

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

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Note	Individual Period		Cumulative Period	
		Current Year Quarter Ended 30/09/2007 RM'000	Preceding Year Corresponding Quarter 30/09/2006 (Restated) RM'000	Current Year To Date 30/09/2007 RM'000	Preceding Year To Date 30/09/2006 (Restated) RM'000
Revenue	1B	140,069	203,497	444,010	512,685
Operating Expenses	1B	(186,820)	(191,369)	(527,153)	(521,879)
Other Operating Income		9,927	(13,350)	16,694	11,913
Profit/(Loss) from Operations	1B	<u>(36,824)</u>	<u>(1,222)</u>	<u>(66,449)</u>	<u>2,719</u>
Finance Costs		(10,240)	(14,086)	(33,963)	(41,503)
Share of Associates' Results		1,221	-	(819)	-
Net Loss Before Tax	1B	<u>(45,843)</u>	<u>(15,308)</u>	<u>(101,231)</u>	<u>(38,784)</u>
Tax credit/(expense)	1B	909	5	1,017	(92)
Net Loss for the Period	1B	<u>(44,934)</u>	<u>(15,303)</u>	<u>(100,214)</u>	<u>(38,876)</u>
Attributable to:-					
Equity Holders of the Parent		(44,934)	(15,303)	(100,214)	(38,876)
Minority Interests		-	-	-	-
Net Loss for the Period		<u>(44,934)</u>	<u>(15,303)</u>	<u>(100,214)</u>	<u>(38,876)</u>
EPS - Basic (sen)	24	(16.63)	(6.50)	(37.19)	(16.57)
- 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**

	<b>As At 30/09/2007 (Unaudited) RM'000</b>	<b>As At 31/12/2006 (Audited) RM'000</b>
Non-Current Assets		
<i>Property, Plant and Equipment</i>	954,562	975,256
<i>Investment In Associated Companies</i>	7,277	1,507
<i>Long Term Investments</i>	57	25
	<u>961,896</u>	<u>976,788</u>
Current Assets		
<i>Inventories</i>	23	-
<i>Trade Receivables</i>	151,268	203,764
<i>Other Receivables</i>	61,737	28,682
<i>Cash &amp; Bank Balances</i>	224,072	413,421
	<u>437,100</u>	<u>645,867</u>
Total Assets	<u>1,398,996</u>	<u>1,622,655</u>
Share Capital	270,118	264,107
Reserves	372,190	403,523
Shareholders' Fund	<u>642,308</u>	<u>667,630</u>
Bond reserves attributable to potential shareholders	21,748	21,748
Total Equity	<u>664,056</u>	<u>689,378</u>
Non-Current Liabilities		
<i>Long Term Borrowings</i>	480,987	678,847
<i>Deferred Taxation</i>	254	717
	<u>481,241</u>	<u>679,564</u>
Current Liabilities		
<i>Trade Payables</i>	13,067	62,752
<i>Other Payables</i>	108,514	50,215
<i>Overdraft &amp; Short Term Borrowings</i>	131,877	139,661
<i>Provision for Taxation</i>	241	1,085
	<u>253,699</u>	<u>253,713</u>
Total Equity and Liabilities	<u>1,398,996</u>	<u>1,622,655</u>
Net Assets per share (RM)	2.38	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**

	<b>For the Period Ended 30/09/2007 RM'000</b>	<b>For the Period Ended 30/09/2006 (Restated) RM'000</b>
Loss before tax	(101,231)	(38,784)
Adjustment for non-cash and non-operating items:-		
Non-cash items	97,376	48,214
Non-operating items	25,856	39,419
Operating profit before changes in working capital	<u>22,001</u>	<u>48,849</u>
Changes in working capital:-		
Net change in current assets	1,714	(49,671)
Net change in current liabilities	8,612	6,875
Cash generated from operations	<u>32,327</u>	<u>6,053</u>
Income tax paid	(162)	(2,609)
<b>Cash flows from/(used in) operating activities</b>	<u><u>32,165</u></u>	<u><u>3,444</u></u>
<b>Cash flows from/(used in) investing activities</b>		
Interest received	7,288	2,084
Purchase of other investment	(45)	-
Purchase of subsidiary	-	(1,204)
Additions to property, plant and equipment	(71,568)	(83,164)
Proceeds from disposal of property, plant and equipment	7,756	-
Additional investment in associate	(6,589)	-
	<u>(63,158)</u>	<u>(82,284)</u>
<b>Cash flows from/(used in) financing activities</b>		
Interest paid	(23,045)	(26,363)
Dividend paid	-	(5,082)
Expenses on shares issued	(10)	-
(Repayment)/Net proceed of borrowings	(134,826)	36,272
	<u>(157,881)</u>	<u>4,827</u>
Net decrease in cash and cash equivalents	(188,874)	(74,013)
Cash and cash equivalents at beginning of period	411,085	260,706
Cash and cash equivalents at end of period	<u><u>222,211</u></u>	<u><u>186,693</u></u>
<b>Cash and cash equivalents comprise:-</b>		
Cash and bank balances	224,072	196,515
Bank overdraft	(1,861)	(9,822)
	<u><u>222,211</u></u>	<u><u>186,693</u></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 SEPTEMBER 2007**

	< -----Attributable to Equity Holders of the Parent----- >					<b>Bond Reserve</b> <b>RM'000</b>	<b>Total Equity</b> <b>RM'000</b>
	<b>Share Capital</b> <b>RM'000</b>	<b>Share Premium</b> <b>RM'000</b>	<b>Foreign Currency Translation Reserve</b> <b>RM'000</b>	<b>Accumulated Losses</b> <b>RM'000</b>	<b>Shareholders' Fund</b> <b>RM'000</b>		
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	-	-	-	(100,214)	(100,214)	-	(100,214)
Issue of shares - Convertible Bonds	6,011	63,788	-	-	69,799	-	69,799
Expenses on shares issued	-	(10)	-	-	(10)	-	(10)
Translation differences arising during the period	-	-	5,103	-	5,103	-	5,103
Balance as at 30 September 2007	270,118	933,740	(2,813)	(558,737)	642,308	21,748	664,056

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

	< -----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	-	-	-	50,342	(581,443)	(531,101)	-	(531,101)
Balance as at 1 January 2006, as restated	233,537	535,157	3,336	50,246	(418,924)	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	-	50,246	(415,588)	403,352	15,659	419,011
Net profit for the period, as previously stated	-	-	-	-	86,623	86,623	-	86,623
Prior year adjustments	-	-	-	-	(125,499)	(125,499)	-	(125,499)
Net loss for the period, as restated	-	-	-	-	(38,876)	(38,876)	-	(38,876)
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 September 2006	234,486	544,468	-	54,278	(454,464)	378,768	21,748	400,516

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 SEPTEMBER 2007**

**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)**  
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**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 September 2006 included herein for comparative purposes have been re-stated as follows:

	<b>As Previously Reported RM'000</b>	<b>Adjustments RM'000</b>	<b>Restated RM'000</b>
<b><u>Income Statement</u></b>			
Revenue	650,718	(138,033)	512,685
Operating Expenses	(495,556)	(26,323)	(521,879)
Other Operating Income	7,412	4,501	11,913
Profit from Operations	162,574	(159,855)	2,719
Profit/(Loss) Before Tax	121,071	(159,855)	(38,784)
Tax Credit/(Expense)	(34,448)	34,356	(92)
Net Profit/(Loss) for the Period	86,623	(125,499)	(38,876)
<b><u>Cashflow Statement</u></b>			
Profit/(Loss) before tax	121,071	(159,855)	(38,784)
Adjustment for non-cash items	70,739	(22,525)	48,214
(Increase)/Decrease in working capitals:-			
Net change in current assets	(97,704)	48,033	(49,671)
Net change in current liabilities	(37,473)	44,348	6,875
Cash flows used in investing activities			
Additions to property, plant and equipment	(173,164)	90,000	(83,164)

**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 half of the year 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)  
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**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 September 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 RM444.0 million for the period ended 30 September 2007 is lower compared to RM512.7 million in the corresponding period last year, mainly due to the strengthening of Ringgit against US Dollars and lower charter revenues.

Group loss before tax has increased to RM101.2 million compared to a Group loss before tax of RM38.8 million in the same period last year. The increase in loss was due to lower charter revenues, provision of bad debts and higher fuel cost.

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

The Group revenue of RM140.0 million for the current quarter ended 30 September 2007 is lower when compared to RM149.9 million of the preceding quarter. The decrease is mainly due to lower charters during the quarter.

Group loss before tax for the current quarter of RM45.8 million is higher compared with Group loss before tax of RM28.3 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 credit consists of the following:

	<b>Current Quarter RM'000</b>	<b>Current Year To Date RM'000</b>
Current taxation	(573)	(554)
Overprovision in deferred taxation	(336)	(463)
	<u>(909)</u>	<u>(1,017)</u>

**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**

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:-

	<b>Proposed Utilisation RM'000</b>	<b>Actual Utilisation RM'000</b>
(i) Acquisition of aircraft, aircraft parts and equipment	180,000	43,785
(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>101,393</u>

**21. Group Borrowings And Debt Securities**

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

	<b>RM'000</b>
(a) Short-term Borrowings – Unsecured	
- Bank overdraft	1,861
- Hire-purchase creditors – current portion	110
- Commercial papers / medium term notes (“MTN”)	30,000
- Syndicated Term Loan – current portion	99,906
	<u>131,877</u>
(b) Long-term Borrowings – Unsecured	
- Hire-purchase creditors – non current	241
- MTN	75,000
- Syndicated term loan – non current	199,813
- Convertible bonds	205,933
	<u>480,987</u>
(c) Borrowings by currencies	
- denominated in RM	107,212
- denominated in US Dollar	505,652
	<u>612,864</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)**  
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**23. Changes In Material Litigation**

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

**24. Earnings Per Share (EPS)**

	<b>Current Quarter Ended 30/09/2007  RM'000</b>	<b>Preceding Year Corresponding Quarter Ended 30/09/2006 (Restated) RM'000</b>	<b>Current Year To Date 30/09/2007  RM'000</b>	<b>Preceding Year To Date 30/09/2006 (Restated) RM'000</b>
<b>a) Basic EPS</b>				
Net loss attributable to ordinary shareholders	(44,934)	(15,303)	(100,214)	(38,876)
Weighted average number of ordinary shares ('000)	270,118	235,383	269,483	234,634
Basic EPS (sen)	(16.63)	(6.50)	(37.19)	(16.57)
<b>b) Fully diluted</b>				
Net loss attributable to ordinary shareholders	(44,934)	(15,303)	(100,214)	(38,876)
Interest savings on conversion of Convertible Bonds	3,628	5,555	10,914	18,638
Adjusted net loss attributable to ordinary shareholders	(41,306)	(9,748)	(89,300)	(20,238)
Weighted average number of ordinary shares ('000)	270,118	235,383	269,483	234,634
Number of shares resulting from conversion of Convertible Bonds ('000)	20,565	32,111	21,094	32,298
	290,683	267,494	290,577	266,932
Fully diluted EPS (sen)	* (14.21)	* (3.64)	* (30.73)	* (7.58)

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