

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

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED
31 MARCH 2008**

The figures have not been audited

**CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 31
MARCH 2008**

	Note	Individual Period		Cumulative Period	
		Current Year Quarter Ended 31/3/2008 RM'000	Preceding Year Corresponding Quarter 31/3/2007 (Restated) RM'000	Current Year To Date 31/3/2008 RM'000	Preceding Year To Date 31/3/2007 (Restated) RM'000
Revenue	1B	119,375	154,011	119,375	154,011
Operating Expenses	1B	(159,566)	(181,796)	(159,566)	(181,796)
Other Operating Income		3,603	8,480	3,603	8,480
Profit/(Loss) from Operations	1B	<u>(36,588)</u>	<u>(19,305)</u>	<u>(36,588)</u>	<u>(19,305)</u>
Finance Costs		(9,320)	(12,374)	(9,320)	(12,374)
Share of Associates' Results		(1,692)	-	(1,692)	-
Net Loss Before Tax	1B	<u>(47,600)</u>	<u>(31,679)</u>	<u>(47,600)</u>	<u>(31,679)</u>
Tax expense	1B	(152)	(174)	(152)	(174)
Net Loss for the Period	1B	<u><u>(47,752)</u></u>	<u><u>(31,853)</u></u>	<u><u>(47,752)</u></u>	<u><u>(31,853)</u></u>
Attributable to:-					
Equity Holders of the Parent		(47,752)	(31,853)	(47,752)	(31,853)
Minority Interests		-	-	-	-
Net Loss for the Period		<u><u>(47,752)</u></u>	<u><u>(31,853)</u></u>	<u><u>(47,752)</u></u>	<u><u>(31,853)</u></u>
Basic loss per ordinary share(sen)	24	(17.68)	(11.87)	(17.68)	(11.87)

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

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CONDENSED CONSOLIDATED BALANCE SHEETS

	As at 31/3/2008 (Unaudited) RM'000	As at 31/12/2007 (Audited) RM'000
Non-Current Assets		
<i>Aircraft, Property, Plant and Equipment</i>	741,207	799,702
<i>Investment In Associated Companies</i>	3,000	4,468
<i>Long Term Investments</i>	55	56
	<u>744,262</u>	<u>804,226</u>
Current Assets		
<i>Inventories</i>	-	-
<i>Trade Receivables</i>	200,369	125,309
<i>Other Receivables</i>	18,225	45,198
<i>Cash & Bank Balances</i>	155,100	212,620
	<u>373,694</u>	<u>383,127</u>
Total Assets	<u>1,117,956</u>	<u>1,187,353</u>
Share Capital	270,118	270,118
Reserves	92,260	154,542
	<u>362,378</u>	<u>424,660</u>
Total Equity	<u>362,378</u>	<u>424,660</u>
Non-Current Liabilities		
<i>Long Term Borrowings</i>	75,027	75,258
<i>Deferred Taxation</i>	227	132
	<u>75,254</u>	<u>75,390</u>
Current Liabilities		
<i>Trade Payables</i>	79,387	79,047
<i>Other Payables</i>	67,517	65,591
<i>Overdraft & Short Term Borrowings</i>	511,330	520,575
<i>Equity Conversion Option</i>	15,682	15,682
<i>Provision for Taxation</i>	6,408	6,408
	<u>680,324</u>	<u>687,303</u>
Total Equity and Liabilities	<u>1,117,956</u>	<u>1,187,353</u>
Net Assets per share (RM)	1.34	1.57

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

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2008

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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	For the Period Ended 31/3/2008	For the Period Ended 31/3/2007 (Restated)
	RM'000	RM'000
Loss before tax	(47,600)	(31,679)
Adjustment for non-cash and non-operating items:-		
Non-cash items	20,396	31,101
Non-operating items	9,516	8,551
Operating profit before changes in working capital	<u>(17,688)</u>	<u>7,973</u>
Changes in working capital:-		
Net change in current assets	(60,309)	(34,613)
Net change in current liabilities	8,793	36,830
Cash generated from operations	<u>(69,204)</u>	<u>10,190</u>
Income tax paid	(152)	(84)
Cash flows from/(used in) operating activities	<u>(69,356)</u>	<u>10,106</u>
Cash flows from/(used in) investing activities		
Interest received	1,496	3,823
Purchase of other investment	-	-
Proceeds from disposal of other investment	-	-
Additions to aircraft, property, plant and equipment	(317)	(22,294)
Proceeds from disposal of aircraft, property, plant and equipment	2,934	-
Additional investment in associate	-	(6,589)
	<u>4,113</u>	<u>(25,060)</u>
Cash flows from/(used in) financing activities		
Interest paid	(5,899)	(8,643)
Expenses on shares issued	-	(10)
(Repayment)/Net proceed of borrowings	6,671	712
	<u>772</u>	<u>(7,941)</u>
Net decrease in cash and cash equivalents	(64,471)	(22,895)
Effect of changes in exchange rates	5,043	-
Cash and cash equivalents at beginning of period	212,075	411,085
Cash and cash equivalents at end of period	<u>152,647</u>	<u>388,190</u>
Cash and cash equivalents comprise:-		
Cash and bank balances	155,100	388,970
Bank overdraft	(2,453)	(780)
	<u>152,647</u>	<u>388,190</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)
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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2008

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2008 (Cont'd)

		< ----- Attributable to Equity Holders of the Parent ----- >				
		Share Capital RM'000	Share Premium RM'000	Foreign Currency Translation Reserve RM'000	Retained Profits/ (Accumulated losses) RM'000	Shareholders' Fund RM'000
Preceding year corresponding period ended 31 March 2007						
At 1 January 2007		264,107	873,209	(8,336)	(457,255)	671,725
Expense recognised directly in equity:						
Issue of shares - Convertible Bonds		5,660	62,229	-	-	67,889
Expenses on shares issued		-	(10)	-	-	(10)
Translation differences arising during the period		-	-	(9,328)	-	(9,328)
Net loss for the period		5,660	62,219	(9,328)	-	58,551
		-	-	-	(31,853)	(31,853)
		5,660	62,219	(9,328)	(31,853)	26,698
At 31 March 2007		269,767	935,428	(17,664)	(489,108)	698,423

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

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2008

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2008

	Attributable to Equity Holders of the Parent					Shareholders' Fund RM'000
	Share Capital RM'000	Share Premium RM'000	Foreign Currency Translation Reserve RM'000	Accumulated Losses RM'000	>	
Current year-to date ended 31 March 2008						
At 1 January 2008	270,118	939,353	(41,643)	(743,168)		424,660
Net loss for the period	-	-	-	(47,752)		(47,752)
Translation differences arising during the period	-	-	(14,530)	-		(14,530)
At 31 March 2008	270,118	939,353	(56,173)	(790,920)		362,378

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ENDED 31 MARCH 2008**

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**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2008**

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 2007, except for 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 2008, which applicable to the Group:-

<u>Standard/Interpretation</u>		<u>Effective date</u>
FRS 107	Cash Flow Statement	1 July 2007
FRS 112	Income Tax	1 July 2007
FRS 118	Revenue	1 July 2007
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rate – Net Investment in a Foreign Operation	1 July 2007
FRS 137	Provisions, Contingent Liabilities and Measurement	1 July 2007

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

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)

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER
ENDED 31 MARCH 2008**

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1B. Restatement of Comparative Figures

During the year ended 31 December 2007, in accordance with FRS 116, Property, Plant and Equipment, the Group re-assessed the useful lives of the assets. As a result, the expected useful lives of the aircrafts were reduced from 25-38 years to 16-22 years.

Arising from the change in estimates described above, figures for the financial period ended 31 March 2007 included herein for comparative purposes have been restated as follows:

	As Previously Reported RM'000	Adjustments RM'000	Restated RM'000
<u>Income Statement</u>			
Operating Expenses	(177,202)	(4,594)	(181,796)
Profit/(Loss) from Operations	(14,711)	(4,594)	(19,305)
Loss Before Tax	(27,085)	(4,594)	(31,679)
Net Loss for the Period	(27,259)	(4,594)	(31,853)
<u>Cashflow Statement</u>			
Profit/(Loss) before tax	(27,085)	(4,594)	(31,679)
Adjustment for:-			
Non-cash items	26,507	4,594	31,101

2. Qualification of Preceding Annual Financial Statements

The audit report for the preceding annual financial statements was not qualified.

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

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.

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**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER
ENDED 31 MARCH 2008**

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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. Aircraft, Property, Plant And Equipment

The aircraft, 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 2008.

10. Material Subsequent Event

Subsequent to the financial period under review, the Board has resolved to dispose of the Group's fleet of four MD-11 with a total carrying amount of RM508,925,560 as at 31 March 2008. This is done partly due to the Group's strategy of focusing on the Intra-Asian routes and partly due to its loans and financial restructuring plan. The management anticipates that it requires 6 to 12 months to complete the disposal.

Except the above, 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

For the quarter under review, the Group recorded revenue of RM119.4 million as compared with a revenue of RM154.0 million recorded in the preceding year's corresponding quarter.

The lower revenue as compared with the preceding year's corresponding quarter was mainly due to weakening of US Dollars against Ringgit Malaysia and lower flight hours as a result of cessation of certain unprofitable routes since last year end.

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(Incorporated in Malaysia)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2008

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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	Q1-08	Q1-07	Variance	%
Charter Revenue	22,177	37,863	(15,685)	
General Freight Sales	9,476	5,792	3,684	
Lease Rental	4,435	135	4,300	
Others	609	101	508	
Total Revenue	36,697	43,891	(7,194)	-16%
Exchange rate	3.227	3.490		
Revenue in RM	118,422	153,180	(34,758)	-23%

Group loss before tax for the quarter under review of RM47.8 million is higher than the preceding year's corresponding quarter's loss of RM31.7 million. The higher loss was mainly due to lower revenue and higher fuel costs.

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

The Group revenue of RM119.4 million for the current quarter ended 31 March 2008 is lower as compared to RM207.5 million of the preceding quarter ended 31 December 2007. The decrease is mainly due to seasonal factor as the Group's business operations are generally higher in the second half of the year due to the annual festive seasons.

Group loss before tax for the current quarter of RM47.8 million is higher than the preceding quarter's loss before tax and exceptional items of RM20.5million (as shown below) due to the lower revenue and higher fuel costs in the current quarter.

	Q4-07 RM '000
Loss before Tax as reported	(130,458)
Less: Adjustments	
- Provision for doubtful debts	(57,159)
- Part and components written off	(52,814)
	(109,973)
Loss before Tax and Exceptional Items	(20,485)

15. Prospects Of The 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 for the current financial year ending 31 December 2008.

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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	54	54
Overprovision in deferred taxation	98	98
	152	152

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**
There was no corporate proposal for the financial period under review other than as mention below.

A. Utilization of Proceeds from Private Placement

On 25 February 2008, the Group informed the Securities Commission on the variation to the utilization proceeds amounting to RM171.3 million raised from the private placement. The Group intends to utilize the balance of the proceeds earmarked for the acquisition of aircraft, aircraft parts and equipment, and business development and marketing purposes, amounting to RM161.5 million to repay some of the outstanding loans.

The status of the revised proposed utilization of proceeds of RM277.6 million raised from the private placement completed on 1 December 2006 is as follow:-

	Revised Proposed Utilisation RM'000	Actual Utilisation RM'000
(i) Acquisition of aircraft, aircraft parts and equipment	48,493	48,493
(ii) Repayment of convertible bonds, syndicated term loan and medium term note program	161,507	-
(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
	277,608	106,353

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B. Proposed Issuance of Shares

The Company had on 22 May 2008, announced that it proposes to issue new ordinary shares of RM1.00 each in TGB ("Issue Shares") at an issue price of RM2.20 each to its Lenders (as defined below) as settlement for its borrowings, at the option of the said Lenders ("Proposed Issuance"). The Proposed Issuance is part of the terms of the indulgence sought by TGB and its subsidiaries ("TGB Group") for the deferment of its repayment obligation under the Syndicated Term Loan ("STL"), Medium Term Notes ("MTN") and the 1% Guaranteed Convertible Bonds ("CB").

As at 19 May 2008, the total outstanding borrowings of the TGB Group was RM536.3 million (where borrowings denominated in USD are translated at the exchange rate of USD1.00:RM3.25) owing to the STL lenders (USD67.1 million), MTN holders (RM105 million) and CB holders (USD65.6 million) of the TGB Group (collectively known as the "Lenders"). Based on such amount outstanding, TGB will issue up to 243,818,000 new TGB Shares to its Lenders as settlement for the borrowings, if all Lenders agree to the settlement of the amounts owing to them by way of issuance of new TGB Shares. The actual number of shares to be issued under the Proposed Issuance will depend on the decision of the Lenders to accept TGB Shares as settlement for the amounts owing to them and the exchange rate at which the borrowings denominated in USD are translated into Ringgit Malaysia.

The Proposed Issuance allows the TGB Group to strengthen its financial position by potentially reducing its borrowings and improving its gearing as well as reducing the interest and cash flow obligation in respect of the borrowings which are converted into equity, at the option of the Lenders.

Further, as some of the CB holders are not banks, the Board believes that the Proposed Issuance provides an alternative mode of restructuring its debt to such holders since the said holders are allowed to immediately convert the amount owing to them (following their exercise of the put option on the CB) into new TGB Shares at a prevailing market price.

The Proposed Issuance is subject to approvals of the Securities Commission ("SC"), SC (under the Foreign Investment Committee's Guidelines on the Acquisition of Interests, Mergers and Take-Overs by Local and Foreign Interest), Bursa Malaysia Securities Berhad, shareholders of TGB, Lenders of TGB and other relevant authorities, if required, being obtained.

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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:-

A. Group Borrowings And Debt Securities

	RM'000
(a) Short-term Borrowings – Unsecured	
- Bank overdraft	2,453
- Banker acceptance	7,007
- Syndicated Term Loan – current portion	275,051
- Convertible bonds - current portion	196,476
- Hire-purchase creditors – current portion	343
- Commercial papers / medium term notes (“MTN”) - current portion	30,000
	<u>511,330</u>
(b) Long-term Borrowings – Unsecured	
- Hire-purchase creditors – non current	27
- MTN	75,000
	<u>75,027</u>
(c) Borrowings by currencies	
- denominated in RM	114,830
- denominated in US Dollar	471,527
	<u>586,357</u>

B. Announcements on Group Borrowings And Debt Securities

Pursuant to Practice Note 1/2001 of Listing Requirements of Bursa Malaysia Securities Berhad, on 2 May 2008 the Group announced that Transmile Air (SPV) Limited (“TASL”), a wholly-owned subsidiary of Transmile Group Berhad (“TGB”), had defaulted in principal payment for its syndicated unsecured term loan (“STL”) amounting to USD9.6 million.

Similarly on 20 May 2008, the Group announced that TGB (SPV) Ltd (“TSL”), a wholly-owned subsidiary of TGB, had defaulted in the payment for its 1% Guaranteed Convertible Bonds due 2010 issued by TSL (“CB”) amounting to USD65.6 million arising from the exercise of the put option on the CB by the holders.

The reason for the default was that the current cash flow generated from the operation of TGB group is not sufficient to repay the principal repayment in view of the under utilization of the MD-11 aircraft.

TGB is the guarantor for the STL and CB. TGB is currently negotiating with the lenders (comprising the STL lenders and the holders of convertible bonds and Medium Term Notes) to defer the outstanding repayment by 18 months from their respective due dates. Indulgence has also been sought from the lenders to waive the cross default event under the respective agreements. At the same time, TGB is pursuing the disposal of its 4 MD-11 aircraft to raise cash for the repayment of its outstanding borrowings which were raised to purchase the said aircrafts.

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 ENDED 31 MARCH 2008**

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The decision from the lenders in relation to the indulgence sought is still pending as at the date of this announcement. None of the lenders has called for an event of default. In respect of the financial and legal implication, in the event the default is called upon by the STL lenders and the waiver on the cross default event is not granted by the lenders, the total borrowings of TGB group amounting to approximately RM530 million will become due and immediately payable by the Company.

Based on the foregoing, the Board of Directors of TGB ("Board") is of the opinion that the Company will be able to pay all the debts that are becoming due and payable in the next 12 months from the date of the respective announcements on the default in payment. Accordingly, the Board has declared that TGB is still solvent.

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 31/3/2008 RM'000	Preceding Year Corresponding Quarter Ended 31/3/2007 (Restated) RM'000	Current Year To Date 31/3/2008 RM'000	Preceding Year To Date 31/3/2007 (Restated) RM'000
a) Basic EPS				
Net loss attributable to ordinary shareholders	(47,752)	(31,853)	(47,752)	(31,853)
Weighted average number of ordinary shares ('000)	270,118	268,239	270,118	268,239
Basic EPS (sen)	(17.68)	(11.87)	(17.68)	(11.87)

b) Fully diluted

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