

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

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED  
30 SEPTEMBER 2010**

The figures have not been audited

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

Note	Individual Period Preceding Year		Cumulative Period	
	Current Year Quarter 30/9/2010 RM'000	Corresponding Quarter 30/9/2009 RM'000	Current Year To Date 30/9/2010 RM'000	Preceding Year To Date 30/9/2009 RM'000
<b>Revenue</b>	50,659	30,507	155,658	104,552
Cost of sales	(46,714)	(34,339)	(142,966)	(113,852)
<b>Gross profit/(loss)</b>	3,945	(3,832)	12,692	(9,300)
Other income	18,474	1,013	43,532	2,188
Administrative expenses	(7,601)	(9,743)	(24,437)	(30,818)
Other expenses	(143,823)	4,571	(143,969)	(2,572)
<b>Results from operating activities</b>	(129,005)	(7,991)	(112,182)	(40,502)
Finance income	483	498	1,720	1,438
Finance costs	(6,553)	(7,338)	(19,382)	(22,423)
<b>Net finance costs</b>	(6,070)	(6,840)	(17,662)	(20,985)
Share of profit/(loss) of associates, net of tax	250	-	(227)	3,871
<b>Loss before tax</b>	(134,825)	(14,831)	(130,071)	(57,616)
Income tax expense	(285)	(187)	(1,551)	(1,673)
<b>Net loss for the period</b>	(135,110)	(15,018)	(131,622)	(59,289)
<b>Other comprehensive income, net of tax</b>				
Foreign currency translation differences for foreign operations	(127)	(1)	(205)	12
<b>Total comprehensive loss for the period</b>	(135,237)	(15,019)	(131,827)	(59,277)

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

	Note	Individual Period		Cumulative Period	
		Current Year Quarter Ended	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year To Date
		30/9/2010 RM'000	30/9/2009 RM'000	30/9/2010 RM'000	30/9/2009 RM'000
<b>Loss attributable to:</b>					
Owner of the Company		(135,110)	(15,018)	(131,622)	(59,289)
Minority interests		-	-	-	-
<b>Net loss for the period</b>		<b>(135,110)</b>	<b>(15,018)</b>	<b>(131,622)</b>	<b>(59,289)</b>
<b>Total comprehensive loss attributable to:</b>					
Owner of the Company		(135,237)	(15,019)	(131,827)	(59,277)
Minority interests		-	-	-	-
<b>Total comprehensive loss for the period</b>		<b>(135,237)</b>	<b>(15,019)</b>	<b>(131,827)</b>	<b>(59,277)</b>
Basic loss per ordinary share(sen)	25	(50.02)	(5.56)	(48.73)	(21.95)

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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**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER  
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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT  
30 SEPTEMBER 2010**

	<b>As at 30/09/2010 (Unaudited) RM'000</b>	<b>As at 31/12/2009 (Audited) RM'000</b>
<b>Assets</b>		
Aircraft, property, plant and equipment	122,844	132,856
Investment in associates	11,329	11,759
Other investments	45	45
Deferred expenditure	14,911	18,781
<b>Total non-current assets</b>	<u>149,129</u>	<u>163,441</u>
Current tax assets	442	1,012
Trade and other receivables	6,736	14,131
Prepayments and other assets	10,397	12,515
Assets classified as held for sale	242,108	385,895
Cash and cash equivalents	77,483	86,431
<b>Total current assets</b>	<u>337,166</u>	<u>499,984</u>
<b>Total assets</b>	<u>486,295</u>	<u>663,425</u>
<b>Equity</b>		
Share capital	270,118	270,118
Share premium	939,353	939,353
Reserves	(1,319,039)	(1,187,212)
<b>Total equity attributable to owners of the Company</b>	<u>(109,568)</u>	<u>22,259</u>
<b>Minority interests</b>	-	-
<b>Total Equity</b>	<u>(109,568)</u>	<u>22,259</u>
<b>Liabilities</b>		
Loans and borrowings	73	126
<b>Total non-current liabilities</b>	<u>73</u>	<u>126</u>
Loans and borrowings	529,022	562,281
Trade and other payables	66,768	78,759
<b>Total current liabilities</b>	<u>595,790</u>	<u>641,040</u>
<b>Total equity and liabilities</b>	<u>486,295</u>	<u>663,425</u>
Net assets per share (RM)	(0.41)	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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**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010**

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

	Attributable to owners of the Company						
	<----- Non-distributable ----->			Distributable			
	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 2010</b>							
<b>At 1 January 2010</b>	270,118	939,353	(706)	(1,186,506)	22,259	-	22,259
Total comprehensive loss for the period	-	-	(205)	(131,622)	(131,827)	-	(131,827)
<b>At 30 September 2010</b>	270,118	939,353	(911)	(1,318,128)	(131,827)	-	(109,568)

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**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010**

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

	Attributable to owners of the Company						
	<----- Non-distributable ----->			Distributable			
	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 2009</b>							
<b>At 1 January 2009</b>	270,118	939,353	(767)	(914,012)	294,692	-	294,692
Total comprehensive income/(loss) for the period	-	-	12	(59,289)	(59,277)	-	(59,277)
<b>At 30 September 2009</b>	270,118	939,353	(755)	(973,301)	(59,277)	-	235,415

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

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

	<b>For 9 months period ended</b>	
	<b>30/9/2010</b>	<b>30/9/2009</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from operating activities</b>		
Loss before tax	(130,071)	(57,616)
Adjustments for:-		
Non-cash items	124,720	40,538
Non-operating items	17,889	18,014
<b>Operating profit before changes in working capital</b>	<u>12,538</u>	<u>936</u>
Changes in working capital:-		
Net change in trade and other receivables, prepayments and other financial assets	8,450	28,398
Net change in trade and other payables	(11,943)	(11,222)
<b>Cash generated from operations</b>	<u>9,045</u>	<u>18,112</u>
Income tax (paid)/refund	(49)	156
<b>Net cash flows from operating activities</b>	<u>8,996</u>	<u>18,268</u>
<b>Cash flows from investing activities</b>		
Interest received	748	538
Increase in deferred expenditures	(4,981)	(1,584)
Additions to property, plant and equipment	(4,769)	(5,823)
Additional investment in an associate	-	(4,574)
Proceeds from disposal of property, plant and equipment	792	1,128
<b>Net cash flows used in investing activities</b>	<u>(8,210)</u>	<u>(10,315)</u>
<b>Cash flows from financing activities</b>		
Interest paid	(4,747)	(18,952)
Repayment of borrowings	(64)	(49)
<b>Net cash flows used in financing activities</b>	<u>(4,811)</u>	<u>(19,001)</u>
Net decrease in cash and cash equivalents	(4,025)	(11,048)
Effect of exchange rates fluctuations on cash held	(4,923)	(562)
Cash and cash equivalents at beginning of period	<u>86,431</u>	<u>119,820</u>
Cash and cash equivalents at end of period	<u>77,483</u>	<u>108,210</u>
<b>Cash and cash equivalents comprise:-</b>		
Deposit placed with licensed banks	73,920	106,211
Cash and bank balances	3,563	1,999
	<u>77,483</u>	<u>108,210</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.**

**TRANSMILE GROUP BERHAD (Company No. 373741-W)  
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**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER  
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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:-

<b><u>FRSs/Interpretations</u></b>	<b><u>Effective date</u></b>
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> — <i>Puttable Financial Instruments and Obligation Arising on Liquidation</i> — <i>Separation of Compound Instruments</i>	1 January 2010
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, on 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 September 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 September 2010, the carrying value of the aircraft related cost is RM242,108,000.

An impairment loss of RM143,787,000 on the wide body aircraft was recognized in operating expense in the current quarter to reflect the fair value less cost to sell based on the latest indicative offers received by the Company for the wide body aircraft.

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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.

**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 a revenue of RM50.7 million compared with RM30.5 million in the preceding year's corresponding quarter.

The higher revenue as compared with the preceding year's corresponding quarter was mainly due to higher sales achieved during the quarter.

Gross profit margin has increased substantially as a result of higher yield from the current quarter's sales.

	<b>Q3-10 RM'000</b>	<b>Q3-09 RM'000</b>
<b>Revenue</b>		
Charter Revenue	23,653	10,844
General Freight Sales	14,511	9,673
Lease Rental	9,248	8,333
Others	3,247	1,657
	<u>50,659</u>	<u>30,507</u>
<b>Cost of Services</b>		
- Aircraft Cost	(2,451)	(3,249)
- Fuel Cost	(15,297)	(10,869)
- Maintenance Cost	(9,791)	(9,838)
- Engineering Labour Costs	(2,997)	(3,148)
- Other Direct Cost	(16,178)	(7,235)
	<u>(46,714)</u>	<u>(34,339)</u>
<b>Gross Profit / (Loss)</b>	<b>3,945</b>	<b>(3,832)</b>
<b>GP Margin %</b>	<b>8%</b>	<b>-13%</b>

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The Group made an adjusted loss before tax and exceptional items of RM8.4 million for the current quarter compared to an adjusted loss before tax of RM20.4 million for the corresponding quarter in the preceding year mainly due to improved operational performance.

**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2010**

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

	<b>Q3-10 RM'000</b>	<b>Q3-09 RM'000</b>
<b>Loss Before Tax as Reported</b>	<b>(134,825)</b>	<b>(14,831)</b>
Less: Onetime Expenses/Timing Differences		
- Unrealised forex gain on USD loans and deposit	(17,160)	(5,566)
- Share of Associate's results	(250)	-
- Impairment loss of MD-11 aircraft	143,787	-
	126,377	(5,566)
<b>Adjusted Loss Before Tax and Exceptional Items</b>	<b>(8,448)</b>	<b>(20,397)</b>
<b>Adjusted EBITDA</b>	<b>19,656</b>	<b>(2,044)</b>
Net unrealised forex gain on USD loans and deposit	(17,160)	(5,566)
<b>Adjusted EBITDA (before unrealised forex gain on USD loans and deposit)</b>	<b>2,496</b>	<b>(7,610)</b>

The higher adjusted EBITDA for the quarter under review is mainly due to the higher revenue in the current quarter.

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

The Group revenue of RM50.7 million for the current quarter ended 30 September 2010 is lower compared to RM52.4 million for the preceding quarter ended 30 June 2010 mainly due to termination of a short-term lease and cancellation of certain charter flights by customers.

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The following is an analysis of the Group Gross Profit:

	<b>Q3-10 RM'000</b>	<b>Q2-10 RM'000</b>
<b>Revenue</b>		
Charter revenue	23,653	24,442
General freight sales	14,511	12,808
Lease rental	9,248	11,976
Others	3,247	3,195
	<u>50,659</u>	<u>52,421</u>
<b>Cost of services</b>		
- Aircraft Cost	(2,451)	(2,923)
- Fuel Cost	(15,297)	(15,522)
- Maintenance Cost	(9,791)	(10,030)
- Engineering Labour Costs	(2,997)	(3,165)
- Other Direct Cost	(16,178)	(16,145)
	<u>(46,714)</u>	<u>(47,785)</u>
<b>Gross profit</b>	<b>3,945</b>	<b>4,636</b>
<b>GP margin %</b>	<b>8%</b>	<b>9%</b>

	<b>Q3-10 RM'000</b>	<b>Q2-10 RM'000</b>
<b>Loss before tax as reported</b>	<b>(134,825)</b>	<b>(5,179)</b>
Less: onetime expenses/timing differences		
- Unrealised forex gain on USD loans and deposit	(17,160)	(4,766)
- Share of associate's results	(250)	477
- Impairment loss of aircraft & aircraft parts	143,787	-
	126,377	(4,289)
<b>Loss before tax and exceptional items</b>	<b>(8,448)</b>	<b>(9,468)</b>
<b>Adjusted EBITDA</b>	<b>19,656</b>	<b>6,577</b>
Net unrealised forex gain on USD loan and deposit	(17,160)	(4,766)
<b>Adjusted EBITDA (before unrealised forex gain on USD loan and deposit)</b>	<b>2,496</b>	<b>1,811</b>

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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:

	<b>Current Quarter RM'000</b>	<b>Current Year To Date RM'000</b>
Current taxation	285	1,551
	<u>285</u>	<u>1,551</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:-

	<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	96,304
(iii) Enhancement of existing management information system	10,000	3,482
(iv) Working Capital	57,488	57,488
(v) Defraying of expenses incidental to the exercise	120	120
	<u>277,608</u>	<u>205,887</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**

	<b>RM'000</b>
(a) Short-term Borrowings – Unsecured	
- Syndicated Term Loan – current portion (USD 66.9 million)	208,792
- Convertible bonds - current portion (USD 63.7 million)	215,155
- Commercial papers / medium term notes ("MTN")	105,000
- Hire-purchase creditors – current portion	75
	<u>529,022</u>
(b) Long-term Borrowings – Unsecured	
- Hire-purchase creditors – non current	73
	<u>73</u>
(c) Borrowings by currencies	
- denominated in RM	105,169
- denominated in US Dollar	423,947
	<u>529,116</u>

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

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER  
ENDED 30 SEPTEMBER 2010**

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The figures have not been audited

**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 ("1<sup>st</sup> Defendant") and former Chief Financial Officer ("2<sup>nd</sup> 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 1<sup>st</sup> Defendant; and

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- 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 2<sup>nd</sup> Defendant on 10 May 2010. The 2<sup>nd</sup> Defendant had 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 1<sup>st</sup> Defendant's solicitors on 16 July 2010. The 1<sup>st</sup> Defendant filed his Defence on 20 August 2010.

On 16 August 2010, the 1<sup>st</sup> Defendant had filed a Summons In Chambers to stay proceedings of this suit until conclusion of the criminal proceedings against the 1<sup>st</sup> Defendant in Kuala Lumpur Sessions Court Criminal Case No. 62A-302-2007 (Stay Application).. The Stay Application was heard and allowed on 3 September 2010.

On 20 September 2010, the Plaintiffs filed a Notice of Appeal to the Court of Appeal to appeal against the decision of the High Court Judge to grant the stay of proceedings. No hearing date has been fixed for the appeal.

**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 and TAS, 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 had also 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 ("Court Convened Meeting").

The Restraining Order and the Court Convened Meeting expired on 13 October 2010.



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Upon the application of the Company and TAS on 12 October 2010, the High Court of Malaya at Kuala Lumpur granted:-

- i) an extension of the Restraining Order for a period of ninety (90) days from 13 October 2010 ("Extended Restraining Order"); and
- ii) an extension of the period for convening and holding the Court Convened Meeting of the Company and TAS for a period of ninety (90) days from 13 October 2010.

The Extended 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 debts 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.

**C. Lawsuit Against Gading Sari Aviation Services Sdn Bhd**

Transmile Air Services Sdn Bhd ("TAS") has, on 24 September 2010, filed a Statement of Claim ("SOC") on Gading Sari Aviation Services Sdn Bhd ("GSAS") for an outstanding amount owing of RM3,764,212.24. The writ has been served on GSAS' solicitors and TAS is currently waiting for GSAS' statement of defence to be filed.

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**25. Earnings Per Share**

	<b>Current Quarter Ended 30/09/2010 RM'000</b>	<b>Preceding Year Corresponding Quarter Ended 30/09/2009 RM'000</b>	<b>Current Year To Date 30/09/2010 RM'000</b>	<b>Preceding Year To Date 30/09/2009 RM'000</b>
<b>a) Basic earning per ordinary share (EPS)</b>				
Net profit/(loss) for the period	(135,110)	(15,018)	(131,622)	(59,289)
Weighted average number of ordinary shares ('000)	270,118	270,118	270,118	270,118
Basic EPS (sen)	(50.02)	(5.56)	(48.73)	(21.95)

**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.