

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

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Individual Period		Cumulative Period	
	Current Year Quarter Ended 30/09/2005 RM'000	Preceding Year Corresponding Quarter 30/09/2004 RM'000	Current Year To Date 30/09/2005 RM'000	Preceding Year Corresponding Period 30/09/2004 RM'000
Revenue	142,988	91,530	299,524	218,088
Operating Expenses	(121,600)	(71,524)	(242,643)	(164,251)
Other Operating Income	7,829	367	10,492	465
Profit From Operations	29,217	20,373	67,373	54,302
Finance Costs	(5,642)	(2,576)	(10,418)	(5,921)
Investing Results	-	(19)	-	(19)
Profit Before Tax	23,575	17,778	56,955	48,362
Taxation	(5,485)	(4,435)	(14,843)	(12,447)
Profit After Tax	18,090	13,343	42,112	35,915
Minority Interests	-	(3,119)	-	(8,619)
Net Profit For The Period	18,090	10,224	42,112	27,296
EPS - Basic (sen)	8.45	5.74	19.67	15.32
- Diluted (sen)	7.76	5.73	18.06	15.30

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

	As At End Of Current Quarter 30/09/2005 RM'000	As At Preceding Financial Year End 31/12/2004 RM'000
Property, Plant and Equipment	1,324,925	595,072
Goodwill On Consolidation	977	1,015
Investment In Associated Companies	13,044	13,528
Long Term Investments	20	11
Current Assets		
<i>Work-in-progress</i>	48,502	5,313
<i>Trade Receivables</i>	150,399	105,771
<i>Other Receivables</i>	85,652	202,959
<i>Cash and Bank Balances</i>	220,497	165,240
	<u>505,050</u>	<u>479,283</u>
Current Liabilities		
<i>Trade Payables</i>	45,786	24,302
<i>Other Payables</i>	42,334	61,119
<i>Overdraft & Short Term Borrowings</i>	5,118	44,316
<i>Provision for Taxation</i>	479	1,075
	<u>93,717</u>	<u>130,812</u>
Net Current Assets	411,333	348,471
	<u>1,750,299</u>	<u>958,097</u>
Share Capital	221,959	201,072
Reserves	584,824	427,995
Shareholders' Fund	<u>806,783</u>	<u>629,067</u>
Minority Interests	-	107,807
Long Term Borrowings	858,373	153,778
Deferred Taxation	85,143	67,445
	<u>1,750,299</u>	<u>958,097</u>
NTA per share (RM)	3.63	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

	For the period ended 30/09/2005 RM'000	For the period ended 30/09/2004 RM'000
Net profit before tax	56,955	48,362
Adjustment for non-cash and non-operating items:-		
Non-cash items	27,099	23,045
Non-operating items	6,506	6,036
Operating profit before changes in working capital	90,560	77,443
Changes in working capital:-		
Net change in current assets	(126,391)	(24,323)
Net change in current liabilities	2,699	(3,037)
Cash (used in)/generated from operations	(33,132)	50,083
Income tax paid	(2,035)	(2,728)
Cash flows (used in)/from operating activities	(35,167)	47,355
Cash flows used in investing activities		
Interest received	3,912	435
Purchase of other investment	(9)	-
Additions to property, plant and equipment	(757,166)	(59,482)
Cash flows from financing activities		
Interest paid	(10,418)	(5,921)
Dividends paid	(4,779)	(3,436)
Net proceeds from issuance of shares	177,379	2,848
Proceeds from CP/MTN	-	80,000
Proceeds from Syndicated term loan	380,000	-
Proceeds from Convertible Bonds	354,206	-
Net repayment of borrowings	(56,195)	(15,493)
Net increase in cash and cash equivalents	51,763	46,306
Cash and cash equivalents at beginning of period	164,003	27,811
Cash and cash equivalents at end of period	215,766	74,117
Cash and cash equivalents comprise :		
Cash and bank balances	220,497	74,799
Bank overdraft	(4,731)	(682)
	215,766	74,117

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2005

	Share Capital	Share Premium	Reserve On Consolidation	Reserve On Translation	Convertible Bond – Equity Portion	Retained Profits	Total Shareholders' Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2005	201,072	294,554	3,336	-	-	130,105	629,067
Net profit for the period	-	-	-	-	-	42,112	42,112
Issue of shares - ESOS	5,669	31,729	-	-	-	-	37,398
- 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	-	(905)	-	-	-	-	(905)
Issue of US Dollar Convertible Bonds	-	-	-	-	11,176	-	11,176
Dividend paid for financial year ended 31/12/2004	-	-	-	-	-	(4,779)	(4,779)
Translation differences arising during the period	-	-	-	(100)	-	-	(100)
Balance as at 30 September 2005	221,959	450,166	3,336	(100)	11,176	120,246	806,783
Balance as at 1 January 2004	157,884	73,112	3,336	-	-	88,078	322,410
Net profit for the period	-	-	-	-	-	27,296	27,296
Issue of shares - ESOS	1,224	1,624	-	-	-	-	2,848
Dividend paid for financial year ended 31/12/2003	-	-	-	-	-	(3,436)	(3,436)
Balance as at 30 September 2004	159,108	74,736	3,336	-	-	111,938	349,118

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 SEPTEMBER 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 approved 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 had been paid on 9 September 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.

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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 30 September 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 RM937.77 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 September 2005.

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

The Group managed to report an improved financial result with total revenue increased by RM81.4m or 37.3% to RM299.5m. Similarly, pre-tax profit has also shown an increase of 17.8% to RM57.0m over the same period.

The improvement was mainly attributable to increase in aircraft capacity especially with the introduction of MD11 freighter in September 2005. 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 an increase of turnover of RM57.7 million or 67.8% in the current quarter as compared to RM85.2 million in the preceding quarter. The increase was mainly attributable to the commencement of MD11 operations during the third quarter.

The pre tax profit has shown an increase of RM5.2 million or 28.5% in the current quarter compared to RM18.3 million in the preceding quarter. There has been an unrealized exchange gain amounting to approximately RM6.6 million during the period contributing to the increase in pre-tax profit.

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 major costs components e.g. jet fuel prices and will take necessary steps to maintain operating margins.

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Management is confident of the continuing demand for its freighter services in view of the continuing demand from both international 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:

	Current Quarter	Current Year To Date
	RM'000	RM'000
Current taxation	749	1,445
Under provision in prior years	6	6
Deferred taxation	4,730	13,391
	<hr/> 5,485	<hr/> 14,843

On 7 January 2005, the Company announced that the Ministry of Finance has granted the Pre-Packaged Incentives to Transmile Air Services Sdn Bhd ("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.

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 earlier for full details.

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

The breakdown of outstanding MTN is as follows:

	Tenure	Due Date	RM'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>140,000</u>

(iii) Employees' Share Option Scheme ("ESOS")

Total share options granted, lapsed and exercised by the eligible employees and executive directors from 1 July 2005 to 30 September 2005 are as follows: -

	No. of shares
Balance as at 01.07.2005	10,955,800
Additions	-
Lapsed	-
Exercised	<u>(2,266,400)</u>
Balance as at 30.09.2005	<u>8,689,400</u>

From 1 October 2005 to 2 November 2005, a total of 854,000 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:-

	RM'000
(i) Short-term Borrowings – Unsecured	
- Bank overdraft	4,731
- Trade loan	194
- Hire-purchase creditors – current portion	193
	<u>5,118</u>
(ii) Long-term Borrowings – Unsecured	
- Hire-purchase creditors – non current	275
- MTN	140,000
- Syndicated term loan – non current	376,600
- Convertible bonds	341,498
	<u>858,373</u>
(iii) Borrowings by currencies	
- denominated in RM	145,393
- denominated in US Dollar	718,098
	<u>863,491</u>

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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)

	Current Year To Date RM'000	Preceding Year Corresponding Period RM'000
Net profit attributable to ordinary shareholders	42,112	27,296
a) Basic EPS	30/09/2005 Shares'000	30/09/2004 Shares'000
Weighted average number of ordinary shares	214,113	178,166
Basic EPS (sen)	19.67	15.32
b) Fully diluted	30/09/2005 Shares'000	30/09/2004 Shares'000
Weighted average number of ordinary shares	214,113	178,166
Number of unissued ESOS shares	8,689	9,208
Number of shares that would have been issued at fair value	(6,809)	(9,001)
Adjusted weighted average number of shares	215,993	178,373
Number of shares resulting from conversion of Convertible Bonds	17,201	-
	<u>233,194</u>	<u>178,373</u>
Fully diluted EPS (sen)	18.06	15.30

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 and the Convertible Bonds are fully converted into ordinary shares of the company.