

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2010

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2010

Note	Individual Period		Cumulative Period	
	Current Year Quarter 30/6/2010 RM'000	Preceding Year Corresponding Quarter 30/6/2009 RM'000	Current Year To Date 30/6/2010 RM'000	Preceding Year To Date 30/6/2009 RM'000
Revenue	52,421	38,535	104,999	74,045
Cost of sales	(47,785)	(34,139)	(96,252)	(79,531)
Gross profit/(loss)	4,636	4,396	8,747	(5,486)
Other income	5,412	389	25,058	1,175
Administrative expenses	(8,979)	(12,283)	(16,836)	(21,057)
Other expenses	(126)	9,615	(146)	(7,143)
Results from operating activities	943	2,117	16,823	(32,511)
Finance income	652	733	1,237	940
Finance costs	(6,297)	(6,998)	(12,829)	(15,085)
Net finance costs	(5,645)	(6,265)	(11,592)	(14,145)
Share of (loss)/profit of associates, net of tax	(477)	3,871	(477)	3,871
(Loss)/Profit before tax	(5,179)	(277)	4,754	(42,785)
Income tax expense	(1,104)	(172)	(1,266)	(1,486)
Net profit/(loss) for the period	(6,283)	(449)	3,488	(44,271)
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	(81)	11	(78)	14
Total comprehensive (loss)/income for the period	(6,364)	(438)	3,410	(44,257)

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2010 (Cont'd)

	Note	Individual Period		Cumulative Period	
		Current Year Quarter Ended 6/30/2010 RM'000	Preceding Year Corresponding Quarter 6/30/2009 RM'000	Current Year To Date 6/30/2010 RM'000	Preceding Year To Date 6/30/2009 RM'000
(Loss)/Profit attributable to:					
Owner of the Company		(6,283)	(449)	3,488	(44,271)
Minority interests		-	-	-	-
Net (loss)/Profit for the period		(6,283)	(449)	3,488	(44,271)
Total comprehensive (loss)/income attributable to:					
Owner of the Company		(6,364)	(438)	3,410	(44,257)
Minority interests		-	-	-	-
Total comprehensive (loss)/income for the period		(6,364)	(438)	3,410	(44,257)
Basic (loss)/earning per ordinary share(sen)	25	(2.33)	(0.17)	1.29	(16.39)

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 31 December 2009.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

	As at 30/06/2010 (Unaudited) RM'000	As at 31/12/2009 (Audited) RM'000
Assets		
Aircraft, property, plant and equipment	124,308	132,856
Investment in associates	11,204	11,759
Other investments	45	45
Deferred expenditure	15,201	18,781
Total non-current assets	150,758	163,441
Current tax assets	442	1,012
Trade and other receivables	8,046	14,131
Prepayments and other assets	14,826	12,515
Assets classified as held for sale	385,895	385,895
Cash and cash equivalents	81,764	86,431
Total current assets	490,973	499,984
Total assets	641,731	663,425
Equity		
Share capital	270,118	270,118
Share premium	939,353	939,353
Reserves	(1,183,802)	(1,187,212)
Total equity attributable to owners of the Company	25,669	22,259
Minority interests	-	-
Total Equity	25,669	22,259
Liabilities		
Loans and borrowings	93	126
Total non-current liabilities	93	126
Loans and borrowings	543,829	562,281
Trade and other payables	72,140	78,759
Total current liabilities	615,969	641,040
Total equity and liabilities	641,731	663,425
Net assets per share (RM)	0.10	0.08

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 31 December 2009.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2010

	Attributable to owners of the Company						
	<----- Non-distributable ----->			Distributable			
	Share capital	Share premium	Foreign currency translation reserve	Accumulated losses	Total	Minority interest	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Current year-to date ended 30 June 2010							
At 1 January 2010	270,118	939,353	(706)	(1,186,506)	22,259	-	22,259
Total comprehensive income for the period	-	-	(78)	3,488	3,410	-	3,410
At 30 June 2010	270,118	939,353	(784)	(1,183,018)	3,410	-	25,669

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2010 (Cont'd)

	Attributable to owners of the Company						
	<----- Non-distributable ----->			Distributable			
	Share capital	Share premium	Foreign currency translation reserve	Accumulated losses	Total	Minority interest	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Preceding year coresponding period ended 30 June 2009							
At 1 January 2009	270,118	939,353	(767)	(914,012)	294,692	-	294,692
Total comprehensive income/(loss) for the period	-	-	14	(44,271)	(44,257)	-	(44,257)
At 30 June 2009	270,118	939,353	(753)	(958,283)	(44,257)	-	250,435

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 31 December 2009.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD
ENDED 30 JUNE 2010

	For 6 months period ended	
	30/6/2010	30/6/2009
	RM'000	RM'000
Cash flows from operating activities		
Profit/(Loss) before tax	4,754	(42,785)
Adjustments for:-		
Non-cash items	(8,594)	35,946
Non-operating items	12,069	10,858
Operating profit before changes in working capital	<u>8,229</u>	<u>4,019</u>
Changes in working capital:-		
Net change in trade and other receivables, prepayments and other financial assets	1,425	14,556
Net change in trade and other payables	(4,449)	(5,908)
Cash generated from operations	<u>5,205</u>	<u>12,667</u>
Income tax (paid)/refund	(49)	178
Net cash flows from operating activities	<u>5,156</u>	<u>12,845</u>
Cash flows from investing activities		
Interest received	543	357
Increase in deferred expenditures	(2,087)	(1,584)
Additions to property, plant and equipment	(1,772)	(4,546)
Additional investment in an associate	-	(4,574)
Proceeds from disposal of property, plant and equipment	707	1,218
Net cash flows used in investing activities	<u>(2,609)</u>	<u>(9,129)</u>
Cash flows from financing activities		
Interest paid	(4,702)	(14,025)
Repayment of borrowings	(43)	(27)
Net cash flows used in financing activities	<u>(4,745)</u>	<u>(14,052)</u>
Net decrease in cash and cash equivalents	(2,198)	(10,336)
Effect of exchange rates fluctuations on cash held	(2,469)	702
Cash and cash equivalents at beginning of period	86,431	119,820
Cash and cash equivalents at end of period	<u>81,764</u>	<u>110,186</u>
Cash and cash equivalents comprise:-		
Deposit placed with licensed banks	78,883	102,230
Cash and bank balances	2,881	7,956
	<u>81,764</u>	<u>110,186</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 31 December 2009.

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**EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2009**

1. Basis of preparation

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 2009, except for the adoption of the following accounting standards, amendments and Interpretations that have been issued by the MASB that are effective for annual periods beginning on or after 1 January 2009, which are applicable to the Group:-

<u>FRSs/Interpretations</u>	<u>Effective date</u>
FRS 7, <i>Financial Instruments: Disclosures</i>	1 January 2010
FRS 8, <i>Operating Segments</i>	1 July 2009
FRS 101, <i>Presentation of Financial Statements</i> (revised)	1 January 2010
FRS 123, <i>Borrowing Costs</i> (revised)	1 January 2010
FRS 139, <i>Financial Instruments: Recognition and Measurement</i>	1 January 2010
Amendments to FRS 1, <i>First-time Adoption of Financial Reporting Standards</i> and FRS 127, <i>Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>	1 January 2010
FRS 101, <i>Presentation of Financial Statements</i>	1 January 2010
Amendments to FRS 132, <i>Financial Instruments: Presentation</i>	1 January 2010
— <i>Puttable Financial Instruments and Obligation Arising on Liquidation</i>	
— <i>Separation of Compound Instruments</i>	
Amendments to FRS 139, <i>Financial Instruments: Recognition and Measurement</i> , FRS 7, <i>Financial Instruments: Disclosures</i> and IC Interpretation 9, <i>Reassessment of Embedded Derivatives</i>	1 January 2010
Amendments to FRS 139, <i>Financial Instruments: Recognition and Measurement</i>	1 January 2010
Improvements to FRSs (2009)	1 January 2010
IC Interpretation 9, <i>Reassessment of Embedded Derivatives</i>	1 January 2010
IC Interpretation 10, <i>Interim Financial Reporting and Impairment</i>	1 January 2010

The adoption of the above standards, amendments and interpretations do not have any material impact on the financial statements of the Group.

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

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2. Qualification of preceding annual financial statements

The auditors' report on the Company's financial statements for the year ended 31 December 2009 was qualified in the manner of Disclaimer of Opinion due to the following significant material uncertainties on the ability of the Group and the Company to continue as going concerns:

- a) On 23 February 2010, the Group announced that the consolidated shareholders' equity of the Group was less than 25% of the Company's issued and paid-up capital and was less than RM40 million. Consequently, pursuant to Paragraph 8.04(2) and Paragraph 2.1(a) of Practice Note 17 ("PN17") of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia, the Company has been categorized as a PN17 company. The Company is required by the MMLR to submit a regularization plan to the Securities Commission or Bursa Malaysia for approval with 12 months from 23 February 2010, of which the Company may face delisting if it fails to regularize.
- b) Since May 2008, the Group has defaulted the repayments of various borrowings. The Group is currently working towards finalizing a conclusive debt restructuring proposal with the lenders ("Proposed Debt Restructuring"). The Proposed Debt Restructuring is expected to form an integral part of the regularization plan as mentioned above.
- c) The above events may affect the ability of the Group and the Company to obtain continued financial support from the financiers and also to attain profitable operations to generate sufficient cash in future to fulfill their obligations as and when they fall due. Therefore, the appropriateness of using the going concern assumption for the preparation of the financial statements is highly dependant upon the successful implementation of an approved regularization and debt restructuring plan.

The current status of the matters giving rise to the qualifications is as follows:

- i) The Company's advisor is in the midst of formulating a regularisation plan to regularize the financial condition of the Company and shall announce the regularisation plan to Bursa Securities in due course.
- ii) The Company is still working on the definitive agreements for the debt restructuring as stated in Note 22 below.
- iii) The Group continues to focus on the provision of customized air freight services and is working to secure new businesses and additional traffic rights to improve aircraft utilization and the financial performance of the Group.

3. Seasonal or cyclical factors

The business of the Group is not affected by any seasonal or cyclical factors.

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 14 and 15 below.

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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

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. Operating Segment

No separate operating segment 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 aircraft, property, plant and equipment for the period ended 30 June 2010.

10. Assets classified as held for sale

The Group is committed to dispose of its idle wide body aircraft to settle its loan obligations. Efforts to sell the aircraft are on going and accordingly, the aircraft are presented as held for sale.

At 30 June 2010, the aircraft related costs are as follows:

	Cost	Impairment Loss	Carrying Value
	RM'000	RM'000	RM'000
Property, Plant and Equipment	546,820	(160,925)	385,895
Deferred Expenditure	17,075	(17,075)	-
	<u>563,895</u>	<u>(178,000)</u>	<u>385,895</u>

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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 other than as mentioned below:-

The Company had on 22 July 2010 received a written request from The Hongkong and Shanghai Banking Corporation Limited, Offshore Banking Unit Labuan, as the agent bank on behalf of the syndicated term loan ("STL") lenders to initiate a liquidation of Transmile Air (SPV) Ltd. ("STL SPV"), a wholly-owned subsidiary of the Company, based on the undisputed debt due from STL SPV to the STL lenders.

Subsequently on 28 July 2010, the Company had also received a written request from The Hongkong and Shanghai Banking Corporation Limited, Corporate Trust and Loan Agency, Hong Kong Office, as trustee for the convertible bonds ("CB") holders to similarly initiate a liquidation of TGB (SPV) Ltd ("CB SPV"), a wholly-owned subsidiary of the Company.

Resulting from the above, STL SPV and CB SPV had on 29 July 2010 respectively resolved to wind up STL SPV and CB SPV voluntarily by the way of a creditors' voluntary liquidation pursuant to Section 254 (1) (b) of the Companies Act, 1965 ("Companies Act"), as both STL SPV and CB SPV cannot by reason of their liabilities continue their businesses ("Creditors' Voluntary Liquidation").

As a result of the Creditor's Voluntary Liquidation, STL SPV and CB SPV will be wound up and the debts of STL SPV and CB SPV against Transmile Air Services Sdn Bhd will be assigned to the STL lenders and CB Holders respectively and it is not expected to have any financial and operational impact on Transmile Group.

At the respective meeting of the creditors of STL SPV and CB SPV held on 11 August 2010 pursuant to Section 260(1) of the Companies Act, 1965 ("Act") the Statement of Affairs of STL SPV and CB SPV was considered and it was resolved that:

- i) Lim Tian Huat of Messrs Lim Tian Huat & Co be appointed to act as liquidator for STL SPV and CB SPV respectively pursuant to Section 261 of the Act; and
- ii) a Committee of Inspection be appointed by STL SPV and CB SPV respectively, consisting of not more than five (5) persons pursuant to Section 262 of the Act.

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.

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

For the quarter under review, the Group recorded a revenue of RM52.4 million compared with RM38.5 million in the preceding year's corresponding quarter.

The higher revenue as compared with the preceding year's corresponding quarter was mainly due to additional charter revenue, short-term lease rental and additional general freight sales generated during the quarter.

However, gross profit margin has dropped slightly as maintenance costs have increased.

	Q2-10	Q2-09
	RM'000	RM'000
Revenue		
Charter Revenue	24,442	20,182
General Freight Sales	12,808	8,779
Lease Rental	11,976	6,658
Others	3,195	2,916
	<u>52,421</u>	<u>38,535</u>
Cost of Services		
- Aircraft Cost	(2,923)	(2,942)
- Fuel Cost	(15,522)	(10,660)
- Maintenance Cost	(10,030)	(8,139)
- Engineering Labour Costs	(3,165)	(3,344)
- Other Direct Cost	(16,145)	(9,036)
	<u>(47,785)</u>	<u>(34,121)</u>
Gross Profit	4,636	4,414
GP Margin %	9%	11%

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The Group made a lower adjusted loss before tax of RM9.5 million for the current quarter compared to an adjusted loss before tax of RM15.4 million for the corresponding quarter in the preceding year mainly due to improved operational performance.

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2010

Comment on changes in loss before taxation (Current Quarter Compared With Preceding Year's Corresponding Quarter)

	Q2-10 RM'000	Q2-09 RM'000
Loss Before Tax as Reported	(5,179)	(277)
Less: Onetime Expenses/Timing Differences		
- Unrealised forex gain on USD loans and deposit	(4,767)	(11,227)
- Share of Associate's results	477	(3,871)
	(4,290)	(15,098)
Adjusted Loss Before Tax and Exceptional Items	(9,469)	(15,375)
EBITDA	6,100	11,610
Net unrealised forex gain on USD loans and deposit	(4,767)	(11,227)
EBITDA (before unrealised forex gain on USD loan and deposit)	1,333	383

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

The Group revenue of RM52.4 million for the current quarter ended 30 June 2010 is slightly lower compared to RM52.6 million for the preceding quarter ended 31 March 2010 mainly due to lower charter revenue for the quarter under review as a result of a change in a customer's charter contract to a wet lease contract. However, the lower charter revenue as partly offset by the higher general freight sales revenue thus resulting only in a small decrease in total revenue.

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

	Q2-10 RM'000	Q1-10 RM'000
Revenue		
Charter revenue	24,442	30,005
General freight sales	12,808	10,996
Lease rental	11,976	8,581
Others	3,195	2,996
	<u>52,421</u>	<u>52,578</u>
Cost of services		
- Aircraft Cost	(2,923)	(3,195)
- Fuel Cost	(15,522)	(17,368)
- Maintenance Cost	(10,030)	(8,438)
- Engineering Labour Costs	(3,165)	(3,357)
- Other Direct Cost	(16,145)	(16,109)
	<u>(47,785)</u>	<u>(48,467)</u>
Gross profit/(loss)	4,636	4,111
GP margin %	9%	8%

	Q2-10 RM'000	Q1-10 RM'000
Profit/(Loss) before tax as reported	(5,179)	9,933
Less: onetime expenses/timing differences		
- Unrealised forex gain on USD loans and deposit	(4,766)	(20,028)
- Share of associate's results	477	-
	<u>(4,289)</u>	<u>(20,028)</u>
Loss before tax and exceptional items	(9,468)	(10,095)
Adjusted EBITDA	6,100	21,721
Net unrealised forex gain on USD loan and deposit	(4,766)	(20,028)
Adjusted EBITDA (before unrealised forex gain on USD loan and deposit)	1,334	1,693

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16. Prospects Of The Group

The Group is working on finalizing a conclusive debt restructuring plan with the lenders. At the same time, the management is continuing 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 to further improve aircraft utilization.

17. Variance From Profit Forecast

Not applicable.

18. Taxation

The tax expense consists of the following:

	Current Quarter RM'000	Current Year To Date RM'000
Current taxation	1,104	1,266
	<u>1,104</u>	<u>1,266</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 mentioned 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	96,304
(iii) Enhancement of existing management information system	10,000	3,361
(iv) Working Capital	57,488	57,488
(v) Defraying of expenses incidental to the exercise	120	120
	<u>277,608</u>	<u>205,766</u>

* Included interest payment for the convertible bonds, syndicated term loan and medium term note programme.

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)	217,393
- Convertible bonds - current portion (USD 63.7 million)	221,360
- Commercial papers / medium term notes ("MTN")	105,000
- Hire-purchase creditors – current portion	76
	<u>543,829</u>
(b) Long-term Borrowings – Unsecured	
- Hire-purchase creditors – non current	93
	<u>93</u>
(c) Borrowings by currencies	
- denominated in RM	105,169
- denominated in US Dollar	438,753
	<u>543,922</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 ("MTN") on 2 May 2008, 20 May 2008 and 5 September 2008 respectively.

Further to the updates on the status of such defaults, the Company had announced that following from the winding-up petition served on Transmile Air Services Sdn Bhd ("TAS"), a wholly-owned subsidiary of the Company by Malaysian Trustees Berhad pursuant to Section 218 of the Companies Act 1965, the Company has taken the necessary legal avenues to defend TAS from the winding-up petition, further details of which are set out in Note 24(B) below, and that it was also working towards finalizing a conclusive debt restructuring proposal with the lenders which is expected to form an integral part of the regularization plan pursuant to Practice Note 17 of the Listing Requirements.

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 other than as mentioned below.

A. Announcement on Lawsuits Against Former Management

On 27 April 2010, the Company and Transmile Management Sdn Bhd ("the Plaintiffs") filed a Writ of Summons and Statement of Claim in the High Court of Malaya at Kuala Lumpur against the former Chief Executive Officer ("1st Defendant") and former Chief Financial Officer ("2nd Defendant") respectively of the Company for, inter alia, the following:-

- i) Breach of their duty of fidelity and trust to the Company by grossly overstating revenue of the Company and causing questionable payments and receipts in relation to the affairs of 2 wholly-owned subsidiaries of the Company, namely Transmile Air Services Sdn Bhd ("TAS") and Grouptech Sdn Bhd ("Grouptech"), in connection with transactions between TAS and Grouptech and several third parties ("Financial Irregularities");
- ii) Breach of their duty of care to plaintiffs by inter alia failing to put in place proper internal controls;
- iii) Breach of fiduciary duty by the 1st Defendant; and

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The figures have not been audited

- iv) These breaches by the said defendants have caused the Company to suffer loss and damage, such as, exposing the Company to inquiries and prosecution by regulatory authorities, causing the Company to suffer reputational loss thereby affecting its future business prospects and ability to generate income and causing the Company to be classified as an affected Company under Practice Note 17 of Bursa Malaysia Securities Berhad as a result of the Company defaulting on its loan repayments.

The Company is claiming for the following:-

- i) Damages in sum to be assessed and paid by the Defendants and/or by each of them in such proportion as may be determined by the High Court;
ii) Special damages in the sum of RM10,605,494.66;
iii) Costs on a full indemnity basis; and
iv) Interest on such amounts of special and/or general damages as may be awarded of such rate and for such period as the High Court determines.

The Writ of Summons and Statement of Claim was extracted and served on the 2nd Defendant on 10 May 2010. The 2nd Defendant has entered his appearance on 14 May 2010 and filed his Defence on 24 June 2010. The Writ and Statement of Claim was served on the 1st Defendant's solicitors on 16 July 2010. An extension of time was given to the 1st Defendant to file his Defence which is due on 20 August 2010.

On 16 August 2010, the 1st Defendant had filed a Summons In Chambers to stay proceedings of this suit. This application is fixed for case management on 24 August 2010.

B. Announcement on Winding-up Petition

On 4 June 2010, the Company announced that a winding-up petition had been served on Transmile Air Services Sdn Bhd ("TAS"), a wholly-owned subsidiary of the Company by Malaysian Trustees Berhad ("Petition") pursuant to Section 218 of the Companies Act 1965.

Following an application by the Company, an Order was granted by the High Court of Malaya at Kuala Lumpur on 16 July 2010 pursuant to Section 176(10) of the Act, to restrain all further proceedings, and any and all actions or proceedings against the Company and TAS for a period of ninety (90) days from 16 July 2010 ("Restraining Order"). The Company and TAS have obtained an Order to convene a meeting of scheme creditors within the aforesaid period to seek the scheme creditors' approval for their respective schemes of arrangement. The implementation of their respective scheme of arrangement would also require approvals and/or consents from other regulatory authorities including shareholders, where required. The Restraining Order will allow the Company and TAS to finalize a conclusive debt restructuring proposal with the lenders under a scheme of arrangement to restructure the debts owing to the lenders. The debt restructuring proposal is also an integral part of the regularization plan to regularize the financial condition of the Company pursuant to Practice Note 17 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The full details of the proposed scheme of arrangement will be announced in due course.

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25. Earnings Per Share

	Current Quarter Ended 30/06/2010 RM'000	Preceding Year Corresponding Quarter Ended 30/06/2009 RM'000	Current Year To Date 30/06/2010 RM'000	Preceding Year To Date 30/06/2009 RM'000
a) Basic earning per ordinary share (EPS)				
Net profit/(loss) for the period	(6,283)	(449)	3,488	(44,271)
Weighted average number of ordinary shares ('000)	270,118	270,118	270,118	270,118
Basic EPS (sen)	(2.33)	(0.17)	1.29	(16.39)

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.