

MALAYSIAN AIRLINE SYSTEM BERHAD
(COMPANY NO.: 10601-W)
(INCORPORATED IN MALAYSIA)
QUARTERLY REPORT ON THE THIRD QUARTER ENDED 30 SEPTEMBER 2007

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 third quarter ended 30 September 2007. This announcement should be read in conjunction with the audited annual financial statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to the quarterly condensed financial report.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30/9/2007 RM '000	Quarter ended 30/9/2006 RM '000 (Restated)	Period ended 30/9/2007 RM '000	Period ended 30/9/2006 RM '000 (Restated)
Continuing Operations				
Operating revenue	3,870,742	3,508,578	10,947,889	9,416,239
Operating expenses	(3,850,625)	(3,547,392)	(10,861,625)	(10,074,464)
Other operating income	83,986	106,501	195,612	245,476
Residual value share on sale of aircraft by Penerbangan Malaysia Berhad	220,557	-	228,849	-
Gains on sale of properties	51,729	62,425	103,738	62,425
Profit/(loss) from operations	376,389	130,112	614,463	(350,324)
Finance costs	(9,605)	(11,663)	(35,782)	(20,822)
Compensation for domestic rationalisation	-	650,000	-	650,000
Domestic rationalisation expenses and redundancy expenses	-	(517,803)	-	(517,803)
Share of results from associated companies	7,140	4,861	15,198	20,252
Profit/(loss) before taxation	373,924	255,507	593,879	(218,697)
Taxation	(9,105)	(15,986)	(24,811)	(39,574)
Profit/(loss) for the period from continuing operations	364,819	239,521	569,068	(258,271)
Discontinued Operations				
Results for the period from discontinued operations (Refer Part A, Note 13)	(258)	1,160	41,422	2,496
Profit/(loss) for the period	364,561	240,681	610,490	(255,775)
Attributable to:				
Equity holders of the Company	363,935	240,295	609,493	(257,904)
Minority interest	626	386	997	2,129
Profit/(loss) for the period	364,561	240,681	610,490	(255,775)
Earnings/(loss) per share attributable to equity holders of the Company				
Basic (sen)				
Continuing operations	26.04	17.10	40.62	(18.62)
Discontinued operations	(0.02)	0.08	2.96	0.18
	<u>26.02</u>	<u>17.18</u>	<u>43.58</u>	<u>(18.44)</u>

Note:

The comparative figures have been reclassified to conform with current year's presentation as reflected in Note 17 of Part A - Explanatory Notes Pursuant to FRS 134, Paragraph 16.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	As at 30/9/2007 RM '000	As at 31/12/2006 RM '000 (Restated)
Property, plant and equipment	1,729,444	2,141,262
Investment in associated companies	64,997	67,461
Long term investments	69,973	105,233
Prepaid lease payments on land and buildings	341,879	355,502
Amount owing by a fellow subsidiary	255,110	295,860
Intangible assets	102,775	80,362
Deferred tax assets	22,601	41,828
	<u>2,586,779</u>	<u>3,087,508</u>
<u>Current assets</u>		
Inventories	381,239	385,769
Trade receivables	1,064,575	1,015,143
Other receivables	1,171,954	841,600
Tax recoverable	52,049	45,608
Cash and bank balances	3,232,102	1,584,699
	<u>5,901,919</u>	<u>3,872,819</u>
Non-current assets held for sale	683	10,647
	<u>5,902,602</u>	<u>3,883,466</u>
<u>Current liabilities</u>		
Trade payables	1,912,877	1,671,320
Other payables	925,817	717,444
Provision	662,667	347,714
Short term borrowings	500,000	1,050,000
Amount owing to holding company	54,949	72,031
Provision for taxation	19,757	20,457
Sales in advance of carriage	1,395,152	1,202,060
	<u>5,471,219</u>	<u>5,081,026</u>
Net current assets/(liabilities)	431,383	(1,197,560)
	<u>3,018,162</u>	<u>1,889,948</u>
Equity attributable to equity holders of the Company	2,502,582	1,873,425
Share capital - ordinary shares	1,253,244	1,253,244
Reserves		
Share premium	3,299,909	3,301,164
General Reserve	522,449	501,530
Accumulated losses	(2,573,020)	(3,182,513)
Minority interest	15,265	15,246
Total equity	<u>2,517,847</u>	<u>1,888,671</u>
<u>Long term liabilities</u>		
Long term borrowings	500,000	-
Deferred tax liabilities	315	1,277
	<u>3,018,162</u>	<u>1,889,948</u>
Net assets per share (RM)	<u>2.00</u>	<u>1.49</u>

Note:

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

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	Period ended 30/9/2007 RM '000	Period ended 30/9/2006 RM '000 (Restated)
<u>Cash Flows From Operating Activities</u>		
Profit/(loss) before taxation from:		
Continuing operations	593,879	(218,697)
Discontinued operations	43,218	2,514
Adjustments for :-		
Depreciation of property, plant and equipment	243,888	243,444
Interest expenses	35,751	20,782
ESOS expenses	20,919	-
Property, plant and equipment written off, net	19,139	15,009
Provision for doubtful debts	8,279	37,406
Amortisation of intangible assets	8,260	-
Discount on redeemed Redeemable Preference Shares in an associate	3,229	-
Writeback of unavailed credits on sales in advance of carriage	(164,723)	(112,007)
Gain on sale of property, plant and equipment, net	(104,973)	(65,080)
Interest income	(60,288)	(33,925)
Writeback of impairment losses for property, plant and equipment	(37,263)	-
Gain on disposal of subsidiary	(36,145)	-
(Writeback)/Provision for stock obsolescence	(28,449)	954
Dividend income	(20,387)	(30,708)
Share of results of associated companies	(15,198)	(20,252)
Unrealised foreign exchange (gain)/losses	(5,706)	10,614
Operating profit/(loss) before working capital changes	503,430	(149,946)
Decrease in inventories	29,670	72,432
Increase in trade and other receivables	(318,156)	(351,153)
Decrease in amount owing to holding company	(17,082)	(115,408)
Increase in trade, other payables and provision	769,321	149,769
Increase/(decrease) in sales in advance of carriage	357,815	(184,509)
Cash generated from/(used in) operating activities	1,324,998	(578,815)
Interest paid	(34,849)	(21,254)
Taxes paid	(7,243)	(8,930)
Net cash generated from/(used in) operating activities	1,282,906	(608,999)
<u>Cash Flows From Investing Activities</u>		
Purchase of property, plant and equipment	(265,275)	(574,606)
Proceeds on sale of property, plant and equipment	221,557	148,814
Interest received	48,853	36,229
Purchase of other investments	(1,143)	-
Purchase of intangible assets	(30,673)	-
Proceeds from disposal of subsidiary (Refer Part A, Note 13)	372,190	-
Proceeds from sale of other investments	33,173	10,427
Dividend received	38,048	31,210
Net cash generated from/(used) in investing activities	416,730	(347,926)
<u>Cash Flows From Financing Activities</u>		
(Repayment)/drawdown of short term borrowings	(550,000)	950,000
Drawdown of long term borrowings	500,000	-
Dividend paid to minority interest in a subsidiary	(978)	(72)
Expenses incurred on issuance of Rights share exercise	(1,255)	-
Net cash (used in)/generated from financing activities	(52,233)	949,928
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	1,647,403	(6,997)
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	1,584,699	1,179,409
CASH AND CASH EQUIVALENTS AS AT 30 SEPTEMBER	3,232,102	1,172,412

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2007**

	Attributable to equity holders of the Company						Minority interests RM '000	Total Equity RM '000
	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		
At 1 January 2007	1,253,244	3,301,164	501,530	(3,182,513)	620,181	1,873,425	15,246	1,888,671
Profit for the period	-	-	-	609,493	609,493	609,493	997	610,490
Expenses incurred on issuance of Rights share exercise	-	(1,255)	-	-	(1,255)	(1,255)	-	(1,255)
ESOS	-	-	20,919	-	20,919	20,919	-	20,919
Dividends	-	-	-	-	-	-	(978)	(978)
At 30 September 2007	1,253,244	3,299,909	522,449	(2,573,020)	1,249,338	2,502,582	15,265	2,517,847

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2006**

	Attributable to equity holders of the Company						Minority interests RM '000	Total Equity RM '000
	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		
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 period	-	-	-	(257,904)	(257,904)	(257,904)	2,129	(255,775)
Dividends	-	-	-	-	-	-	(72)	(72)
At 30 September 2006	1,253,244	3,301,164	501,530	(3,303,985)	498,709	1,751,953	15,209	1,767,162

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 year ended 31 December 2006. 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 year ended 31 December 2006.

The significant accounting policies adopted for the quarterly condensed financial report are consistent with those of the audited financial statements for the financial year ended 31 December 2006 except for the adoption of all relevant new and revised FRS that became effective for the Group for the financial period beginning 1 January 2007:

- FRS 2 - Share-based Payment
- FRS 117 - Leases
- FRS 124 - Related Party Disclosures

The principal changes in accounting policies and the effects resulting from the adoption of FRS 2 and FRS 117 are as follows:

FRS 2 - Share-based Payment

FRS 2 requires the total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in share option reserve within equity over the vesting period. The financial impact to the Group arising from this change in accounting policy is as follows:

	Increase/ (decrease) RM'000
Effects on balance sheets as at 30 September 2007:	
Decrease in retained earnings	(20,919)
Increase in general reserves	<u>20,919</u>
Effects on income statements for period ended 30 September 2007:	
Decrease in profit for the period	<u>20,919</u>

FRS 117 - Leases

Prior to 1 January 2007, leasehold land and building was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land and buildings.

Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purpose of lease classification. Leasehold land held for own use is now classified as operating lease and where necessary, the minimum lease payments or the up-front payments made are allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

The Group has applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. The reclassification of leasehold land from property, plant and equipment to prepaid land lease payments has been accounted for retrospectively in the balance sheets. As at 31 December 2006, the total unamortised amounts of leasehold land amounting to RM355.5 million are retained as the carrying amount of prepaid land lease payments and are amortised on a straight-line basis over their lease terms. However, the adoption of the revised FRS 117 has no financial effect on the income statements.

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

1. ACCOUNTING POLICIES (CONTINUED)

FRS 117 - Leases (Continued)

The effects on the balance sheet as at 30 September 2007 and restatement of comparatives are as follows:

Effects on balance sheets as at 30 September 2007:

	Increase/ (decrease) RM'000
Property, plant and equipment	(341,879)
Prepaid lease payments on land and buildings	<u>341,879</u>

Effects on balance sheets as at 31 December 2006:

	Previously Stated RM'000	Adjustments RM'000	Restated RM'000
Property, plant and equipment	2,496,764	(355,502)	2,141,262
Prepaid lease payments on land and buildings	-	355,502	<u>355,502</u>

The adoption of revised FRS 124 did not result in significant changes in accounting policies of the Group.

2. QUALIFICATION OF PRECEDING AUDITED ANNUAL FINANCIAL STATEMENTS

There was no qualification of the Group's Audited Annual Financial Statements for the year ended 31 December 2006.

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 period ended 30 September 2007.

5. MATERIAL CHANGES IN ESTIMATES OF AMOUNTS REPORTED

There was no material changes in estimates of amount reported for the period ended 30 September 2007.

6. SIGNIFICANT EVENTS

- i) On 15 January 2007, the Company proposed to implement a performance-based share option scheme ("Option Scheme") for eligible employees including executive directors of the Group who meet the criteria of eligibility for participation in the Option Scheme. CIMB Investment Bank Berhad (formerly known as Commerce International Merchant Bankers Berhad) was appointed as the adviser to the Company for the Option Scheme. The objective of the Option Scheme is to reward and retain high performing employees and to encourage a high performance culture.

On 23 April 2007, at the Extraordinary General Meeting, the shareholders' of the Company approved the Option Scheme above. On 15 May 2007, the Proposed Option Scheme was approved by Bursa Malaysia.

On 14 June 2007, the Company launched the Option Scheme to eligible employees and the final acceptance (grant date) for this scheme was 29 June 2007.

- ii) On 1 March 2007, the Company entered into a conditional Share Purchase Agreement ("SPA") for the proposed disposal of 10,000,000 ordinary shares of RM1.00 each representing 100% of the entire allotted and issued share capital of the Company's wholly-owned subsidiary, MAS Hotel & Boutiques Sdn.Bhd. ("MHB") to Kingdom Langkawi B.V. for a cash consideration of RM435 million.

As at 30 June 2007, the Company has partially disposed of MHB and the remaining completion is pending fulfillment of a final condition precedent which is subject to settlement of certain land issue by March 2008. Refer to Part A, Note 13 for details.

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

6. SIGNIFICANT EVENTS (CONTINUED)

- iii) On 9 March 2007, the Company entered into a conditional sale and purchase agreement and a lease agreement with Employees Provident Fund Board ("EPF") for the proposed disposal and leaseback of a piece of freehold land held under H.S.D 63481, P.T. No. 314 in the Mukim Of Damansara, District of Petaling, State of Selangor Darul Ehsan together with the building, known as MAS Academy of No.2, Jalan SS7/13, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan for a cash consideration of RM145 million. The leaseback period is 5 years from the completion of the proposed disposal with an option of renewal for a further five years.

On 23 April 2007, at the Extraordinary General Meeting, the shareholders' of the Company approved the proposed disposal and leaseback.

During the quarter, the conditions precedents were fulfilled and included in the Group Income Statement is a gain on disposal of RM46.3 million.

- iv) On 14 March 2007, the Company announced that it would launch its new airline known as "Firefly". Firefly would be operated by the Company's wholly owned subsidiary, FlyFirefly Sdn.Bhd. (formerly known as Kelas Services Sdn.Bhd.). The Company has obtained the Air Services License and Air Operator's Certificate by the Department of Civil Aviation Malaysia effective 17 March 2007.

Firefly, managed as a separate entity, commenced operations with two (2) Fokker 50 aircraft in early April 2007 and operates twice daily services out of Penang International Airport to Kota Bahru, Langkawi, Kuantan and Kuala Terengganu; and daily services to Phuket and Koh Samui.

On 24 October 2007, the Company entered into a sale and purchase agreement with Avions De Transport Regional to purchase 10 ATR72-500 aircraft plus an option to purchase another 10 of the same for the operations of Firefly. The catalogue price of the aircraft is USD18.3 mil for deliveries in 2007.

There were no other significant events for the period ended 30 September 2007 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.

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

On 31 January 2007, the Company issued 500 redeemable preference shares of RM0.10 each ("RPS") at an issue price of RM1.00 per share to CIMB Bank Berhad ("CIMB Bank") for its working capital purposes. These 500 RPS were issued in conjunction with and formed an integral part of the Term Loan facility of RM500 million obtained from CIMB Bank.

There was no other issuance, cancellation, repurchase, resale or repayments of debts or equity securities for the financial period ended 30 September 2007.

8. DIVIDEND PAID

There were no dividend paid in the financial period ended 30 September 2007.

9. SEGMENTAL INFORMATION

BY BUSINESS ACTIVITIES	Individual Quarter ended 30/9/2007		Cumulative Quarter ended 30/9/2007	
	Operating revenue RM '000	Operating profit/(loss) RM '000	Operating revenue RM '000	Operating profit/(loss) RM '000
Airline operations	3,402,277	348,188	9,653,257	672,000
Cargo services	701,546	27,715	1,959,982	61,411
Catering services	2,528	338	7,580	706
Others	27,328	508	75,233	314
	4,133,679	376,749	11,696,052	734,431
Eliminations	(262,937)	(360)	(748,163)	(119,968)
Total	3,870,742	376,389	10,947,889	614,463

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

10. VALUATION OF ASSETS

There was no valuation of property and equipment for the financial period ended 30 September 2007.

11. SUBSEQUENT EVENT

There was no subsequent event for the financial period ended 30 September 2007.

12. CHANGES IN THE COMPOSITION OF THE GROUP

- i) On 12 March 2007, Kelas Services Sdn.Bhd. has changed its name to FlyFireFly Sdn. Bhd. ("Firefly"), which commenced its operation to operate the community airlines on 2 April 2007. Further details as per Note 6(iv), Part A.
- ii) On 30 May 2007, the Company acquired a total of two (2) ordinary share in Absolute Competence Sdn. Bhd. ("ACSB"), a shelf company, for a purchase consideration of RM 2. With effect from that date, ACSB became the new wholly owned subsidiary of the Company. On 13 June 2007, ACSB's name was changed to MASWings Sdn. Bhd. ("MASWings"). MASWings' principal activity is to provide air services transportation to rural areas of Sabah and Sarawak.
- iii) On 30 May 2007, a wholly owned subsidiary, Malaysian Aerospace Engineering Sdn. Bhd. ("MAESB") was incorporated with two (2) ordinary shares of RM1 each held in trust by Dato' Sri Iris Jala @ Idris Jala and Tengku Dato' Azmil Zahrudin bin Raja Abdul Aziz. On 22 June 2007, the shares were transferred to the Company.
- iv) On 31 July 2007, a wholly owned subsidiary, Firefly acquired 100% equity of Khidmat Stabil Sdn. Bhd. ("Khidmat Stabil"), a shelf company consists of a total of two (2) ordinary shares for a purchase consideration of RM2. On 6 August 2007, Khidmat Stabil increased its shareholding to RM200,000 with the allotment of additional 199,998 ordinary shares of RM1 each. On 14 August 2007, Khidmat Stabil changed its name to Flyfirefly Holiday Sdn.Bhd.
- v) On 24 August 2007, Macnet CCN (M) Sdn. Bhd., a wholly-owned subsidiary of the Company had been voluntarily wound up by the members as it was dormant.

There was no other change in the composition of the Group for the financial period ended 30 September 2007.

13. DISCONTINUED OPERATIONS AND DISPOSAL COMPANY CLASSIFIED AS HELD FOR SALE

In line with MAS' strategic asset rationalisation exercise, the Company has disposed/ceased the operation of the following subsidiaries:

(i) Disposal of MAS Hotel & Boutiques Sdn. Bhd ("MHB")

Save as disclosed in Note 6(ii), the Company, on 1 March 2007 entered into a conditional Share Purchase Agreement ("SPA") for the disposal of 100% equity of the Company's wholly-owned subsidiary, MHB, a company involved in the business of providing hotel and boutique facilities, to Kingdom Langkawi B.V.

The disposal of the subsidiary was partially completed on 5 April 2007 and a partial gain on disposal of RM36.1 million was recognised in the income statements for the financial period ended 30 June 2007. Completion of the sale is pending the fulfillment of a final condition precedent which is subject to settlement of certain land issues by March 2008. The remaining deferred consideration of RM35 million and related gain will be recognised upon the fulfillment of the final condition precedent.

The financial results of MHB is presented separately on the consolidated income statements as discontinued operation.

(ii) Ceased operation of Syarikat Pengangkutan Senai ("SPS")

On 15 August 2007, the Company ceased the operation of SPS, a wholly-owned subsidiary company involved in providing coach transportation services. All related expenses incurred have been accrued in the financial statements for the financial period ended 30 September 2007.

The financial results of SPS is presented separately on the consolidated income statements as discontinued operation.

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

13. DISCONTINUED OPERATIONS AND DISPOSAL COMPANY CLASSIFIED AS HELD FOR SALE (CONTINUED)

The results of the discontinued operations are as follows:

	Quarter ended 30/9/07		Cumulative Quarter ended 30/9/07	
	MHB RM'000	SPS RM'000	MHB RM'000	SPS RM'000
Revenue	-	16	21,059	101
Expenses	-	(274)	(13,420)	(667)
Profit/(loss) before tax	-	(258)	7,639	(566)
Taxation	-	-	(1,796)	-
Profit/(loss) for the period from discontinued operations	-	(258)	5,843	(566)
Gain on disposal of discontinued operations	-	-	36,145	-
Profit/(loss) for the period from discontinued operations	-	(258)	41,988	(566)

The cash flows of the discontinued operations are as follows:

	MHB RM'000	SPS RM'000
Cash flow from operating activities	2,113	41
Cash flow from investing activities	(1,100)	-
Cash flow from financing activities	2,745	-
Total cash flows	3,758	41

As at 30 September 2007, property, plant and equipment of SPS classified as non current assets held for sale is RM0.035 million.

The assets and liabilities of MHB disposed of at the effective date are as follows:

	RM'000
Property, plant and equipment	338,719
Inventories	1,631
Receivables	2,837
Cash and bank balances	14,073
Payables	(7,142)
Due to holding company	(366,876)
Net liabilities disposed	(16,758)
Defrayed costs	(13,737)
Proceeds from disposal of subsidiary company	33,124
Gain on disposal of subsidiary company	36,145
Disposal proceeds settled by:	
Cash proceeds	400,000
Deferred payment	35,000
Total consideration	435,000
Cash inflow arising on disposal:	
Cash consideration	400,000
Defrayed cost	(13,737)
Cash and cash equivalents of subsidiary disposed	(14,073)
Net cash inflow of the Group	372,190

The deferred payment is expected to be settled in cash by the purchaser, subject to the fulfillment of final condition precedent by March 2008.

There was no tax charge or credit arising from the gain or loss on disposal.

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

14. 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.

	19/11/2007 RM '000
1. Secured / Unsecured	
Loans	255,739
- Secured	100,928
- Unsecured	430,066
Finance leases (secured)	<u>786,733</u>
2. Tenure	
Loans and leases due within one year	157,001
Loans and leases due after one year	<u>629,732</u>
	<u>786,733</u>
3. Loans by currencies in Ringgit Malaysia	
US Dollar	685,805
French Franc	<u>100,928</u>
	<u>786,733</u>
(b) Others	
Corporate guarantees given to third parties	4,915
Bank guarantees given to third parties	142,946
Performance bonds given to third parties	<u>646</u>
	<u>148,507</u>

(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 share of the profit on disposal if the applicable aircraft were to be disposed as at 19 November 2007 is RM792.0 million.

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

15. SIGNIFICANT RELATED PARTY DISCLOSURES

	Quarter ended 30/9/2007 RM '000	Quarter ended 30/9/2006 RM '000	Period ended 30/9/2007 RM '000	Period ended 30/9/2006 RM '000 (restated)
LSG Sky Chefs-Brahim's Sdn. Bhd., an associate:				
- Catering and other services paid/ payable	54,898	58,816	161,397	170,022
- Rental income and others	(4,872)	(5,064)	(15,125)	(14,933)
- Shared services billed	(560)	(623)	(2,392)	(2,167)
GE Engine Services (M) Sdn. Bhd., an associate:				
-Engine maintenance services rendered and purchase of aircraft, property and equipment	113,970	119,138	321,982	375,205
- Rental income and others	(3,823)	(3,970)	(11,515)	(11,516)
- Shared services billed	(113)	(57)	(227)	(270)
Pan Asia Pacific Aviation Services Ltd., an associate:				
- Line maintenance and aircraft interior cleaning services paid/ payable	1,371	1,528	3,880	4,575
Hamilton Sundstrand Customer Support Centre (M) Sdn. Bhd., an associate:				
- Aircraft component repair services paid/ payable	1,539	968	5,728	5,357
Honeywell Aerospace Services (M) Sdn. Bhd., an associate:				
- Aircraft power plant unit overhaul services paid/ payable	1,634	1,960	4,756	4,612
Taj Madras Flight Kitchen Limited, an associate:				
- Catering services paid/ payable	578	367	1,626	1,135
Abacus International Holding Ltd., a company in which the Company has substantial shareholding:				
- Computer reservation system access fee paid/ payable	9,905	9,151	34,112	30,282
Evergreen Sky Catering Corporation, a company in which the Company has substantial shareholding:				
- Catering services paid/ payable	2,756	2,344	7,093	6,487
Miascor Catering Services Corporation, a company in which the Company has substantial shareholding:				
- Catering services paid/ payable	154	188	303	717
Penerbangan Malaysia Bhd, holding company:				
- Hire of aircraft paid/ payable	162,026	157,050	491,513	402,566
Aircraft Business Malaysia Sdn. Bhd., a fellow subsidiary:				
- Aircraft lease rental paid/ payable	71,088	70,933	213,214	208,987
Asset Global Network Sdn. Bhd., a fellow subsidiary:				
- Rental of premises paid/ payable	17,852	17,852	53,556	53,556

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

16. SIGNIFICANT RELATED PARTY BALANCES

	As at 30/9/2007 RM '000	As at 31/12/2006 RM '000 (Audited)
Amount owing to holding company	54,949	72,031
Amount owing by related parties	9,363	8,614
Amount owing by a fellow subsidiary		
- due within one year	54,334	54,389
- due after one year	255,110	295,860
Amount owing to associated companies	47,395	5,656

17. CHANGES IN PREVIOUS QUARTER PRESENTATION

The following disclosure for the third quarter ended 30 September 2006 has been restated to conform with the current period's presentation:

Quarter ended 30 September 2006

	Previously stated RM'000	Reclassified RM'000	Restated RM'000
Operating revenue	3,501,792	6,786	3,508,578
Operating expenses	(3,558,346)	10,954	(3,547,392)
Other operating income	129,247	(22,746)	106,501
Profit from operations	72,693	57,419	130,112
Finance costs	(15,500)	3,837	(11,663)
Taxation	(15,995)	9	(15,986)
Result for the period from discontinued operations	-	1,160	1,160

Period ended 30 September 2006

	Previously stated RM'000	Reclassified RM'000	Restated RM'000
Operating revenue	9,418,584	(2,345)	9,416,239
Operating expenses	(10,106,689)	32,225	(10,074,464)
Other operating income	290,589	(45,113)	245,476
Loss from operations	(397,516)	47,192	(350,324)
Finance costs	(33,541)	12,719	(20,822)
Taxation	(39,592)	18	(39,574)
Result for the period from discontinued operations	-	2,496	2,496

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 higher operating profit of RM376.4 million for the third quarter ended 30 September 2007 compared to an operating profit of RM130.1 million for the corresponding quarter last year due to the higher operating revenue and the residual value share on sale of aircraft by Penerbangan Malaysia Berhad (see Note 14(ii) of Part A - Explanatory Notes Pursuant to FRS 134, Paragraph 16). In addition, the Group recorded gains on sale of properties which resulted in a profit after tax of RM364.6 million (30 September 2006: RM240.7 million profit after tax).

2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

Operating revenue for the quarter increased to RM3,870.7 million from RM3,496.5 million in the preceding quarter. The Group made a profit after tax of RM364.6 million compared to RM112.8 million in the preceding quarter due to higher operating profits which include residual value share on sale of aircraft by Penerbangan Malaysia Berhad and gains on sale of properties. Residual value share on sale of aircraft by Penerbangan Malaysia Berhad and gains on sale of properties are reclassified under profit from operations for the current quarter. The preceding quarter's presentation has been restated to conform with current quarter's presentation.

3. CURRENT YEAR PROSPECTS

2007 results have been encouraging and we continue to maintain a cautious but optimistic outlook for the remaining part of the year. According to the International Airline Transport Association (IATA), the global passenger growth for the year is expected to slow to 5.0% in comparison to 5.9% growth for 2006. The Asia Pacific region, on the other hand, is forecasted to grow by more than 6% per annum for the next five years. In light of the growth opportunities, the Company will strengthen its presence in the region particular in the ASEAN, China, India and Middle East markets. In the other regions, strategic alliances are being pursued with other airlines to complement the company's own efforts.

The oil price continues its upward trend and poses a major challenge to the aviation industry. Fuel hedging and continuous review of fuel surcharges are in place to address the escalation of fuel cost.

Competition will remain intense and more so with the impending opening of the Kuala Lumpur-Singapore route. For the next 3 months, MAS will continue promoting attractive and affordable Visit Malaysia 2007 packages for increased tourist arrivals into the country and also to pursue initiatives to transform the Company into a premier airline.

Firefly and MASwings reached new milestones, strengthening their respective positions to deliver their growth plans. In October 2007, Firefly secured approval from the Malaysian Government to operate out of Subang and Senai (Johor Bahru) airports. The approval serves as a significant catalyst for Firefly growth plans due to Subang airport's strategic location. MASwings, a newly created vehicle set up for rural air services in Sabah and Sarawak, commenced operation on 1 October 2007. MASwings will contribute synergy to MAS by way of connectivity and interlining. This will positively contribute to MAS passenger load factor.

In line with the MAS Business Turnaround Plan ("BTP"), management will continue to intensify efforts to generate profits for 2007 and beyond. Revenue and yields have shown significant improvement since 2006 following the introduction of a new fare structure together with revenue management and distribution initiatives under the 'Omega' project. Complementing the Omega project is the 'Alpha' project, a 2007 initiative to directly focus on sales and marketing strategies. Other initiatives for 2007 include the electronic ticketing ("ET") and reservation Passenger Services System ("PSS"), an improved Customer Value Proposition and Engineering & Maintenance Breakthrough projects that are expected to enhance the Company's profitability.

While the business environment continues to be challenging, the Board of Directors is of the opinion that based on the first 9 months results, the MAS' result for the year will be encouraging and is expected to exceed the scorecard for 2007 (Definition: 'targets', 'exceeding' and 'outstanding' set at 'RM50 million - RM99 million', 'RM100 million - RM299 million' and 'RM300+ million' respectively).

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

4. PROFIT FORECAST OR PROFIT GUARANTEE

The Group has not provided any profit forecast or profit guarantee in respect of the period ended 30 September 2007.

5. TAXATION

Taxation charge for the Group comprised the following: -

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30/9/2007 RM '000	Quarter ended 30/9/2006 RM '000	Period ended 30/9/2007 RM '000	Period ended 30/9/2006 RM '000
Continuing operations				
Current period				
- Malaysian	288	429	894	1,370
- Foreign	1,848	2,230	5,544	5,911
	2,136	2,659	6,438	7,281
(Over)/ Under provision in prior period				
- Malaysian	(514)	14	(625)	(112)
- Deferred taxation	7,483	13,313	18,998	32,405
Total	9,105	15,986	24,811	39,574

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 of assessment 2015.

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

(i) Loss on sale of unquoted investments

Redeemable Preference Shares A and B ("RPS A" and "RPS B") of LSG Sky Chefs-Brahim's Sdn. Bhd. were fully redeemed during the period.

Date	No. of RPS A	No. of RPS B	Amount Redeemed RM'000	At Cost RM'000	Total Gain/(Loss) RM'000
31 March 2007	16,500*	-	3,965	3,965	-
31 May 2007	16,500*	-	3,965	3,965	-
30 June 2007	88,470**	30,000**	25,242	28,471	(3,229)
					<u>(3,229)</u>

* - RPS redeemed at cost

** - RPS redeemed at cost less discount rate of 11.34%

(ii) Profit on sale of properties

There were several local and overseas properties disposed during the quarter and period resulting in gain on disposal of RM51.7 million and RM103.7 million, respectively.

7. PURCHASE OR DISPOSAL OF QUOTED SECURITIES

As at 30 September 2007, 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	-	30,941

There was no purchase or disposal of quoted securities during the financial period ended 30 September 2007.

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

8. CORPORATE PROPOSALS

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 Company's Board of Directors ("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").

On 15 February 2007, the Company further announced the proposed amendments to the Memorandum and Articles of Association of the Company ("Proposed M&A Amendments") to facilitate the issuance of the RCPS, which forms part of the 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 it may in its 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.

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

On 28 February 2007, The Securities Commission ("SC") approved the Proposed Rights Issue subject to compliance of the certain conditions.

On 18 April 2007, Bank Negara Malaysia ("BNM") approved the issuance of 58.0 million RCPS to non-residents of Malaysia and on 31 May 2007, further approval was obtained for the issuance of an additional 70.1 million RCPS to non-residents of Malaysia.

On 23 April 2007, at the Company's Extraordinary General Meeting, the shareholders of the Company approved, inter alia, the Proposed Rights Issue and the Proposed M&A Amendments.

The shareholders of the Company also approved the proposed increase in the Company's authorised share capital to facilitate the issuance of the RCPS pursuant to the Proposed Rights Issue. The authorised share capital of the Company has been increased from RM10,000,100,001 to RM10,041,900,001 comprising 9,000,000,000 MAS Shares, one (1) special rights redeemable preference share of RM1.00, 100,000,000,000 redeemable convertible preference shares of RM0.01 each, 1,000,000 redeemable preference shares of RM0.10 each and 418,000,000 RCPS by the creation of 418,000,000 RCPS.

On 15 May 2007, Bursa Malaysia Securities Berhad ("Bursa Securities") approved in-principle the admission of the RCPS to the Official List of Bursa Securities and for the listing and quotation of the Rights Shares, RCPS and the new MAS Shares to be issued pursuant to the conversion of the RCPS on the Main Board of Bursa Securities.

On 16 August 2007, SC has approved the Company's application for an extension of time until 27 February 2008 to implement the Proposed Rights Issue.

On 10 September 2007, the Company announced that the issue price for the Rights Shares is fixed at RM2.70 each, the conversion price for the RCPS is fixed at RM4.05 and it has entered into an Underwriting Agreement with CIMB.

On 17 September 2007, the Company announced that the Entitlement Date has been fixed on 1 October 2007 and the closing date for acceptance and payment of subscriptions is fixed on 22 October 2007.

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

8. CORPORATE PROPOSALS (CONTINUED)

On 1 November 2007, the Company announced that the final subscription result and basis of allotment of excess under the Rights Issue is 417,747,955 new ordinary shares of RM1.00 each ("Rights Shares") and 417,747,955 redeemable convertible preference shares of RM0.10 each (RCPS) on the basis of 1 Rights Share and 1 RCPS for every 3 existing shares held ("Rights Issue"). The Right Shares issued will be granted listing and quotation with effect from 5 November 2007 and RCPS issued will be admitted to the Official List of the Securities Exchange and the listing and quotation of these RCPS on the Main Board under the "Trading Services" sector, will be granted with effect from 5 November 2007, on a "Ready" basis pursuant to the Rules of the Securities Exchange.

On 5 November 2007, the Rights Issue was completed following the listing and quotation of the above.

There were no other proposals made during and subsequent to the financial period ended 30 September 2007 other than disclosed in Note 6, Part A, Explanatory Notes Pursuant to FRS 134, Paragraph 16.

9. GROUP BORROWINGS AND DEBT SECURITIES

- (a) The Group as at 30 September 2007 has lease obligations amounting to RM408.1 million (31 December 2006: RM651.7 million) which are covered by interest bearing funds amounting to RM390.6 million (31 December 2006: RM614.4 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) Borrowings:

	As at 30/9/2007 RM 'mil	As at 31/12/2006 RM 'mil
Long term borrowing:		
Unsecured	500	-
Short tem borrowing:		
Unsecured	500	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 was used for working capital requirements. The short term borrowing bore effective weighted interest rate of 4.49% per annum, unsecured and was fully redeemed on 31 January 2007.
- (ii) On 22 August and 22 September 2006 respectively, the Group entered into revolving credit facilities with certain financial institutions. The facilities are unsecured with an effective weighted interest rate of 4.33% per annum. On 22 February and 22 March 2007, the Group has redeemed RM100 million in total for the Revolving Credit Facilities with certain financial institutions. As at 30 September 2007, the net drawdown amount is RM500 million.
- (iii) On 30 January 2007, the Company and CIMB Bank Berhad ("CIMB Bank") entered into a Facility Agreement whereby CIMB Bank agreed to make available to MAS a term loan facility of up to the maximum principal amount of RM500 million ("Term Loan"), and a Subscription Agreement in relation to the issuance by MAS of an aggregate of 500 redeemable preference shares of RM0.10 each ("RPS") at an issue price of RM1.00 per share to CIMB Bank.

Pursuant to these agreements, MAS had on 31 January 2007 drawdown the Term Loan of RM500 million with CIMB Bank and issued 500 RPS to CIMB Bank.

The issuance of RPS to CIMB Bank provides MAS with an option to service the Term Loan through payment of non-cumulative tax-exempt dividend on the RPS or through payment of interest subject to prevailing laws and regulations.

The Term Loan bears an interest rate of 5.58% per annum, unsecured and repayable in one (1) bullet repayment at the end of three (3) years from the drawdown date with interest payable for every six (6)-month period.

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

10. FINANCIAL INSTRUMENTS

- (a) As at 19 November 2007, the Group has entered into various fuel hedging transactions for periods up to 31 December 2008 in lots totalling 5,760,000 barrels.

The fuel hedging programme is closely monitored and is subject to the vagaries of the market such as geopolitical events, the 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 19 November 2007, the Group has entered into various interest rate hedging contract transactions for periods up to 13 December 2016 for a total notional amount of RM3,863.0 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 19 November 2007 vary from 4.2% to 5.4% per annum.

- (c) As at 19 November 2007, the Group has entered into foreign currency forward contracts and options amounting to RM746.3 million for periods up to 12 November 2008.

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. ("Shahjalal") vs MAS

Shahjalal was a general sales agent and had filed a claim in Dhaka, Bangladesh against MAS for a sum of BDT2,670.0 million (RM175.7 million) purportedly due to them on account of commission charges, loss of business and goodwill under the general sales agency. MAS had earlier filed a claim against Shahjalal for a sum of TK152.0 million (RM10.0 million) which was subsequently reduced to BDT87.8 million (approximately RM4.6 million) after adjustments of the bank guarantee and other amounts, together with interest, on account of unremitted passenger and cargo sales.

In relation to the claim by MAS against Shahjalal, MAS, in consultation with its solicitors, is of the opinion that it has a fair chance of success in obtaining a decree against Shahjalal. In relation to the claim by Shahjalal against MAS, MAS, in consultation with its solicitors, is of the opinion that it has a reasonable chance of success in its defence of the claim by Shahjalal.

(b) 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 International Court of Arbitration in Paris, France. The claim against MAS for alleged breach of a ground handling contract ("ACL Agreement") is damages in the sum of EURO 62.7 million (approximately RM300 million).

On 23 April 2007, MAS received a partial award from the Arbitral Tribunal dated 4 April 2007 declaring that MAS has breached the ACL agreement but made no ruling on MAS' liability to compensate ACL for the damages suffered as a result of the breach. The Arbitral Tribunal has fixed the hearing on the quantum of damages and costs on 3 until 6 November 2008. ACL has since in its statement of claim on quantum, revised its claim to EURO 51.6 million (approximately RM243 million).

The partial award makes no monetary award and, at this time, has no ascertainable financial and operational effect on the Company and the Group. The legal effect is being analysed by MAS' Malaysian and Swiss counsels.

(c) Securiforce Sdn Bhd and Securiforce Hi-Tech Cargo Sdn Bhd (collectively, the "Plaintiffs") vs MAS and Malaysia Airlines Cargo Sdn Bhd ("MASKargo")

The Plaintiffs served a writ of summons and statement of claim on MAS and its wholly-owned subsidiary, MASKargo, on 16 June 2005. The Plaintiffs' claim is for special damages of RM4.9 million and general damages of RM250 million as well as unspecified exemplary damages as a consequence of what is alleged by the Plaintiffs to be a termination by MAS, in breach of a purported contract consisting of various documents involving services rendered by the Plaintiffs to MAS and MASKargo. MAS and MASKargo are challenging the claim.

MAS, in consultation with its solicitors is of the opinion that MAS has merits to contest the claim.

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

(d) MAS and MAS Kargo vs Tan Sri Tajudin bin Ramli, Ralph Manfred Gotz, Uwe Juergen Beck and Wan Aishah binti Wan Hamid (collectively, the “Defendants”)

On 5 April 2006, MAS and MAS Kargo filed a civil suit in Malaysia against its former Executive Chairman, Tan Sri Tajudin bin Ramli and three (3) other Defendants. The claim against the Defendants is for losses amounting to RM174.6 million for, amongst others, breach of fiduciary duties committed by the Defendants and conspiracy to defraud MAS. The First, Second and Fourth Defendants have filed applications to strike out the suit, whilst the third Defendant has applied to set aside the Service of the Amended Writ of Notice to be Served Out of Jurisdiction on him. The matter is fixed for hearing on 28 January 2008.

MAS, in consultation with its solicitors is of the opinion that MAS has a fair chance of success in the suit.

(e) MAS, MAS Golden Holidays Sdn Bhd and MAS Hotels and Boutiques Sdn Bhd (collectively, the “Plaintiffs”), vs Tan Sri Tajudin bin Ramli, Naluri Corporation Berhad, Promet (Langkawi) Resorts Sdn Bhd (“Promet”), Kauthar Venture Capital Sdn Bhd (“Kauthar”) and Pakatan Permai Sdn Bhd (collectively the “Defendants”)

On 26 May 2006, the Plaintiffs filed a civil suit (“Original Suit”) in the High Court at Kuala Lumpur against its former Executive Chairman, Tan Sri Tajudin bin Ramli and four (4) other Defendants for damages of approximately RM90 million together with further damages to be assessed, resulting from inter alia breach of fiduciary duties and/or knowingly assisting or benefiting from such breach of fiduciary duties.

In response to the Original Suit, Tan Sri Tajudin bin Ramli, Promet and Kauthar had on 9 October 2006 jointly filed and served a defence and counterclaim (“Counter Claim”) on the Plaintiffs, MAS’s directors and the Government alleging that the Defendants in the Counter Claim (except for the Government) had conspired to injure them or had caused injury to them through malicious prosecution of the Original Suit.

MAS, in consultation with its solicitors, is of the opinion that it has a fair possibility of success in the Original Suit, and that the outcome of the Counter Claim is dependant on the outcome of the Original Suit.

(f) Arbitration Proceedings by Air Maldives Limited (“AML”) vs MAS

On 15 May 2007, MAS received Notice from the Secretariat of the ICC International Court of Arbitration in Paris, France that AML had commenced arbitration proceedings against MAS for alleged continuous breaches of MAS’s duties under a Management Agreement between MAS and AML dated 16 January 1996 (“Arbitration”).

Pending further particulars of AML’s claim in the Arbitration, the effects of the claim on the financial position of MAS cannot be ascertained. MAS is currently seeking legal advice to challenge the claim.

(g) MAS vs Air Maldives Limited

On 11 February 2004, MAS filed a suit at the High Court of Malaya against AML to claim for the sum of USD35.5 million being unpaid fees and charges payable by AML to MAS for airline related services rendered by MAS pursuant to numerous agreements. The writ of summons was served by MAS on AML on 25 July 2007. AML has entered appearance on 22 October 2007 but has not served its statement of defence on MAS.

MAS is advised by its solicitors that the outcome of the suit can only be assessed after AML has served its statement of defence on MAS and the nature of the defence is known.

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 period ended 30 September 2007.

13. EARNINGS/ (LOSS) PER SHARE

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30/9/2007 RM '000	Quarter ended 30/9/2006 RM '000	Period ended 30/9/2007 RM '000	Period ended 30/9/2006 RM '000
(a) Basic earnings per share				
Profit/(loss) attributable to equity holders of the Company for:				
Continuing operations	364,193	239,135	568,071	(260,400)
Discontinued operations	(258)	1,160	41,422	2,496
	<u>363,935</u>	<u>240,295</u>	<u>609,493</u>	<u>(257,904)</u>
Ordinary shares in issue ('000)	1,253,244	1,253,244	1,253,244	1,253,244
Adjustments for Rights Shares	145,376	145,376	145,376	145,376
	<u>1,398,620</u>	<u>1,398,620</u>	<u>1,398,620</u>	<u>1,398,620</u>
Weighted average number of ordinary shares in issue ('000)				
Basic earnings/(loss) per share for (sen):				
Continuing operations	26.04	17.10	40.62	(18.62)
Discontinued operations	(0.02)	0.08	2.96	0.18
	<u>26.02</u>	<u>17.18</u>	<u>43.58</u>	<u>(18.44)</u>

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by weighted average of ordinary shares in issue during the quarter and period ended 30 September 2007. For the comparative quarter and period ended 30 September 2006, the basic earnings per share is restated in accordance with FRS 133 - Earnings Per Share.

(b) Diluted earnings per share

Diluted earnings per share is not applicable as the potential ordinary shares are antidilutive for the quarter and period ended 30 September 2007.

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 November 2007.

By Order of the Board

Rizani bin Hassan (LS 05125)
Company Secretary
Selangor Darul Ehsan
26 November 2007

PART C - ADDITIONAL INFORMATION

1. ECONOMIC PROFIT

- (a) As prescribed by the GLC Transformation Programme, the reporting of economic profit ("EP") is made every quarter. EP is an indicative measure of value creation by the business in a specific period. It reflects how much return a business has generated after operating expenses and capital costs.
- (b) The EP of the Group for the quarter and period ended 30 September 2007 is RM77.5 million (2006: Economic Loss of RM36.2 million) and RM203.0 million (2006: Economic Loss of RM485.2 million) respectively. The improvement in the EP is consistent with the improvement in the Group's results as a result of the BTP initiatives undertaken since 2006.

Although the EP has some usefulness in terms of giving an indication of the return after deducting the cost of the resources it employs, it should not be used in isolation as an indicator of a company's performance nor is it a predictor of future performance. In some circumstances, the EP results on their own may give misleading results or trends.

2. SUMMARY OF KEY FINANCIAL INFORMATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30/9/2007 RM '000	Quarter ended 30/9/2006 RM '000 (Restated)	Period ended 30/9/2007 RM '000	Period ended 30/9/2006 RM '000 (Restated)
(a) Total Revenue	4,227,014	3,677,504	11,476,088	9,724,140
(b) Profit/(loss) before tax	373,666	256,676	637,097	(216,183)
(c) Profit/(loss) for the period	364,561	240,681	610,490	(255,775)
(d) Profit/(loss) for the period attributable to equity holders of the Company	363,935	240,295	609,493	(257,904)
(e) Basic earnings/(loss) per share (sen)	26.02	17.18	43.58	(18.44)

	AS AT 30/9/2007	AS AT 31/12/2006 (Audited)
(a) Net assets per share attributable to ordinary equity holders of the Company (RM)	2.00	1.49

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter ended 30/9/2007 RM '000	Quarter ended 30/9/2006 RM '000 (Restated)	Period ended 30/9/2007 RM '000	Period ended 30/9/2006 RM '000 (Restated)
(a) Gross interest income	18,867	11,966	60,288	33,925
(b) Gross interest expense	(9,595)	(11,701)	(35,751)	(20,782)