

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

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Note	Individual Period		Cumulative Period	
		Current Year Quarter Ended 31/12/2007 RM'000	Preceding Year Corresponding Quarter 31/12/2006 (Restated) RM'000	Current Year To Date 31/12/2007 RM'000	Preceding Year To Date 31/12/2006 (Restated) RM'000
Revenue	1B	172,217	218,604	616,227	731,289
Operating Expenses	1B	(357,181)	(271,804)	(884,334)	(793,683)
Other Operating Income		16,310	44,564	33,004	56,477
Loss from Operations	1B	<u>(168,654)</u>	<u>(8,636)</u>	<u>(235,103)</u>	<u>(5,917)</u>
Finance Costs		(9,645)	(13,747)	(43,608)	(55,250)
Share of Associates' Results		(1,259)	(952)	(2,078)	(952)
Net Loss Before Tax	1B	<u>(179,558)</u>	<u>(23,335)</u>	<u>(280,789)</u>	<u>(62,119)</u>
Tax credit/(expense)	1B	127	(1,557)	1,144	(1,649)
Net Loss for the Period	1B	<u><u>(179,431)</u></u>	<u><u>(24,892)</u></u>	<u><u>(279,645)</u></u>	<u><u>(63,768)</u></u>
Attributable to:-					
Equity Holders of the Parent		(179,431)	(24,892)	(279,645)	(63,768)
Minority Interests		-	-	-	-
Net Loss for the Period		<u><u>(179,431)</u></u>	<u><u>(24,892)</u></u>	<u><u>(279,645)</u></u>	<u><u>(63,768)</u></u>
Basic Loss Per Ordinary Share (sen)	24	(66.43)	(10.06)	(103.76)	(26.52)

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 31/12/2007	As at
	(Unaudited)	31/12/2006
	RM'000	(Restated)
		RM'000
Non-Current Assets		
<i>Property, Plant and Equipment</i>	799,702	969,998
<i>Investment In Associated Companies</i>	4,468	1,507
<i>Long Term Investments</i>	56	25
	<u>804,226</u>	<u>971,530</u>
Current Assets		
<i>Inventories</i>	113	-
<i>Trade Receivables</i>	125,309	203,764
<i>Other Receivables</i>	45,085	19,983
<i>Cash & Bank Balances</i>	212,620	413,421
	<u>383,127</u>	<u>637,168</u>
Total Assets	<u>1,187,353</u>	<u>1,608,698</u>
Share Capital	270,118	264,107
Reserves	160,810	407,618
	<u>430,928</u>	<u>671,725</u>
Shareholders' Fund	430,928	671,725
Bond reserves attributable to potential shareholders	15,682	18,501
	<u>446,610</u>	<u>690,226</u>
Total Equity	<u>446,610</u>	<u>690,226</u>
Non-Current Liabilities		
<i>Long Term Borrowings</i>	277,194	678,847
<i>Deferred Taxation</i>	132	717
	<u>277,326</u>	<u>679,564</u>
Current Liabilities		
<i>Trade Payables</i>	79,047	62,752
<i>Other Payables</i>	65,591	35,410
<i>Overdraft & Short Term Borrowings</i>	318,639	139,661
<i>Provision for Taxation</i>	140	1,085
	<u>463,417</u>	<u>238,908</u>
Total Equity and Liabilities	<u>1,187,353</u>	<u>1,608,698</u>
Net Assets per share (RM)	1.60	2.54

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

TRANSMILE GROUP BERHAD (Company No. 373741-W)
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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	For the Period Ended 31/12/2007 RM'000	For the Period Ended 31/12/2006 (Restated) RM'000
Loss before tax	(280,789)	(62,119)
Adjustment for non-cash and non-operating items:-		
Non-cash items	218,659	104,777
Non-operating items	35,123	48,212
Operating profit/(loss) before changes in working capital	<u>(27,007)</u>	<u>90,870</u>
Changes in working capital:-		
Net change in current assets	(2,340)	(73,522)
Net change in current liabilities	40,965	(6,166)
Cash generated from operations	<u>11,618</u>	<u>11,182</u>
Income tax paid	(639)	(2,874)
Cash flows from/(used in) operating activities	<u>10,979</u>	<u>8,308</u>
Cash flows from/(used in) investing activities		
Interest received	10,563	7,990
Purchase of other investment	(45)	-
Proceeds from disposal of other investment	12	-
Purchase of subsidiary	-	(1,203)
Additions to property, plant and equipment	(48,439)	(160,464)
Proceeds from disposal of property, plant and equipment	11,411	73
Additional investment in associate	(6,589)	-
	<u>(33,087)</u>	<u>(153,604)</u>
Cash flows from/(used in) financing activities		
Interest paid	(31,167)	(34,732)
Dividend paid	-	(5,082)
Net proceeds from issuance of shares	-	287,033
Expenses on shares issued	(10)	-
(Repayment)/Net proceed of borrowings	(130,740)	50,346
	<u>(161,917)</u>	<u>297,565</u>
Net increase/(decrease) in cash and cash equivalents	(184,025)	152,269
Effect of changes in exchange rates	(14,985)	(1,890)
Cash and cash equivalents at beginning of period	411,085	260,706
Cash and cash equivalents at end of period	<u>212,075</u>	<u>411,085</u>
Cash and cash equivalents comprise:-		
Cash and bank balances	212,620	413,421
Bank overdraft	(545)	(2,336)
	<u>212,075</u>	<u>411,085</u>

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

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

	< -----Attributable to Equity Holders of the Parent----->						Bond Reserve RM'000	Total RM'000
	Share Capital RM'000	Share Premium RM'000	Foreign Currency Translation Reserve RM'000	Retained Profits/ losses RM'000	Shareholders' Fund RM'000			
Balance as at 1 January 2006, as previously stated	233,537	535,157	32,559	(397,901)	403,352	15,659	419,011	
Prior year adjustments	-	-	(281)	9,496	9,215	-	9,215	
Balance as at 1 January 2006, as restated	233,537	535,157	32,278	(388,405)	412,567	15,659	428,226	
Net loss for the period	-	-	-	(63,768)	(63,768)	-	(63,768)	
Issue of shares - Convertible Bonds	6,925	74,664	-	-	81,589	(3,247)	78,342	
- Private Placement	23,645	271,922	-	-	295,567	-	295,567	
Expenses on shares issued	-	(8,534)	-	-	(8,534)	-	(8,534)	
Translation differences arising during the period	-	-	(40,614)	-	(40,614)	-	(40,614)	
Dividend paid in respect of financial year ended 31 December 2005	-	-	-	(5,082)	(5,082)	-	(5,082)	
Reversal of deferred tax liabilities	-	-	-	-	-	6,089	6,089	
Balance as at 31 December 2006	264,107	873,209	(8,336)	(457,255)	671,725	18,501	690,226	

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	< -----Attributable to Equity Holders of the Parent----- >						
	Share Capital RM'000	Share Premium RM'000	Foreign Currency Translation Reserve RM'000	Accumulated Losses RM'000	Shareholders' Fund RM'000	Bond Reserve RM'000	Total Equity 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 - prior 2006			(281)	9,496	9,215		9,215
Prior year adjustment - 2006	-	3,247	(139)	62,561	65,669	(3,247)	62,422
Balance as at 1 January 2007, as restated	264,107	873,209	(8,336)	(457,255)	671,725	18,501	690,226
Net loss for the period	-	-	-	(279,645)	(279,645)	-	(279,645)
Issue of shares - Convertible Bonds	6,011	66,154	-	-	72,165	(2,819)	69,346
Expenses on shares issued	-	(10)	-	-	(10)	-	(10)
Translation differences arising during the period	-	-	(33,307)	-	(33,307)	-	(33,307)
Balance as at 31 December 2007	270,118	939,353	(41,643)	(736,900)	430,928	15,682	446,610

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 DECEMBER 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.

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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 31 December 2006 included herein for comparative purposes have been restated as follows:

	As Previously Reported at 31/12/2006 RM'000	Adjustments RM'000	Restated as at 31/12/2006 RM'000
<u>Income Statement</u>			
Revenue	655,831	75,458	731,289
Profit/(Loss) from Operations	(68,478)	62,561	(5,917)
Loss Before Tax	(124,680)	62,561	(62,119)
Net Loss for the Period	(126,329)	62,561	(63,768)
<u>Cashflow Statement</u>			
Profit/(Loss) before tax	(124,680)	62,561	(62,119)
Adjustment for:-			
Non-cash items	103,739	1,038	104,777
(Increase)/Decrease in working capitals:-			
Net change in current assets	(9,923)	(63,599)	(73,522)

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:

- i) 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,

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- ii) The special audit review, undertaken by Moores Rowland Risk Management Sdn Bhd, on possible under or non billing of services rendered by Transmile Air Services Sdn. Bhd. (TAS) to CEN Worldwide Sdn. Bhd. (CEN) has been completed. The special audit revealed that TAS invoiced CEN for routine charters based on rates that were lower than direct costs incurred.
 - iii) 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. Seasonal Or Cyclical Factors**
The Group's business operations generally picks up in the second half of the year due to the annual festive seasons as compared to the first half of the year where activity levels are lower.
- 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 except for those mentioned in Note 13 and 14 below.
- 5. Change Of Estimates Used**
During the year ended 31 December 2007, in accordance with the revised FRS 116, Property, Plant and Equipment, the Company conducted a review on its assets and re-assessed its useful lives. As a result, additional depreciation for Aircraft of RM18.4 million has been recognized for the year.
- Except for the above, there was no other 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 year, 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.

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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 December 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 material 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's revenue of RM616.2 million for the year ended 31 December 2007 is lower compared to RM731.3 million last year, mainly due to the reduction of general freight sales during the year. The reduction in general freight sales is mainly due to the cancellation of unprofitable routes and certain flights during the year.

Transmile Air Services Sdn Bhd("TAS"), the major subsidiary of Transmile Group Berhad that contributed 99% of the Group's revenue, keeps its book in USD which is the Company's functional currency. The following is an analysis of the Group's revenue:

USD '000	2007	2006	Variance	%
<u>Major revenue items:</u>				
Charter Revenue	160,762	170,716	(9,954)	
Lease Rental	5,483	834	4,649	
General Freight Sales	10,677	26,135	(15,459)	
Others	2,374	2,753		
Total Revenue	179,295	200,438	(21,143)	-11%
Exchange rate	3.437	3.648		
Revenue in RM	616,227	731,289	(115,062)	-16%

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Group loss before tax for the year of RM280.8 million compared RM62.1 million in 2006, was mainly due to the following exceptional items:

	YTD 2007
	RM '000
Loss before Tax as reported	(280,789)
Less: Adjustments	
- Provision for doubtful debts	(69,651)
- Additional depreciation of aircraft	(18,375)
- Provision for impairment in parts and components	(51,555)
- Deferred maintenance expenses written off	(22,902)
	(162,483)
Loss before Tax and Exceptional Items	(118,306)

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

The Group revenue of RM172.2 million for the current quarter ended 31 December 2007 is lower as compared to RM218.6 million of the preceding quarter ended 30 September 2007. The decrease is mainly due to the cancellation of unprofitable routes and certain flights during the year.

Group loss before tax for the current quarter of RM179.6 million is higher compared to RM23.3 million in the preceding quarter. The increase in loss was mainly due to the exceptional items mentioned above, most of which were adjusted for in Q4 2007.

15. Prospects Of The Group

The last 12 months have been a challenging time for Group. Barring any unforeseen circumstances, the Directors are cautiously optimistic that the business strategies being evaluated currently will work 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:

	Current Quarter RM'000	Current Year To Date RM'000
Current taxation	6	560
Overprovision in deferred taxation	121	584
	127	1,144

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18. Sale Of Unquoted Investments And/Or Properties

There were no sales of unquoted investments and/or properties for the financial period under review, other than as mentioned below:-

	Current Quarter RM'000	Current Year To Date RM'000
Disposal		
Sale proceeds	12	12
Cost of investment	12	12
Gain on disposal	-	-
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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

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	48,493
(ii) Business development and marketing expansion purpose	30,000	-
(iii) Enhancement of existing management information system	10,000	252
(iv) Working Capital	57,488	57,488
(v) Defraying of expenses incidental to the exercise	120	120
	<hr/>	<hr/>
	277,608	106,353

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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:-

Group Borrowings And Debt Securities

	RM'000
(a) Short-term Borrowings – Unsecured	
- Bank overdraft	545
- Short Term Loan	290
- Hire-purchase creditors – current portion	161
- Commercial papers / medium term notes (“MTN”)	30,000
- Syndicated Term Loan – current portion	287,643
	<u><u>318,639</u></u>
(b) Long-term Borrowings – Unsecured	
- Hire-purchase creditors – non current	258
- MTN	75,000
- Convertible bonds	201,936
	<u><u>277,194</u></u>
(c) Borrowings by currencies	
- denominated in RM	106,254
- denominated in US Dollar	489,579

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.

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24. Earnings Per Share (EPS)

	Current Quarter Ended 31/12/2007 RM'000	Preceding Year Corresponding Quarter Ended 31/12/2006 (Restated) RM'000	Current Year To Date 31/12/2007 RM'000	Preceding Year To Date 31/12/2006 (Restated) RM'000
a) Basic EPS				
Net loss attributable to ordinary shareholders	(179,431)	(24,892)	(279,645)	(63,768)
Weighted average number of ordinary shares ('000)	270,118	247,432	269,513	240,451
Basic EPS (sen)	(66.43)	(10.06)	(103.76)	(26.52)

b) Fully diluted

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