

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2008

The figures have not been audited

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2008

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Note	Individual Period		Cumulative Period	
		Current Year	Preceding	Current Year	Preceding
		Quarter Ended 31/12/2008	Year Corresponding Quarter 31/12/2007 (Restated)	To Date 31/12/2008	Year To Date 31/12/2007 (Restated)
		RM'000	RM'000	RM'000	RM'000
Revenue	1B	55,686	207,536	292,883	616,227
Operating Expenses	1B	(81,377)	(343,400)	(395,086)	(884,334)
Other Operating Income		6,821	16,310	17,417	33,004
Loss from Operations	1B	<u>(18,870)</u>	<u>(119,554)</u>	<u>(84,786)</u>	<u>(235,103)</u>
Finance Costs		(7,090)	(9,645)	(32,842)	(43,608)
Share of Associates' Results		(236)	(1,259)	(3,532)	(2,078)
Net Loss Before Tax	1B	<u>(26,196)</u>	<u>(130,458)</u>	<u>(121,160)</u>	<u>(280,789)</u>
Tax credit/(expense)	1B	188	(6,141)	160	(5,124)
Net Loss for the Period	1B	<u><u>(26,008)</u></u>	<u><u>(136,599)</u></u>	<u><u>(121,000)</u></u>	<u><u>(285,913)</u></u>
Attributable to:-					
Equity Holders of the Company		(26,008)	(136,599)	(121,000)	(285,913)
Minority Interests		-	-	-	-
Net Loss for the Period		<u><u>(26,008)</u></u>	<u><u>(136,599)</u></u>	<u><u>(121,000)</u></u>	<u><u>(285,913)</u></u>
Basic loss per ordinary share(sen)	24	(9.63)	(50.57)	(44.80)	(106.09)

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 31/12/2008 (Unaudited) RM'000	As at 31/12/2007 (Audited) RM'000
Non-Current Assets		
Property, Plant and Equipment	717,325	799,702
Investment In Associated Companies	1,226	4,468
Long Term Investments	45	56
	<u>718,596</u>	<u>804,226</u>
Current Assets		
Inventories	-	-
Trade Receivables	58,546	125,309
Other Receivables	61,554	45,198
Cash & Bank Balances	119,820	212,620
	<u>239,920</u>	<u>383,127</u>
Total Assets	<u>958,516</u>	<u>1,187,353</u>
Share Capital	270,118	270,118
Reserves	24,574	154,542
	<u>294,692</u>	<u>424,660</u>
Minority Interests	-	-
Total Equity	<u>294,692</u>	<u>424,660</u>
Non-Current Liabilities		
Long Term Borrowings	188	75,258
Deferred Taxation	-	132
	<u>188</u>	<u>75,390</u>
Current Liabilities		
Trade Payables	17,890	79,047
Other Payables	77,257	65,591
Overdraft & Short Term Borrowings	568,489	520,575
Equity Conversion Option	-	15,682
Provision for Taxation	-	6408
	<u>663,636</u>	<u>687,303</u>
Total Equity and Liabilities	<u>958,516</u>	<u>1,187,353</u>
Net Assets per share (RM)	1.09	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 12 Months Period Ended 31/12/2008	For 12 Months Period Ended 31/12/2007 (Restated)
	RM'000	RM'000
Loss before tax	(121,160)	(280,789)
Adjustment for non-cash and non-operating items:-		
Non-cash items	90,791	143,426
Non-operating items	32,515	35,123
Operating profit before changes in working capital	<u>2,146</u>	<u>(102,240)</u>
Changes in working capital:-		
Net change in current assets	63,788	72,893
Net change in current liabilities	(68,690)	40,965
Cash (used in)/generated from operations	<u>(2,756)</u>	<u>11,618</u>
Income tax paid	(6,613)	(639)
Cash flows (used in)/from operating activities	<u>(9,369)</u>	<u>10,979</u>
Cash flows from/(used in) investing activities		
Interest received	3,859	10,563
Purchase of other investment	-	(45)
Acquisition of subsidiary company, net of cash acquired	39,791	-
Additions to property, plant and equipment	(47,954)	(48,439)
Additional investment in an associate	-	(6,589)
Proceeds from disposal of other investment	-	13
Proceeds from disposal of property, plant and equipment	6,721	11,410
	<u>2,417</u>	<u>(33,087)</u>
Cash flows from/(used in) financing activities		
Interest paid	(28,996)	(31,167)
Expenses on shares issued	-	(10)
(Repayment)/Net proceed of borrowings	(63,311)	(130,740)
	<u>(92,307)</u>	<u>(161,917)</u>
Net decrease in cash and cash equivalents	(99,259)	(184,025)
Effect of changes in exchange rates	7,004	(14,985)
Cash and cash equivalents at beginning of period	212,075	411,085
Cash and cash equivalents at end of period	<u>119,820</u>	<u>212,075</u>
Cash and cash equivalents comprise:-		
Cash and bank balances	119,820	212,620
Bank overdraft	-	(545)
	<u>119,820</u>	<u>212,075</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 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	Total RM'000	Minority Interest RM'000	Total Equity RM'000
Current year-to date ended 31 December 2008							
At 1 January 2008	270,118	939,353	(41,643)	(743,168)	424,660	-	424,660
Expense recognised directly in equity:							
Change in functional currency			49,844	(49,844)	-	-	-
Translation differences arising during the period	-	-	(8,968)	-	(8,968)	-	(8,968)
	-	-	40,876	(49,844)	(8,968)	-	(8,968)
Net loss for the period	-	-	-	(121,000)	(121,000)	-	(121,000)
	-	-	40,876	(170,844)	(129,968)	-	(129,968)
At 31 December 2008	270,118	939,353	(767)	(914,012)	294,692	-	294,692

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2008

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

	< ----- 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	Total RM'000	Minority Interest RM'000	Total Equity RM'000
Preceding year corresponding period ended 31 December 2007							
At 1 January 2007	264,107	873,209	(8,336)	(457,255)	671,725	-	671,725
Expense recognised directly in equity:							
Issue of shares - Convertible Bonds	6,011	66,154	-	-	72,165	-	72,165
Expenses on shares issued	-	(10)	-	-	(10)	-	(10)
Translation differences arising during the period	-	-	(33,307)	-	(33,307)	-	(33,307)
	6,011	66,144	(33,307)	-	38,848	-	38,848
Net loss for the period	-	-	-	(285,913)	(285,913)	-	(285,913)
	6,011	66,144	(33,307)	(285,913)	(247,065)	-	(247,065)
At 31 December 2007	270,118	939,353	(41,643)	(743,168)	424,660	-	424,660

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 31 DECEMBER 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 Taxes	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 Contingent Assets	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.

1B. Change in Functional Currency

Following the cessation of the routes flown by the MD11 aircraft, the use of United States Dollar as the functional currency of the major subsidiary company, Transmile Air Services Sdn Bhd ("TAS") has ceased to be appropriate. As the sales and purchases of TAS are now denominated primarily in Ringgit Malaysia and receipts from operations are usually retained in Ringgit Malaysia, the Directors are of the opinion that Ringgit Malaysia will reflect the economic substance of the underlying events and circumstances relevant to TAS. Accordingly, the functional currency of TAS has been changed to Ringgit Malaysia and the effect of this change in functional currency is accounted for prospectively from 1 July 2008.

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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.

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 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 31 December 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.

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 other than as mentioned below:-

On 9 July 2008, the Company acquired 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.

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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 RM55.7 million as compared with a revenue of RM207.5 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 aircraft since end of March 2008.

Group loss before tax for the quarter under review of RM26.2 million is lower than the preceding year's corresponding quarter's loss of RM130.5 million. The lower loss was mainly due to the effect of cessation of the unprofitable routes flown by MD11 aircraft since end of March 2008.

The following table shows the full year results for the wide body and narrow body aircraft operations. The wide body aircraft contributed a gross loss of RM46.3 million from just one quarter of operations.

The narrow body operations and other ancillary services provided are profitable and the Group is constantly looking for new business opportunities to enhance its revenue stream and improve profitability. The Group is also looking at ways to reduce operating cost and improving productivity.

RM'000	2008			
	WB	NB	Others	Total
Revenue				
Charter Revenue	86,414	91,252	-	177,666
General Freight Sales	38,839	15,522	-	54,361
Lease Rental	-	46,491	-	46,491
Others	-	-	14,365	14,365
	125,253	153,265	14,365	292,883
Cost of Services				
- Aircraft Cost	(52,532)	(19,626)	1,585	(70,573)
*1 - Engineering Labour Costs	(5,779)	(13,485)	-	(19,264)
*2 - Other Direct Cost	(113,256)	(111,319)	1,788	(222,787)
	(171,567)	(144,430)	3,373	(312,624)
Gross (Loss)/Profit	(46,314)	8,835	17,738	(19,741)
GP Margin %	0%	6%	123%	-7%

EBITDA before unrealised forex loss on USD loans

10,325

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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 RM55.7 million for the current quarter ended 31 December 2008 is lower compared to RM68.1 million for the preceding quarter ended 30 September 2008. The higher revenue recorded in the preceding quarter was mainly due to the delayed recognition during that quarter of revenue from the wide body aircraft relating to an earlier quarter as well as the higher aircraft lease rental receivable in that quarter..

The following is an analysis of the Group Gross (Loss)/Profit:

	Q4-08				Q3-08			
	WB	NB	Others	Total	WB	NB	Others	Total
RM'000								
Revenue								
Charter Revenue	10,323	30,560	-	40,883	10,231	28,083		38,314
General Freight Sales	-	4,355	-	4,355	12,510	4,696		17,206
Lease Rental	-	7,844	-	7,844		11,943		11,943
Others	-	-	2,605	2,605			606	606
*1								
*	10,323	42,759	2,605	55,687	22,741	44,722	606	68,069
Cost of Services								
- Aircraft Cost	(13,668)	(3,814)	-	(17,482)	(16,978)	(3,046)	474	(19,550)
- Engineering Labour Costs	(1,634)	(3,813)	-	(5,447)	(1,349)	(3,148)		(4,497)
- Other Direct Cost	-	(30,643)	-	(30,643)	(9,207)	(31,979)		(41,186)
	(15,302)	(38,270)	-	(53,572)	(27,534)	(38,173)	474	(65,233)
Gross (Loss)/Profit	(4,979)	4,489	2,605	2,115	(4,793)	6,549	1,080	2,836
GP Margin %	0%	10%	100%	4%	0%	15%	178%	4%

	Q4-08 RM'000	Q3-08 RM'000
Loss Before Tax as Reported	(26,196)	(26,343)
Less: Onetime Expenses/Timing Differences		
- Net cost attributed to MD11	4,979	4,793
- Unrealised forex loss on USD loans	5,360	24,589
- Provision for doubtful debts	13,304	-
	23,643	29,382
(Loss)/Profit Before Tax and Exceptional Items	(2,553)	3,039
EBITDA before unrealised forex loss on USD loan	13,383	26,404

The Group incurred a loss before tax and exceptional items of RM2.6 million for the current quarter due to lower hours flown for the quarter as operations were affected by the global economic slowdown.

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15. Prospects Of The Group

The Group is still in discussions 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 regional routes.

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	-	(31)
Overprovision in deferred taxation	(188)	(129)
	<u>(188)</u>	<u>(160)</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.

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 22 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.

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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	1,932
(iv) Working Capital	57,488	57,488
(v) Defraying of expenses incidental to the exercise	120	120
	<u>277,608</u>	<u>171,208</u>

B. Proposed Issuance of Shares

Further to the announcements dated 22 May 2008 and 23 June 2008 in relation to the Proposed Issuance. The Company announced on 22 September 2008, following the discussion with the Lenders (comprising the Syndicated Term Loan lenders, Medium Term Notes holders and the Convertible Bonds holders) on the settlement of the amounts owing, the Lenders have indicated their interests to have the amounts owing to them to be settled via cash instead of issuance of new ordinary shares in TGB. As such, the submission to the Securities Commission for the Proposed Issuance will not be made.

TGB will continue to engage each group of Lenders and will work towards arriving at a mutually agreeable solution with each group of 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 (USD 66.9 million)	232,993
- Convertible bonds - current portion (USD 63.7 million)	230,406
- Hire-purchase creditors – current portion	90
- Commercial papers / medium term notes (“MTN”) - current	105,000
	<u>568,489</u>
(b) Long-term Borrowings – Unsecured	
- Hire-purchase creditors – non current	188
	<u>188</u>
(c) Borrowings by currencies	
- denominated in RM	105,278
- denominated in US Dollar	463,399
	<u>568,677</u>

B. Announcements on Group Borrowings And Debt Securities

The Company had on 31 October 2008 announced that TAS has received a letter from the trustee of MTN stating that an event of default under the Trust Deed has occurred and all outstanding notes amounting to RM105 million will be due together with all other amounts payable by TAS under the MTN programme.

Further to the above, the Company had on 30 January 2009 announced that the Company had received a letter from the trustee of MTN stating that the MTN holders have granted the Company final indulgence until 28 February 2009 to arrive at a mutually agreeable restructuring terms with the MTN holders.

The Company will continue to engage each group of Lenders and will work towards arriving at a mutually agreeable restructuring terms with each group of Lenders.

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 31/12/2008 RM'000	Preceding Year Corresponding Quarter Ended 31/12/2007 (Restated) RM'000	Current Year To Date 31/12/2008 RM'000	Preceding Year To Date 31/12/2007 (Restated) RM'000
a) Basic Loss Per Share (LPS)				
Net loss attributable to ordinary shareholders	(26,008)	(136,599)	(121,000)	(285,913)
Weighted average number of ordinary shares ('000)	270,118	270,118	270,118	269,513
Basic LPS (sen)	(9.63)	(50.57)	(44.80)	(106.09)

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.