

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2008

The figures have not been audited

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2008

	Note	Individual Period		Cumulative Period	
		Current Year Quarter Ended 30/6/2008	Preceding Year Corresponding Quarter 30/6/2007 (Restated)	Current Year To Date 30/6/2008	Preceding Year To Date 30/6/2007 (Restated)
		RM'000	RM'000	RM'000	RM'000
Revenue	1B	49,753	149,930	169,128	303,941
Operating Expenses	1B	(63,210)	(167,725)	(222,776)	(349,521)
Other Operating Income		855	(1,713)	4,458	6,767
Profit/(Loss) from Operations	1B	(12,602)	(19,508)	(49,190)	(38,813)
Finance Costs		(7,827)	(11,349)	(17,147)	(23,723)
Share of Associates' Results		(592)	(2,040)	(2,284)	(2,040)
Net Loss Before Tax	1B	(21,021)	(32,897)	(68,621)	(64,576)
Tax credit/(expense)	1B	124	282	(28)	108
Net Loss for the Period	1B	(20,897)	(32,615)	(68,649)	(64,468)
Attributable to:-					
Equity Holders of the Parent		(20,897)	(32,615)	(68,649)	(64,468)
Minority Interests		-	-	-	-
Net Loss for the Period		(20,897)	(32,615)	(68,649)	(64,468)
Basic loss per ordinary share(sen)	24	(7.74)	(12.08)	(25.41)	(23.95)

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

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**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER
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CONDENSED CONSOLIDATED BALANCE SHEETS

	As at 30/6/2008 (Unaudited) RM'000	As at 31/12/2007 (Audited) RM'000
Non-Current Assets		
Property, Plant and Equipment	759,191	799,702
Investment In Associated Companies	2,159	4,468
Long Term Investments	55	56
	<u>761,405</u>	<u>804,226</u>
Current Assets		
Inventories	-	-
Trade Receivables	67,035	125,309
Other Receivables	21,024	45,198
Cash & Bank Balances	109,797	212,620
	<u>197,856</u>	<u>383,127</u>
Total Assets	<u>959,261</u>	<u>1,187,353</u>
Share Capital	270,118	270,118
Reserves	76,962	154,542
Total Equity	<u>347,080</u>	<u>424,660</u>
Non-Current Liabilities		
Long Term Borrowings	75,023	75,258
Deferred Taxation	189	132
	<u>75,212</u>	<u>75,390</u>
Current Liabilities		
Trade Payables	20,460	79,047
Other Payables	49,234	65,591
Overdraft & Short Term Borrowings	451,552	520,575
Equity Conversion Option	15,682	15,682
Provision for Taxation	41	6408
	<u>536,969</u>	<u>687,303</u>
Total Equity and Liabilities	<u>959,261</u>	<u>1,187,353</u>
Net Assets per share (RM)	1.28	1.57

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

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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	For the Period Ended 30/6/2008	For the Period Ended 30/6/2007 (Restated)
	RM'000	RM'000
Loss before tax	(68,621)	(64,575)
Adjustment for non-cash and non-operating items:-		
Non-cash items	40,070	77,177
Non-operating items	17,213	21,707
Operating profit/(loss) before changes in working capital	(11,338)	34,309
Changes in working capital:-		
Net change in current assets	73,223	(121,399)
Net change in current liabilities	(71,457)	37,075
Cash used in operations	(9,572)	(50,015)
Income tax paid	(6,197)	(108)
Cash flows used in operating activities	(15,769)	(50,123)
Cash flows from/(used in) investing activities		
Interest received	2,218	4,006
Purchase of other investment	-	(45)
Proceeds from disposal of other investment	-	-
Additions to property, plant and equipment	(22,574)	(41,603)
Proceeds from disposal of property, plant and equipment	5,817	7,687
Additional investment in associate	-	(6,589)
	(14,539)	(36,544)
Cash flows from/(used in) financing activities		
Interest paid	(10,268)	(16,508)
Expenses on shares issued	-	(10)
Repayment of borrowings	(63,274)	(99,087)
	(73,542)	(115,605)
Net decrease in cash and cash equivalents	(103,850)	(202,272)
Effect of changes in exchange rates	1,572	-
Cash and cash equivalents at beginning of period	212,075	411,085
Cash and cash equivalents at end of period	109,797	208,813
Cash and cash equivalents comprise:-		
Cash and bank balances	109,797	211,778
Bank overdraft	-	(2,965)
	109,797	208,813

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 30 JUNE 2008

	< -----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
Current year-to date ended 30 June 2008					
At 1 January 2008	270,118	939,353	(41,643)	(743,168)	424,660
Expense recognised directly in equity:					
Translation differences arising during the period	-	-	(8,931)	-	(8,931)
	-	-	(8,931)	-	(8,931)
Net loss for the period	-	-	-	(68,649)	(68,649)
	-	-	(8,931)	(68,649)	(77,580)
At 30 June 2008	270,118	939,353	(50,574)	(811,817)	347,080

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2008 (Cont'd)

	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 30 June 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	6,011	66,154	-	-	72,165
Expenses on shares issued	-	(10)	-	-	(10)
Translation differences arising during the period	-	-	(18,740)	-	(18,740)
	6,011	66,144	(18,740)	-	53,415
Net loss for the period	-	-	-	(64,467)	(64,467)
	6,011	66,144	(18,740)	(64,467)	(11,052)
At 30 June 2007	270,118	939,353	(27,076)	(521,722)	660,673

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

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**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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 2007, 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 134	Interim Financial Reporting	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.

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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 30 June 2007 included herein for comparative purposes have been restated as follows:

	As Previously Reported	Adjustments	Restated
	RM'000	RM'000	RM'000
<u>Income Statement</u>			
Operating Expenses	(340,333)	(9,188)	(349,521)
Profit/(Loss) from Operations	(29,625)	(9,188)	(38,813)
Loss Before Tax	(55,388)	(9,188)	(64,576)
Net Loss for the Period	(55,280)	(9,188)	(64,468)
<u>Cashflow Statement</u>			
Profit/(Loss) before tax	(55,388)	(9,188)	(64,576)
Adjustment for:-			
Non-cash items	67,990	9,187	77,177

2. Qualification of Preceding Annual Financial Statements

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

3. Seasonal or Cyclical Factors

With the Group's focus on regional routes, there will be less seasonal fluctuations in its business operations.

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.

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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.

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 carried at cost less depreciation and any impairment losses. There was no revaluation of property, plant and equipment for the period ended 30 June 2008.

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.

As disclosed in the last quarter, the Board had resolved to dispose off the Group's four MD11's with a total value of RM511.65 million as at 30 June 2008. This is in line with the Group's strategy of focusing on the Intra-Asian routes and an integral part to the Group's financial restructuring plan. The disposal of the MD11's is still on-going, and is anticipated to take 6 to 12 months to complete.

On 9 July 2008, the Company announced that it had acquired an additional 2,000,000 ordinary shares of RM1.00 each in the capital of CEN Sdn. Bhd., an associate company of the Company, for a total cash consideration of RM1.5 million. This represents 20% of the total equity interests of CEN Sdn. Bhd. Following this acquisition, CEN Sdn. Bhd. is now a 57.5% subsidiary of Transmile Group Berhad.

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.

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12. Contingent Liabilities/Assets

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

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

For the quarter under review, the Group recorded revenue of RM49.75 million as compared with a revenue of RM149.93 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 the lower flight hours as a consequence of the cessation of the unprofitable routes flown by the MD11's since end March 2008 and weakening of US Dollars against Ringgit Malaysia.

Group loss before tax for this quarter under review of RM20.89 million is lower than the preceding year's corresponding quarter's loss of RM32.89 million. The lower loss was a consequence of the cessation of the unprofitable routes, at the end of March 2008, flown by the MD11's.

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

The Group revenue of RM49.8 million for the current quarter ended 30 June 2008 is lower as compared to RM119.4 million of the preceding quarter ended 31 March 2008. The decrease is mainly due to the cessation of the unprofitable routes flown by the MD11's since March 2008.

The following is an analysis of the Group's Gross Profit:

	Q2-08				Q1-08			
	WB	NB	Misc	Total	WB	NB	Misc	Total
RM'000								
Revenue								
Charter Revenue	-	27,092	-	27,092	65,860	5,517	-	71,377
General Freight Sales	-	2,221	-	2,221	26,329	4,250	-	30,579
Lease Rental	-	12,393	-	12,393	-	14,311	-	14,311
Others	-	-	8,047	8,047	-	-	3,107	3,107
Revenue as reported	-	41,706	8,047	49,753	92,189	24,078	3,107	119,374
Cost of Services								
- Depreciation	(10,069)	(6,483)	573	(15,979)	(11,817)	(6,283)	538	(17,562)
- Other Direct Cost	(6,303)	(22,937)	927	(28,313)	(97,746)	(25,910)	861	(122,795)
Gross Profit	(16,372)	12,286	9,547	5,461	(17,374)	(8,115)	4,506	(20,983)
GP Margin %	0%	29%	119%	11%	-19%	-34%	145%	-18%

WB = Wide body (MD11)

NB = Narrow body (B727 & B737)

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Group loss before tax and exceptional items for the current quarter of RM7.9 million is lower than the preceding quarter's loss before tax and exceptional items of RM45.3million (as shown below), mainly due to the effect of cessation of unprofitable routes contributed by MD11 since Mar'08.

	Q2-08	Q1-08
	RM'000	RM'000
Loss Before Tax as Reported	(21,021)	(47,600)
Less: Onetime Expenses/Timing Differences		
- Part and components written off	-	4,600
- VSS for MD 11 crew and pilot	3,020	-
- Fixed direct cost attributed to MD11	13,352	-
	16,372	4,600
Loss Before Tax and Exceptional Items	(4,649)	(43,000)
EBITDA	4,491	(19,524)

15. Prospects Of The Group

The Group is currently in discussion with existing and potential customers to explore new business areas. Management is also in discussions with prospective strategic partners on the possibility of flying new routes.

Barring any unforeseen circumstances, the Directors are optimistic that the business strategies will improve the operational performance and financial position of the Group for the current financial year ending 31 December 2008.

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	(85)	(31)
Overprovision in deferred taxation	(39)	59
	<u>(124)</u>	<u>28</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.

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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 other than as mention below.

A. Utilization of Proceeds from Private Placement

On 25 February 2008, the Group informed the Securities Commission of 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	63,175
(iii) Enhancement of existing management information system	10,000	642
(iv) Working Capital	57,488	57,488
(v) Defraying of expenses incidental to the exercise	120	120
	<u>277,608</u>	<u>169,918</u>

B. Proposed Issuance of Shares

The Company announced on 12 June 2008 that the resolution in respect of the indulgence sought for the deferment of the repayment of USD65.6 million under the CB was not approved by the CB holders, following a meeting of the CB holders on 11 June 2008. Discussions with the Lenders on the indulgence sought are still on-going and the Company is presently working towards a mutually agreeable settlement with the Lenders.

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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	
- Syndicated Term Loan – current portion	218,031
- Convertible bonds - current portion	203,225
- Hire-purchase creditors – current portion	296
- Commercial papers / medium term notes ("MTN") - current	30,000
	<u>451,552</u>
(b) Long-term Borrowings – Unsecured	
- Hire-purchase creditors – non current	23
- MTN	75,000
	<u>75,023</u>
(c) Borrowings by currencies	
- denominated in RM	105,319
- denominated in US Dollar	421,256
	<u>526,575</u>

B. Announcements on Group Borrowings And Debt Securities

Pursuant to Practice Note 1/2001 of the Listing Requirements of Bursa Malaysia Securities Berhad, the Company has on 31 July 2008, announced that the discussions with the Lenders on the indulgence sought are still on-going and the Company is presently working towards a mutually agreeable settlement with the Lenders. Save as disclosed above, there were no other material developments on the status of default.

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

	Current Quarter Ended 30/6/2008 RM'000	Preceding Year Corresponding Quarter Ended 30/6/2007 (Restated) RM'000	Current Year To Date 30/6/2008 RM'000	Preceding Year To Date 30/6/2007 (Restated) RM'000
a) Basic Loss Per Share (LPS)				
Net loss attributable to ordinary shareholders	(20,897)	(32,615)	(68,649)	(64,468)
Weighted average number of ordinary shares ('000)	270,118	270,012	270,118	269,160
Basic LPS (sen)	(7.74)	(12.08)	(25.41)	(38.11)

b) Fully diluted

The Group has no dilution in its loss per ordinary share in the current quarter / year-to-date as there are no dilutive potential ordinary shares. Therefore, no consideration for adjustment in the form of increase in the number of shares was used in calculating the potential dilution of its loss per share.

The Group has no dilution in its loss per ordinary share in the preceding year corresponding quarter / period as the full conversion of the Convertible Bonds will result in an anti-diluted loss per share.