

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

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED  
30 SEPTEMBER 2009**

The figures have not been audited

**CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 30  
SEPTEMBER 2009**

	Note	Current Year Quarter Ended 30/9/2009 RM'000	Preceding Year Corresponding Quarter 30/9/2008 RM'000	Current Year To Date 30/9/2009 RM'000	Preceding Year To Date 30/9/2008 RM'000
Revenue		30,507	68,069	104,552	237,197
Operating Expenses		(39,511)	(90,933)	(147,242)	(313,709)
Other Operating Income		1,511	6,137	3,626	10,595
Loss from Operations		<u>(7,493)</u>	<u>(16,727)</u>	<u>(39,064)</u>	<u>(65,917)</u>
Finance Costs		(7,338)	(8,604)	(22,423)	(25,751)
Share of Associates' Results		-	(1,012)	3,871	(3,296)
Net Loss Before Tax		<u>(14,831)</u>	<u>(26,343)</u>	<u>(57,616)</u>	<u>(94,964)</u>
Tax (expense)/credit		(187)	-	(1,673)	(28)
Net Loss for the Period		<u><u>(15,018)</u></u>	<u><u>(26,343)</u></u>	<u><u>(59,289)</u></u>	<u><u>(94,992)</u></u>
Attributable to:-					
Equity Holders of the Company		(15,018)	(29,024)	(59,289)	(97,673)
Minority Interests		-	2,681	-	2,681
Net Loss for the Period		<u><u>(15,018)</u></u>	<u><u>(26,343)</u></u>	<u><u>(59,289)</u></u>	<u><u>(94,992)</u></u>
Basic loss per ordinary share(sen)	24	(5.56)	(10.74)	(21.95)	(36.16)

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 THIRD QUARTER  
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**CONDENSED CONSOLIDATED BALANCE SHEETS**

	<b>As at 30/9/2009 (Unaudited) RM'000</b>	<b>As at 31/12/2008 (Audited) RM'000</b>
Non-Current Assets		
Aircraft, Property, Plant and Equipment	146,540	717,323
Investment In Associated Companies	9,683	1,226
Long Term Investments	45	45
Deferred Expenditure	21,713	47,195
	<u>177,981</u>	<u>765,789</u>
Current Assets		
Assets Classified As Held For Sale	563,895	-
Trade Receivables	24,332	58,546
Other Receivables	13,022	14,360
Cash & Bank Balances	108,210	119,820
	<u>709,459</u>	<u>192,726</u>
Total Assets	<u>887,440</u>	<u>958,515</u>
Share Capital	270,118	270,118
Reserves	(34,703)	24,574
	<u>235,415</u>	<u>294,692</u>
Minority Interests	-	-
Total Equity	<u>235,415</u>	<u>294,692</u>
Non-Current Liabilities		
Long Term Borrowings	142	188
	<u>142</u>	<u>188</u>
Current Liabilities		
Trade Payables	9,410	17,890
Other Payables	70,177	77,256
Overdraft & Short Term Borrowings	572,296	568,489
	<u>651,883</u>	<u>663,635</u>
Total Equity and Liabilities	<u>887,440</u>	<u>958,515</u>
Net Assets per share (RM)	0.87	1.09

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 THIRD QUARTER ENDED 30 SEPTEMBER 2009**

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**

	<b>For 9 Months Period Ended 30/9/2009 RM'000</b>	<b>For 9 Months Period Ended 30/9/2008 RM'000</b>
Loss before tax	(57,616)	(94,964)
Adjustment for non-cash and non-operating items:-		
Non-cash items	40,538	77,356
Non-operating items	18,014	25,849
Operating profit before changes in working capital	<u>936</u>	<u>8,241</u>
Changes in working capital:-		
Net change in current assets	28,398	61,516
Net change in current liabilities	(11,222)	(79,422)
Cash generated/(used in) from operations	<u>18,112</u>	<u>(9,665)</u>
Income tax refund/(paid)	156	(6,197)
<b>Cash flows from/(used in) operating activities</b>	<b><u>18,268</u></b>	<b><u>(15,862)</u></b>
<b>Cash flows (used in)/from investing activities</b>		
Interest received	538	3,198
Increase in deferred expenditures	(1,584)	-
Acquisition of subsidiary company, net of cash acquired		39,791
Additions to property, plant and equipment	(5,823)	(29,757)
Additional investment in an associate	(4,574)	-
Proceeds from disposal of property, plant and equipment	1,128	9,059
	<u>(10,315)</u>	<u>22,291</u>
<b>Cash flows (used in)/from financing activities</b>		
Interest paid	(18,952)	(15,110)
Repayment of borrowings	(49)	(63,274)
	<u>(19,001)</u>	<u>(78,384)</u>
Net decrease in cash and cash equivalents	(11,048)	(71,955)
Effect of changes in exchange rates	(562)	6,751
Cash and cash equivalents at beginning of period	119,820	212,075
Cash and cash equivalents at end of period	<u>108,210</u>	<u>146,871</u>
<b>Cash and cash equivalents comprise:-</b>		
Cash and bank balances	108,210	146,871
Bank overdraft	-	-
	<u>108,210</u>	<u>146,871</u>

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

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**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2009**

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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
<b>Current year-to date ended 30 September 2009</b>							
<b>At 1 January 2009</b>	270,118	939,353	(767)	(914,012)	294,692	-	294,692
Expense recognised directly in equity:							
Translation differences arising during the period	-	-	12	-	12	-	12
	-	-	12	-	12	-	12
Net loss for the period	-	-	-	(59,289)	(59,289)	-	(59,289)
	-	-	12	(59,289)	(59,277)	-	(59,277)
<b>At 30 September 2009</b>	270,118	939,353	(755)	(973,301)	235,415	-	235,415

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**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2009**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 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
<b>Preceding year corresponding period ended 30 September 2008</b>							
<b>At 1 January 2008</b>	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)	-	-	(9,117)
Translation differences arising during the period	-	-	(9,117)	-	(9,117)	-	(9,117)
Net loss for the period	-	-	40,727	(49,844)	(9,117)	-	(9,117)
	-	-	-	(97,673)	(97,673)	2,681	(94,992)
	-	-	40,727	(147,517)	(106,790)	2,681	(104,109)
<b>At 30 September 2008</b>	270,118	939,353	(916)	(890,685)	317,870	2,681	320,551

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)  
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**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER  
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**The figures have not been audited**

**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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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**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER  
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**The figures have not been audited**

**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 the wide body aircraft, it has been decided to reclassify the aircraft to assets classified as held for sale in the previous quarter. At 30 September 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.

**13. Contingent Liabilities/Assets**

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

**14. Review Of Performance Of The Group And Its Principal Subsidiaries**

For the quarter under review, the Group recorded revenue of RM30.5 million as compared with a revenue of RM68.1 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 in the current quarter and the inclusion in the preceding year's corresponding quarter of RM22.7 million revenue attributable to the wide body aircraft.

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The following table shows the current quarter results. The Group is constantly looking for new business opportunities to improve its revenue stream and profitability. The Group is also looking at ways to reduce operating cost and improving productivity.

	<b>Q3-09 RM'000</b>	<b>Q3-08 RM'000</b>
<b>Revenue From Narrow Body</b>		
Charter Revenue	10,844	28,083
General Freight Sales	8,333	4,696
Lease Rental	9,673	11,943
Others	1,657	606
	<u>30,507</u>	<u>45,328</u>
<b>Cost of Services</b>		
- Aircraft Cost	(3,249)	(3,046)
- Engineering Labour Costs	(2,204)	(3,148)
- Other Direct Cost	(28,904)	(25,299)
	<u>(34,357)</u>	<u>(31,493)</u>
<b>Gross (Loss)/Profit</b>	<b>(3,850)</b>	<b>13,835</b>
<b>GP Margin %</b>	<b>-13%</b>	<b>31%</b>
<b>Less : Net Cost Attributed to MD-11</b>		
- Charter Revenue	-	10,231
- General Freight Sales	-	12,510
- Aircraft Cost	-	(16,978)
- Engineering Labour Costs	(944)	(1,349)
- Other Direct Cost	-	(9,207)
	<u>(944)</u>	<u>(4,793)</u>
<b>Gross (Loss)/Profit (after MD-11 Sunk Cost)</b>	<b>(4,794)</b>	<b>9,042</b>
<b>GP Margin %</b>	<b>-16%</b>	<b>20%</b>

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**For THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2009**  
**Comment on Changes in Profit Before Taxation (Current Quarter vs Preceding Year's Corresponding Quarter)**

	<b>Q3-09 RM'000</b>	<b>Q3-08 RM'000</b>
<b>Loss Before Tax as Reported</b>	<b>(14,831)</b>	<b>(26,343)</b>
Less: Onetime Expenses/Timing Differences		
- Net cost attributed to MD11	944	4,793
- Unrealised forex gain/(loss) on USD loans, net of deposit	(3,430)	21,408
- Share of Associate's results	-	1,012
- Reversal of provision for aircraft insurance	-	(9,000)
	(2,486)	18,213
<b>Loss Before Tax and Exceptional Items</b>	<b>(17,317)</b>	<b>(8,130)</b>
<b>EBITDA before unrealised forex loss on USD loan and deposit</b>	<b>(5,474)</b>	<b>23,223</b>

The lower EBITDA was mainly due to the result of lower revenue generated in the current quarter and higher maintenance cost due to ageing aircraft.

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

The Group revenue of RM30.5 million for the current quarter ended 30 September 2009 is lower compared to RM38.5 million for the preceding quarter ended 30 June 2009. The lower revenue is mainly due to lower charter revenue off-set by higher general freight sales generated from flights to East Malaysia.

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

	<b>Q3-09 RM'000</b>	<b>Q2-09 RM'000</b>
<b>Revenue</b>		
Charter Revenue	10,844	20,182
General Freight Sales	8,333	8,779
Lease Rental	9,673	6,658
Others	1,657	2,916
	<u>30,507</u>	<u>38,535</u>
<b>Cost of Services</b>		
- Aircraft Cost	(3,249)	(2,942)
- Engineering Labour Costs	(2,204)	(2,341)
- Other Direct Cost	(28,904)	(27,853)
	<u>(34,357)</u>	<u>(33,136)</u>
<b>Gross (Loss)/Profit</b>	<b>(3,850)</b>	<b>5,399</b>
<b>GP Margin %</b>	<b>-13%</b>	<b>14%</b>
<b>Less : Net Cost Attributed to MD-11</b>		
- Engineering Labour Costs	(944)	(1,003)
	<u>(944)</u>	<u>(1,003)</u>
<b>Gross (Loss)/Profit (after MD-11 Sunk Cost)</b>	<b>(4,794)</b>	<b>4,396</b>
<b>GP Margin %</b>	<b>-16%</b>	<b>11%</b>

**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2009**

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

	<b>Q3-09 RM'000</b>	<b>Q2-09 RM'000</b>
<b>Loss Before Tax as Reported</b>	<b>(14,831)</b>	<b>(277)</b>
Less: Onetime Expenses/Timing Differences		
- Net cost attributed to MD11	944	1,003
- Unrealised forex gain on USD loans & deposit	(3,430)	(11,227)
- Share of Associate's results	-	(3,871)
	<u>(2,486)</u>	<u>(14,095)</u>
<b>Loss Before Tax and Exceptional Items</b>	<b>(17,317)</b>	<b>(14,372)</b>
<b>EBITDA before unrealised forex loss on USD loan</b>	<b>(5,474)</b>	<b>383</b>

The lower EBITDA is a result of lower revenue in current quarter and the inclusion in the last quarter of the share of associate's profit which amounted to RM3.9 million.

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**16. Prospects Of The Group**

The air cargo market remains soft with no major improvement anticipated in the short term. The Group continues to focus on the provision of customized air freight services, in particular to postal, air express, and courier companies, and is working to secure new business and additional traffic rights to improve aircraft utilization and the financial performance of the Group.

**17. Variance From Profit Forecast**

Not applicable.

**18. Taxation**

The tax credit consists of the following:

	<b>Current Quarter RM'000</b>	<b>Current Year To Date RM'000</b>
Current taxation	187	1,673
Overprovision in deferred taxation	-	-
	<u>187</u>	<u>1,673</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:-

	<b>Revised Proposed Utilisation RM'000</b>	<b>Actual Utilisation RM'000</b>
(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	3,043
(iv) Working Capital	57,488	57,488
(v) Defraying of expenses incidental to the exercise	120	120
	<u>277,608</u>	<u>172,319</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**

	<b>RM'000</b>
(a) Short-term Borrowings – Unsecured	
- Syndicated Term Loan – current portion (USD 66.9 million)	233,060
- Convertible bonds - current portion (USD 63.7 million)	234,147
- Commercial papers / medium term notes ("MTN")	105,000
- Hire-purchase creditors – current portion	89
	<u>572,296</u>
(b) Long-term Borrowings – Unsecured	
- Hire-purchase creditors – non current	142
	<u>142</u>
(c) Borrowings by currencies	
- denominated in RM	105,231
- denominated in US Dollar	467,207
	<u>467,207</u>

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**B. Announcements on Group Borrowings And Debt Securities**

The Company had previously announced the defaults in payment in respect of the unsecured Syndicated Term Loan, the 1% Convertible Bonds and the Medium Term Notes on 2 May 2008, 20 May 2008 and 5 September 2008 respectively.

Further to the update on the status of such defaults in the report for the previous quarter and the announcement dated 30 October 2009, the Company wishes to advise that separate discussions are in progress with the respective groups of lenders to review and revise the debt restructuring proposal.

**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**

	<b>Current Quarter Ended 30/9/2009 RM'000</b>	<b>Preceding Year Corresponding Quarter Ended 30/9/2008 RM'000</b>	<b>Current Year To Date 30/9/2009 RM'000</b>	<b>Preceding Year To Date 30/9/2008 RM'000</b>
<b>a) Basic Loss Per Share (LPS)</b>				
Net loss attributable to ordinary shareholders	(15,018)	(29,024)	(59,289)	(97,673)
Weighted average number of ordinary shares ('000)	270,118	270,118	270,118	270,118
Basic LPS (sen)	(5.56)	(10.74)	(21.95)	(36.16)

**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.