

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2009

The figures have not been audited

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2009

	Note	Current Year Quarter Ended 30/6/2009 RM'000	Preceding Year Corresponding Quarter 30/6/2008 RM'000	Current Year To Date 30/6/2009 RM'000	Preceding Year To Date 30/6/2008 RM'000
Revenue		38,535	49,753	74,045	169,128
Operating Expenses	14	(36,807)	(63,210)	(107,731)	(222,776)
Other Operating Income		1,122	855	2,115	4,458
Loss from Operations		<u>2,850</u>	<u>(12,602)</u>	<u>(31,571)</u>	<u>(49,190)</u>
Finance Costs		(6,998)	(7,827)	(15,085)	(17,147)
Share of Associates' Results		3,871	(592)	3,871	(2,284)
Net Loss Before Tax		<u>(277)</u>	<u>(21,021)</u>	<u>(42,785)</u>	<u>(68,621)</u>
Tax (expense)/credit		(172)	124	(1,486)	(28)
Net Loss for the Period		<u><u>(449)</u></u>	<u><u>(20,897)</u></u>	<u><u>(44,271)</u></u>	<u><u>(68,649)</u></u>
Attributable to:-					
Equity Holders of the Company		(449)	(20,897)	(44,271)	(68,649)
Minority Interests		-	-	-	-
Net Loss for the Period		<u><u>(449)</u></u>	<u><u>(20,897)</u></u>	<u><u>(44,271)</u></u>	<u><u>(68,649)</u></u>
Basic loss per ordinary share(sen)	24	<u><u>(0.17)</u></u>	<u><u>(7.74)</u></u>	<u><u>(16.39)</u></u>	<u><u>(25.41)</u></u>

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

	Note	As at 30/6/2009 (Unaudited) RM'000	As at 31/12/2008 (Audited) RM'000
Non-Current Assets			
Aircraft, Property, Plant and Equipment		150,388	717,323
Investment In Associated Companies		9,683	1,226
Long Term Investments		45	45
Deferred expenditure		25,130	47,195
		<u>185,246</u>	<u>765,789</u>
Current Assets			
Assets Classified As Held For Sale	10	563,895	-
Trade Receivables		36,882	58,546
Other Receivables		16,594	14,360
Cash & Bank Balances		110,186	119,820
		<u>727,557</u>	<u>192,726</u>
Total Assets		<u>912,803</u>	<u>958,515</u>
Share Capital			
Share Capital		270,118	270,118
Reserves		(19,683)	24,574
		<u>250,435</u>	<u>294,692</u>
Minority Interests			
Minority Interests		-	-
Total Equity		<u>250,435</u>	<u>294,692</u>
Non-Current Liabilities			
Long Term Borrowings		163	188
		<u>163</u>	<u>188</u>
Current Liabilities			
Trade Payables		12,291	17,890
Other Payables		74,780	77,256
Overdraft & Short Term Borrowings		575,134	568,489
		<u>662,205</u>	<u>663,635</u>
Total Equity and Liabilities		<u>912,803</u>	<u>958,515</u>
Net Assets per share (RM)		0.93	1.09

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 6 Months Period Ended 30/6/2009 RM'000	For 6 Months Period Ended 30/6/2008 RM'000
Loss before tax	(42,785)	(68,621)
Adjustment for non-cash and non-operating items:-		
Non-cash items	35,946	40,070
Non-operating items	10,858	17,213
Operating profit before changes in working capital	<u>4,019</u>	<u>(11,338)</u>
Changes in working capital:-		
Net change in current assets	14,556	73,223
Net change in current liabilities	(5,908)	(71,457)
Cash generated/(used in) from operations	<u>12,667</u>	<u>(9,572)</u>
Income tax refund/(paid)	178	(6,197)
Cash flows from/(used in) operating activities	<u><u>12,845</u></u>	<u><u>(15,769)</u></u>
Cash flows (used in)/from investing activities		
Interest received	357	2,218
Increase in deferred expenditures	(1,584)	-
Additions to property, plant and equipment	(4,546)	(22,574)
Additional investment in an associate	(4,574)	-
Proceeds from disposal of property, plant and equipment	1,218	5,817
	<u>(9,129)</u>	<u>(14,539)</u>
Cash flows (used in)/from financing activities		
Interest paid	(14,025)	(10,268)
Repayment of borrowings	(27)	(63,274)
	<u>(14,052)</u>	<u>(73,542)</u>
Net decrease in cash and cash equivalents	(10,336)	(103,850)
Effect of changes in exchange rates	702	1,572
Cash and cash equivalents at beginning of period	119,820	212,075
Cash and cash equivalents at end of period	<u><u>110,186</u></u>	<u><u>109,797</u></u>
Cash and cash equivalents comprise:-		
Cash and bank balances	110,186	109,797
Bank overdraft	-	-
	<u><u>110,186</u></u>	<u><u>109,797</u></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 30 JUNE 2009

	< -----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 30 June 2009							
At 1 January 2009	270,118	939,353	(767)	(914,012)	294,692	-	294,692
Expense recognised directly in equity:							
Translation differences arising during the period	-	-	14	-	14	-	14
	-	-	14	-	14	-	14
Net loss for the period	-	-	-	(44,271)	(44,271)	-	(44,271)
	-	-	14	(44,271)	(44,257)	-	(44,257)
At 30 June 2009	270,118	939,353	(753)	(958,283)	250,435	-	250,435

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2009 (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 30 June 2008							
At 1 January 2008	270,118	939,353	(41,643)	(743,168)	424,660	-	424,660
Expense recognised directly in equity:							
Translation differences arising during the period	-	-	(8,931)	-	(8,931)	-	(8,931)
Net loss for the period	-	-	-	(68,649)	(68,649)	-	(68,649)
	-	-	(8,931)	(68,649)	(77,580)	-	(77,580)
At 30 June 2008	270,118	939,353	(50,574)	(811,817)	347,080	-	347,080

The Condensed Consolidated Statement of Changes in Equity 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
ENDED 30 JUNE 2009**

The figures have not been audited

**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2009**

1. 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 2008.

The quarterly financial statements are to be read in conjunction with the latest audited annual financial statements.

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 10, 14 and 15 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.

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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 valuation of aircraft, property, plant and equipment has been brought forward, without amendment from the previous audited financial statements.

10. Assets Classified As Held For Sale

Following the decision of the Board to dispose of the wide body aircraft, the aircraft is now classified as assets held for sale in the current quarter. As at 30 June 2009, the aircraft related costs are as follows:

	RM'000
Property, Plant and Equipment	546,820
Deferred Expenditure	17,075
	<u>563,895</u>

11. 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.

12. 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 15 April 2009, the Company acquired additional 7,500,000 ordinary shares of THB 6 each in the capital of K-Mile Air Co., Ltd., an associate company of the Company, for a total cash consideration of THB45,000,000 equivalent to RM4,574,250. This represents 15% of the total equity interests of K-Mile Air Co., Ltd. Following this acquisition, the Company now holds 45% of the total equity interests of K-Mile Air Co., Ltd.

13. Contingent Liabilities/Assets

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

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**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER
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14. Review Of Performance Of The Group And Its Principal Subsidiaries

For the quarter under review, the Group recorded revenue of RM38.5 million as compared with a revenue of RM49.8 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 reduction in charter revenue and aircraft lease rental in the current quarter.

Group loss before tax for the quarter under review of RM0.3 million is lower than the preceding year's corresponding quarter's loss of RM21.0 million. The lower loss was mainly due to an unrealized foreign exchange gain of RM11.2 million on USD Dollar loans. If the unrealized foreign exchange gain were excluded, the Group's loss before tax should be RM10.9 million.

During the quarter, the wide body aircraft was reclassified to assets held for sale. Thus, the wide body aircraft will not be depreciated with effect from 1 April 2009.

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The following table shows the current quarter results for the narrow body aircraft 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.

	Q2-09	Q2-08
	RM'000	RM'000
Revenue		
Charter Revenue	20,182	27,092
General Freight Sales	8,779	2,221
Lease Rental	6,658	12,393
Others	2,916	8,047
	<u>38,535</u>	<u>49,753</u>
Cost of Services		
- Aircraft Cost	(2,942)	(5,910)
- Engineering Labour Costs	(2,341)	(3,563)
- Other Direct Cost	(27,853)	(19,247)
	<u>(33,136)</u>	<u>(28,720)</u>
Gross Profit	5,399	21,033
GP Margin %	14%	42%
Less : Net Cost Attributed to MD-11		
- Aircraft Cost	-	(10,069)
- Engineering Labour Costs	(1,003)	(1,527)
- Other Direct Cost	-	(6,258)
	<u>(1,003)</u>	<u>(17,854)</u>
Gross Profit/(Loss) (after MD-11 Sunk Cost)	4,396	3,179
GP Margin %	11%	6%

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

The Group revenue of RM38.5 million for the current quarter ended 30 June 2009 is higher compared to RM35.5 million for the preceding quarter ended 31 March 2009. The higher revenue is mainly due to higher general freight sales generated from the flights to Labuan and Bintulu.

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

	Q2-09	Q1-09
	RM'000	RM'000
Revenue		
Charter Revenue	20,182	19,477
General Freight Sales	8,779	4,708
Lease Rental	6,658	9,994
Others	2,916	1,331
	<u>38,535</u>	<u>35,510</u>
Cost of Services		
- Aircraft Cost	(2,942)	(3,310)
- Engineering Labour Costs	(2,341)	(2,846)
- Other Direct Cost	(27,853)	(25,041)
	<u>(33,136)</u>	<u>(31,197)</u>
Gross Profit	5,399	4,313
GP Margin %	14%	12%
Less : Net Cost Attributed to MD-11		
- Aircraft Cost	-	(11,922)
- Engineering Labour Costs	(1,003)	(1,220)
- Other Direct Cost	-	(1,078)
	<u>(1,003)</u>	<u>(14,220)</u>
Gross Profit/Loss (after MD-11 Sunk Cost)	4,396	(9,907)
GP Margin %	11%	-28%

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2009

Comments on Changes in Profit Before Taxation (Current Qtr vs Last Qtr)

	Q2-09	Q1-09
	RM'000	RM'000
Loss Before Tax as Reported	(277)	(42,508)
Less: Onetime Expenses/Timing Differences		
- Net cost attributed to MD11	1,003	14,220
- Unrealised forex (gain)/loss on USD loans	(11,227)	17,457
	(10,224)	31,677
Loss Before Tax and Exceptional Items	(10,501)	(10,831)
EBITDA before unrealised forex loss on USD loan	(1,193)	359

The lower EBITDA is also a result of additional professional fees incurred in the current debt restructuring exercise that the Group is undertaking.

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16. Prospects Of The Group

Management is continuing discussions with prospective strategic partners on the possibility of new businesses to improve the operational performance and financial position of the Group.

The lenders have agreed in principle to the restructuring plan and are currently working on the finalization of the definitive agreements for signing.

17. Variance From Profit Forecast

Not applicable.

18. Taxation

The tax credit consists of the following:

	Current Quarter RM'000	Current Year To Date RM'000
Current taxation	172	1,486
Overprovision in deferred taxation	-	-
	<u>172</u>	<u>1,486</u>

19. Sale Of Unquoted Investments And/Or Properties

There were no sales of unquoted investments and/or properties for the financial period under review.

20. Purchase Or Disposal Of Quoted Securities

There were no purchases or disposals of quoted securities for the financial period under review.

21. Status Of Corporate Proposals

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

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	2,916
(iv) Working Capital	57,488	57,488
(v) Defraying of expenses incidental to the exercise	120	120
	<u>277,608</u>	<u>172,192</u>

22. 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)	236,474
- Convertible bonds - current portion (USD 63.7 million)	233,570
- Commercial papers / medium term notes ("MTN")	105,000
- Hire-purchase creditors – current portion	90
	<u>575,134</u>
(b) Long-term Borrowings – Unsecured	
- Hire-purchase creditors – non current	163
	<u>163</u>
(c) Borrowings by currencies	
- denominated in RM	105,253
- denominated in US Dollar	470,044
	<u>575,297</u>

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B. Announcements on Group Borrowings And Debt Securities

With reference to the announcements made on 2 May 2008, 20 May 2008 and 5 September 2008 on the default in payment for the unsecured Syndicated Term Loan, the 1% Convertible Bonds and Medium Term Notes respectively.

Further to the update in last quarter report, the Company had on 30 April 2009 announced that the majority lenders have agreed in principle on the term of the security sharing arrangement for the purpose of the Group's debt restructuring, subject to the lenders' respective management and other internal approvals and execution of definitive agreements.

On 29 May 2009 and 30 June 2009, the Company had announced that it was still working on the definitive agreements for the debt restructuring.

23. Off Balance Sheet Financial Instrument

There were no material financial instruments with off balance sheet risk during the financial period under review.

24. Changes In Material Litigation

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

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25. Earnings Per Share

	Current Quarter Ended 30/6/2009 RM'000	Preceding Year Corresponding Quarter Ended 30/6/2008 RM'000	Current Year To Date 30/6/2009 RM'000	Preceding Year To Date 30/6/2008 RM'000
a) Basic Loss Per Share (LPS)				
Net loss attributable to ordinary shareholders	(449)	(20,897)	(44,271)	(68,649)
Weighted average number of ordinary shares ('000)	270,118	270,118	270,118	270,118
Basic LPS (sen)	(0.17)	(7.74)	(16.39)	(25.41)

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.