

QUARTERLY REPORT ON UNAUDITED CONSOLIDATED RESULTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Individual Period		Cumulative Period	
	Current Year Quarter Ended 31/12/2006 RM'000	Preceding Year Corresponding Quarter 31/12/2005 RM'000	Current Year To Date 31/12/2006 RM'000	Preceding Year To Date 31/12/2005 RM'000
Revenue	338,473	250,555	989,191	550,078
Operating Expenses	(246,909)	(180,145)	(742,465)	(429,943)
Other Operating Income	7,849	782	15,261	11,274
Profit From Operations	99,413	71,192	261,987	131,409
Finance Costs	(13,750)	(11,092)	(55,253)	(21,510)
Share of associates' results	-	491	-	491
Profit Before Tax	85,663	60,591	206,734	110,390
Taxation	(14,748)	(20,701)	(49,196)	(35,543)
Net Profit For The Period	70,915	39,890	157,538	74,847
Attributable to:-				
Equity holders of the parent	70,915	39,890	157,538	74,847
Minority interests	-	-	-	-
Net Profit For The Period	70,915	39,890	157,538	74,847
EPS - Basic (sen)	28.66	17.48	65.52	33.91
- Diluted (sen)	26.69	*	63.68	*

* 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 Year 31/12/2006 RM'000	As At Preceding Financial Year End 31/12/2005 RM'000
Non-Current Assets		
<i>Property, Plant and Equipment</i>	1,548,170	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>	25	20
Current Assets		
<i>Work-in-progress</i>	36,247	12,568
<i>Trade Receivables</i>	381,247	111,113
<i>Other Receivables</i>	85,203	79,770
<i>Cash and Bank Balances</i>	417,706	261,235
	<u>920,403</u>	<u>464,686</u>
Current Liabilities		
<i>Trade Payables</i>	26,607	58,463
<i>Other Payables</i>	80,927	64,613
<i>Overdraft & Short Term Borrowings</i>	139,047	27,939
<i>Provision for Taxation</i>	810	2,561
	<u>247,391</u>	<u>153,576</u>
Net Current Assets	673,012	311,110
	<u>2,236,650</u>	<u>1,891,166</u>
Share Capital	264,107	233,537
Reserves	1,126,750	700,916
Shareholders' Fund	<u>1,390,857</u>	<u>934,453</u>
Bond reserves attributable to potential shareholders	19,140	15,659
Total Equity	<u>1,409,997</u>	<u>950,112</u>
Non-Current Liabilities		
<i>Long Term Borrowings</i>	678,791	833,474
<i>Deferred Taxation</i>	147,862	107,580
	<u>2,236,650</u>	<u>1,891,166</u>
Net Assets per share (RM)	5.27	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 12 months period ended 31/12/2006 RM'000	For 12 months period ended 31/12/2005 RM'000
Cash flows from/(used in) operating activities		
Net profit before tax	206,734	114,909
Adjustment for non-cash and non-operating items:-		
Non-cash items	87,394	41,201
Non-operating items	49,065	15,393
Operating profit before changes in working capital	343,193	171,503
Changes in working capital:-		
Net change in current assets	(305,187)	(46,444)
Net change in current liabilities	(15,544)	37,655
Cash generated from operations	22,462	162,714
Income tax paid	(4,408)	(1,485)
	18,054	161,229
Cash flows used in investing activities		
Interest received	6,188	5,626
Purchase of other investment	(5)	(995,368)
Addition of a subsidiary	(1,214)	(9)
Additions to property, plant and equipment	(164,257)	-
	(159,288)	(989,751)
Cash flows from financing activities		
Interest paid	(36,477)	(22,902)
Dividend paid	(5,082)	(4,779)
Net proceeds from issuance of shares	287,034	273,068
Proceeds from Syndicated Term Loan	53,311	380,000
Proceeds from Convertible Bonds	-	354,206
Net repayment of borrowings	(2,201)	(54,368)
	296,585	925,225
Net increase in cash and cash equivalents	155,351	96,703
Cash and cash equivalents at beginning of period	260,706	164,003
Cash and cash equivalents at end of period	416,057	260,706
Cash and cash equivalents comprise:-		
Cash and bank balances	417,706	261,235
Bank overdraft	(1,649)	(529)
	416,057	260,706

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 YEAR ENDED 31 DECEMBER 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 year	-	-	-	-	157,538	157,538	-	157,538
Issue of shares - Convertible Bonds	6,925	67,935	-	-	-	74,860	3,481	78,341
- Private Placement	23,645	271,922	-	-	-	295,567	-	295,567
Expenses on shares issued	-	(8,534)	-	-	-	(8,534)	-	(8,534)
Dividend paid in respect of financial year ended 31 December 2005	-	-	-	-	(5,082)	(5,082)	-	(5,082)
Translation differences arising during the year	-	-	-	(57,945)	-	(57,945)	-	(57,945)
Balance as at 31 December 2006	264,107	866,480	-	(7,699)	267,969	1,390,857	19,140	1,409,997

TRANSMILE GROUP BERHAD (Company No. 373741-W)
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	< -----Attributable to Equity Holders of the Parent----- >						
	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	Total Equity 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)	-	-	-	40,803	(40,803)	-	-
Balance as at 1 January 2005, as restated	201,072	294,554	3,336	40,803	89,302	629,067	629,067
Effect of adopting FRS 3 - reclassification of opening reserve on consolidation (Note 25)	-	-	(3,336)	-	3,336	-	-
Effect of adopting FRS 101 - reclassification of opening minority interest (Note 25)	-	-	-	-	-	-	-
Net profit for the year	201,072	294,554	-	40,803	92,638	629,067	629,067
Issue of shares - ESOS	17,247	116,720	-	-	74,847	74,847	74,847
- Private Placement	15,218	124,788	-	-	-	133,967	133,967
Arising from acquisition of 30% in Transmile Air Services Sdn Bhd	-	-	-	-	(47,193)	(47,193)	(47,193)
Expenses on shares issued	-	(905)	-	-	-	(905)	(905)
Issue of US Dollar Convertible Bonds	-	-	-	-	-	-	15,659
Dividend paid in respect of financial year ended 31 December 2004	-	-	-	-	(4,779)	(4,779)	(4,779)
Translation differences arising during the year	-	-	-	9,443	-	9,443	9,443
Balance as at 31 December 2005	233,537	535,157	-	50,246	115,513	934,453	950,112

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 YEAR ENDED 31 DECEMBER 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’s 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.

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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 has increased from RM233,536,937, comprising 233,536,937 ordinary shares of RM1.00 each to RM264,107,398 comprising 264,107,398 ordinary shares of RM1.00 each by the issuance of 6,925,061 ordinary shares of RM1.00 each pursuant to the partial conversion of the five (5)-year Guaranteed Redeemable Convertible Bonds denominated in US Dollars and 23,645,400 ordinary shares of RM1.00 each from private placement exercise.

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 2006 (31 December 2005: 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 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 year ended 31 December 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.

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 RM835.75 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 increasing by RM439.1 million or 79.8% to RM989.2 million. Similarly, pre-tax profit has also shown an increase of 87.3% to RM206.7 million over the same period.

The overall financial improvement was mainly attributable to increase in aircraft capacity, improved utilization and yield management as a result of an expanded network with the introduction of wide body freighters.

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 RM338.5 million with an increase of RM55.0 million or 19.4% in the current quarter as compared to RM283.5 million in the preceding quarter, mainly due to higher aircraft utilization and increase in business activities.

As a result, pre-tax profit has also increased by RM27.0 million or 46.1% from RM58.6 million to RM85.7 million quarter-on-quarter..

15. Prospects Of The Group

The Group intends to continue evaluating existing business operations, implementing operating improvements, monitoring performance and expanding into new markets.

Management believes the above strategies will lead to improved yield management and lower unit operating costs.

Management is aware of the global market challenges ahead in view of anticipated capacity increase as more airlines are expanding their fleet and new airlines are commencing operations. .

Barring unforeseen circumstances, the Group expects to continue to report a positive financial result for the year 2007.

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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	214	306
Deferred taxation	14,534	48,890
	14,748	49,196

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.

20. Status Of Corporate Proposals

The Company had on 9 October 2006 announced its proposal to issue up to 10% of the issued and paid-up share capital of the Company by way of private placement. SC has vide its letter dated 10 November 2006 approved the proposed private placement. Please refer to our announcement dated 13 November 2006 for further details.

The private placement was completed on 1 December 2006.

As of 31 December 2006, the company has utilized the proceeds raised of RM277.6 million as follows:

	Proposed Utilisation RM'000	Actual Utilisation RM'000
(i) Acquisition of aircraft, aircraft parts and equipment	180,000	-
(ii) Business development and marketing expansion purpose	30,000	-
(iii) Enhancement of existing management information system	10,000	-
(iv) Working Capital	57,488	23,534
(v) Defraying of expenses incidental to the exercise	120	120
	277,608	23,654

TRANSMILE GROUP BERHAD (Company No. 373741-W)
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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	1,649
- Trade loan	-
- Revolving Credit	-
- Hire-purchase creditors – current portion	220
- Commercial papers / medium term notes (“MTN”)	35,000
- Syndicated Term Loan – current portion	102,178
	<hr/> <hr/> 139,047
(b) Long-term Borrowings – Unsecured	
- Hire-purchase creditors – non current	68
- MTN	105,000
- Syndicated term loan – non current	306,533
- Convertible bonds	267,190
	<hr/> <hr/> 678,791
(c) Borrowings by currencies	
- denominated in RM	141,937
- denominated in US Dollar	675,901
	<hr/> <hr/> 817,838

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 announcement.

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24. Earnings Per Share (EPS)

	Current Quarter Ended 31/12/2006 RM'000	Preceding Year Corresponding Quarter Ended 31/12/2005 RM'000	Current Year To Date 31/12/2006 RM'000	Preceding Year To Date 31/12/2005 RM'000
a) Basic EPS				
Net profit attributable to ordinary shareholders	70,915	39,890	157,538	74,847
	31/12/2006 Shares'000	31/12/2005 Shares'000	31/12/2006 Shares'000	31/12/2005 Shares'000
Weighted average number of ordinary shares	247,432	228,139	240,451	220,739
Basic EPS (sen)	28.66	17.48	65.52	33.91
	Current Quarter Ended 31/12/2006 RM'000	Preceding Year Corresponding Quarter Ended 31/12/2005 RM'000	Current Year To Date 31/12/2006 RM'000	Preceding Year To Date 31/12/2005 RM'000
b) Fully diluted				
Net profit attributable to ordinary shareholders	70,915	39,890	157,538	74,847
Interest savings on conversion of Convertible Bonds	4,521	5,814	17,938	14,472
Adjusted net profit attributable to ordinary shareholders	75,436	45,704	175,476	89,319
	31/12/2006 Shares'000	31/12/2005 Shares'000	31/12/2006 Shares'000	31/12/2005 Shares'000
Weighted average number of ordinary shares	247,432	228,139	240,451	220,739
Number of unissued ESOS shares	-		-	
Number of shares that would have been issued at fair value	-		-	
Adjusted weighted average number of shares	247,432	228,139	240,451	220,739
Number of shares resulting from conversion of Convertible Bonds	35,196	17,201	35,094	17,201
	282,628	245,340	275,545	237,940
Fully diluted EPS (sen)	26.69	*18.63	63.68	*37.54

* 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 RM49,000 for the current quarter ended 31 December 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)	(40,803)
Increase in reserve on translation	50,342	40,803

	Current Quarter Ended 31/12/2006 RM'000	Preceding Year Corresponding Quarter Ended 31/12/2005 RM'000	Current Year To Date 31/12/2006 RM'000	Preceding Year To Date 31/12/2005 RM'000
Decrease in profit for the period	6,286	2,384	10,834	9,539

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 12 months ended 31 December 2005				
Net profit for the year	84,386	-	(9,539)	74,847
Preceding corresponding quarter for 3 months ended 31 December 2005				
Net profit for the period	42,274	-	(2,384)	39,890