



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

UNAUDITED INTERIM FINANCIAL REPORT

FOR THE FIRST QUARTER ENDED 31 MARCH 2005

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Incorporated in Malaysia

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CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current quarter 31.03.2005 RM'000	Preceding year corresponding quarter 31.03.2004 RM'000	Three months to 31.03.2005 RM'000	Three months to 31.03.2004 RM'000
Revenue	109,620	378,316	109,620	378,316
Operating expenses	(96,656)	(362,619)	(96,656)	(362,619)
Other operating income (Note A)	7,546	59,660	7,546	59,660
Profit from operations	<u>20,510</u>	<u>75,357</u>	<u>20,510</u>	<u>75,357</u>
Interest income	91	84	91	84
Finance costs	(19,182)	(11,327)	(19,182)	(11,327)
Loss on dilution of interest in subsidiary	-	(14,983)	-	(14,983)
Share in results of associates	(24,398)	(2,470)	(24,398)	(2,470)
(Loss)/Profit before taxation	<u>(22,979)</u>	<u>46,661</u>	<u>(22,979)</u>	<u>46,661</u>
Income tax expense	(98)	(760)	(98)	(760)
(Loss)/Profit after tax ation	<u>(23,077)</u>	<u>45,901</u>	<u>(23,077)</u>	<u>45,901</u>
Minority interests	<u>(1,481)</u>	<u>(12,596)</u>	<u>(1,481)</u>	<u>(12,596)</u>
Net (loss)/profit attributable to shareholders	<u>(24,558)</u> =====	<u>33,305</u> =====	<u>(24,558)</u> =====	<u>33,305</u> =====
(Loss)/Earnings per share				
- basic	(3.2) sen	4.3 sen	(3.2) sen	4.3 sen
- diluted	NA	NA	NA	NA

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	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current quarter 31.03.2005 RM'000	Preceding year corresponding quarter 31.03.2004 RM'000	Three months to 31.03.2005 RM'000	Three months to 31.03.2004 RM'000
(Note A)				
Other operating income comprises the following:				
Debt waiver from creditors of a subsidiary	-	53,334	-	53,334
Others	7,546	6,326	7,546	6,326
	7,546	59,660	7,546	59,660

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2004.

Note: NA denotes "Not Applicable"

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CONDENSED CONSOLIDATED BALANCE SHEET

	Unaudited as at 31.03.2005 RM'000	Audited as at 31.12.2004 RM'000
NON CURRENT ASSETS		
Property, plant and equipment	12,811	12,096
Investments in associates	841,637	866,101
Long term investments	170,618	170,618
Intangible assets	1,197	1,235
Deferred tax assets	4,731	4,731
	1,030,994	1,054,781
CURRENT ASSETS		
Inventories	1,627	1,637
Trade receivables and other receivables	649,299	620,197
Deposits, cash and bank balances	35,212	57,123
	686,138	678,957
CURRENT LIABILITIES		
Trade payables	12,809	78,841
Other payables	46,511	41,238
Short term borrowings (Note 21)	1,028,704	958,975
Current portion of long term borrowings	-	224,177
Provision for taxation	305	2,648
	1,088,329	1,305,879
NET CURRENT LIABILITIES	(402,191)	(626,922)
	628,803	427,859
	=====	=====
FINANCED BY:		
Issued capital	772,412	768,155
Loan stocks	8,469	21,199
Reserves	(385,456)	(369,329)
	395,425	420,025
Shareholders' funds	395,425	420,025
Minority interests	9,126	7,645
Long term borrowings	224,252	189
	628,803	427,859
	=====	=====
Net tangible assets per share (RM)	0.51	0.55
	=====	=====

The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2004.

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2005

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<u>Issued capital</u> RM'000	<u>Loan stocks</u> RM'000	<u>Share premium</u> RM'000	<u>Capital reserve</u> RM'000	<u>Accumulated loss</u> RM'000	<u>Reserves</u> RM'000	<u>Total</u> RM'000
Balance as at 31 March 2005							
Balance at beginning of the period	768,155	21,199	1,702,903	18,419	(2,090,651)	(369,329)	420,025
Net loss for the period	-	-	-	-	(24,558)	(24,558)	(24,558)
Interest expense on loan stocks	-	-	-	-	(42)	(42)	(42)
Conversion of loan stocks	4,257	(12,730)	8,473	-	-	8,473	-
Balance at end of the period	<u>772,412</u>	<u>8,469</u>	<u>1,711,376</u>	<u>18,419</u>	<u>(2,115,251)</u>	<u>(385,456)</u>	<u>395,425</u>
Balance as at 31 March 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	-	-	-	-	33,305	33,305	33,305
Interest expense on loan stocks	-	-	-	-	(61)	(61)	(61)
Conversion loan stocks	24	(70)	46	-	-	46	-
Balance at end of the period	<u>765,053</u>	<u>14,158</u>	<u>1,696,730</u>	<u>18,419</u>	<u>(1,676,706)</u>	<u>38,443</u>	<u>817,654</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 2004.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2005

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Three months to 31.03.2005 RM'000	Three months to 31.03.2004 RM'000
CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES		
Cash receipts from customers	12,065	26,620
Cash payments to suppliers	(74,642)	(397,320)
Cash payments to employees and for expenses	(11,914)	(12,508)
Other income	1,243	3,058
	(73,248)	(380,150)
Cash used in operations	(73,248)	(380,150)
Taxation paid	(4,466)	(339)
Interest received	222	769
Other payments	(535)	(2,728)
	(78,027)	(382,448)
Net cash flow used in operating activities	(78,027)	(382,448)
CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES		
Additions to property, plant and equipment	(561)	798
Net cash outflow from disposal of subsidiary	-	(5,222)
Others	-	(3,840)
	(561)	(8,264)
Net cash flow used in investing activities	(561)	(8,264)
CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES		
Drawdown of bank borrowings	73,476	383,937
Repayment of bank borrowings/redemption of bonds	(2,865)	(108,967)
Interest paid	(13,055)	(36,626)
Others	(261)	-
	57,295	238,344
Net cash flow from financing activities	57,295	238,344
NET CHANGES IN CASH AND CASH EQUIVALENTS	(21,293)	(152,368)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	56,466	178,686
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	(a) 35,173	26,318
	=====	=====
(a) CASH AND CASH EQUIVALENTS		
	As at 31.03.2005 RM'000	As at 31.03.2004 RM'000
Deposits, cash and bank balances	35,212	26,354
Bank overdrafts (included in short term borrowings)	(39)	(36)
	35,173	26,318
Cash and Cash Equivalents at end of the period	35,173	26,318

In the previous financial year, the condensed Consolidated Cash Flow Statement was prepared under the Indirect Method. For the current financial period, as allowed for under FRS107 (Cash Flow Statements), the Group adopted the Direct Method in the preparation of condensed Consolidated Cash Flow Statement. The comparative figures have been represented to conform with the current method.

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2004.

PART A – EXPLANATORY NOTES PURSUANT TO FRS134, PARAGRAPH 16

1 ACCOUNTING POLICIES

The quarterly consolidated financial statements have been prepared in accordance with FRS134, Interim Financial Reporting and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB"), and should be read in conjunction with the Group's financial statements for the year ended 31 December 2004. 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 2004.

2 STATUS OF AUDIT QUALIFICATION

The audit report on the Group's financial statements for the year ended 31 December 2004 was not qualified.

3 SEASONAL OR CYCLICAL FACTORS

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

4 MATERIAL CHANGES IN ESTIMATES USED

The financial statements for the quarter ended 31 March 2005 does 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 31 March 2005 other than as follows:

Conversion of Loan Stocks

The Company allotted and issued 4,257,000 new ordinary shares of RM1.00 each pursuant to the conversion of RM12,730,000 of the Company's Irredeemable Convertible Unsecured Loan Stocks 2000/2005 ("Loan Stocks") 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 72,412,000 ordinary shares of RM1.00 each as at 31 March 2005.

6 DIVIDEND

The Directors do not recommend payment of any interim dividend for the financial period ended 31 March 2005 (2004: Nil).

PART A – EXPLANATORY NOTES PURSUANT TO FRS134, PARAGRAPH 16

7 SEGMENTAL INFORMATION

There is no segmental reporting for the financial period ended 31 March 2005, as the Group's activity is carried out within Malaysia and is operated within the Information Communications & Technologies' industry.

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 31 March 2005 to the date of this announcement which would substantially affect the financial results of the Group for the financial period ended 31 March 2005.

10 CHANGES IN THE COMPOSITION OF THE GROUP

For the financial period ended 31 March 2005, the Group did not undertake any material business combination, acquisitions or disposals of subsidiaries and long term investments, restructuring or discontinuing of operations.

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 2004.

12 CAPITAL COMMITMENTS

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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2005

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

13 PERFORMANCE REVIEW FOR THE CURRENT QUARTER

The Group's revenue for the current quarter of RM109.6 million was mainly from the supply and maintenance of equipment for the Teaching and Learning of Science and Mathematics in English Programme ("PPSMI") by TIME Systems Integrators Sdn Bhd; the Sistem Maklumat Kastam-Dagang Net ("SMK-Dagang Net") services by Dagang Net Technologies Sdn Bhd and Managed Data Centre facility by TIME Quantum Technology Sdn Bhd.

Current quarter showed loss before taxation of RM23.0 million due mainly to the share of loss in results of an associate of RM24.4 million.

14 COMPARISON BETWEEN THE CURRENT QUARTER AND THE IMMEDIATE PRECEDING QUARTER

In the current quarter, the Group's revenue was RM109.6 million compared to RM13.1 million in the immediate preceding quarter mainly attributed to the recognition of revenue from PPSMI Phase III project in the current quarter.

The Group's loss before taxation in the current quarter was RM23.0 million as compared to RM383.9 million in the immediate preceding quarter. The significant loss before taxation in the immediate preceding quarter was due to the share of loss in TIME dotCom Berhad, an associate, of RM355.7 million as a result from the change in its depreciation method from revenue base to straight line and additional provision for bad and doubtful debts.

15 PROSPECTS FOR THE CURRENT FINANCIAL YEAR

The Group acknowledges that the PPSMI project will remain the key component and contribution to the Group's Information, Communications and Technologies business in 2005. In addition, the new agreement signed between the Government and Dagang Net Technologies will enable the company to further enhance its product offerings and performance.

The Group will continue to expand its current business in order to increase its involvement in the Information, Communication and Technologies industry.

With regard to the Company's debt obligations as well as the under performing investment in TIME dotCom Berhad, the Board and the ultimate shareholders are seriously considering various measures to resolve the issues.

16 VARIANCE FOR ACTUAL AND FORECAST PROFIT

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

17 INCOME TAX EXPENSE

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31.03.2005 RM'000	Preceding year corresponding quarter 31.03.2004 RM'000	Three months to 31.03.2005 RM'000	Three months to 31.03.2004 RM'000
Malaysian taxation				
- Current taxation	(94)	(613)	(94)	(613)
- Over/(under) provision in prior year	62	-	62	-
- Share in taxation expense of associates	(66)	(147)	(66)	(147)
	(98)	(760)	(98)	(760)

The current taxation expense of RM94,000 in the current period was provided by profitable subsidiaries.

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

18 DISPOSAL OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There were no disposal of unquoted investments and/or properties in the financial period ended 31 March 2005.

19 ACQUISITIONS AND DISPOSALS OF QUOTED SECURITIES

- a) There were no acquisitions or disposals of quoted securities in the financial period ended 31 March 2005.
- b) Investments in quoted securities as at 31 March 2005:

	RM'000
At carrying value	1,010,888
At market value	566,648

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

There are no corporate proposals announced but not completed as at the date of this announcement.

21 GROUP BORROWINGS AND DEBT SECURITIES

	As at
	31.03.2005
	RM'000
Long Term Borrowings (Secured)	
USD Bonds	224,177
Bank borrowings from domestic banks	75
	224,252
	=====
Short Term Borrowings (Secured)	
Project financing from domestic banks - Phase II (Note 1)	442,753
- Phase III	69,120
Bank borrowings from domestic banks (Note 2)	516,831
	1,028,704
	=====

Note 1 – Revolving Credit

On 25 March 2005, a subsidiary entered into a Debt Purchase Agreement and Deed of Assignment with Musyarakah One Capital Berhad (“MOCB”) to dispose its entire receivable for work performed pursuant to the PPSMI Phase II project, for a net purchase consideration of RM501.6 million, pursuant to Master Programme Agreement dated 23 March 2005 as approved by the Securities Commission under the guidelines on the offering of asset-backed securities. On 5 April 2005, the proceeds from the disposal of the said receivable was utilised to fully settle the outstanding credit facility in relation to the PPSMI Phase II project.

Note 2 – Term Loan

On 5 April 2005, the development bank approved the Company’s request to extend the maturity date for the bullet repayment of the outstanding principal and interest of the term loan facility from 30 June 2005 to 30 June 2007.

22 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

23 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

24 EARNINGS/(LOSS) PER SHARE (“EPS”)

	Current quarter 31.03.2005
Basic EPS	
Net loss attributable to shareholders (RM'000)	(24,558)
Weighted average number of shares ('000)	768,208
Basic EPS (sen)	(3.2)

The fully diluted earnings per share for the period ended 31 March 2005 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
20 May 2005

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