

**QUARTERLY REPORT ON UNAUDITED CONSOLIDATED RESULTS**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2005**

**CONDENSED CONSOLIDATED INCOME STATEMENTS**

	<b>Individual Period</b>		<b>Cumulative Period</b>	
	<b>Current Year Quarter Ended 31/03/2005</b>	<b>Preceding Year Corresponding Quarter 31/03/2004</b>	<b>Current Year To Date 31/03/2005</b>	<b>Preceding Year Corresponding Period 31/03/2004</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	71,329	59,254	71,329	59,254
Operating Expenses	(54,522)	(44,041)	(54,522)	(44,041)
Other Operating Income	616	65	616	65
Profit From Operations	17,423	15,278	17,423	15,278
Finance Costs	(2,387)	(1,746)	(2,387)	(1,746)
Investing Results	-	-	-	-
Profit Before Tax	15,036	13,532	15,036	13,532
Taxation	(4,220)	(3,765)	(4,220)	(3,765)
Profit After Tax	10,816	9,767	10,816	9,767
Minority Interests	-	(2,728)	-	(2,728)
Net Profit For The Period	10,816	7,039	10,816	7,039
EPS - Basic (sen)	5.35	4.00	5.35	4.00
- Diluted (sen)	5.30	3.98	5.30	3.98

The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2004.

**TRANSMILE GROUP BERHAD (Company No. 373741-W)**  
**(Incorporated in Malaysia)**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

	<b>As At End Of Current Quarter 31/03/2005 RM'000</b>	<b>As At Preceding Financial Year End 31/12/2004 RM'000</b>
Property, Plant and Equipment	675,837	595,072
Goodwill On Consolidation	1,002	1,015
Investment In Associated Companies	13,367	13,528
Long Term Investments	11	11
<b>Current Assets</b>		
<i>Work-in-progress</i>	15,718	5,313
<i>Trade Receivables</i>	105,580	105,771
<i>Other Receivables</i>	59,321	202,959
<i>Cash and Bank Balances</i>	252,254	165,240
	<u>432,873</u>	<u>479,283</u>
<b>Current Liabilities</b>		
<i>Trade Payables</i>	18,641	24,302
<i>Other Payables</i>	55,545	61,119
<i>Overdraft &amp; Short Term Borrowings</i>	231,220	44,316
<i>Provision for Taxation</i>	685	1,075
	<u>306,091</u>	<u>130,812</u>
Net Current Assets	126,782	348,471
	<u>816,999</u>	<u>958,097</u>
Share Capital	202,777	201,072
Reserves	399,708	427,995
Shareholders' Fund	<u>602,845</u>	<u>629,067</u>
Minority Interests	-	107,807
Long Term Borrowings	143,075	153,778
Deferred Taxation	71,439	67,445
	<u>816,999</u>	<u>958,097</u>
NTA per share (RM)	2.97	3.12

The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 31 December 2004.

**TRANSMILE GROUP BERHAD (Company No. 373741-W)**  
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**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**

	<b>For the period ended 31/03/2005 RM'000</b>	<b>For the period ended 31/03/2004 RM'000</b>
Net profit before tax	15,036	13,532
Adjustment for non-cash and non-operating items:-		
Non-cash items	8,342	7,999
Non-operating items	1,789	1,681
Operating profit before changes in working capital	25,167	23,212
Changes in working capital:-		
Net change in current assets	(22,456)	(9,106)
Net change in current liabilities	(11,235)	(16,839)
Cash generated from operations	(8,524)	(2,733)
Income tax paid	(616)	(792)
<b>Cash flows from operating activities</b>	<b>(9,140)</b>	<b>(3,525)</b>
<b>Cash flows from investing activities</b>		
Interest received	598	65
Purchase of other investment	-	-
Proceeds from disposal of investment	-	-
Additions to property, plant and equipment	(88,933)	(7,682)
Dividend received from other investment	-	-
<b>Cash flows from financing activities</b>		
Interest paid	(2,387)	(1,746)
Dividends paid	-	-
Net proceeds from issuance of shares	10,674	1,873
Proceeds from CP/MTN	-	-
Net proceeds / (repayment) of borrowings	175,968	(10,700)
Net increase / (decrease) in cash and cash equivalents	86,780	(21,715)
Cash and cash equivalents at beginning of year	164,003	27,811
Cash and cash equivalents at end of period	<u>250,783</u>	<u>6,096</u>
<b>Cash and cash equivalents comprise :</b>		
Cash and bank balances	252,254	7,492
Bank overdraft	(1,471)	(1,396)
	<u>250,783</u>	<u>6,096</u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 31 December 2004.

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2005**

	<b>Share Capital</b>	<b>Share Premium</b>	<b>Reserve On Consolidation</b>	<b>Retained Profits</b>	<b>Total Shareholders' Equity</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Balance as at 1 January 2005	201,072	294,554	3,336	130,105	629,067
Net profit for the period	-	-	-	10,816	10,816
Issue of shares - ESOS	1,705	8,969	-	-	10,674
Goodwill arisen from acquisition of 30% in Transmile Air Services Sdn Bhd	-	-	-	(47,192)	(47,192)
Expenses on shares issued	-	(880)	-	-	(880)
Balance as at 31 March 2005	<u>202,777</u>	<u>302,643</u>	<u>3,336</u>	<u>93,729</u>	<u>602,485</u>
Balance as at 1 January 2004	157,884	73,112	3,336	88,078	322,410
Net profit for the period	-	-	-	7,039	7,039
Issue of shares - ESOS	816	1,057	-	-	1,873
Balance as at 31 March 2004	<u>158,700</u>	<u>74,169</u>	<u>3,336</u>	<u>95,117</u>	<u>331,322</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2004.

**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2005**

**1. Accounting Policies**

The quarterly financial statements are unaudited and have been prepared in accordance with FRS 134 - Interim Financial Reporting and part A of Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Bhd ("Bursa Malaysia").

The same accounting policies and methods of computation are followed in the quarterly financial statements as compared with the Annual Financial Statements for the year ended 31 December 2004.

The quarterly financial statements are to be read in conjunction with the Annual Financial Report for the year ended 31 December 2004.

**2. Qualification Of Preceding Annual Financial Statements**

There was no qualification of the Group audited report for the year ended 31 December 2004.

**3. Seasonality Or Cyclicity Of Operations**

The Group's business operations are generally affected by a lower activity level after the annual post festive seasons in the first quarter with an anticipated increase in aircraft utilisation during the second half of the financial year.

**4. Unusual Item Affecting Assets, Liabilities, Equity, Net Income Or Cash Flow**

There were no unusual items affecting assets, liabilities, equity, net income or cash flow during the financial quarter under review.

**5. Change Of Estimates Used**

There was no material change in estimates for the financial quarter under review.

**6. Issuance, Cancellation, Repurchases, Resale And Repayments Of Debts And Equity Securities**

Saved as disclosed in note 20 below, there was no issuance or repayment of debts and equity securities, shares buy-back, share cancellations, shares held as treasury shares and resale of treasury shares for the current quarter and financial year to date.

**7. Dividend**

The Board has recommended a first and final dividend of 3% or 3.0 sen per ordinary share of RM1.00 each less 28% income tax in respect of the financial year ended 31 December 2004; (31 December 2003: 3% or 3.0 sen per ordinary share of RM1.00 each less 28% income tax). The proposed dividend will be subject to shareholders' approval at the forthcoming Annual General Meeting and will be paid at a date to be determined later.

**8. Segmental Reporting**

No segmental reporting was presented as the Group is principally engaged in the aviation services industry .

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**9. Property, Plant And Equipment**

The property, plant and equipment were valued at cost less depreciation and any impairment losses. There was no revaluation of property, plant and equipment for the period ended 31 March 2005.

**10. Material Subsequent Event**

There was no material event subsequent to the end of the financial quarter under review that has not been reflected in the financial statements.

**11. Changes In The Composition Of The Group**

The Company has on 4 March 2005 received confirmation from the Labuan Offshore Financial Services Authority ("LOFSA") on the incorporation of two new wholly-owned subsidiary companies namely, TGB (SPV) Ltd. and Transmile Air (SPV) Ltd. The two companies were set up to undertake the necessary funding for the acquisition of new aircraft by the Group. Please refer to our announcement dated 16 Feb 2005 and item 20 below for further details on the proposed fund raising exercise.

Other than the above, there were no changes in the composition of the Group during the financial quarter under review.

**12. Contingent Liabilities/Assets**

The Company has given unsecured corporate guarantees totaling RM593.6 million to certain financial institutions for overdraft and other credit facilities granted to certain of its subsidiary companies. Accordingly, the Company is contingently liable to such financial institutions to the extent of the amount of credit facilities utilised. There were no contingent assets as at 31 March 2005.

**13. Review Of Performance Of The Group And Its Principal Subsidiaries**

The Group managed to report improved financial results with revenue of RM71.3 million and net profit of RM10.8 million, a 20 % and 54% increase respectively from RM59.3 million and RM7.0 million as reported in the previous corresponding period.

The improvement was mainly attributable to the continuing increase in aircraft utilization and the improvement in unit operating costs with the expanding aircraft fleet. In addition, the completion of the acquisition exercise for the remaining 30% equity stake in Transmile Air Services Sdn Bhd (now a wholly-owned subsidiary of the Group) also contributed to the increase in net profit.

**14. Explanatory Comments On Any Material Change In The Profit Before Taxation (Current Quarter Compared With The Preceding Quarter)**

The Group recorded pre-tax profit of RM15.0 million in the current quarter as compared to RM38.3 million in the preceding quarter. The decrease was mainly attributable to lower business activity level during the festive and post festive season in the current quarter under review. The fourth quarter is usually the peak season for the Group.

**15. Prospects Of The Group**

The Group will continue to expand its international network by adding capacity, facilities and services and has committed to acquire four MD11 freighters during FY05 to support such expansion. The management believes that the planned network expansion will continue to drive the improvement in aircraft utilization and resulting aircraft yield and operating margins.

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The management continues to monitor closely the fuel price movement and will take necessary steps to maintain operating margins and remain competitive in the market place.

Management is confident of the continuing demand for its express air cargo services in view of the continuing strength of the intra-Asia, trans-Pacific and domestic freight market.

Barring unforeseen circumstances and based on the above scenario, the Group expects to continue to report a positive financial result for the current year.

**16. Variance From Profit Forecast**

Not applicable.

**17. Taxation**

The tax expense consists of the following:

	<b>Current Quarter</b>	<b>Current Year To Date</b>
	<b>RM'000</b>	<b>RM'000</b>
Current taxation	226	226
Under provision in prior years	-	-
Deferred taxation	3,994	3,994
	<u>4,220</u>	<u>4,220</u>

On 7 January 2005, the Company has announced that the Ministry of Finance has granted a Pre-Packaged Tax Incentives to TAS, a wholly-owned subsidiary company of the Company; where an investment allowance at a rate of 60% of the approved capital allowances will be allowed to set off against 70% of the statutory income for a period of five years with effective from year of assessment 2005.

However, such tax benefits can only be realised when TAS has fully utilized its unabsorbed capital allowances and in compliance with FRS 112 – Income Taxes, provision for taxation in the form of deferred taxation is still required. Hence, a total of RM4.0 million deferred tax provision has been made in compliance with the said accounting standard.

**18. Sale Of Unquoted Investments And/Or Properties**

There were no sales of unquoted investments and/or properties for the financial quarter under review.

**19. Purchase Or Disposal Of Quoted Securities**

There were no purchases or disposals of quoted securities for the financial quarter under review.

**20. Status Of Corporate Proposals**

**(i) The Issuance Of Up To USD150 Million Nominal Value Of Five (5)-Year Guaranteed Redeemable Convertible Bonds By TGB (SPV) Ltd, A Wholly-Owned Subsidiary Of TGB ("Convertible Bonds ")**

The Company had on 16 February 2005 announced the abovementioned proposal and it was approved by the shareholders' in the Extraordinary General Meeting held on 25 March 2005.

The Company has received approvals for the Convertible Bond from Bank Negara Malaysia, Securities Commission, Labuan International Financial Exchange and LOFSA vide their letters dated 15 March 2005, 5 April 2005, 12 April 2005 and 27 April 2005 respectively.

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The book building process for the Convertible Bonds has been completed on 4 May 2005.

Please refer to the announcements made by the Company to Bursa Malaysia Securities Berhad for full details.

**(ii) Private Placement**

The company has on 18 April 2005 issued and allotted a total of 15,218,000 ordinary shares (“Placement Shares”) of RM1.00 each at RM9.20 per ordinary share, representing a discount of approximately 2.95% on the 5-day weight average market price to 5 April 2005. The Placement Shares was subsequently listed on 29 April 2005.

**(iii) RM150 Million Commercial Papers/Medium Term Notes Programme (CP/MTN)**

The Group has on 29 August 2003 and 2 July 2005 issues the Cp/MTN of RM70 million and RM80 million respectively; the breakdown of which is as follows:

	<b>Tenure</b>	<b>Maturity Date</b>	<b>RM'000</b>
Commercial Paper	6 months	25 August 2005	10,000
Medium Term Notes	3 years	30 August 2007	5,000
Medium Term Notes	3 years	29 August 2006	25,000
Medium Term Notes	3 years	2 July 2007	30,000
Medium Term Notes	5 years	29 August 2008	30,000
Medium Term Notes	5 years	2 July 2009	50,000
Total			<u>150,000</u>

**(iii) Employees’ Share Option Scheme (“ESOS”)**

Total share options granted, lapsed and exercised by the eligible employees and executive directors from 1 January 2005 to 31 March 2005 are as follows: -

	<b>No. of shares</b> <b>(’000)</b>
Balance as at 01.01.2005	7,717
Additions	-
Lapsed	-
Exercised	<u>(1,705)</u>
Balance as at 31.03.2005	<u>6,012</u>

From 1 April 2005 to 13 May 2005, a total of 644,000 options under the ESOS have been exercised.

**21. Group Borrowings And Debt Securities**

The Group’s borrowings classified according to short and long-term categories are as follows:-

	<b>RM'000</b>
(i) Short-term Borrowings – Unsecured	
- Bank overdraft	1,471
- Trade loan	2,695
- Revolving Loans	17,260
- Hire-purchase creditors – current portion	776
- Bridging loan	190,000
- Portion of long-term borrowings payable within 12 months	9,018



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- CP/MTN	10,000
	<u>231,220</u>
(ii) Long-term Borrowings – Unsecured	
- Hire-purchase creditors – non current	354
- Term Loan	2,721
- MTN	140,000
	<u>143,075</u>

**22. Off Balance Sheet Financial Instrument**

The Group enters into foreign currency forward and fuel hedging contracts to control and manage financial risks arising from its operations. The use of such instruments is to manage its exposures to fluctuations in foreign exchange rates. This financial instrument is not recognised in the financial statements on inception. There were no outstanding contracts as at March 2005.

**23. Changes In Material Litigation**

There was no material litigation pending as at the date of this quarterly report.

**24. Earnings Per Share (EPS)**

	<b>Current Year To Date RM'000</b>	<b>Preceding Year Corresponding Period RM'000</b>
Net profit attributable to ordinary shareholders	10,816	7,039
<b>a) Basic EPS</b>	<b>31/03/2005</b>	<b>31/03/2004</b>
	<b>Shares'000</b>	<b>Shares'000</b>
Weighted average number of ordinary shares	202,199	176,166
Basic EPS (sen)	5.35	4.00
<b>b) Fully diluted</b>	<b>31/03/2005</b>	<b>31/03/2004</b>
	<b>Shares'000</b>	<b>Shares'000</b>
Weighted average number of ordinary shares	202,199	176,166
Number of unissued shares	6,012	997
Number of shares that would have been issued at fair value	(4,138)	(397)
Adjusted weighted average number of shares	<u>204,073</u>	<u>176,766</u>
Fully diluted EPS (sen)	5.30	3.98

The fully diluted earnings per share is calculated on the assumption that all the unexercised options granted to executive directors and eligible employees of the Group are being fully exercised.