

QUARTERLY REPORT ON UNAUDITED CONSOLIDATED RESULTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Individual Period		Cumulative Period	
	Current Year Quarter Ended 30/06/2006	Preceding Year Corresponding Quarter 30/06/2005	Current Year To Date 30/06/2006	Preceding Year To Date 30/06/2005
	RM'000	RM'000	RM'000	RM'000
Revenue	215,457	85,206	367,265	156,535
Operating Expenses	(170,064)	(67,776)	(298,179)	(123,553)
Other Operating Income	5,602	2,047	20,763	2,663
Profit From Operations	<u>50,995</u>	<u>19,477</u>	<u>89,849</u>	<u>35,645</u>
Finance Costs	(13,301)	(2,389)	(27,417)	(4,776)
Share of associates' results	-	-	-	-
Profit Before Tax	<u>37,694</u>	<u>17,088</u>	<u>62,431</u>	<u>30,869</u>
Taxation	(10,343)	(5,137)	(17,075)	(9,357)
Net Profit For The Period	<u><u>27,351</u></u>	<u><u>11,951</u></u>	<u><u>45,357</u></u>	<u><u>21,512</u></u>
Attributable to:-				
Equity holders of the parent	27,351	11,951	45,357	21,512
Minority interests	-	-	-	-
Net Profit For The Period	<u><u>27,351</u></u>	<u><u>11,951</u></u>	<u><u>45,357</u></u>	<u><u>21,512</u></u>
EPS - Basic (sen)	11.67	5.54	19.38	10.26
- Diluted (sen)	*	*	*	*

* Refer Note 24.

The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2005.

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

CONDENSED CONSOLIDATED BALANCE SHEETS

	As At End Of Current Quarter 30/06/2006 RM'000	As At Preceding Financial Year End 31/12/2005 RM'000
Non-Current Assets		
<i>Property, Plant and Equipment</i>	1,632,210	1,565,807
<i>Goodwill On Consolidation</i>	966	966
<i>Investment In Associated Companies</i>	14,477	13,263
<i>Long Term Investments</i>	20	20
Current Assets		
<i>Work-in-progress</i>	30,386	12,568
<i>Trade Receivables</i>	147,470	111,113
<i>Other Receivables</i>	71,038	79,770
<i>Cash and Bank Balances</i>	212,754	261,235
	461,648	464,686
Current Liabilities		
<i>Trade Payables</i>	42,518	58,463
<i>Other Payables</i>	44,143	64,613
<i>Overdraft & Short Term Borrowings</i>	163,784	27,939
<i>Provision for Taxation</i>	13,423	2,561
	263,868	153,576
Net Current Assets	197,780	311,110
	1,845,453	1,891,166
Share Capital	234,486	233,537
Reserves	759,616	700,916
Shareholders' Fund	994,102	934,453
Bond reserves attributable to potential shareholders	15,799	15,659
Total Equity	1,009,901	950,112
Non-Current Liabilities		
<i>Long Term Borrowings</i>	721,670	833,474
<i>Deferred Taxation</i>	113,882	107,580
	1,845,453	1,891,166
Net Assets per share (RM)	4.24	4.00

The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2005.

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	For 6 motnhs period ended 30/06/2006 RM'000	For 6 months period ended 30/06/2005 RM'000
Cash flows from/(used in) operating activities		
Net profit before tax	62,432	30,869
Adjustment for non-cash and non-operating items:-		
Non-cash items	27,053	21,265
Non-operating items	21,817	2,181
Operating profit before changes in working capital	111,302	54,315
Changes in working capital:-		
Net change in current assets	(46,014)	(61,606)
Net change in current liabilities	(36,414)	(5,266)
Cash generated from/(used in) operations	28,874	(12,557)
Income tax paid	(395)	(1,193)
	28,479	(13,750)
Cash flows used in investing activities		
Interest received	1,594	2,595
Purchase of subsidiary	(1,204)	-
Additions to property, plant and equipment	(107,762)	(633,855)
	(107,372)	(636,450)
Cash flows from financing activities		
Interest paid	(13,848)	(4,776)
Net proceeds from issuance of shares	-	161,462
Proceeds from Syndicated Term Loan	-	380,000
Proceeds from Convertible Bonds	-	354,206
Net drawdown from / (repayment of) borrowings	32,047	(45,179)
	18,199	845,713
Net (decrease)/increase in cash and cash equivalents	(60,694)	200,703
Cash and cash equivalents at beginning of period	260,706	164,003
Cash and cash equivalents at end of period	200,012	364,706
Cash and cash equivalents comprise:-		
Cash and bank balances	212,755	365,981
Bank overdraft	(12,742)	(1,275)
	200,012	364,706

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2005.

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2006

	< -----Attributable to Equity Holders of the Parent----- >						Bond Reserve RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Reserve On Consolidation RM'000	Reserve On Translation RM'000	Retained Profits RM'000	Shareholders' Fund RM'000		
Balance as at 1 January 2006, as previously stated	233,537	535,157	3,336	(96)	162,519	934,453	15,659	950,112
Prior year adjustments for effect of adopting FRS 121 (Note 25)	-	-	-	50,342	(50,342)	-	-	-
Balance as at 1 January 2006, as restated	233,537	535,157	3,336	50,246	112,177	934,453	15,659	950,112
Effect of adopting FRS 3 - reclassification of opening reserve on consolidation (Note 25)	-	-	(3,336)	-	3,336	-	-	-
	233,537	535,157	-	50,246	115,513	934,453	15,659	950,112
Net profit for the period	-	-	-	-	45,357	45,357	-	45,357
Issue of shares - convertible bonds	949	9,311	-	-	-	10,260	140	10,400
Translation differences arising during the period	-	-	-	4,032	-	4,032	-	4,032
Balance as at 30 June 2006	234,486	544,468	-	54,278	160,870	994,102	15,799	1,009,901

TRANSMILE GROUP BERHAD (Company No. 373741-W)
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	< -----Attributable to Equity Holders of the Parent----- >						Bond Reserve RM'000	Minority Interest RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Reserve On Consolidation RM'000	Reserve On Translation RM'000	Retained Profits RM'000	Shareholders' Fund RM'000			
Balance as at 1 January 2005, as previously stated	201,072	294,554	3,336	-	130,105	629,067	-	629,067	
Prior year adjustments for effect of adopting FRS 121 (Note 25)	-	-	-	38,960	(38,960)	-	-	-	
Balance as at 1 January 2005, as restated	201,072	294,554	3,336	38,960	91,145	629,067	-	629,067	
Effect of adopting FRS 101 - reclassification of opening minority interest	-	-	-	-	-	-	107,807	107,807	
	201,072	294,554	3,336	38,960	91,145	629,067	107,807	736,874	
Net profit for the period	-	-	-	-	21,512	21,512	-	21,512	
Issue of shares - ESOS	3,403	18,067	-	-	-	21,470	-	21,470	
- Private Placement	15,218	124,788	-	-	-	140,006	-	140,006	
Arising from acquisition of 30% in Transmile Air Services Sdn Bhd	-	-	-	-	(47,192)	(47,192)	-	(107,807)	
Expenses on shares issued	-	(894)	-	-	-	(894)	-	(894)	
Issue of US Dollar Convertible Bonds	-	-	-	-	-	-	11,176	-	
Balance as at 30 June 2005	219,693	436,515	3,336	38,960	65,465	763,969	11,176	775,145	

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2005.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2006

1. Accounting Policies

The quarterly financial statements are unaudited and have been prepared in accordance with FRS 134 - Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and part A of Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad (“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 2005, except for the adoption of the following new and revised Financial Reporting Standards (“FRS”) issued by MASB that are effective for the Group’s first FRS annual reporting date, 31 December 2006:-

FRS 2	Share-based Payment
FRS 3	Business Combination
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events After Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosures and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

Except for those disclosed in Notes 25 and 26 below, the adoption of the above FRS does not have any significant financial impact on the Group.

Up to 31 December 2005, the Group’s consolidated financial statements were prepared in accordance with MASB standards effected before 1 January 2006. The comparative figures in respect of 31 December 2005 have been restated to reflect the relevant adjustments on the adoption of the relevant FRS, as disclosed in Note 26 below.

Apart from the above, the quarterly financial statements are to be read in conjunction with the Annual Financial Statements for the year ended 31 December 2005.

2. Qualification Of Preceding Annual Financial Statements

There was no qualification of the Group audited report for the year ended 31 December 2005.

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 other than the adjustments arising from the adoption of FRS as mentioned in Notes 1, 25 and 26.

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 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.

During the financial period, the issued and paid-up capital of the Company was increased from RM233,536,937, comprising 233,536,937 ordinary shares of RM1.00 each to RM234,486,057, comprising 234,486,057 ordinary shares of RM1.00 each by the issuance of 949,120 ordinary shares of RM1 each pursuant to the partial conversion of the five (5)-year Guaranteed Redeemable Convertible Bonds denominated in US Dollars.

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 2005 during the Tenth Annual General Meeting on 13 June 2006.

The book closure date for the purpose of determining the shareholders' entitlements are fixed on 10 August 2006.

8. Segmental Reporting

No segmental reporting was presented as the Group is principally engaged in the aviation services industry and operates principally from 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 2006.

10. Material Subsequent Event

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

TRANSMILE GROUP BERHAD (Company No. 373741-W)
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11. Changes In The Composition Of The Group

The Company had on 26 January 2006 acquired the entire issued and paid-up capital of Transmile Thailand Sdn. Bhd.

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

12. Contingent Liabilities/Assets

The Company has given unsecured corporate guarantees totaling RM881.4 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 the date of this report.

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 RM210.7 million or 134.6% to RM367.3 million. Similarly, pre-tax profit has also shown an increase of 102.2% to RM62.4 million over the same period.

The improvement was mainly attributable to increase in aircraft capacity especially with the introduction of MD11 freighters since September 2005. The increase in other operating income was mainly attributable to an unrealized exchange gain amounting to RM2.75 million.

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

The Group has registered an improved turnover of RM215.4 million with an increase of RM63.6 million or 41.9% in the current quarter as compared to RM151.8 million in the preceding quarter, due to higher aircraft utilisation.

The pre-tax profit has also increased by RM13.0 million or 52.4% in the current quarter from RM37.7 million to RM24.7 million in the preceding quarter.

15. Prospects Of The Group

The Group will continue to expand its international network, airline facilities and ground and cargo support services and to optimize the utilization of its mixture of narrow and wide body aircraft.

As jet fuel price has been persistently high, the Group will continue to focus on improving its operating efficiency and optimizing aircraft utilization in order to manage its earnings and cash reserves.

The management believes their continuing action will lead to improved aircraft and yield management, sustain operating margins and lower unit operating costs.

Despite the challenges ahead, the management is confident of the continuing demand for its freighter services, especially when the Group is expanding its services outside Asia e.g. Trans-Pacific service routings.

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 RM'000	Current Year To Date RM'000
Current taxation	(157)	98
Deferred taxation	10,500	16,977
	<hr/> <hr/> 10,343	<hr/> <hr/> 17,075

18. Sale Of Unquoted Investments And/Or Properties

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

19. Purchase Or Disposal Of Quoted Securities

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

TRANSMILE GROUP BERHAD (Company No. 373741-W)
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20. Status Of Corporate Proposals

The Company had on 27 October 2005 announced its proposal to issue up to 10% of the issued and paid up share capital of the Company by way of private placement. The Securities Commission has vide its letter dated 16 November 2005 approved the private placement and has further grant a time extension until 15 July 2006 to complete the private placement.

On 14 July 2006, the Company had announced that it has decided not to proceed with the private placement.

21. Group Borrowings And Debt Securities

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

	RM'000
(a) Short-term Borrowings – Unsecured	
- Bank overdraft	12,742
- Trade loan	32,960
- Revolving Credit	1,184
- Hire-purchase creditors – current portion	298
- Commercial papers / medium term notes (“MTN”)	25,000
- Syndicated Term Loan – current portion	91,600
	<hr/> <hr/> 163,784
(b) Long-term Borrowings – Unsecured	
- Hire-purchase creditors – non current	94
- MTN	115,000
- Syndicated term loan – non current	274,800
- Convertible bonds	331,776
	<hr/> <hr/> 721,670
(c) Borrowings by currencies	
- denominated in RM	187,278
- denominated in US Dollar	698,176
	<hr/> <hr/> 885,454

22. Off Balance Sheet Financial Instrument

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

23. Changes In Material Litigation

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

TRANSMILE GROUP BERHAD (Company No. 373741-W)
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24. Earnings Per Share (EPS)

	Current Quarter Ended 30/06/2006 RM'000	Preceding Year Corresponding Quarter Ended 30/06/2005 RM'000	Current Year To Date 30/06/2006 RM'000	Preceding Year To Date 30/06/2005 RM'000
a) Basic EPS				
Net profit attributable to ordinary shareholders	27,351	11,951	45,357	21,512
	30/06/2006 Shares'000	30/06/2005 Shares'000	30/06/2006 Shares'000	30/06/2005 Shares'000
Weighted average number of ordinary shares	234,318	215,700	234,057	209,677
Basic EPS (sen)	11.67	5.54	19.38	10.26
	Current Quarter Ended 30/06/2006 RM'000	Preceding Year Corresponding Quarter Ended 30/06/2005 RM'000	Current Year To Date 30/06/2006 RM'000	Preceding Year To Date 30/06/2005 RM'000
b) Fully diluted				
Net profit attributable to ordinary shareholders	27,351	11,951	45,357	21,512
Interest savings on conversion of Convertible Bonds	5,482	2,844	10,903	2,844
Adjusted net profit attributable to ordinary shareholders	32,833	14,795	56,260	24,356
	30/06/2006 Shares'000	30/06/2005 Shares'000	30/06/2006 Shares'000	30/06/2005 Shares'000
Weighted average number of ordinary shares	234,318	215,700	234,057	209,677
Number of unissued ESOS shares	-	10,956	-	10,956
Number of shares that would have been issued at fair value	-	(8,814)	-	(8,814)
Adjusted weighted average number of shares	234,318	217,842	234,057	211,819
Number of shares resulting from conversion of Convertible Bonds	33,375	17,201	33,915	17,201
	267,693	235,043	267,972	229,020
Fully diluted EPS (sen)	* 12.27	* 6.29	* 20.99	* 10.63

* The full conversion of the Convertible Bonds will result in an anti-diluted earnings per share.

25. Changes in Accounting Policies

The principal effects of the changes in accounting policies resulting from the adoption of the new/revised FRS are disclosed below:

(a) FRS 3: Business Combinations and FRS 136: Impairment of Assets

Under FRS 3, all business combinations will be accounted for by applying the purchase method where the cost of business combination will be allocated to the identifiable assets, liabilities and contingent liabilities at the acquisition date. Any difference will be recognized as goodwill, represents an anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognized.

The FRS 3 will also result in consequential amendments to FRS 136 Impairment of Assets and FRS 138 Intangible Assets.

The adoption of these new FRSs has resulted in the Group ceasing annual goodwill amortisation. Goodwill is carried at cost less accumulated impairment losses and is subject to annual impairment test, or more frequently if events or changes in circumstances indicate that such asset might be impaired. Any impairment loss is recognized in income statement and subsequent reversal is not allowed.

Prior to 1 January 2006, goodwill was amortised on a straight-line basis over its estimated useful life ranging from 20 to 25 years. Such a change in accounting policy has been accounted for prospectively for business combination where the agreement date was signed on or after 1 January 2006. The transitional provisions of FRS 3, however, have required the Group to eliminate at 1 January 2006 the carrying amount of the accumulated amortization of RM257,000 against the carrying amount of goodwill. The carrying amount of goodwill as at 1 January 2006 of RM966,000 will not be subject to any further amortisation. This will reduce the amortization charges by RM24,000 for the current quarter ended 30 June 2006.

Under FRS 3, any excess of Group's interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost of acquisition (previously referred to as 'reserve on consolidation'), after reassessment, is now recognized immediately in income statement. Prior to 1 January 2006, reserve on consolidation was captured as part of reserves which constitute the Group's shareholders' fund. In accordance with the transitional provision of FRS 3, the reserve on consolidation as at 1 January 2006 of RM3,336,000 was derecognised with a corresponding increase in retained profits.

(b) FRS 101: Presentation of Financial Statements

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

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

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(c) **FRS 121: The Effect of Changes in Foreign Exchange Rates**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

Under FRS 121, the financial statements of the subsidiary company, measured in functional currency shall be translated into presentation currency with all resulting exchange differences recognized as separate component of equity. This change in accounting policy has been accounted for retrospectively and has resulted in the following:-

	As at 1.1.2006 RM'000	As at 1.1.2005 RM'000
Decrease in retained profits	(50,342)	(38,960)
Increase in reserve on translation	50,342	38,960

	Preceding Year		Current Year To Date 30/06/2006 RM'000	Preceding Year To Date 30/06/2005 RM'000
	Current Quarter Ended 30/06/2006 RM'000	Corresponding Quarter Ended 30/06/2005 RM'000		
Decrease in profit for the period	197	1,255	393	2,510

As disclosed in Note 26 below, certain comparatives have been restated due to this change in accounting policy.

26. Comparatives

The following comparative amounts have been restated due to the adoption of new and revised FRSs:-

	Previously Stated RM'000	Adjustments/Reclassification		Restated RM'000
		FRS 3 RM'000	FRS 121 RM'000	
At 31 December 2005				
Reserve on consolidation	3,336	(3,336)	-	-
Reserve on translation	(96)	-	50,342	50,246
Retained profits	162,519	3,336	(50,342)	115,513
Preceding corresponding year-to-date for 6 months ended 30 June 2005				
Profit for the period	24,022	-	(2,510)	21,512
Preceding corresponding quarter for 3 months ended 30 June 2005				
Profit for the period	13,206	-	(1,255)	11,951