

**QUARTERLY REPORT ON UNAUDITED CONSOLIDATED RESULTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2005**

**CONDENSED CONSOLIDATED INCOME STATEMENTS**

	<b>Individual Period</b>		<b>Cumulative Period</b>	
	<b>Current Year Quarter Ended 30/06/2005 RM'000</b>	<b>Preceding Year Corresponding Quarter 30/06/2004 RM'000</b>	<b>Current Year To Date 30/06/2005 RM'000</b>	<b>Preceding Year Corresponding Period 30/06/2004 RM'000</b>
Revenue	85,206	67,304	156,535	126,558
Operating Expenses	(66,521)	(48,686)	(121,043)	(92,727)
Other Operating Income	2,047	33	2,663	98
Profit From Operations	20,732	18,651	38,155	33,929
Finance Costs	(2,389)	(1,599)	(4,776)	(3,345)
Investing Results	-	-	-	-
Profit Before Tax	18,343	17,052	33,379	30,584
Taxation	(5,137)	(4,247)	(9,357)	(8,012)
Profit After Tax	13,206	12,805	24,022	22,572
Minority Interests	-	(2,772)	-	(5,500)
Net Profit For The Period	13,206	10,033	24,022	17,072
EPS - Basic (sen)	6.11	6.06	11.12	10.30
- Diluted (sen)	5.61	6.04	10.21	10.28

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 30/06/2005 RM'000</b>	<b>As At Preceding Financial Year End 31/12/2004 RM'000</b>
Property, Plant and Equipment	1,212,494	595,072
Goodwill On Consolidation	990	1,015
Investment In Associated Companies	13,205	13,528
Long Term Investments	11	11
<b>Current Assets</b>		
<i>Work-in-progress</i>	33,886	5,313
<i>Trade Receivables</i>	104,093	105,771
<i>Other Receivables</i>	81,790	202,959
<i>Cash and Bank Balances</i>	365,981	165,240
	<u>585,750</u>	<u>479,283</u>
<b>Current Liabilities</b>		
<i>Trade Payables</i>	28,905	24,302
<i>Other Payables</i>	51,249	61,119
<i>Overdraft &amp; Short Term Borrowings</i>	107,637	44,316
<i>Provision for Taxation</i>	579	1,075
	<u>188,370</u>	<u>130,812</u>
Net Current Assets	397,380	348,471
	<u>1,624,080</u>	<u>958,097</u>
Share Capital	219,693	201,072
Reserves	557,962	427,995
Shareholders' Fund	<u>777,655</u>	<u>629,067</u>
Minority Interests	-	107,807
Long Term Borrowings	765,973	153,778
Deferred Taxation	80,452	67,445
	<u>1,624,080</u>	<u>958,097</u>
NTA per share (RM)	3.54	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 30/06/2005 RM'000</b>	<b>For the period ended 30/06/2004 RM'000</b>
Net profit before tax	33,379	30,584
Adjustment for non-cash and non-operating items:-		
Non-cash items	18,755	15,200
Non-operating items	2,181	3,251
Operating profit before changes in working capital	54,315	49,035
Changes in working capital:-		
Net change in current assets	(61,606)	(15,274)
Net change in current liabilities	(5,266)	(19,639)
Cash generated from operations	(12,557)	14,122
Income tax paid	(1,193)	(1,958)
<b>Cash flows (used in)/from operating activities</b>	<b>(13,750)</b>	<b>12,164</b>
<b>Cash flows used in investing activities</b>		
Interest received	2,595	94
Purchase of other investment	-	-
Proceeds from disposal of investment	-	-
Additions to property, plant and equipment	(633,855)	(11,857)
Dividend received from other investment	-	-
<b>Cash flows from financing activities</b>		
Interest paid	(4,776)	(3,345)
Dividends paid	-	-
Net proceeds from issuance of shares	161,462	2,482
Proceeds from CP/MTN	-	-
Proceeds from Syndicated term loan	380,000	-
Proceeds from Convertible Bonds	354,206	-
Net repayment of borrowings	(45,179)	(9,516)
Net increase / (decrease) in cash and cash equivalents	200,703	(9,978)
Cash and cash equivalents at beginning of period	164,003	27,811
Cash and cash equivalents at end of period	364,706	17,833
<b>Cash and cash equivalents comprise :</b>		
Cash and bank balances	365,981	19,062
Bank overdraft	(1,275)	(1,229)
	364,706	17,833

The Condensed Consolidated Cash Flow Statement 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 STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2005**

	<b>Share Capital</b>	<b>Share Premium</b>	<b>Reserve On Consolidation</b>	<b>Convertible Bond – Equity Portion</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>	<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	-	-	-	-	24,022	24,022
Issue of shares - ESOS	3,403	18,067	-	-	-	21,470
- Private Placement	15,218	124,788	-	-	-	140,006
Goodwill arising from acquisition of 30% in Transmile Air Services Sdn Bhd (“TAS”)	-	-	-	-	(47,192)	(47,192)
Expenses on shares issued	-	(894)	-	-	-	(894)
Issue of US Dollar Convertible Bonds	-	-	-	11,176	-	11,176
Balance as at 30 June 2005	<u>219,693</u>	<u>436,515</u>	<u>3,336</u>	<u>11,176</u>	<u>106,935</u>	<u>777,655</u>
Balance as at 1 January 2004	157,884	73,112	3,336	-	88,078	322,410
Net profit for the period	-	-	-	-	17,072	17,072
Issue of shares - ESOS	1,071	1,411	-	-	-	2,482
Balance as at 30 June 2004	<u>158,955</u>	<u>74,523</u>	<u>3,336</u>	<u>-</u>	<u>105,150</u>	<u>341,964</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 30 JUNE 2005**

**1. Accounting Policies**

The quarterly financial statements are unaudited and have been prepared in accordance with MASB 26 - 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**

No dividend has been recommended for the financial quarter under review.

The shareholders have approved the proposed 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 during the Ninth Annual General Meeting on 21 June 2005.

The book closure date for the purpose of determining the shareholders’ entitlements will be fixed on 18 August 2005.

**8. Segmental Reporting**

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

**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 30 June 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**

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 RM893.9 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 30 June 2005.

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

The Group managed to report improved financial results with a total revenue of RM156.5 million and net profit of RM24.0 million, a 24 % and 41% increase respectively from RM126.6 million and RM17.1 million as reported in the previous corresponding period.

The improvement was mainly attributable to increase in aircraft utilization and improvement in unit operating costs. Besides, the completion of the acquisition of 30% equity stake in TAS; which has now become a wholly-owned subsidiary; 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 RM18.3 million in the current quarter as compared to RM15.0 million in the preceding quarter. The increase was mainly attributable to increase in aircraft utilization especially after the festive seasons in the first quarter.

**15. Prospects Of The Group**

The Group will continue to expand its international network by adding capacity, facilities and services. The management believes that the planned network expansion, especially with the introduction of MD11 freighter operations into the system, will continue to drive the improvement in aircraft utilization and resulting aircraft yield and operating margins. The management also monitors closely the fuel price movement and will take necessary steps to maintain operating margins.

Management is confident of the continuing demand for its freighter services in view of the continuing demand from the intra-Asia and domestic freight market.

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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	470	696
Deferred taxation	4,667	8,661
	<hr/> <u>5,137</u>	<hr/> <u>9,357</u>

On 7 January 2005, the Company announced that the Ministry of Finance has granted the Pre-Packaged 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 to be set off against 70% of the statutory income for a period of five years with effect from year of assessment 2005.

However, the tax benefits can only be realised when TAS has fully utilized its unabsorbed capital allowances. Hence, a total of RM4.7 million deferred taxation has been provided in respect of the taxable temporary differences in compliance with FRS112 – Income Tax for the financial quarter under review.

**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 2 June 2005 completed the issuance of the US dollar Convertible Bonds of USD95 million.

The Convertible Bonds are currently listed on both the Labuan International Financial Exchange and Hong Kong Stock Exchange

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

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

The Group had 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>Due 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 April 2005 to 30 June 2005 are as follows: -

	<b>No. of shares</b> <b>('000)</b>
Balance as at 01.04.2005	6,012
Additions	6,700
Lapsed	(58)
Exercised	<u>(1,698)</u>
Balance as at 30.06.2005	<u>10,956</u>

From 1 July 2005 to 11 August 2005, a total of 1,570,400 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	1,275
- Trade loan	391
- Revolving Loans	500
- Hire-purchase creditors – current portion	471
- Syndicated term loan – current portion	95,000
- Commercial Paper	10,000
	<u>107,637</u>
(ii) Long-term Borrowings – Unsecured	
- Hire-purchase creditors – non current	316
- MTN	140,000
- Syndicated term loan – non current	285,000
- Convertible bonds	340,657
	<u>765,973</u>



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(iii) Borrowings by currencies in Ringgit Malaysia	
- denominated in RM	152,953
- denominated in US Dollar	720,657
	<u>873,610</u>

**22. Off Balance Sheet Financial Instrument**

There were no material financial instruments with off balance sheet risk during the financial quarter under review.

**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	24,022	17,072
<b>a) Basic EPS</b>	<b>30/06/2005 Shares'000</b>	<b>30/06/2004 Shares'000</b>
Weighted average number of ordinary shares	216,015	165,690
Basic EPS (sen)	11.12	10.30
<b>b) Fully diluted</b>	<b>30/06/2005 Shares'000</b>	<b>30/06/2004 Shares'000</b>
Weighted average number of ordinary shares	216,015	165,690
Number of unissued ESOS shares	10,956	742
Number of shares that would have been issued at fair value	(8,814)	(282)
Adjusted weighted average number of shares	<u>218,157</u>	<u>166,150</u>
Number of shares resulting from conversion of Convertible Bonds	17,201	-
	<u>235,358</u>	<u>166,150</u>
Fully diluted EPS (sen)	10.21	10.28

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.