



**TIME ENGINEERING BERHAD
(10039-P)**

UNAUDITED INTERIM FINANCIAL REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2004

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2004

The Board of Directors is pleased to announce the unaudited financial results of the Group for the quarter ended 30 June 2004.

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Incorporated in Malaysia

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CONDENSED CONSOLIDATED INCOME STATEMENTS

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current quarter 30.06.2004 RM'000	Preceding year corresponding quarter 30.06.2003 RM'000	Six months to 30.06.2004 RM'000	Preceding year corresponding period 30.06.2003 RM'000
Revenue	18,826	67,890	397,142	128,825
Operating expenses	(16,589)	(75,625)	(379,208)	(132,349)
Other operating income (Note a)	3,118	4,788	62,646	9,852
Profit/(Loss) from operations	<u>5,355</u>	<u>(2,947)</u>	<u>80,580</u>	<u>6,328</u>
Interest Income	251	207	467	1,619
Finance costs	(19,258)	(28,612)	(30,585)	(55,730)
Loss on dilution of interest in subsidiary	-	-	(14,983)	-
Share in results of associate companies	<u>(2,590)</u>	<u>176,604</u>	<u>(5,060)</u>	<u>166,208</u>
Profit/(Loss) before taxation	(16,242)	145,252	30,419	118,425
Income tax credit	<u>4,036</u>	<u>4,876</u>	<u>3,276</u>	<u>4,376</u>
Profit/(Loss) after tax ation	(12,206)	150,128	33,695	122,801
Minority interests	<u>(1,999)</u>	<u>(1,112)</u>	<u>(14,595)</u>	<u>(4,197)</u>
Net profit/(loss) attributable to shareholders	<u>(14,205)</u> =====	<u>149,016</u> =====	<u>19,100</u> =====	<u>118,604</u> =====
Earnings /(Loss) per share				
- basic	(1.8) sen	20.0 sen	2.5 sen	15.9 sen
- diluted	NA	NA	NA	NA

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(Note a)

Other Operating Income comprises the following:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current quarter 30.06.2004 RM'000	Preceding year corresponding quarter 30.06.2003 RM'000	Six months to 30.06.2004 RM'000	Preceding year corresponding period 30.06.2003 RM'000
Debt waiver from creditors of a subsidiary company	-	-	53,334	-
Others	3,118	4,788	9,312	9,852
	<u>3,118</u>	<u>4,788</u>	<u>62,646</u>	<u>9,852</u>

The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2003.

Note: NA denotes "Not Applicable"

TIME ENGINEERING BERHAD (10039-P)
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CONDENSED CONSOLIDATED BALANCE SHEET

	Unaudited as at 30.06.2004 RM'000	Audited as at 31.12.2003 RM'000
NON CURRENT ASSETS		
Property, plant and equipment	12,263	49,181
Investments in associate companies	1,402,679	1,327,703
Long term investments	170,618	534
Intangible assets	1,317	2,317
Deferred tax	4,000	-
	1,590,877	1,379,735
CURRENT ASSETS		
Inventories and contract work in progress	1,742	294,949
Trade receivables	508,557	236,011
Other receivables, deposits and prepay ments	14,080	29,182
Investments held for disposal	-	280,129
Deposits, cash and bank balances	15,846	187,392
	540,225	1,027,663
CURRENT LIABILITIES		
Trade payables	12,805	452,479
Other payables	57,621	88,597
Short term borrowings	415,987	136,574
Current portion of long term borrowings	831,916	107,819
Provision for taxation	3,756	502
	1,322,085	785,971
NET CURRENT ASSETS/(LIABILITIES)	(781,860)	241,692
	809,017	1,621,427
	=====	=====
FINANCED BY:		
Issued capital	765,053	765,029
Loan stocks	14,157	14,228
Reserves	23,996	5,153
	803,206	784,410
Shareholders' fund	803,206	784,410
Minority interests	5,403	4,346
Long term borrowings	408	832,666
Deferred taxation	-	5
	809,017	1,621,427
	=====	=====
Net Tangible Assets per share (RM)	1.05	1.02
	=====	=====

The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2003.

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Incorporated in Malaysia

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2004

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued Capital RM'000	Loan Stocks RM'000	Share Premium RM'000	Capital Reserve RM'000	Accumulated Loss RM'000	Reserves RM'000	Total RM'000
Balance as at 30 June 2004							
Balance at beginning of the period	765,029	14,228	1,696,684	18,419	(1,709,950)	5,153	784,410
Net profit for the period	-	-	-	-	19,100	19,100	19,100
Interest expense on loan stocks	-	-	-	-	(304)	(304)	(304)
Conversion of ICULS into new TIME Shares	24	(71)	47	-	-	47	-
Balance at end of the period	<u>765,053</u>	<u>14,157</u>	<u>1,696,731</u>	<u>18,419</u>	<u>(1,691,154)</u>	<u>23,996</u>	<u>803,206</u>
Balance as at 30 June 2003							
Balance at beginning of the period as previously stated	746,413	69,892	1,659,636	18,419	(1,816,651)	(138,596)	677,709
Prior years' adjustment	-	-	-	-	(13,172)	(13,172)	(13,172)
Restated balance	<u>746,413</u>	<u>69,892</u>	<u>1,659,636</u>	<u>18,419</u>	<u>(1,829,823)</u>	<u>(151,768)</u>	<u>664,537</u>
Net profit for the period	-	-	-	-	118,604	118,604	118,604
Interest expense on loan stocks	-	-	-	-	(2,122)	(2,122)	(2,122)
Conversion of ICULS into new TIME Shares	88	(266)	178	-	-	178	-
Balance at end of the period	<u>746,501</u>	<u>69,626</u>	<u>1,659,814</u>	<u>18,419</u>	<u>(1,713,341)</u>	<u>(35,108)</u>	<u>781,019</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2003.

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2004

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2004**

	Six months to 30.06.2004 RM'000	Six months to 30.06.2003 RM'000
CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES		
Net profit before taxation	30,419	118,425
Adjustments for:		
Depreciation and Amortisation	7,378	16,117
Interest expense	30,585	55,730
Interest income	(1,291)	(1,910)
Share of results of associate companies	5,060	(166,208)
Allowance for diminution in value of other investments	(4,481)	10,329
Gain on disposal of property, plant and equipment	(357)	(2,400)
Loss on dilution of interest in subsidiary	14,983	-
Other non-cash items	(55,215)	(1,465)
Other non-operating items	-	(629)
Operating profit before changes in working capital	27,081	27,989
Changes in working capital:		
Net change in current assets	(70,296)	18,755
Net change in current liabilities	(349,483)	(16,592)
Cash generated from operations	(392,698)	30,152
Taxation recovered/(paid)	8,068	(3,469)
Interest received	818	-
Net cash flow from/(used in) operating activities	(383,812)	26,683
CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES		
Net proceeds from disposals of property, plant and equipment	-	67,080
Addition to property, plant and equipment	66	-
Other capital investments	-	(7,719)
Net cash outflow from disposal of subsidiary companies	(5,222)	-
Others	(4,052)	4,197
Net cash flow from/(used in) investing activities	(9,208)	63,558
CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES		
Drawdown of bank borrowings	384,940	1,182
Repayment of bank borrowings/redemption of Bonds	(110,630)	(55,878)
Interest paid	(44,492)	(43,442)
Others	-	84
Net cash flow from/(used in) financing activities	229,818	(98,054)
NET CHANGES IN CASH AND CASH EQUIVALENTS	(163,202)	(7,813)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	178,686	125,719
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	15,484	117,906
	=====	=====

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2003.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2004

PART A – EXPLANATORY NOTES PURSUANT TO MASB 26, PARAGRAPH 16

1 ACCOUNTING POLICIES

The Quarterly Consolidated Financial Statements have been prepared in accordance with MASB 26 Interim Financial Reporting and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad), and should be read in conjunction with the Group's financial statements for the year ended 31 December 2003. The accounting policies, method of computation and basis of consolidation adopted for the interim financial reports are consistent with those adopted for the annual financial statements for the year ended 31 December 2003, other than the adoption of MASB 31 - Accounting for Government Grants which was adopted in compliance with MASB requirements.

In compliance with MASB requirements, the Group adopted MASB 31 with effect from 1 January 2004. The adoption of MASB 31 has no significant impact on the Consolidated Financial Statements and does not give rise to any adjustments to the opening balances of accumulated loss of the prior year and the Income Statement of the current year or to the comparatives.

2 STATUS OF AUDIT QUALIFICATION

The audit report on the Group's financial statements for the year ended 31 December 2003 was not qualified.

3 SEASONAL OR CYCLICAL FACTORS

The Group's operations are not subject to any seasonal or cyclical factors.

4 CHANGES IN ESTIMATES

The financial statements for the quarter ended 30 June 2004 do not have any material changes in estimates reported in the previous quarter.

5 DEBT AND EQUITY SECURITIES

There were no issuances, cancellations, repurchases, resale and/or repayments of debt and equity securities during the financial period ended 30 June 2004 other than as follows:

- the Company allotted and issued 23,800 new ordinary shares of RM1.00 each pursuant to the conversion of RM71,162 of the Company's Irredeemable Convertible Unsecured Loan Stocks 2000/2005 at the conversion price of RM2.99 per new ordinary share of RM1.00 each. As a result of the conversion, the enlarged issued and paid up share capital of the Company has increased to 765,052,978 ordinary shares of RM1.00 each as at 30 June 2004.
- the Company's full redemption of its USD Bonds Tranche II amounting to RM106.6 million.

6 DIVIDENDS

The Directors do not recommend payment of any dividend for the current period ended 30 June 2004 (2003:Nil).

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2004

PART A – EXPLANATORY NOTES PURSUANT TO MASB 26, PARAGRAPH 16

7 SEGMENTAL INFORMATION

(a) Segment information for the financial period ended 30 June 2004.

Business Segments	Information Technology RM'000	Power RM'000	Corporate & Others RM'000	Eliminations RM'000	Consolidation RM'000
Revenue					
External sales	380,416	9,641	7,085	-	397,142
Total revenue	380,416	9,641	7,085	-	397,142
Results					
Profit from Operations	17,020	131	10,958	(396)	27,713
Finance costs	(9,511)	7,539	(28,613)	-	(30,585)
Debt waiver from creditors of a subsidiary company	-	53,334	-	-	53,334
Loss on disposal of investment in a subsidiary company					(14,983)
Share in results of associate companies					(5,060)
Profit before tax					30,419
Income tax credit					3,276
Profit after tax					33,695

(b) DISCONTINUING OPERATIONS

With the completion of the EPE Acquisitions (as previously reported) on 25 February 2004, the Company's equity interest in EPE Power Corporation Berhad ("EPE") (now known as Ranhill Power Berhad) was diluted from 54.96% to 5.46%. Consequently, the Group no longer consolidates the results of EPE Group with effect from 1 March 2004 and the Company's investment in EPE is diluted to a simple investment. The Group's results for the financial period ended 30 June 2004 however does include the results of EPE Group for January and February 2004, prior to its deconsolidation as disclosed in Note 7(a) above.

8 PROPERTY, PLANT & EQUIPMENT

The valuations of property, plant and equipment used in the condensed consolidated financial statements have been brought forward without amendment from the previous annual financial statements.

9 MATERIAL EVENTS SUBSEQUENT TO THE CURRENT FINANCIAL PERIOD

In the opinion of the Directors, there are no items, transactions or events of a material and unusual nature which have arisen since 30 June 2004 to the date of this announcement which would substantially affect the financial results of the Group for the six months ended 30 June 2004.

10 CHANGES IN THE COMPOSITION OF THE GROUP

For the financial period ended 30 June 2004, the Group did not undertake any material business combination, acquisitions or disposals of subsidiaries and long term investments, restructuring or discontinuing of operations, other than as disclosed in Note 7(b) and Note 18.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2004

PART A – EXPLANATORY NOTES PURSUANT TO MASB 26, PARAGRAPH 16

11 CONTINGENT LIABILITIES

There were no material changes in the contingent liabilities as at the date of this announcement since the preceding financial year ended 31 December 2003.

12 CAPITAL COMMITMENTS

There were no material capital commitments as at the date of this announcement.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2004

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BMSB

13 PERFORMANCE REVIEW FOR THE CURRENT QUARTER AND YEAR TO DATE

The Group's revenue for the current quarter decreased to RM18.8 million from RM67.9 million in the corresponding quarter of 2003 due mainly to the exclusion of its power businesses' results following the completion of the EPE Acquisitions on 25 February 2004. The Information Technology division comprising of Dagang Net Technologies Sdn Bhd, TIME Systems Integrators Sdn Bhd and TIME Quantum Technology Sdn Bhd has contributed a total of RM12.0 million in current quarter.

The Group recorded a loss before taxation of RM16.2 million compared to profit before taxation of RM145.3 million in the corresponding quarter of 2003. The profit before taxation in the corresponding quarter of 2003 was mainly attributed to gain of RM177.5 million as a result of the disposal of a business unit in an associate company.

For the financial period ended 30 June 2004, the Group recorded higher revenue of RM397.1 million as compared to RM128.8 million in the preceding corresponding period due mainly to revenue contribution from the Ministry of Education ("MOE") project. The Group recorded higher profit before tax of RM118.4 million in the preceding correspondence period of 2003 as compared to RM30.4 million in the current financial period mainly attributed to gain of RM177.5 million as a result of the disposal of a business unit in an associate company.

14 COMPARISON BETWEEN THE CURRENT QUARTER AND THE IMMEDIATE PRECEDING QUARTER

In the current quarter, the Group recorded lower revenue of RM18.8 million compared to RM378.3 million in the immediate preceding quarter. Higher revenue in the immediate preceding quarter was mainly from the recognition of the balance of revenue from the Ministry of Education ("MOE") project.

The Group recorded loss before taxation in the current quarter of RM16.2 million compared to a profit before taxation of RM46.7 million in the immediate preceding quarter. The profit in the immediate preceding quarter was mainly due to a profit arising from the debt waiver of RM53.3 million from creditors of a subsidiary company and contribution from the MOE project.

15 PROSPECTS FOR THE FINANCIAL YEAR 2004

Moving forward, the Group will continue to focus on the ICT sector because of its growth potential. The Group will capitalise on its ICT initiatives to expand and to improve productivity and profitability of its ICT businesses. The subsidiary companies have contributed positively to the Group's performance and are expected to provide further new income stream.

However, the Group's results for financial year ending 2004 will still be affected by the high finance cost.

16 VARIANCE FOR ACTUAL AND FORECAST PROFIT

The Company did not issue any profit forecast or profit guarantee during the financial year .

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2004

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BMSB

17 INCOME TAX CREDIT

	Individual Quarter		Cumulative Quarter	
	Current year quarter 30.06.2004 RM'000	Preceding year corresponding quarter 30.06.2003 RM'000	Six months to 30.06.2004 RM'000	Preceding year corresponding period 30.06.2003 RM'000
Malaysian taxation				
- current taxation	(4,564)	(999)	(5,177)	(1,419)
- deferred taxation	4,000	(3,249)	4,000	(3,249)
- share in taxation expense of associate companies	(160)	(116)	(307)	(196)
- recovery of tax deducted at source on dividend received from subsidiary companies	4,760	9,240	4,760	9,240
	4,036	4,876	3,276	4,376

The current income taxation expense of RM5.2 million in current period was accrued by profitable subsidiaries. The RM4.8 million was amount receivable from Inland Revenue Board in respect of recovery of tax deducted at source on dividend received from a subsidiary company.

18 DISPOSAL OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There were no disposal of unquoted investments and/or properties in the financial period ended 30 June 2004 other than as follows:

With the completion of the acquisition of X-Calibre Online Sdn Bhd from UEM Land Sdn Bhd (for merly known as "Renong Berhad") on 9 January 2004, the following assets were transferred to UEM Land Sdn Bhd for the full settlement of the purchase consideration of RM800,000:

- 17,195,000 ordinary shares of RM1.00 each representing 17.2% of the equity interests in Probalance Sdn Bhd ("Probalance"), held by Toplink Advisory & Management Services Sdn Bhd ("Toplink"), a wholly-owned subsidiary of TIME, to UEM Land for a consideration of RM500,000; and
- a piece of freehold agricultural land ("Land") owned by Eternaland Sdn Bhd, a wholly-owned subsidiary of TIME, measuring of approximately 2.022 acres (8,182 sq meter) which is located at Lot No. 247, Title No. GM 237 in the Mukim of Pulau, Johor Bahru to UEM Land for a consideration of RM300,000.

19 ACQUISITIONS AND DISPOSALS OF QUOTED SECURITIES

- a) There were no acquisitions or disposals of quoted securities in the financial period ended 30 June 2004.
- b) Investments in quoted securities as at 30 June 2004.

	RM'000
At carrying value	1,571,905
At market value	1,154,756

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2004

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BMSB

20 STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED AS AT THE DATE OF THIS ANNOUNCEMENT

On 25 May 2004, AmMerchant Bank Berhad had announced on behalf of associate company – TIME dotCom Berhad (“TdC”) that it proposes to distribute RM379,616,250 to its shareholders on the basis of 15 sen cash for every one (1) existing share held in TdC, at an entitlement date to be determined and announced later (“Proposed Capital Repayment”).

As at the date of this announcement, the Company holds 1,131,987,520 shares in TdC translating to a distribution of RM169,798,128 according to TdC’s Proposed Capital Repayment.

21 GROUP BORROWINGS AND DEBT SECURITIES

	Long term borrowings			Short term borrowings		
	Secured	Unsecured	Total	Secured	Unsecured	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Debt Securities</u>						
US\$ Bonds	277,071	-	277,071	-	-	-
Bank borrowings						
Domestic banks	555,253	-	555,253	-	415,987	415,987
Less :						
Current portion shown under current liabilities	(831,916)		(831,916)			
TOTAL	408	-	408	-	415,987	415,987

22 CASH AND CASH EQUIVALENTS

	As at 30.06.2004 RM'000
Deposits, cash and bank balances	15,846
Bank overdrafts (included in s hort term borrowings)	(362)
Cash and Cash Equivalents at end of the period	<u>15,484</u>

23 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no financial instruments with off-balance sheet risks as at the date of this announcement.

24 MATERIAL LITIGATION

The Company and its subsidiaries have no outstanding material litigation as at the date of this announcement.

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PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BMSB

25	EARNINGS PER SHARE (“EPS”)	Current	Current year
		quarter	to date
		30.06.2004	30.06.2004
	Basic EPS		
	Net profit attributable to shareholders (RM'000)	(14,205)	19,100
	Weighted average number of shares ('000)	765,053	765,047
	Basic EPS (sen)	(1.8) sen	2.5 sen

The fully diluted earnings per share for the period ended 30 June 2004 is not presented as the average market value of the shares of the Company is lower than the subscription price for the outstanding warrants and the conversion of the convertible loan stocks to ordinary shares would result in an anti-dilution situation .

Kuala Lumpur
24 August 2004

By Order of the Board
SAPIAH JAMALUDIN (MAICSA 0807355)
Secretary