RM '000	Total reserves RM '000	Total RM '000	Minority interests RM '000	Total Equity RM '000
At 1 January 2006, as previously stated	1,253,244	3,301,164	501,530	(3,033,324)	769,370	2,022,614	13,152	2,035,766
Prior year adjustment -effects of adopting FRS128	-	-	-	(12,757)	(12,757)	(12,757)	-	(12,757)
At 1 January 2006, as restated	1,253,244	3,301,164	501,530	(3,046,081)	756,613	2,009,857	13,152	2,023,009
Loss for the year	-	-	-	(136,432)	(136,432)	(136,432)	2,695	(133,737)
Dividends	-	-	-	-	-	-	(601)	(601)
At 31 December 2006	**1,253,244**	**3,301,164**	**501,530**	**(3,182,513)**	**620,181**	**1,873,425**	**15,246**	**1,888,671**

* UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2005

	Attributable to equity holders of the Company							
	Share capital RM '000	Non-distributable Share premium RM '000	Distributable General reserves RM '000	Accumulated losses RM '000	Total reserves RM '000	Total RM '000	Minority interests RM '000	Total Equity RM '000
At 1 January 2005, as previously stated	1,253,244	3,301,164	501,530	(1,846,379)	1,956,315	3,209,559	11,140	3,220,699
Prior year adjustment -effects of adopting FRS128	-	-	-	(24,442)	(24,442)	(24,442)	-	(24,442)
At 1 January 2005, as restated	1,253,244	3,301,164	501,530	(1,870,821)	1,931,873	3,185,117	11,140	3,196,257
Dividend paid for year ended 31 March 2005				(31,331)	(31,331)	(31,331)	(2,330)	(33,661)
Loss for the year	-	-	-	(1,143,929)	(1,143,929)	(1,143,929)	4,342	(1,139,587)
At 31 December 2005	**1,253,244**	**3,301,164**	**501,530**	**(3,046,081)**	**756,613**	**2,009,857**	**13,152**	**2,023,009**

Notes:
1. The comparative figures have been reclassified to conform with current year's presentation as reflected in Notes 1, 5 and 16 of Part A - Explanatory Notes Pursuant to FRS 134, Paragraph 16.
2. * Year ended 31 December 2005 comparatives represent fourth quarter ended 31 March 2005 and cumulative three (3) quarters period from 1 April 2005 to 31 December 2005.

PART A - EXPLANATORY NOTES PURSUANT TO FRS 134, PARAGRAPH 16

1. ACCOUNTING POLICIES

The quarterly condensed financial report has been prepared in accordance with:

(i) The requirement of the Financial Reporting Standards ("FRS") Standard 134 (previously MASB 26) - Interim Financial Reporting; and

(ii) Paragraph 9.22 of the Listing Requirements of the Bursa Malaysia Securities Berhad

and should be read in conjunction with the Group's financial statements for the financial period ended 31 December 2005. These explanatory notes attached to the quarterly condensed financial report provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the period ended 31 December 2005.

The significant accounting policies adopted for the quarterly condensed financial report are consistent with those of the audited financial statements for the financial period ended 31 December 2005 except for the adoption of all the relevant new and revised Financial Reporting Standards ("FRS") that became effective for the Group for the financial period beginning 1 January 2006:

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

The adoption of new/ revised FRS do not have any significant financial impact on the Group except for the following:

FRS 101 : Presentation of Financial Statements

The adoption of the FRS 101 has affected the presentation of minority interests, share of results of associates and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the Company and to minority interest.

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current period's presentation.

PART A - EXPLANATORY NOTES PURSUANT TO FRS 134, PARAGRAPH 16

1. ACCOUNTING POLICIES (CONTINUED)

FRS 116: Property, Plant and Equipment

The revised FRS 116 requires major inspection costs to be capitalised. Accordingly, such major inspection costs incurred on the spare engines owned by the Group is capitalised and depreciated over a period of 4 years. The maintenance and overhaul costs relating to the spare engines owned by the Group were previously expensed as incurred. This change in accounting policy is applied prospectively and does not have a material impact on the Group.

FRS 128 : Investments in Associates

FRS 128 requires an investor to equity account for the losses in an associate until the share of losses equals or exceeds its interest in the associate. FRS 128 defines ‘interest in an associate’ to include any long-term interests that, in substance, form part of the investor’s net investment in the associate.

Previously, the shares of losses equity accounted for by the Group were limited to the Group’s investment in the ordinary share capital of the associates. The Group now equity account for additional share of losses in the associates if there are other long term interest in the associates. This change in accounting policy has been applied retrospectively and the comparatives have been restated as follows:

Effects on income statements for the period ended 31/12/2005	**INDIVIDUAL QUARTER**		
	Previously Stated RM'000	**Adjustments RM'000**	**Restated RM'000**
Share of results from associated companies	4,889	5,124	10,013
Loss attributable to equity holders of the Company	(616,427)	5,124	(611,303)
Loss per share	(49.19)		(48.78)
Share of results from associated companies, net of taxation	10,013	(474)	9,539
Taxation	(10,894)	474	(10,420)

	CUMULATIVE QUARTER		
	Previously Stated RM'000	**Adjustments RM'000**	**Restated RM'000**
Share of results from associated companies	17,963	11,687	29,650
Loss attributable to equity holders of the Company	(1,155,616)	11,687	(1,143,929)
Loss per share	(92.21)		(91.28)
Share of results from associated companies, net of taxation	29,650	(1,858)	27,792
Taxation	(33,162)	1,858	(31,304)

Effects on balance sheets items	**Previously Stated RM'000**	**Adjustments RM'000**	**Restated RM'000**
Accumulated losses as at 31/12/2005	(3,033,324)	(12,757)	(3,046,081)
Investment in associated companies as at 31/12/2005	53,133	(12,757)	40,376

1. ACCOUNTING POLICIES (CONTINUED)

FRS 138: Intangible Assets

Upon the adoption of FRS 138, software cost that met the definition and criterias of intangible assets are now capitalised according to the standard. The software costs and its related costs are measured at cost on initial recognition. Upon initial recognition, they were carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of the intangible assets are assessed as finite or indefinite life. Intangible assets with finite life are amortised on a straight line basis over the estimated economic useful lives and assessed for impairment. Intangible assets with indefinite useful lives are not amortised but tested for impairment annually.

Prior to 1 January 2006, software costs were written off to the income statement. No change in the comparatives as FRS 138 states that expenditure or intangibles that was initially recognised as an expense shall not be reinstated as an asset. This change in accounting estimate is applied prospectively as allowed by transitional provision under FRS 138. The amount capitalised by the Group and Company is RM57.3 million and RM46.5 million respectively, and amortisation into income statement by the Group and Company is RM2.2 million and RM1.6 million respectively.

2. QUALIFICATION OF PRECEDING AUDITED ANNUAL FINANCIAL STATEMENTS

There was no qualification of the Group's Audited Annual Financial Statements for the period ended 31 December 2005.

3. SEASONALITY OR CYCLICAL NATURE OF OPERATIONS

The Group is principally engaged in the business of air transportation and provision of related services. The demand for the Group's services is generally influenced by the growth performance of the Malaysian economy and the economies of the countries in which the Group operates as well as seasonal, health and security factors.

4. UNUSUAL ITEMS

There were no unusual items for the year ended 31 December 2006 except for as mentioned in Note 1.

5. MATERIAL CHANGES IN ESTIMATES OF AMOUNTS REPORTED

FRS 116: Property, Plant and Equipment

The revised FRS 116 requires an entity to measure the residual value of an item of property, plant and equipment as the amount it estimates it would receive currently for the assets if the assets were already of age and in the condition expected at the end of its useful life. In addition, the standard also requires an entity to determine the depreciation charge separately for each significant part of an item of property, plant and equipment. The revisions were accounted for as change in accounting estimates.

Consequently, the Group revised the useful lives and residual values of property, plant and equipment. The net effect on depreciaton charges of these revisions are increasing the Group depreciation expenses in the current quarter and year by RM1.8 million and RM13.9 million respectively. The revisions are as follows:

Changes in useful lives

Description	Previous Estimate Years	Revised Estimate Years
Motor vehicles	3	5
Computers	5	3
Hotel Property	-	50

5. MATERIAL CHANGES IN ESTIMATES OF AMOUNTS REPORTED (CONTINUED)

FRS 116: Property, Plant and Equipment (continued)

Changes in useful lives (continued)

The hotel property was previously not depreciated but is now depreciated over a period of 50 years. The significant parts of the hotel property has been identified and depreciated separately over their estimated useful lives of between 3 to 10 years.

This change in accounting estimate is applied prospectively and has the effect of increasing the Group depreciation expenses in the current financial quarter and year by RM3.8 million and RM25.0 million respectively.

Changes in residual values	**Previous Estimate %**	**Revised Estimate %**
Spare engines and repairable and rotable aircraft spares	-	10

As a result of this revision, the property, plant and equipment depreciation expenses reduces for the current financial quarter and year by RM2.0 million and RM11.1 million respectively.

6. SIGNIFICANT EVENTS

i) On 27 February 2006, the Company announced its Business Turnaround Plan - The MAS Way.

ii) On 27 March 2006, the Company entered into a facility agreement with CIMB Bank Berhad (formerly known as Bumiputra Commerce Bank Berhad) to make available to the Company, a bridging loan facility of up to a maximum principal amount of RM1 billion (refer Note 9 of Part B).

iii) On 28 June 2006, the Company entered into a conditional Sale and Purchase Agreement with Permodalan Nasional Berhad on the the proposed sale of a piece of leasehold land described as Pajakan Negeri No. Pendaftaran 4675, No. Lot 1194, Seksyen 57, Negeri Wilayah Persekutuan, Daerah Wilayah Persekutuan, Bandar Kuala Lumpur together with a 35 storey office building erected thereon and commonly known as Bangunan MAS, located along Jalan Sultan Ismail, 50150 Kuala Lumpur for a cash consideration of RM130.0 million.

During the year, the conditions precedents were fulfilled and included in the Group Income Statement as a gain on disposal of RM47.8 million.

iv) On 6 July 2006, the Company approved the Mutual Separation Scheme ("MSS"), a voluntary separation scheme for permanent staff. Based on the 2,622 number of applicants approved, MAS has paid RM497.2 million to the applicants who have completed the MSS exit formalities over July to December 2006. This has fast tracked the intention to right size the workforce a year ahead of the schedule originally outlined in the 3-year Business Turnaround Plan.

v) On 11 July 2006, the Company entered into a Termination Agreement with Penerbangan Malaysia Berhad ("PMB") for the proposed early termination of the Agreement for Domestic Business Unbundling ("ADBU") and on 28 July 2006, at the Extraordinary General Meeting, the shareholders of the Company approved the early termination of the ADBU. This is in line with the rationalisation of the domestic airline sector announced by the Government.

Hence, with effect from 1 August 2006, the Company has taken over the profit and loss on the domestic airline sector. All arrangements under ADBU have ceased including cashflow arrangements between the Company and PMB. As provided by the Termination Agreement and mutually agreed between the Company and PMB, PMB paid the Company RM650 million as a full and final compensation as a result of the early termination of the ADBU and underwrote losses incurred by the Company on domestic asset disposals up to RM200 million.

6. SIGNIFICANT EVENTS (CONTINUED)

vi) On 28 July 2006, at the Extraordinary General Meeting, the shareholders' of the Company approved the proposed increase in authorised share capital to facilitate future issuance of the Redeemable Preference Shares ("RPS"). Following the shareholders' approval, the authorised share capital of the Company has been increased from RM10,000,000,001 to RM10,000,100,001 comprising of 9,000,000,000 ordinary shares of RM1.00 each, 1 special share of RM1.00 each, 100,000,000,000 Redeemable Convertible Preference Shares of RM0.01 each and the creation of 1,000,000 new RPS of RM0.10 each.

On 22 November 2006, the Company announced the proposed issuance of up to 1,000 new RPS of RM0.10 each in the Company at the issue price of RM1.00 each.

The RPS issuance is an integral part of credit facility(ies) of up to RM1.0 billion (referred to as “Facility”) to be taken by the Company for its working capital purposes. The RPS provides the Company an option to service the Facility at a lower cash cost compared to a conventional debt facility. The Company can elect to service the funding costs of the Facility through payment of non-cumulative tax-exempt dividend on the RPS or through payment of interest subject to prevailing laws and regulations.

Under this transaction, the Company will issue the RPS to the lender(s) of the Facility (referred to as “Lender”) in tandem with the drawdown of the Facility. In this regard, the Company will issue up to 1,000 new RPS to the Lender at the issue price of RM1.00 per RPS. The issue price of the RPS was arrived at after taking into account the funding structure of the Facility.

On 30 January 2007, the Company announced that the Company and CIMB Bank Berhad (formerly known as Bumiputra-Commerce Bank Berhad) (“CIMB Bank”) had entered into a Facility Agreement whereby CIMB Bank agreed to make available to the Company a term loan facility of up to the maximum principal amount of RM500 million, and a Subscription Agreement in relation to the issuance by the Company of an aggregate of 500 RPS to CIMB Bank.

The term loan facility was used by the Company to fully settle the remaining outstanding bridging loan amount of RM450.0 million with CIMB Bank and to finance its working capital requirements.

vii) On 19 September 2006, PMB has redeemed, for and behalf of the Company, 800,000,000 Zero Dividend Redeemable Convertible Preference Shares ("RCPS") of RM0.01 each, previously issued at an issue price of RM1.00 each to Intelek Perkasa Berhad on 11 September 2001.

In 2002, as part of the Widespread Asset Unbundling ("WAU"), PMB had then agreed to pay the redemption sum which resulted in the RCPS ceased to be an obligation of the Company since 2002.

viii) On 29 September 2006, the Company entered into a contract with SITA N.V. ("SITA") to provide to MAS a Passenger Services System ("PSS") solution that will support the Company's business turnaround initiative and as part of its plan to stay competitive in the airline industry and its commitment to manage customers and passengers effectively. The contract value is approximately USD100 million for the 10 year period, comprising fixed and variable charges.

There were no other significant events for the year ended 31 December 2006.

7. ISSUANCE, CANCELLATION, REPURCHASE, RESALE AND REPAYMENTS OF DEBTS AND EQUITY SECURITIES

There was no issuance, cancellation, resale or repayment of debt or equity securities for the financial year ended 31 December 2006.

8. DIVIDEND PAID

There were no dividends paid in the financial year ended 31 December 2006.

9. SEGMENTAL INFORMATION

BY BUSINESS ACTIVITIES	Quarter ended 31/12/2006		Year ended 31/12/2006	
	Operating revenue RM '000	Operating profit/(loss) RM '000	Operating revenue RM '000	Operating profit/(loss) RM '000
Airline operations	3,157,006	63,693	11,203,685	(382,970)
Cargo services	773,484	65,456	2,838,037	179,584
Catering services	2,859	963	13,208	3,793
Others	37,120	(661)	150,719	10,778
	3,970,469	129,451	14,205,649	(188,815)
Eliminations	(262,291)	(34,778)	(1,033,811)	(114,028)
Total	**3,708,178**	**94,673**	**13,171,838**	**(302,843)**

10. VALUATION OF ASSETS

There was no valuation of property and equipment for the financial year ended 31 December 2006.

11. SUBSEQUENT EVENTS

On 15 January 2007, the Company proposed to implement a performance-based share option scheme for eligible employees including executive directors of the Group who meet the criteria of eligibility for participation in the Proposed Option Scheme. CIMB Investment Bank Berhad (formerly known as Commerce International Merchant Bankers Berhad) has been appointed as the adviser to the Company for the Proposed Option Scheme. The purpose for the Proposed Option Scheme is to reward and retain high performing employees and to encourage a high performance culture. The implementation of the Proposed Option Scheme is subject to the approval of the Company's shareholders at an extraordinary general meeting to be convened, the approval of Bursa Malaysia Securities Berhad and compliance with all the relevant requirements of the Listing Requirements of Bursa Malaysia Securities Berhad.

There were no other subsequent events for the year ended 31 December 2006 other than as disclosed in Note 8, Part B - Explanatory Notes Pursuant To Bursa Malaysia Securities Berhad Listing Requirements Under Part A of Appendix 9B.

12. CHANGES IN THE COMPOSITION OF THE GROUP

(i) On 5 January 2006, Sepang Berhad and Tiara Malaysia Airlines Sdn Bhd, wholly owned subsidiaries of the Company have been deregistered from the Register of Companies Commission of Malaysia under Section 308 of the Companies Act, 1965. Notices to that effect have been published in the Gazette on the same date. As such, Sepang Berhad and Tiara Malaysia Airlines Sdn Bhd ceased to be the subsidiaries of the Company effective from the said date.

(ii) On 26 July 2006, the members agreed to voluntarily wind-up the following wholly-owned dormant subsidiaries of the Company:

a) Aircraft Engine Repair and Overhaul (Malaysia) Sdn Bhd
b) MIR Technologies Sdn Bhd
c) MAS Properties Sdn Bhd
d) MAS Wings of Gold Sdn Bhd

These companies were dissolved on 6 February 2007 upon the expiry of three (3) months after the lodgement of Form 69 with the Companies Commission of Malaysia and Official Receiver.

(iii) On 26 July 2006, the Company purchased a total of 2,166,666 ordinary share of RM1.00 each of Macnet CCN (M) Sdn ("Macnet"), a dormant company, for a purchase consideration of RM2.00. With effect from that date, Macnet has become a wholly owned subsidiary of the Company.

13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

(i) Contingent liabilities

(a) Related to Penerbangan Malaysia Berhad ("PMB")

MAS continues to be the named lessee or borrower of finance leases and term loans which have been unbundled to PMB, a company wholly owned by Khazanah Nasional Berhad. As such, the outstanding balance of the borrowings assumed by PMB is included within the Group's contingent liabilities.

		21/2/2007 RM '000
1.	Secured / Unsecured	
	Loans	
	- Secured	373,063
	- Unsecured	609,114
	Finance leases (secured)	694,619
		1,676,796
2.	Tenure	
	Loans and leases due within one year	406,592
	Loans and leases due after one year	1,270,204
		1,676,796
3.	Loans by currencies in Ringgit Malaysia	
	US Dollar	1,052,300
	Ringgit Malaysia	500,000
	Euro	109,114
	Great Britain Pound	15,382
		1,676,796

(b) Others

Corporate guarantees given to third parties	5,066
Bank guarantees given to third parties	131,983
Performance bonds given to third parties	518
	137,567

(ii) Contingent assets

The Company has the right to receive from PMB 80% of the profit arising from the eventual realisation of certain aircraft assets unbundled to PMB under the Agreement for Aircraft and Finance Agreements Unbundling. The profit will be computed based on the excess of the value realised over the decayed cost of the aircraft. The rate of decay for each aircraft at future dates is stipulated by the WAU Agreement. Based on the published industry price data, MAS's share of the profit on disposal if the applicable aircraft were to be disposed as at 21 February 2007 is RM1,163 million.

PART A - EXPLANATORY NOTES PURSUANT TO FRS 134, PARAGRAPH 16 (CONTINUED)

14. SIGNIFICANT RELATED PARTY DISCLOSURES

	Quarter ended 31/12/2006 RM '000	Quarter ended 31/12/2005 RM '000	Year ended 31/12/2006 RM '000	* Year ended 31/12/2005 RM '000
LSG Sky Chefs-Brahim's Sdn. Bhd., an associate:				
- Catering and other services paid/ payable	65,145	66,500	235,167	265,782
- Rental income and others	(5,171)	(5,270)	(20,104)	(21,124)
- Shared services billed	(1,012)	(727)	(3,179)	(2,391)
GE Engine Services (M) Sdn. Bhd., an associate:				
-Engine maintenance services rendered and purchase of aircraft, property and equipment	83,641	168,603	458,846	601,876
- Rental income and others	(3,872)	(3,769)	(15,388)	(15,091)
- Shared services billed	(306)	(4,163)	(576)	(4,537)
Pan Asia Pacific Aviation Services Ltd., an associate:				
- Line maintenance and aircraft interior cleaning services paid/ payable	1,518	1,513	6,093	5,803
Hamilton Sundstrand Customer Support Centre (M) Sdn. Bhd., an associate:				
- Aircraft component repair services paid/ payable	1,657	2,204	7,014	11,159
- Disposal of aircraft, property and equipment	-	(1,083)	-	(1,083)
Honeywell Aerospace Services (M) Sdn. Bhd., an associate:				
- Aircraft power plant unit overhaul services paid/ payable	1,342	1,168	5,954	5,774
- Disposal of aircraft, property and equipment	-	(60)	-	(60)
Taj Madras Flight Kitchen Limited, an associate:				
- Catering services paid/ payable	309	497	1,444	2,449
Abacus International Holding Ltd., a company in which the Company has substantial shareholding:				
- Computer reservation system access fee paid/ payable	4,084	11,916	34,366	54,168
Evergreen Sky Catering Corporation, a company in which the Company has substantial shareholding:				
- Catering services paid/ payable	1,797	2,191	8,284	9,517
Miascor Catering Services Corporation, a company in which the Company has substantial shareholding:				
- Catering services paid/ payable	158	271	875	1,211
Penerbangan Malaysia Bhd, holding company:				
- Hire of aircraft paid/ payable	163,207	122,494	565,770	464,754
- Gain on disposal of aircraft and engines	(23,806)	-	(23,806)	-
Aircraft Business Malaysia Sdn. Bhd., a fellow subsidiary:				
- Aircraft lease rental paid/ payable	70,974	66,404	279,961	257,120
Asset Global Network Sdn. Bhd., a fellow subsidiary:				
- Rental of premises paid/ payable	17,853	17,852	71,409	71,410

Note:

* Year ended 31 December 2005 comparatives represent fourth quarter ended 31 March 2005 and cumulative three (3) quarters period from 1 April 2005 to 31 December 2005.

PART A - EXPLANATORY NOTES PURSUANT TO FRS 134, PARAGRAPH 16 (CONTINUED)

15. SIGNIFICANT RELATED PARTY BALANCES

	As at 31/12/2006 RM '000	As at 31/12/2005 RM '000
Amount owing to holding company	(72,031)	(81,475)
Amount owing by related parties	8,614	5,903
Amount owing by associated companies	-	19,145
Amount owing by fellow subsidiary		
- due within one year	54,389	51,611
- due after one year	295,860	351,815
Amount owing to associated companies	(5,656)	(44,982)

16. CHANGES IN PREVIOUS QUARTER PRESENTATION

The following disclosure for the individual quarter and year ended 31 December 2005 have been restated to conform with the current period's presentation:

Year ended 31 December 2005

	INDIVIDUAL QUARTER		
	Previously stated RM'000	Reclassed RM'000	Restated RM'000
Operating revenue	3,090,170	39,159	3,129,329
Operating expenses	(3,780,043)	(36,951)	(3,816,994)
Other operating income	84,748	(2,208)	82,540

	CUMULATIVE QUARTER		
	Previously stated RM'000	Reclassed RM'000	Restated RM'000
Operating revenue	11,773,490	138,303	11,911,793
Operating expenses	(13,344,181)	(136,382)	(13,480,563)
Other operating income	414,764	(1,921)	412,843

As at 31 December 2005

	Previously stated RM'000	Reclassed RM'000	Restated RM'000
Trade receivables	1,233,285	(41,607)	1,191,678
Other receivables	526,506	8,295	534,801
Trade payables	(1,916,262)	95,658	(1,820,604)
Other payables	(817,371)	(44,981)	(862,352)
Sales in advance of carriage	(1,455,794)	(17,365)	(1,473,159)

PART B - EXPLANATORY NOTES PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS UNDER PART A OF APPENDIX 9B

1. REVIEW OF PERFORMANCE

The Group made an operating profit of RM94.7 million for the fourth quarter ended 31 December 2006 compared to an operating loss of RM605.1 million for the corresponding quarter last year due to the higher operating revenue and improved yields implemented under the business turnaround plan initiatives. In addition, the Group recorded gains on sale of properties and sale of aircraft which resulted in a profit after tax of RM122.0 million.

The gain on sale of aircraft of RM35.6 million in the fourth quarter relates to the disposal of seven Fokker 50 freighter aircraft and five Twin Otter aircraft by the holding company, Penerbangan Malaysia Berhad (PMB). In accordance with the Agreement for Aircraft and Finance Agreements Unbundling entered into with PMB, the Group is entitled to a 80% share of the gain on disposal of certain aircraft unbundled to PMB.

2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

Operating revenue for the quarter increased to RM3,708.2 million from RM3,501.8 million in the preceding quarter. The Group made a profit after tax of RM122.0 million compared to RM240.7 million in the preceding quarter. The lower profit for the fourth quarter was mainly due to the compensation for early termination of ADBU offset by the domestic rationalisation expenses and higher profit on sale of properties recorded in the preceding quarter.

3. CURRENT YEAR PROSPECTS

The airline industry had enjoyed a relatively good passenger growth for 2006. For 2007, despite the lower oil prices, IATA has forecast passenger growth to slow down to 5% and for freight 4.9% mainly due to expected slower economic growth.

Competition also will remain intense and yields will come under pressure for the coming quarter from price discounting and additional capacity injection from aircraft deliveries exceeding demand especially from the Middle East to Asia and from Europe to East and South Asia.

Demand is expected to be weaker in the next quarter mainly due to the low season in Europe, United States, North Asia and Middle East except for the Chinese markets during the Lunar New Year. In order to stimulate travel demand in the first half of 2007, MAS held its virtual annual travel fair in February 2007 which offers attractive international airfares as well as domestic and international Golden Holiday packages.

In order to further improve MAS' demand and yields, MAS has introduced a new fare structure together with other revenue management and distribution initiatives. The commission on ticket sales for Malaysian markets has also been reduced from 5% to 2% since January 2007. Following the completion of Phase 3 route rationalisation, further refinement of the network will be introduced in the Northern Summer 2007 as a continuation of the MAS Business Turnaround plan.

International freight growth is expected to slow down in 2007. The intense competition in the market place as a result of excess capacity may continue to dilute cargo yields. Nevertheless, similar to 2006, our plan to improve yields and load factors will help us to sustain our performance in the coming year.

For 2007, in line with its Business Turnaround Plan, MAS will focus on profit turnaround and capability building.

4. PROFIT FORECAST OR PROFIT GUARANTEE

The Group has not provided any profit forecast or profit guarantee in respect of the year ended 31 December 2006.

5. TAXATION

Taxation charge for the Group comprised the following: -

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/12/2006 RM '000	Quarter ended 31/12/2005 (Restated) RM '000	Year ended 31/12/2006 RM '000	* Year ended 31/12/2005 (Restated) RM '000
Current period				
- Malaysian	705	1,164	2,093	3,574
- Foreign	1,847	1,657	7,758	10,993
	2,552	2,821	9,851	14,567
Under/ (Over) provision in prior period	(219)	(86)	(331)	(1,155)
Deferred taxation	18,720	7,685	51,125	17,892
Total	**21,053**	**10,420**	**60,645**	**31,304**

The Group provided Malaysian taxation for its subsidiaries. The Company was granted an extension of the tax exemption status by the Ministry of Finance on its chargeable income in respect of all sources of income up to year assessment 2015.

6. PROFIT ON SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

(i) Profit on sale of unquoted investments

The Redeemable Preference Shares A ("RPS A") of LSG Sky Chefs-Brahim's Sdn. Bhd. were redeemed at cost for a total of RM14.3 million on the following dates:

Date	**No. of RPS A**	**Amount Redeemed RM'000**
28 February 2006	14,403	3,461
31 May 2006	14,403	3,461
31 August 2006	14,403	3,461
30 November 2006	16,500	3,973

(ii) Profit on sale of properties

There were several local and overseas properties disposed during the quarter amounting to a gain on disposal of RM20.9 million.

Note:

* Year ended 31 December 2005 comparatives represent fourth quarter ended 31 March 2005 and cumulative three (3) quarters period from 1 April 2005 to 31 December 2005.

7. PURCHASE OR DISPOSAL OF QUOTED SECURITIES

As at 31 December 2006, the Group has the following quoted securities: -

	In Malaysia RM '000	Outside Malaysia RM '000
At cost	-	1,377
At carrying value	-	1,377
At market value	-	26,531

There was no purchase or disposal of quoted securities during the year ended 31 December 2006.

8. CORPORATE PROPOSALS

(i) On 15 January 2007, the Company announced the proposed renounceable rights issues of up to 418 million new ordinary shares of RM1.00 each in the Company ("Rights Shares") at an issue price to be determined later by the Board and up to 418 million Redeemable Convertible Preference Shares of RM0.10 each in the Company ("RCPS") at an issue price of RM1.00 each on the basis of one (1) rights share and one (1) RCPS for every three (3) existing ordinary shares of RM1.00 each in the company ("MAS Shares") held ("Proposed Rights Issue").

Under the Proposed Rights Issue, the Board will provisionally allot up to 418 million Rights Shares and up to 418 million RCPS to the shareholders whose names appear on the Record of Depositors ("Entitled Shareholders") at the close of business of the Company, on a date to be determined and announced later by the Board, on the basis of one (1) Rights Share and one (1) RCPS for every three (3) existing MAS Shares held. The Board will deal with the fractional entitlements of the Rights Shares and RCPS in such manner as they may in their absolute discretion deem fit and expedient in the interest of the Company. The Entitled Shareholders can elect to subscribe for their respective Rights Shares entitlements and/or RCPS entitlements.

The Proposed Rights Issue is conditional upon the following:
(i) the approval of the shareholders of the Company at an extraordinary general meeting to be convened;
(ii) the approval of the SC;
(iii) the approval-in-principle of Bursa Malaysia Securities Berhad for the listing of and quotation for the new Rights Shares and new RCPS to be issued pursuant to the Proposed Rights Issue and the new MAS Shares to be issued pursuant to the conversion of the RCPS; and
(iv) any other relevant approval.

CIMB Investment Bank Berhad (formerly known as Commerce International Merchant Bankers Berhad) has been appointed as the adviser to the Company for the Proposed Rights Issue.

There were no other proposals made during and subsequent to the year ended 31 December 2006 other than disclosed in Note 11, Part A, Explanatory Notes Pursuant To FRS 134, Paragraph 16.

9. GROUP BORROWINGS AND DEBT SECURITIES

(a) The Group as at 31 December 2006 has lease obligations amounting to RM651.7 million (31 December 2005: RM1,190.6 million) which are covered by interest bearing funds amounting to RM614.4 million (31 December 2005: RM905.9 million) placed with and payments made to financial institutions at the inception date of the respective lease arrangements under defeasance arrangements. The defeased lease obligations, together with the related funds placements and payments, are therefore not included in these financial statements.

(b) Short term borrowings:

	As at 31/12/2006 RM '000	As at 31/12/2005 RM '000
Unsecured	1,050	-

i) On 27 March 2006, the Group entered into a bridging loan facility arrangement of up to a maximum principal amount of RM1 billion with a financial institution. The bridging loan facility shall be used for working capital requirements. The short term borrowing bears effective weighted interest rate of 4.83% per annum, unsecured and is repayable on 31 January 2007. As at 31 December 2006, the net drawndown was RM450 million.

ii) On 22 August and 22 September 2006 respectively, the Group has entered into revolving credit facilities with certain financial institutions. As at 31 December 2006, the net drawndown amount is RM600 million. It is unsecured with effective weighted interest rate at 4.49% per annum.

10. FINANCIAL INSTRUMENTS

(a) As at 21 February 2007, the Group has entered into various fuel hedging transactions for periods up to 31 December 2008 in lots totalling 12,400,000 barrels.

The fuel hedging programme is closely monitored and various hedging instruments are strategically applied to mitigate any price volatility or spike as Jet Kerosene is an international commodity and is subject to the vagaries of the market such as geopolitical events, economic situation and weather conditions.

The accounting policy adopted is to charge related expenses as fuel cost in the financial statements upon the expiry of fuel hedging contracts.

(b) As at 21 February 2007, the Group has entered into various interest rate hedging contract transactions for periods up to 15 December 2015 for a total notional amount of RM4,481.4 million.

The accounting policy adopted is to charge the related expenses against the underlying expenses being hedged.

The fixed interest rates relating to interest rate hedging contracts as at 21 February 2007 vary from 4.5% to 5.45% per annum.

(c) As at 21 February 2007, the Group has entered into foreign currency forward contracts and options amounting to RM1,490.5 million for periods up to 12 December 2007.

The accounting policy adopted is to recognise exchange gains and losses relating to these foreign currency forward contracts and options in the income statement in the same period as the underlying hedged item.

11. MATERIAL LITIGATION

(a) Shahjalal Aviation Systems Ltd. vs MAS

Shahjalal Aviation Systems Ltd. ("Shahjalal") filed a claim in Dhaka, Bangladesh against MAS for a sum of TK2,670,000,000 (RM175.7 million) purportedly due to them on account of commission charges, loss of business and goodwill. MAS had earlier filed a claim against Shahjalal for a sum of TK152,044,364 (RM10.0 million) on account of unremitted passenger and cargo sales. MAS in consultation with its solicitors in Dhaka are continuing to pursue the claim and contest Shahjalal's claim.

(b) Advent Group Management Sdn Bhd vs MAS

A writ of summons and statement of claim was served on MAS on 2 July 2004 as the fourth defendant in the Kuala Lumpur High Court by the Plaintiff, Advent Group Management Sdn. Bhd.. On 4 August 2006, MAS obtained an order from the Court that the claim against MAS be struck off unless the amount of RM75,000 was paid by the Plaintiff into a special account as security for costs within 7 days. The Plaintiff failed to comply but served a Notice of Appeal against the decision granting MAS the 4 August Order.

(c) Arbitration Proceedings by ACL Advanced Cargo Logistic GmBH ("ACL") vs MAS

On 16 September 2004, MAS received notice that ACL had initiated proceedings against MAS at the ICC International Court of Arbitration in Paris, France seeking a claim for breach of cargo handling services agreement. The matter was heard between 26 June 2006 and 30 June 2006. The decision on award on liability is expected in the first quarter of 2007.

(d) Securiforce Sdn. Bhd. and Securiforce Hi-Tech Cargo Sdn. Bhd. vs MAS and Malaysia Airlines Cargo Sdn. Bhd. ("MASKargo")

A writ of summons and statement of claim was served on MAS and its wholly-owned subsidiary, MASKargo, on 16 June 2005 by Securiforce Sdn. Bhd. and Securiforce Hi-Tech Cargo Sdn. Bhd.. MAS and MASKargo are challenging the claim.

(e) MAS vs Tan Sri Dato' Tajudin bin Ramli, Ralph Manfred Gotz, Uwe Juergen Beck and Wan Aishah binti Wan Hamid

On 5 April 2006, MAS filed a civil claim in Malaysia against its former Executive Chairman, Tan Sri Dato' Tajudin bin Ramli and three (3) other defendants. The claim against the Defendants is for losses in relation to cargo operations in Hahn Airport. MAS in consultation with its solicitors is continuing to pursue the claim.

(f) MAS vs Tan Sri Dato' Tajudin bin Ramli, Naluri Corporation Bhd., Promet (Langkawi) Resorts Sdn. Bhd., Kauthar Venture Capital Sdn. Bhd. and Pakatan Permai Sdn. Bhd.

On 26 May 2006, MAS filed a civil claim in the High Court at Kuala Lumpur against its former Executive Chairman, Tan Sri Dato' Tajudin bin Ramli and four (4) other Defendants ("the claim") for substantial damages resulting from inter alia breach of fiduciary duties and/or knowingly assisting or benefiting from such breach of fiduciary duties.

On 9 October 2006, Tan Sri Dato' Tajudin bin Ramli, Promet (Langkawi) Resorts Sdn. Bhd. and Kauthar Venture Capital Sdn. Bhd. have, in response to the Claim, jointly filed and served a defence and counterclaim on the solicitors for MAS claiming inter-alia damages against MAS, its directors, two of its subsidiaries, and one other party. MAS in consultation with its solicitors are continuing to pursue the Claim and to challenge the counterclaim.

PART B - EXPLANATORY NOTES PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS UNDER PART A OF APPENDIX 9B (CONTINUED)

12. DIVIDENDS

The directors do not recommend any dividend for the financial year ended 31 December 2006.

13. EARNINGS/ (LOSS) PER SHARE

(a) The basic earnings per share for the current quarter is calculated by dividing the profit attributable to shareholders of the Company of RM121.5 million (2005: loss RM611.3 million, restated) by 1,253,243,866 ordinary shares (2005: 1,253,243,866).

(b) Diluted earnings per share is not presented in the financial statements as there are no dilutive potential ordinary shares outstanding as at 31 December 2006.

14. AUTHORISATION FOR ISSUE

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Board on 26 February 2007.

By Order of the Board

Rizani bin Hassan (LS 05125)
Company Secretary
Kuala Lumpur
26 February 2007

SUMMARY OF KEY FINANCIAL INFORMATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/12/2006 RM '000	Quarter ended 31/12/2005 (Restated) RM '000	Year ended 31/12/2006 RM '000	* Year ended 31/12/2005 (Restated) RM '000
1. Total Revenue	3,780,376	3,211,869	13,489,549	12,324,636
2. Profit/(loss) before tax	143,091	(599,193)	(73,092)	(1,108,283)
3. Profit/(loss) for the period	122,038	(609,613)	(133,737)	(1,139,587)
4. Profit/(loss) for the period attributable to equity holders of the Company	121,472	(611,303)	(136,432)	(1,143,929)
5. Basic earnings/(loss) per share (sen)	9.69	(48.78)	(10.89)	(91.28)
6. Dividend per share (sen)	-	-	-	-

	AS AT 31/12/2006	AS AT 31/12/2005
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.51	1.61

ADDITIONAL INFORMATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 31/12/2006 RM '000	Quarter ended 31/12/2005 RM '000	Year ended 31/12/2006 RM '000	* Year ended 31/12/2005 RM '000
1. Gross interest income	13,398	(10,915)	47,323	30,797
2. Gross interest expense	(20,745)	-	(32,847)	-

Note:

* Year ended 31 December 2005 comparatives represent fourth quarter ended 31 March 2005 and cumulative three (3) quarters period from 1 April 2005 to 31 December 2005.

APPENDIX I

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

	CUMULATIVE QUARTER	
	Year ended 31/12/2006 RM '000	Period ended 31/12/2005 RM '000
Operating revenue	13,171,838	8,956,849
Operating expenses	(13,792,392)	(10,428,821)
Other operating income	317,711	224,489
Loss from operations	(302,843)	(1,247,483)
Finance costs	(49,215)	(5,813)
Compensation for domestic rationalisation	650,000	-
Domestic rationalisation expenses and redundancy expenses	(517,803)	-
Gain on sale of properties	83,351	-
Gain on sale of aircraft and engines	35,629	-
Share of results from associated companies	27,789	20,350
Loss before taxation	(73,092)	(1,232,946)
Taxation	(60,645)	(18,657)
Loss after taxation	**(133,737)**	**(1,251,603)**
Attributable to:		
Equity holders of the Company	(136,432)	(1,255,202)
Minority interest	2,695	3,599
Loss after taxation	**(133,737)**	**(1,251,603)**
Loss per share attributable to equity holders of the Company		
Basic (sen)	(10.89)	(100.16)

APPENDIX II

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	Year ended 31/12/2006 RM '000	Period ended 31/12/2005 RM '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	**(73,092)**	**(1,232,946)**
Adjustments for :-		
Depreciation of property, plant and equipment	317,380	240,234
Interest expense	32,847	-
Provision for doubtful debts, net of reversals	42,920	46,014
Unrealised foreign exchange losses/(gains)	36,941	(2,398)
Property, plant and equipment written off, net	3,659	46,844
Impairment losses net of reversal - property, plant and equipment	14,864	33,244
Amortisation of intangible assets	2,231	-
Writeback of unavailed credits on sales in advance of carriage	(159,330)	(86,484)
Gain on sale of property, plant and equipment	(84,358)	(10,915)
Interest income	(47,323)	(10,148)
Dividend income	(32,364)	(15,845)
Share of results of associated companies	(27,789)	(20,350)
Gain on disposal of other investment, net	-	(3,246)
Operating profit/(loss) before working capital changes	**26,586**	**(1,015,996)**
Decrease/ (increase) in inventories	68,950	(8,682)
Increase in trade and other receivables	(93,922)	(355,276)
(Decrease)/increase in amount owing to holding company	(9,444)	526,958
Increase in trade and other payables	21,260	148,338
(Decrease)/increase in sales in advance of carriage	(111,768)	159,039
Cash used in operating activities	**(98,338)**	**(545,619)**
Interest paid	(37,524)	-
Taxes paid	(11,095)	(9,079)
Net cash used in operating activities	**(146,957)**	**(554,698)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of property, plant and equipment	176,581	18,625
Interest received	48,123	9,240
Dividend received	33,068	20,322
Proceeds from sale of other investments	14,356	32,913
Purchase of property, plant and equipment	(711,980)	(497,135)
Purchase of intangible assets	(57,279)	(10,548)
Purchase of other investments	(21)	(1,404)
Net cash used in investing activities	**(497,152)**	**(427,987)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Short term borrowings drawdown	1,600,000	-
Repayment of short term loan	(550,000)	-
Dividend paid to minority interest in a subsidiary	(601)	(1,153)
Dividend paid to equity holders of the Company	-	(31,331)
Net cash generated from/ (used in) financing activities	**1,049,399**	**(32,484)**
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	**405,290**	**(1,015,169)**
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY/ 1 APRIL	**1,179,409**	**2,194,578**
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER/ 1 MARCH	**1,584,699**	**1,179,409**

APPENDIX III

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2006

	Attributable to equity holders of the Company							
	Share capital RM '000	Non-distributable Share premium RM '000	Distributable General reserves RM '000	Accumulated losses RM '000	Total reserves RM '000	Total RM '000	Minority interests RM '000	Total Equity RM '000
At 1 January 2006, as previously stated	1,253,244	3,301,164	501,530	(3,033,324)	769,370	2,022,614	13,152	2,035,766
Prior year adjustment -effects of adopting FRS128	-	-	-	(12,757)	(12,757)	(12,757)	-	(12,757)
At 1 January 2006, as restated	1,253,244	3,301,164	501,530	(3,046,081)	756,613	2,009,857	13,152	2,023,009
Loss for the year	-	-	-	(136,432)	(136,432)	(136,432)	2,695	(133,737)
Dividends	-	-	-	-	-	-	(601)	(601)
At 31 December 2006	**1,253,244**	**3,301,164**	**501,530**	**(3,182,513)**	**620,181**	**1,873,425**	**15,246**	**1,888,671**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2005

	Attributable to equity holders of the Company							
	Share capital RM '000	Non-distributable Share premium RM '000	Distributable General reserves RM '000	Accumulated losses RM '000	Total reserves RM '000	Total RM '000	Minority interests RM '000	Total Equity RM '000
At 1 April 2005	1,253,244	3,301,164	501,530	(1,737,206)	2,065,488	3,318,732	10,706	3,329,438
Prior year adjustment -effects of adopting FRS128	-	-	-	(22,342)	(22,342)	(22,342)	-	(22,342)
At 1 April 2005, as restated	1,253,244	3,301,164	501,530	(1,759,548)	2,043,146	3,296,390	10,706	3,307,096
Dividend paid for year ended 31 March 2005				(31,331)	(31,331)	(31,331)	(1,153)	(32,484)
Loss for the period	-	-	-	(1,255,202)	(1,255,202)	(1,255,202)	3,599	(1,251,603)
At 31 December 2005	**1,253,244**	**3,301,164**	**501,530**	**(3,046,081)**	**756,613**	**2,009,857**	**13,152**	**2,023,009**

APPENDIX IV

EFFECTS OF FRS 128

Effects on income statements for the period ended 31/12/2005	CUMULATIVE QUARTER		
	Previously Stated RM'000	Adjustments RM'000	Restated RM'000
Share of results from associated companies	12,119	9,585	21,704
Loss attributable to equity holders of the Company	(1,264,787)	9,585	(1,255,202)
Loss per share	(100.90)		(100.16)
Share of results from associated companies, net of taxation	21,704	(1,354)	20,350
Taxation	(20,011)	1,354	(18,657)