

QUARTERLY REPORT ON UNAUDITED CONSOLIDATED RESULTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2007

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Note	Individual Period		Cumulative Period	
		Current Year Quarter Ended 30/06/2007 RM'000	Preceding Year Corresponding Quarter 30/06/2006 (Restated) RM'000	Current Year To Date 30/06/2007 RM'000	Preceding Year To Date 30/06/2006 (Restated) RM'000
Revenue	1B	149,930	152,001	303,941	309,188
Operating Expenses	1B	(163,131)	(164,048)	(340,333)	(330,510)
Other Operating Income		(1,713)	10,102	6,767	25,263
Profit/(Loss) from Operations	1B	<u>(14,914)</u>	<u>(1,945)</u>	<u>(29,625)</u>	<u>3,941</u>
Finance Costs		(11,349)	(13,301)	(23,723)	(27,417)
Share of Associates' Results		(2,040)	-	(2,040)	-
Net Loss Before Tax	1B	<u>(28,303)</u>	<u>(15,246)</u>	<u>(55,388)</u>	<u>(23,476)</u>
Tax credit/(expense)	1B	282	158	108	(97)
Net Loss for the Period	1B	<u>(28,021)</u>	<u>(15,088)</u>	<u>(55,280)</u>	<u>(23,573)</u>
Attributable to:-					
Equity Holders of the Parent		(28,021)	(15,088)	(55,280)	(23,573)
Minority Interests		-	-	-	-
Net Loss for the Period		<u>(28,021)</u>	<u>(15,088)</u>	<u>(55,280)</u>	<u>(23,573)</u>
EPS - Basic (sen)	24	(10.38)	(6.44)	(20.54)	(10.07)
- Diluted (sen)	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 30/06/2007 (Unaudited) RM'000	As At 31/12/2006 (Audited) RM'000
Non-Current Assets		
<i>Property, Plant and Equipment</i>	927,478	975,256
<i>Investment In Associated Companies</i>	6,056	1,507
<i>Long Term Investments</i>	70	25
	<u>933,604</u>	<u>976,788</u>
Current Assets		
<i>Inventories</i>	1,099	-
<i>Trade Receivables</i>	294,799	203,764
<i>Other Receivables</i>	36,869	28,682
<i>Cash & Bank Balances</i>	211,778	413,421
	<u>544,545</u>	<u>645,867</u>
Total Assets	<u>1,478,149</u>	<u>1,622,655</u>
Share Capital	270,118	264,107
Reserves	392,829	403,523
Shareholders' Fund	<u>662,947</u>	<u>667,630</u>
Bond reserves attributable to potential shareholders	21,748	21,748
Total Equity	<u>684,695</u>	<u>689,378</u>
Non-Current Liabilities		
<i>Long Term Borrowings</i>	505,343	678,847
<i>Deferred Taxation</i>	151	717
	<u>505,494</u>	<u>679,564</u>
Current Liabilities		
<i>Trade Payables</i>	63,203	62,752
<i>Other Payables</i>	86,840	50,215
<i>Overdraft & Short Term Borrowings</i>	137,132	139,661
<i>Provision for Taxation</i>	785	1,085
	<u>287,960</u>	<u>253,713</u>
Total Equity and Liabilities	<u>1,478,149</u>	<u>1,622,655</u>
Net Assets per share (RM)	2.45	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 Period Ended 30/06/2007 RM'000	For the Period Ended 30/06/2006 (Restated) RM'000
Loss before tax	(55,388)	(23,476)
Adjustment for non-cash and non-operating items:-		
Non-cash items	67,990	10,537
Non-operating items	21,707	21,817
Operating profit before changes in working capital	<u>34,309</u>	<u>8,878</u>
Changes in working capital:-		
Net change in current assets	(121,399)	(77,937)
Net change in current liabilities	37,075	7,934
Cash generated used in operations	<u>(50,015)</u>	<u>(61,125)</u>
Income tax paid	(108)	(395)
Cash flows used in operating activities	<u>(50,123)</u>	<u>(61,520)</u>
Cash flows used in investing activities		
Interest received	4,006	1,594
Purchase of other investment	(45)	(1,204)
Additions to property, plant and equipment	(41,603)	(17,762)
Proceeds from disposal of property, plant and equipment	7,687	-
Additional investment in associate	(6,589)	-
	<u>(36,544)</u>	<u>(17,372)</u>
Cash flows from/(used) in financing activities		
Interest paid	(16,508)	(13,848)
Expenses on shares issued	(10)	-
(Repayment)/Net proceed of borrowings	(99,087)	32,047
	<u>(115,605)</u>	<u>18,199</u>
Net decrease in cash and cash equivalents	(202,272)	(60,693)
Cash and cash equivalents at beginning of period	411,085	260,706
Cash and cash equivalents at end of period	<u>208,813</u>	<u>200,013</u>
Cash and cash equivalents comprise:-		
Cash and bank balances	211,778	212,755
Bank overdraft	(2,965)	(12,742)
	<u>208,813</u>	<u>200,013</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 30 JUNE 2007

	< -----Attributable to Equity Holders of the Parent----- >					Bond Reserve RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Foreign Currency Translation Reserve RM'000	Accumulated Losses RM'000	Shareholders' Fund 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	-	-	-	(55,280)	(55,280)	-	(55,280)
Issue of shares - Convertible Bonds	6,011	63,336	-	-	69,347	-	69,347
Expenses on shares issued	-	(10)	-	-	(10)	-	(10)
Translation differences arising during the period	-	-	(18,740)	-	(18,740)	-	(18,740)
Balance as at 30 June 2007	270,118	933,288	(26,656)	(513,803)	662,947	21,748	684,695

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

	-----Attributable to Equity Holders of the Parent----->							
	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	Bond Reserve RM'000	Total Equity 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	-	-	-
Net profit for the period, as previously stated	-	-	-	-	45,357	45,357	-	45,357
Prior year adjustments	-	-	-	-	(68,930)	(68,930)	-	(68,930)
Net loss for the period, as restated	-	-	-	-	(23,573)	(23,573)	-	(23,573)
Issue of shares - Convertible Bonds	949	9,311	-	-	-	10,260	-	10,260
Translation differences arising during the period	-	-	-	4,032	-	4,032	-	4,032
Reversal of deferred tax liabilities	-	-	-	-	-	-	6,089	6,089
Balance as at 30 June 2006	234,486	544,468	-	36,591	(421,474)	394,071	21,748	415,819

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 30 JUNE 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.

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

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 period ended 30 June 2006 included herein for comparative purposes have been re-stated as follows:

	As Previously Rreported RM'000	Adjustments RM'000	Restated RM'000
<u>Income Statement</u>			
Revenue	367,265	(58,077)	309,188
Operating Expenses	(298,179)	(32,331)	(330,510)
Profit from Operations	89,849	(85,908)	3,941
Profit/(Loss) Before Tax	62,431	(85,907)	(23,476)
Tax Credit/(Expense)	(17,075)	16,978	(97)
Net Profit/(Loss) for the Period	45,357	(68,930)	(23,573)
<u>Cashflow Statement</u>			
Profit/(Loss) before tax	62,431	85,907	(23,476)
Adjustment for non-cash items	27,053	(16,516)	10,537
(Increase)/Decrease in working capitals:-			
Net change in current assets	(46,014)	(31,923)	(77,937)
Net change in current liabilities	(36,414)	44,348	7,934
Cash flows used in investing activities			
Additions to property, plant and equipment	(107,762)	90,000	(17,762)

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
- (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.

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

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 RM270,118,495, comprising 270,118,495 ordinary shares of RM1.00 each by the issuance of 6,011,097 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 30 June 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.

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 RM303.9 million for the period ended 30 June 2007 is lower compared to RM309.2 million in the corresponding period last year, mainly due to the strengthening of Ringgit against US Dollars.

Group loss before tax has increased to RM55.3 million compared to a Group loss before tax of RM23.5 million in the same quarter last year. The increase in loss was due to foreign exchange movements and higher maintenance cost.

The EBITDA for the period ended 30 June 2007 is RM20.3 million compared to RM33.3 million for the corresponding period last year.

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

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

The Group revenue of RM149.9 million for the current quarter ended 30 June 2007 is lower when compared to RM154.0 million of the preceding quarter.

Group loss before tax for the current quarter of RM28.3 million is slightly higher compared with Group loss before tax of RM27.1 million in the preceding quarter. This is mainly due to the reasons mentioned in the previous note.

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	292	98
Overprovision in deferred taxation	(10)	10
	<hr/> <hr/>	<hr/> <hr/>
	282	108

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)
(Incorporated in Malaysia)

20. Status Of Corporate Proposals

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

The status of proposed utilization of proceeds of RM277.6 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	2,965
- Hire-purchase creditors – current portion	152
- Commercial papers / medium term notes (“MTN”)	35,000
- Syndicated Term Loan – current portion	99,015
	<u>137,132</u>
(b) Long-term Borrowings – Unsecured	
- Hire-purchase creditors – non current	47
- MTN	105,000
- Syndicated term loan – non current	198,030
- Convertible bonds	202,266
	<u>505,343</u>
(c) Borrowings by currencies	
- denominated in RM	143,164
- denominated in US Dollar	499,311
	<u>642,475</u>

22. Off Balance Sheet Financial Instrument

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

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

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 30/06/2007 RM'000	Preceding Year Corresponding Quarter Ended 30/06/2006 (Restated) RM'000	Current Year To Date 30/06/2007 RM'000	Preceding Year To Date 30/06/2006 (Restated) RM'000
a) Basic EPS				
Net loss attributable to ordinary shareholders	(28,021)	(15,088)	(55,280)	(23,573)
Weighted average number of ordinary shares ('000)	270,012	234,318	269,160	234,057
Basic EPS (sen)	(10.38)	(6.44)	(20.54)	(10.07)
b) Fully diluted				
Net loss attributable to ordinary shareholders	(28,021)	(15,088)	(55,280)	(23,573)
Interest savings on conversion of Convertible Bonds	3,554	6,014	7,286	13,084
Adjusted net loss attributable to ordinary shareholders	(24,467)	(9,074)	(47,994)	(10,489)
Weighted average number of ordinary shares ('000)	270,012	234,318	269,160	234,057
Number of shares resulting from conversion of Convertible Bonds ('000)	20,565	33,008	21,417	32,875
	290,577	267,326	290,577	266,932
Fully diluted EPS (sen)	* (8.42)	* (3.39)	* (16.52)	* (3.93)

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