

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

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2010**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2010**

Note	Individual Period		Cumulative Period	
	Current Year Quarter 31/12/2010 RM'000	Preceding Year Corresponding Quarter 31/12/2009 RM'000	Current Year To Date 31/12/2010 RM'000	Preceding Year To Date 31/12/2009 RM'000
<b>Revenue</b>	51,388	46,661	207,046	151,213
Cost of sales	(50,528)	(50,912)	(193,494)	(164,764)
<b>Gross profit/(loss)</b>	860	(4,251)	13,552	(13,551)
Other income	4,656	8,474	48,188	10,663
Administrative expenses	(7,405)	(8,146)	(31,842)	(38,965)
Other expenses	(29,759)	(204,575)	(173,728)	(207,147)
<b>Results from operating activities</b>	(31,648)	(208,498)	(143,830)	(249,000)
Finance income	219	465	1,939	1,903
Finance costs	(6,230)	(6,991)	(25,612)	(29,413)
<b>Net finance costs</b>	(6,011)	(6,526)	(23,673)	(27,510)
Share of profit/(loss) of associates, net of tax	44	2,028	(183)	5,898
<b>Loss before tax</b>	(37,615)	(212,996)	(167,686)	(270,612)
Income tax expense	(159)	(209)	(1,710)	(1,882)
<b>Net loss for the period</b>	(37,774)	(213,205)	(169,396)	(272,494)
<b>Other comprehensive income, net of tax</b>				
Share of other comprehensive income of equity accounted investees, net of tax	149	49	(56)	61
<b>Total comprehensive loss for the period</b>	(37,625)	(213,156)	(169,452)	(272,433)

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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2010 (Cont'd)**

	Note	Individual Period		Cumulative Period	
		Current Year	Preceding Year	Current Year	Preceding
		Quarter	Corresponding	To Date	Year To Date
		Ended	Quarter	To Date	Year To Date
		31/12/2010	31/12/2009	31/12/2010	31/12/2009
		RM'000	RM'000	RM'000	RM'000
<b>Loss attributable to:</b>					
Owners of the Company		(37,644)	(213,205)	(169,266)	(272,494)
Non-controlling interests		(130)	-	(130)	-
<b>Net loss for the period</b>		<b>(37,774)</b>	<b>(213,205)</b>	<b>(169,396)</b>	<b>(272,494)</b>
<b>Total comprehensive loss attributable to:</b>					
Owners of the Company		(37,495)	(213,156)	(169,322)	(272,433)
Non-controlling interests		(130)	-	(130)	-
<b>Total comprehensive loss for the period</b>		<b>(37,625)</b>	<b>(213,156)</b>	<b>(169,452)</b>	<b>(272,433)</b>
Basic loss per ordinary share(sen)	25	(13.94)	(78.93)	(62.66)	(100.88)

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 FOURTH QUARTER ENDED 31 DECEMBER 2010**

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010**

	<b>As at 31/12/2010 (Unaudited) RM'000</b>	<b>As at 31/12/2009 (Audited) RM'000</b>
<b>Assets</b>		
Aircraft, property, plant and equipment	95,945	132,856
Investment in associates	11,519	11,759
Other investments	45	45
Deferred expenditure	<u>13,661</u>	<u>18,781</u>
<b>Total non-current assets</b>	<u>121,170</u>	<u>163,441</u>
Current tax assets	2	1,012
Trade and other receivables	10,993	14,131
Prepayments and other assets	68,965	12,515
Assets classified as held for sale	235,934	385,895
Cash and cash equivalents	<u>27,867</u>	<u>86,431</u>
<b>Total current assets</b>	<u>343,761</u>	<u>499,984</u>
<b>Total assets</b>	<u>464,931</u>	<u>663,425</u>
<b>Equity</b>		
Share capital	270,118	270,118
Share premium	939,353	939,353
Reserves	<u>(1,356,534)</u>	<u>(1,187,212)</u>
<b>Total equity attributable to owners of the Company</b>	(147,063)	22,259
<b>Non-controlling interests</b>	<u>(130)</u>	<u>-</u>
<b>Total Equity</b>	<u>(147,193)</u>	<u>22,259</u>
<b>Liabilities</b>		
Loans and borrowings	<u>10</u>	<u>126</u>
<b>Total non-current liabilities</b>	<u>10</u>	<u>126</u>
Loans and borrowings	531,464	562,281
Trade and other payables	<u>80,650</u>	<u>78,759</u>
<b>Total current liabilities</b>	<u>612,114</u>	<u>641,040</u>
<b>Total equity and liabilities</b>	<u>464,931</u>	<u>663,425</u>
Net (liabilities)/assets per share (RM)	(0.54)	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 FOURTH QUARTER ENDED 31 DECEMBER 2010**

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 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	Non- controlling interests RM'000	Total equity RM'000
<b>Current year-to date ended 31 December 2010</b>							
<b>At 1 January 2010</b>	270,118	939,353	(706)	(1,186,506)	22,259	-	22,259
Transfer category			929	(929)	-		-
Total comprehensive loss for the period	-	-	(56)	(169,266)	(169,322)	(130)	(169,452)
<b>At 31 December 2010</b>	<b>270,118</b>	<b>939,353</b>	<b>167</b>	<b>(1,356,701)</b>	<b>(169,322)</b>	<b>(130)</b>	<b>(147,193)</b>

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 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	Non-controlling interests RM'000	Total equity RM'000
<b>Preceding year corresponding period ended 31 December 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	-	-	61	(272,494)	(272,433)	-	(272,433)
<b>At 31 December 2009</b>	270,118	939,353	(706)	(1,186,506)	22,259	-	22,259

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 FOURTH QUARTER  
ENDED 31 DECEMBER 2010**

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD  
ENDED 31 DECEMBER 2010**

	<b>For 12 months period ended</b>	
	<b>31/12/2010</b>	<b>31/12/2009</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from operating activities</b>		
Loss before tax	(167,686)	(270,612)
Adjustments for:-		
Non-cash items	162,208	228,972
Non-operating items	23,856	21,612
<b>Operating profit/(loss) before changes in working capital</b>	<b>18,378</b>	<b>(20,028)</b>
Changes in working capital:-		
Net change in trade and other receivables, prepayments and other financial assets	(53,363)	40,974
Net change in trade and other payables	(2,558)	(12,475)
<b>Cash generated from operations</b>	<b>(37,543)</b>	<b>8,471</b>
Income taxes paid	(904)	(1,384)
<b>Net cash flows (used in)/from operating activities</b>	<b>(38,447)</b>	<b>7,087</b>
<b>Cash flows from investing activities</b>		
Interest received	965	687
Increase in deferred expenditures	(7,417)	(1,585)
Additions to property, plant and equipment	(5,447)	(6,600)
Additional investment in an associate	-	(4,574)
Proceeds from disposal of property, plant and equipment	1,026	1,184
<b>Net cash flows used in investing activities</b>	<b>(10,873)</b>	<b>(10,888)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(4,843)	(28,650)
Repayment of borrowings	(188)	(67)
<b>Net cash flows used in financing activities</b>	<b>(5,031)</b>	<b>(28,717)</b>
Net decrease in cash and cash equivalents	(54,351)	(32,518)
Effect of exchange rates fluctuations on cash held	(4,213)	(871)
Cash and cash equivalents at beginning of period	86,431	119,820
Cash and cash equivalents at end of period	<b>27,867</b>	<b>86,431</b>
<b>Cash and cash equivalents comprise:-</b>		
Deposit placed with licensed banks	25,786	47,426
Deposit with a solicitor	-	30,000
Cash and bank balances	2,081	9,005
	<b>27,867</b>	<b>86,431</b>

**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").

These interim financial statements have been prepared on the assumption that the Group is a going concern. The appropriateness of using the going concern assumption is highly dependent upon the successful implementation of a debt restructuring plan. As such, the interim financial statements have not included any adjustments to the value and classification of assets and liabilities that may be necessary if the going concern assumption is no longer appropriate. Although it is the intention of the Directors to continue to operate the Group as a going concern, this can only be assured with the support of the lenders and shareholders.

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

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As of 1 January 2010, the Company has elected for early adoption of the following FRSs which are effective for annual periods beginning on or after 1 July 2010:

- i) FRS 3, Business Combinations (revised); and
- ii) FRS 127, Consolidated and Separate Financial Statements (revised).

The adoption of the above standards, amendments and interpretations are not expected to have any material impact on the financial statements of the Group other than expected changes in accounting policies as discussed below:

FRS 127, Consolidated and Separate Financial Statements (revised)

- The amendment to FRS 127 require changes in group composition to be accounted for as equity transactions between the group and its minority (will be known as non-controlling) interest holders.
- The amendment to FRS 127 require all losses attributable to minority interest to be absorbed by minority interest i.e., the excess and any further losses exceeding the minority interest in the equity of a subsidiary are no longer charged against the Group's interest.

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 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 the 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 dependent upon the successful implementation of an approved regularization and debt restructuring plan.



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

- i) On 28 January 2011, the Company announced that it will not be able to submit a Regularisation Plan by the deadline of 22 February 2011 as the Company does not envisage that it would be able to attract any injection of fresh funds into the Company or be involved in any acquisition of other viable assets / businesses.
- ii) The Company is still working on the Proposed 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.

**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.

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**9. Aircraft, property, plant and equipment**

An impairment loss of RM21,300,000 on the narrow body aircraft and engines was recognized in operating expense in the current quarter to reflect the fair value based on latest aircraft revaluation report.

**10. Assets classified as held for sale**

At 31 December 2010, the carrying value of the aircraft and related cost is RM235,934,000 after an impairment loss of RM6,174,000 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 Used Aircraft Sales and Purchase Agreement dated 6 January 2011.

**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:-

On 7 January 2011, Transmile Air Services Sdn Bhd, a wholly-owned subsidiary of the Company entered into a Used Aircraft Sale and Purchase Agreement ("SPA") to dispose of four (4) MD-11F aircraft at a disposal consideration for each aircraft of USD17.0 million (equivalent to approximately RM52.2 million based on the exchange rate of USD1.00 : RM3.070 as the date of the SPA), to be satisfied entirely in cash.

**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:-

Transmile Air (SPV) Ltd and TGB (SPV) Ltd, wholly-owned subsidiaries of the Company have been placed under creditors' voluntary liquidation. The liquidations are currently pending completion of legal execution proceedings against debtors and/or tax clearance from the Inland Revenue Board.

**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 revenue of RM51.4 million compared with RM46.7 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 general freight sales generated from Labuan and Bintulu during the quarter.

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

	<b>Q4-10 RM'000</b>	<b>Q4-09 RM'000</b>
<b>Revenue</b>		
Charter Revenue	24,810	32,272
General Freight Sales	14,443	9,788
Lease Rental	8,639	2,683
Others	3,496	1,918
	<u>51,388</u>	<u>46,661</u>
<b>Cost of Services</b>		
- Aircraft Cost	(1,928)	(4,107)
- Fuel Cost	(16,681)	(15,368)
- Maintenance Cost	(10,060)	(9,293)
- Engineering Labour Costs	(2,847)	(2,869)
- Other Direct Cost	(19,012)	(19,275)
	<u>(50,528)</u>	<u>(50,912)</u>
<b>Gross Profit/(Loss)</b>	<b>860</b>	<b>(4,251)</b>
<b>GP Margin %</b>	<b>2%</b>	<b>-9%</b>

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The Group made an adjusted loss before tax and exceptional items of RM14.1 million for the current quarter compared to an adjusted loss before tax of RM14.6 million for the corresponding quarter in the preceding year mainly due to the higher revenue during the current quarter.

**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2010**

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

	<b>Q4-10 RM'000</b>	<b>Q4-09 RM'000</b>
<b>Loss Before Tax as Reported</b>	<b>(37,615)</b>	<b>(212,996)</b>
Less: Onetime Expenses/Timing Differences		
- Unrealised forex loss/(gain) on USD loans and deposit	163	(2,048)
- Share of Associate's results	(44)	(2,028)
- (Write-back)/Provision for doubtful debts	(4,058)	16,448
- Impairment loss on aircraft & parts	27,474	185,977
	23,535	198,349
<b>Adjusted Loss Before Tax and Exceptional Items</b>	<b>(14,080)</b>	<b>(14,647)</b>
<b>EBITDA</b>	<b>(27,213)</b>	<b>(200,683)</b>
Impairment loss on aircraft & parts	27,474	185,977
Net unrealised forex loss/(gain) on USD loans and deposit	163	(2,048)
<b>EBITDA (before unrealised forex loss/(gain) on USD loan and deposit)</b>	<b>424</b>	<b>(16,754)</b>

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

The Group revenue of RM51.4 million for the current quarter ended 31 December 2010 is slightly higher compared to RM50.7 million for the preceding quarter ended 30 September 2010 mainly due to lower charter revenue billed for the preceding quarter.

The Group gross profit for the current quarter ended 31 December 2010 is significantly lower than the preceding quarter due to higher fuel prices and maintenance costs.

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The following is an analysis of the Group Gross Profit:

	<b>Q4-10 RM'000</b>	<b>Q3-10 RM'000</b>
<b>Revenue</b>		
Charter Revenue	24,810	23,653
General Freight Sales	14,443	14,511
Lease Rental	8,639	9,248
Others	3,496	3,247
	<u>51,388</u>	<u>50,659</u>
<b>Cost of Services</b>		
- Aircraft Cost	(1,928)	(2,451)
- Fuel Cost	(16,681)	(15,297)
- Maintenance Cost	(10,060)	(9,791)
- Engineering Labour Costs	(2,847)	(2,997)
- Other Direct Cost	(19,012)	(16,178)
	<u>(50,528)</u>	<u>(46,714)</u>
<b>Gross Profit</b>	<b>860</b>	<b>3,945</b>
<b>GP Margin %</b>	<b>2%</b>	<b>8%</b>

	<b>Q4-10 RM'000</b>	<b>Q3-10 RM'000</b>
<b>Loss Before Tax as Reported</b>	<b>(37,615)</b>	<b>(134,825)</b>
Less: Onetime Expenses/Timing Differences		
- Unrealised forex loss/(gain) on USD loans and deposit	163	(17,160)
- Share of Associate's results	(44)	(250)
- Provision for doubtful debts	(4,058)	-
- Impairment loss on aircraft and parts	27,474	143,787
	23,535	126,377
<b>Adjusted Loss Before Tax and Exceptional Items</b>	<b>(14,080)</b>	<b>(8,448)</b>
<b>EBITDA</b>	<b>(27,213)</b>	<b>(123,881)</b>
Impairment loss on aircraft and parts	27,474	143,787
Net unrealised forex loss/(gain) on USD loans and deposit	163	(17,160)
<b>EBITDA (before unrealised forex loss/(gain) on USD loan and deposit)</b>	<b>424</b>	<b>2,746</b>

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**16. Prospects Of The Group**

The Company has been in discussion with Transmile Group's lenders in respect of the outstanding debts of approximately RM528.95 million, but has yet to reach consensus for finalisation of a debt restructuring proposal which had been expected to form a critical part of the Regularisation Plan as set out in the First Announcement dated 23 February 2010 in respect of the Company's PN17 status. Until the debt restructuring proposal is finalised, the Company does not envisage that it would be able to attract any injection of fresh funds into the Company or be involved in any acquisition of other viable assets / businesses.

In view of the above the Company wishes to advise that it will not be able to submit a Regularisation Plan by the deadline of 22 February 2011. The Company will nevertheless continue to engage with the lenders to, if possible, finalise a debt restructuring proposal, and to focus on the completion of the proposed disposal of its four (4) MD-11F aircraft, as announced by the Company on 10 January 2011, which is expected to significantly pare down the outstanding debt obligations.

In the meantime, the Company will still continue to operate its business within its available resources and 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	159	1,710
	<u>159</u>	<u>1,710</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.

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**The figures have not been audited**

**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.

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	3,541
(iv) Working Capital	57,488	57,488
(v) Defraying of expenses incidental to the exercise	120	120
	<u>277,608</u>	<u>205,946</u>

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

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**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)	207,153
- Other loan - current portion (USD 63.7 million)	219,297
- Commercial papers / medium term notes ("MTN")	105,000
- Hire-purchase creditors – current portion	14
	<u>531,464</u>
(b) Long-term Borrowings – Unsecured	
- Hire-purchase creditors – non current	10
	<u>10</u>
(c) Borrowings by currencies	
- denominated in RM	105,024
- denominated in US Dollar	426,450
	<u>531,474</u>

**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.



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**24. Changes In Material Litigation**

There was no material litigation pending, which involves Transmile or its subsidiaries as a party to the litigation, 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
- 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.

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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.

On 7 January 2011, the Plaintiffs filed a notice to attend Pre-Trial Case Management in order to move the proceedings forward in respect of the 2<sup>nd</sup> Defendant.

The High Court suit, as against the 2<sup>nd</sup> Defendant, is now fixed for case management on 24 February 2011.

**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 period to hold the Court Convened Meeting expired on 13 October 2010.

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.

On 19 January 2011, the Extended Restraining Order was further extended for a period of ninety (90) days from the same date, save that Malaysian Trustee Berhad ("MTB") was given leave and is at liberty to commence proceedings against TAS for breach of the Trust Deed dated 8 August 2008 executed between TAS and MTB, provided that no execution proceedings shall be commenced on any judgement or order obtained in such proceedings without leave from the Court.

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**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. On 12 November 2010, GSAS filed their defence counterclaim on TAS to declare that no payment is due. TAS filed a Reply and Defence to Counterclaim on 26 November 2010 denying GSAS' claims.

On 1 December 2010, TAS had filed an application for a Summary Judgment against GSAS. In response to this application, GSAS had replied with their first Affidavit dated 23 December 2010. Further Affidavits in Reply were continuously filed by both parties. The Court had directed the parties to regularize their affidavits prior to the Case Management which has been fixed on 28 February 2011.

**25. Earnings Per Share**

	<b>Current Quarter Ended 31/12/2010 RM'000</b>	<b>Preceding Year Corresponding Quarter Ended 31/12/2009 RM'000</b>	<b>Current Year To Date 31/12/2010 RM'000</b>	<b>Preceding Year To Date 31/12/2009 RM'000</b>
<b>a) Basic earning per ordinary share (EPS)</b>				
Net loss for the period	(37,644)	(213,205)	(169,266)	(272,494)
Number of ordinary shares ('000)	270,118	270,118	270,118	270,118
Basic EPS (sen)	(13.94)	(78.93)	(62.66)	(100.88)

**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.

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**26. Breakdown of Realised and Unrealised Profits/Losses**

The breakdown of the retained earnings of the Group as at 31 December 2010, into realized and unrealized profits/losses is as follows:

	<b>As at 31/12/2010 RM'000</b>	<b>As at 30/09/2010 RM'000</b>
Total retained profits/(losses) of the Company and its subsidiaries:		
- realised	(2,504,058)	(2,346,752)
- unrealised	3,626	3,862
	<hr/>	<hr/>
	(2,500,432)	(2,342,890)
Total share of retained earning of associates:		
- Realised	1,096	1,052
	<hr/>	<hr/>
	(2,499,336)	(2,341,838)
Less : Consolidation adjustment	1,142,635	1,023,710
Total retained losses	<hr/>	<hr/>
	(1,356,701)	(1,318,128)