

QUARTERLY REPORT ON UNAUDITED CONSOLIDATED RESULTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2007

CONDENSED CONSOLIDATED INCOME STATEMENTS

| | Note | Individual Period | | Cumulative Period | |
|-------------------------------|------|---|---|---|---|
| | | Current Year Quarter Ended 31/03/2007 RM'000 | Preceding Year Corresponding Quarter 31/03/2006 (Restated) RM'000 | Current Year To Date 31/03/2007 RM'000 | Preceding Year To Date 31/03/2006 (Restated) RM'000 |
| Revenue | 1B | 154,011 | 157,187 | 154,011 | 157,187 |
| Operating Expenses | 1B | (177,202) | (166,462) | (177,202) | (166,462) |
| Other Operating Income | | 8,480 | 15,161 | 8,480 | 15,161 |
| Profit/(Loss) from Operations | 1B | <u>(14,711)</u> | <u>5,886</u> | <u>(14,711)</u> | <u>5,886</u> |
| Finance Costs | | (12,374) | (14,116) | (12,374) | (14,116) |
| Share of Associates' Results | | - | - | - | - |
| Net Loss Before Tax | 1B | <u>(27,085)</u> | <u>(8,230)</u> | <u>(27,085)</u> | <u>(8,230)</u> |
| Taxation | 1B | (174) | (255) | (174) | (255) |
| Net Loss for the Period | 1B | <u>(27,259)</u> | <u>(8,485)</u> | <u>(27,259)</u> | <u>(8,485)</u> |
| Attributable to:- | | | | | |
| Equity Holders of the Parent | | (27,259) | (8,485) | (27,259) | (8,485) |
| Minority Interests | | - | - | - | - |
| Net Loss for the Period | | <u>(27,259)</u> | <u>(8,485)</u> | <u>(27,259)</u> | <u>(8,485)</u> |
| EPS - Basic (sen) | 24 | (10.16) | (3.63) | (10.16) | (3.63) |
| - Diluted (sen) | 24 | * | * | * | * |

* Refer Note 24.

The Condensed Consolidated Income Statements should be read in conjunction with the latest audited Annual Financial Statements.

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

CONDENSED CONSOLIDATED BALANCE SHEETS

| | As At 31/03/2007 (Unaudited) RM'000 | As At 31/12/2006 (Audited) RM'000 |
|--|--|--|
| Non-Current Assets | | |
| <i>Property, Plant and Equipment</i> | 954,913 | 975,256 |
| <i>Investment In Associated Companies</i> | 8,096 | 1,507 |
| <i>Long Term Investments</i> | 25 | 25 |
| | <u>963,034</u> | <u>976,788</u> |
| Current Assets | | |
| <i>Inventories</i> | 329 | - |
| <i>Trade Receivables</i> | 233,850 | 203,764 |
| <i>Other Receivables</i> | 32,774 | 28,682 |
| <i>Cash & Bank Balances</i> | 388,970 | 413,421 |
| | <u>655,923</u> | <u>645,867</u> |
| Total Assets | <u>1,618,957</u> | <u>1,622,655</u> |
| Share Capital | 269,767 | 264,107 |
| Reserves | 426,501 | 403,523 |
| Shareholders' Fund | <u>696,268</u> | <u>667,630</u> |
| Bond reserves attributable to potential shareholders | 21,748 | 21,748 |
| Total Equity | <u>718,016</u> | <u>689,378</u> |
| Non-Current Liabilities | | |
| <i>Long Term Borrowings</i> | 612,325 | 678,847 |
| <i>Deferred Taxation</i> | 697 | 717 |
| | <u>613,022</u> | <u>679,564</u> |
| Current Liabilities | | |
| <i>Trade Payables</i> | 60,507 | 62,752 |
| <i>Other Payables</i> | 89,289 | 50,215 |
| <i>Overdraft & Short Term Borrowings</i> | 137,055 | 139,661 |
| <i>Provision for Taxation</i> | 1,068 | 1,085 |
| | <u>287,919</u> | <u>253,713</u> |
| Total Equity and Liabilities | <u>1,618,957</u> | <u>1,622,655</u> |
| Net Assets per share (RM) | 2.58 | 2.53 |

The Condensed Consolidated Balance Sheets should be read in conjunction with the latest audited Annual Financial Statements.

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

| | For the Quarter Ended 31/03/2007 RM'000 | For the Quarter Ended 31/03/2006 (Restated) RM'000 |
|---|--|---|
| Loss before tax | (27,085) | (8,230) |
| Adjustment for non-cash and non-operating items:- | | |
| Non-cash items | 26,507 | 5,036 |
| Non-operating items | 8,551 | 13,729 |
| Operating profit/(loss) before changes in working capital | <u>7,973</u> | <u>10,535</u> |
| Changes in working capital:- | | |
| Net change in current assets | (34,613) | (48,890) |
| Net change in current liabilities | 36,830 | 20,382 |
| Cash generated from/(used in) operations | <u>10,190</u> | <u>(17,973)</u> |
| Income tax paid | (84) | (171) |
| Cash flows from/(used in) operating activities | <u>10,106</u> | <u>(18,144)</u> |
| Cash flows used in investing activities | | |
| Interest received | 3,823 | 387 |
| Purchase of other investment | - | (1,204) |
| Additions to property, plant and equipment | (22,294) | (2,199) |
| Additional investment in associate | (6,589) | - |
| | <u>(25,060)</u> | <u>(3,016)</u> |
| Cash flows used in financing activities | | |
| Interest paid | (8,643) | (7,093) |
| Expenses on shares issued | (10) | - |
| Net proceed/(repayment) of borrowings | 712 | (117) |
| | <u>(7,941)</u> | <u>(7,210)</u> |
| Net decrease in cash and cash equivalents | (22,895) | (28,370) |
| Cash and cash equivalents at beginning of period | 411,085 | 260,706 |
| Cash and cash equivalents at end of period | <u>388,190</u> | <u>232,336</u> |
| Cash and cash equivalents comprise:- | | |
| Cash and bank balances | 388,970 | 234,066 |
| Bank overdraft | (780) | (1,730) |
| | <u>388,190</u> | <u>232,336</u> |

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the latest audited Annual Financial Statements.

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2007

| | < -----Attributable to Equity Holders of the Parent----- > | | | | | | Bond Reserve | Total Equity |
|---|--|----------------------|---------------------------------|---|---------------------------|---------------------------|---------------------|---------------------|
| | Share Capital | Share Premium | Reserve On Consolidation | Foreign Currency Translation Reserve | Accumulated losses | Shareholders' Fund | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | | |
| Balance as at 1 January 2007 | 264,107 | 869,962 | - | (7,916) | (529,312) | 596,841 | 21,748 | 618,589 |
| Prior year adjustment | | | | | 70,789 | 70,789 | | 70,789 |
| Balance as at 1 January 2007, as restated | 264,107 | 869,962 | - | (7,916) | (458,523) | 667,630 | 21,748 | 689,378 |
| Net loss for the period | - | - | - | - | (27,259) | (27,259) | - | (27,259) |
| Issue of shares - Convertible Bonds | 5,660 | 59,575 | - | - | - | 65,235 | - | 65,235 |
| Expenses on shares issued | - | (10) | - | - | - | (10) | - | (10) |
| Translation differences arising during the period | - | - | - | (9,328) | - | (9,328) | - | (9,328) |
| Balance as at 31 March 2007 | 269,767 | 929,527 | - | (17,244) | (485,782) | 696,268 | 21,748 | 718,016 |

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| | < -----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 | Foreign Currency Translation Reserve RM'000 | Retained Profits/ (Accumulated losses) 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 and effect of adopting FRS 121 | - | - | - | 32,655 | (563,756) | (531,101) | - | (531,101) |
| Balance as at 1 January 2006, as restated | 233,537 | 535,157 | 3,336 | 32,559 | (401,237) | 403,352 | 15,659 | 419,011 |
| Effect of adopting FRS 3 - reclassification of opening reserve on consolidation | - | - | (3,336) | - | 3,336 | - | - | - |
| | 233,537 | 535,157 | - | 32,559 | (397,901) | 403,352 | 15,659 | 419,011 |
| Net profit for the period, as previously stated | - | - | - | - | 18,008 | 18,008 | - | 18,008 |
| Prior year adjustments | - | - | - | - | (26,493) | (26,493) | - | (26,493) |
| Net loss for the period, as restated | - | - | - | - | (8,485) | (8,485) | - | (8,485) |
| Issue of shares - Convertible Bonds | 598 | 5,862 | - | - | - | 6,460 | - | 6,460 |
| Translation differences arising during the period | - | - | - | (299) | - | (299) | - | (299) |
| Balance as at 31 March 2006 | 234,135 | 541,019 | - | 32,260 | (406,386) | 401,028 | 15,659 | 416,687 |

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the latest audited Annual Financial Statements.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2006

1A. 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 accounting policies and methods of computation adopted in the quarterly financial statements are consistent with those adopted in the audited Annual Financial Statements for the year ended 31 December 2006, except for the following:-

- (a) the adoption of the following new and revised Financial Reporting Standards (“FRS”) issued by the MASB that are effective for financial periods beginning on or after 1 January 2007:-

| | |
|---------|---------------------------|
| FRS 117 | Leases |
| FRS 124 | Related Party Disclosures |

The adoption of the above FRSs does not have any significant financial impact on the Group.

- (b) the change in the accounting policy for recognizing revenue from a particular contract entered into with a customer, as described below.

Under this contract, Transmile Air Services Sdn Bhd earns a fixed monthly income from the customer, plus a variable amount which is determined based on the annual profit or loss arising from the operation of the aircraft dedicated to serve the customer (“variable revenue”)

In previous years, variable revenue was recognized only upon final agreement of accounts with the customer, which is usually in the financial year following the year in which the variable revenue was earned.

In order to provide reliable and more relevant information about the effects of the contract, and to more fairly reflect the Group’s financial results, the accounting policy has been changed such that variable revenue is recognized in the period in which it is earned.

This change in accounting policy has been effected retrospectively by way of a prior period adjustment. Comparative figures have accordingly been re-stated.

The quarterly financial statements are to be read in conjunction with the latest audited Annual Financial Statements.

1B. Restatement of Comparative Figures

Arising from the adjustments as announced on 16 June 2007 and including the change in accounting policy described in Part 1A(b) above, figures for the financial quarter ended 31 March 2006 included herein for comparative purposes have been re-stated as follows:

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| <u>Income Statement</u> | As previously reported RM'000 | Adjustments RM'000 | Restated RM'000 |
|--|--|-------------------------------|----------------------------|
| Revenue | 151,808 | 5,379 | 157,187 |
| Operating Expenses | (128,114) | (38,348) | (166,462) |
| Profit/(Loss) from Operations | 38,855 | (32,969) | 5,886 |
| Profit/(Loss) before Tax | 24,739 | (32,969) | (8,230) |
| Taxation | (6,731) | 6,476 | (255) |
| Net Profit/(Loss) for the Period | 18,008 | (26,493) | (8,485) |
| <u>Cashflow Statement</u> | | | |
| Profit/(Loss) before tax | 24,739 | (32,969) | (8,230) |
| (Increase)/Decrease in working capitals:- | | | |
| Net change in current assets | (13,511) | (35,379) | (48,890) |
| Net change in current liabilities | (17,966) | 38,348 | 20,382 |
| Cash flows used in investing activities | | | |
| Additions to property, plant and equipment | (32,199) | 30,000 | (2,199) |

2. Qualification of Preceding Annual Financial Statements

The auditors' report on the Company's financial statements for the year ended 31 December 2006 was qualified in the following manner:

- (a) The financial statements did not take into consideration further adjustments, if any, that may arise from:
 - any investigations that the Securities Commission or any other regulatory authorities may undertake into misstatements (for which the Group had duly made the necessary adjustments and re-statements in the financial statements for the year ended 31 December 2006) of revenues, trade receivables and property, plant equipment in the financial statements, and
 - the on-going special audit review on possible under- or non-billing of services rendered by Transmile Air Services Sdn Bhd, a wholly-owned subsidiary, to CEN Worldwide Sdn Bhd, an associated company and a major customer of the Group.
- (b) The accounting and other records of Transmile Air Services Sdn Bhd had not been properly kept in accordance with the provisions of the Companies Act, 1965.

The current status of the matters giving rise to the qualifications is as follows:

- (c) The directors are not aware of the current status of the investigations undertaken by the Securities Commission and other regulatory authorities, and at this juncture, are not aware of any further adjustments that may be required to be made to the financial statements,
- (d) The special audit review on possible under- or non-billing of services to CEN Worldwide Sdn Bhd is still on-going, and at this juncture, the directors are not aware of any further adjustments that may be required to be made to the financial statements

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- (e) The directors are satisfied that the accounting and other records of Transmile Air Services Sdn Bhd are now properly kept in accordance with the provisions of the Companies Act, 1965.

3. Seasonality Or Cyclicity Of Operations

The Group's business operations in the first two quarters are generally affected by lower activity levels after the annual festive seasons 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 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 RM264,107,398, comprising 264,107,398 ordinary shares of RM1.00 each to RM269,766,969, comprising 269,766,969 ordinary shares of RM1.00 each by the issuance of 5,659,571 ordinary shares of RM1.00 each, at an issue price of RM10.81 per share pursuant to the partial conversion of the five (5)-year Guaranteed Redeemable Convertible Bonds denominated in US Dollars.

7. Dividend

There was no dividend paid during the financial period under review.

The directors do not recommend the payment of any interim dividend in respect of the current financial period under review.

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 31 March 2007.

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)
(Incorporated in Malaysia)**

11. Changes In The Composition Of The Group

There were no changes in the composition of the Group during the financial period under review.

12. Contingent Liabilities/Assets

As at the date of this report, the Group does not have any contingent assets/liabilities.

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

The Group revenue of RM154.0 million for the period ended 31 March 2007 is only slightly lower compared to RM157.2 million in the corresponding period last year.

Group loss before tax has increased to RM27.3 million compared to a Group loss before tax of RM8.5 million in the same quarter last year. The increase in loss was due to higher maintenance and ground handling costs, and lower other operating income. The decrease in other operating income was mainly due to foreign exchange movements during the current quarter.

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

The Group revenue of RM154.0 million for the current quarter ended 31 March 2007 is lower when compared to RM213.9 million of the preceding quarter. This trend is seasonal as the fourth quarter is usually the peak period while the first quarter is the low season due to festive seasons in Asia.

Group loss before tax for the current quarter of RM27.3 million is higher compared with Group loss before tax of RM16.7 million in the preceding quarter mainly due to higher costs mentioned above.

15. Prospects Of The Group

The directors are continuing to evaluate various strategies to improve the operational performance and financial position of the Group.

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 | 194 | 194 |
| Overprovision in deferred taxation | (20) | (20) |
| | <hr/> | <hr/> |
| | 174 | 174 |

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

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

20. Status Of Corporate Proposals

There was no corporate proposal for the financial period under review.

The status of proposed utilization of proceeds of RM 277.6 million raised from the private placement completed on 1 December 2006 is as follow:-

| | 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 | 57,488 |
| (v) Defraying of expenses incidental to the exercise | 120 | 120 |
| | <u>277,608</u> | <u>57,608</u> |

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 | 780 |
| - Trade loan | 740 |
| - Hire-purchase creditors – current portion | 186 |
| - Commercial papers / medium term notes (“MTN”) | 35,000 |
| - Syndicated Term Loan – current portion | 100,349 |
| | <u>137,055</u> |
| (b) Long-term Borrowings – Unsecured | |
| - Hire-purchase creditors – non current | 57 |
| - MTN | 105,000 |
| - Syndicated term loan – non current | 301,047 |
| - Convertible bonds | 206,221 |
| | <u>612,325</u> |
| (c) Borrowings by currencies | |
| - denominated in RM | 242,112 |
| - denominated in US Dollar | 507,268 |
| | <u>749,380</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 period under review.

23. Changes In Material Litigation

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

24. Earnings Per Share (EPS)

| | Current Quarter Ended 31/03/2007 RM'000 | Preceding Year Corresponding Quarter Ended 31/03/2006 (Restated) RM'000 | Current Year To Date 31/03/2007 RM'000 | Preceding Year To Date 31/03/2006 (Restated) RM'000 |
|--|--|--|---|--|
| a) Basic EPS | | | | |
| Net loss attributable to ordinary shareholders | (27,259) | (8,485) | (27,259) | (8,485) |
| Weighted average number of ordinary shares ('000) | 268,239 | 233,740 | 268,239 | 233,740 |
| Basic EPS (sen) | (10.16) | (3.63) | (10.16) | (3.63) |
| b) Fully diluted | | | | |
| Net loss attributable to ordinary shareholders | (27,259) | (8,485) | (27,259) | (8,485) |
| Interest savings on conversion of Convertible Bonds | 3,733 | 7,069 | 3,733 | 7,069 |
| Adjusted net loss attributable to ordinary shareholders | (23,526) | (1,416) | (23,526) | (1,416) |
| Weighted average number of ordinary shares ('000) | 268,239 | 233,740 | 268,239 | 233,740 |
| Number of shares resulting from conversion of Convertible Bonds ('000) | 20,810 | 32,797 | 20,810 | 32,797 |
| | 289,049 | 266,537 | 289,049 | 266,537 |
| Fully diluted EPS (sen) | * (8.14) | * (0.53) | * (8.14) | * (0.53) |

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