



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

**UNAUDITED INTERIM FINANCIAL REPORT**

**FOR THE SECOND QUARTER ENDED 30 JUNE 2005**

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2005

CONTENTS	Page
Condensed Consolidated Income Statement .....	2
Condensed Consolidated Balance Sheet .....	4
Condensed Consolidated Statement Of Changes In Equity .....	5
Condensed Consolidated Cash Flow Statement .....	6
<u>Part A– Explanatory Notes Pursuant to FRS134</u>	
1 Accounting Policies .....	7
2 Status Of Audit Qualification .....	7
3 Seasonal Or Cyclical Factors .....	7
4 Material Changes In Estimates Used.....	7
5 Debt And Equity Securities .....	7
6 Dividend.....	7
7 Segmental Information .....	8
8 Property, Plant & Equipment .....	8
9 Material Events Subsequent To The Financial Period .....	8
10 Changes In The Composition Of The Group .....	8
11 Contingent Liabilities.....	8
12 Capital Commitments .....	8
<u>Part B– Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of BMSB</u>	
13 Performance Review For The Current Quarter And Year- To-Date .....	9
14 Comparison Between The Current Quarter A nd The Immediate Preceding Quarter .....	9
15 Prospects For The Current Financial Year .....	9
16 Variance For Actual And Forecast Profit .....	9
17 Income Tax (Expense)/Credit.....	9
18 Disposal Of Unquoted Investments And/Or Properties .....	10
19 Acquisitions And Disposals Of Quoted Securities .....	10
20 Status Of Corporate Proposals Announced But Not Completed As At The Date Of This Announcement .....	10
21 Group Borrowings And Debt Securities .....	10
22 Off Balance Sheet Financial Instruments .....	10
23 Material Litigation.....	10
24 Earnings/(Loss) Per Share (“EPS”) .....	11

**TIME ENGINEERING BERHAD (10039-P)**  
**Incorporated in Malaysia**

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2005**

**CONDENSED CONSOLIDATED INCOME STATEMENT**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30.06.2005 RM'000	Preceding year corresponding quarter 30.06.2004 RM'000	Six months to 30.06.2005 RM'000	Six months to 30.06.2004 RM'000
Revenue	15,284	18,826	124,904	397,142
Operating expenses	(14,192)	(16,589)	(110,848)	(379,208)
Other operating income (Note A)	4,152	3,118	11,698	62,646
Profit from operations	<u>5,244</u>	<u>5,355</u>	<u>25,754</u>	<u>80,580</u>
Interest income	139	251	230	467
Finance costs	(15,025)	(19,258)	(34,207)	(30,585)
Loss on dilution of interest in subsidiary	-	-	-	(14,983)
Share in results of associates	<u>(24,842)</u>	<u>(2,590)</u>	<u>(49,240)</u>	<u>(5,060)</u>
(Loss)/Profit before taxation	(34,484)	(16,242)	(57,463)	30,419
Income tax (expense)/credit	<u>(3,161)</u>	<u>4,036</u>	<u>(3,259)</u>	<u>3,276</u>
(Loss)/Profit after taxation	(37,645)	(12,206)	(60,722)	33,695
Minority interests	<u>(1,137)</u>	<u>(1,999)</u>	<u>(2,618)</u>	<u>(14,595)</u>
Net (loss)/profit attributable to shareholders	<u>(38,782)</u> =====	<u>(14,205)</u> =====	<u>(63,340)</u> =====	<u>19,100</u> =====
 (Loss)/Earnings per share				
- basic	(5.0) sen	(1.8) sen	(8.2) sen	2.5 sen
- diluted	NA	NA	NA	NA

**TIME ENGINEERING BERHAD (10039-P)**  
**Incorporated in Malaysia**

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2005**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30.06.2005 RM'000	Preceding year corresponding quarter 30.06.2004 RM'000	Six months to 30.06.2005 RM'000	Six months to 30.06.2004 RM'000
<b>(Note A)</b>				
Other operating income comprises the following:				
Debt waiver from creditors of a subsidiary	-	-	-	53,334
Others	4,152	3,118	11,698	9,312
	<u>4,152</u>	<u>3,118</u>	<u>11,698</u>	<u>62,646</u>

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"

**TIME ENGINEERING BERHAD (10039-P)**  
**Incorporated in Malaysia**

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2005**

**CONDENSED CONSOLIDATED BALANCE SHEET**

	<b>Unaudited as at 30.06.2005 RM'000</b>	<b>Audited as at 31.12.2004 RM'000</b>
Property, plant and equipment	13,453	12,096
Investment in associates	815,531	866,101
Long term investments	170,618	170,618
Intangible assets	1,159	1,235
Deferred tax assets	2,315	4,731
	<hr/>	<hr/>
	1,003,076	1,054,781
	<hr/>	<hr/>
<b>CURRENT ASSETS</b>		
Inventories	1,490	1,637
Trade receivables and other receivables	153,176	620,197
Deposits, cash and bank balances	25,476	57,123
	<hr/>	<hr/>
	180,142	678,957
	<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>		
Trade payables	11,081	78,841
Other payables	43,675	41,238
Short term borrowings (Note 21)	20,408	958,975
Portion of bonds due within one year (Note 21)	114,000	224,177
Provision for taxation	668	2,648
	<hr/>	<hr/>
	189,832	1,305,879
	<hr/>	<hr/>
<b>NET CURRENT LIABILITIES</b>	(9,690)	(626,922)
	<hr/>	<hr/>
	993,386	427,859
	<hr/>	<hr/>
	=====	=====
<b>FINANCED BY:</b>		
Capital and reserves		
Issued capital	772,412	768,155
Loan stocks	8,469	21,199
Reserves	(424,280)	(369,329)
	<hr/>	<hr/>
Shareholders' fund	356,601	420,025
Minority interests	10,263	7,645
Long term borrowings (Note 21)	626,522	189
	<hr/>	<hr/>
	993,386	427,859
	<hr/>	<hr/>
	=====	=====
Net tangible assets per share (RM)	0.46	0.55
	<hr/>	<hr/>
	=====	=====

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

**TIME ENGINEERING BERHAD (10039-P)**  
**Incorporated in Malaysia**

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2005**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	<b>Issued capital RM'000</b>	<b>Loan stocks RM'000</b>	<b>Share premium RM'000</b>	<b>Capital reserve RM'000</b>	<b>Accumulated loss RM'000</b>	<b>Reserves RM'000</b>	<b>Total RM'000</b>
<b>Six months to 30 June 2005 (Unaudited)</b>							
Balance at 1 January 2005	768,155	21,199	1,702,903	18,419	(2,090,651)	(369,329)	420,025
Net loss for the period	-	-	-	-	(63,340)	(63,340)	(63,340)
Interest expense on loan stocks	-	-	-	-	(84)	(84)	(84)
Conversion of loan stocks	4,257	(12,730)	8,473	-	-	8,473	-
Balance at 30 June 2005	772,412	8,469	1,711,376	18,419	(2,154,075)	(424,280)	356,601
<b>Six months to 30 June 2004 (Unaudited)</b>							
Balance at 1 January 2004	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 loan stocks	24	(71)	47	-	-	47	-
Balance at 30 June 2004	765,053	14,157	1,696,731	18,419	(1,691,154)	23,996	803,206

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 SECOND QUARTER ENDED 30 JUNE 2005**

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	<b>Unaudited Six months to 30.06.2005 RM'000</b>	<b>Unaudited Six months to 30.06.2004 RM'000</b>
<b>CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES</b>		
Cash receipts from customers	527,412	38,946
Cash payments to suppliers	(85,276)	(407,680)
Cash payments to employees and for expenses	(24,507)	(25,478)
Other income	3,045	11,974
	420,674	(382,238)
Cash generated from/( used in) operations	420,674	(382,238)
Taxation paid	(7,407)	(427)
Interest received	464	881
Other payments	(1,026)	(1,731)
	412,705	(383,515)
<b>Net cash from/(used in) operating activities</b>	<b>412,705</b>	<b>(383,515)</b>
<b>CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(1,132)	(2,019)
Net cash outflow from disposal of subsidiary	-	(5,222)
Others	1,200	(1,967)
	68	(9,208)
<b>Net cash from/(used in) investing activities</b>	<b>68</b>	<b>(9,208)</b>
<b>CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES</b>		
Drawdown of bank borrowings	73,476	384,940
Repayment of bank borrowings/redemption of bonds	(494,855)	(110,927)
Interest paid	(22,118)	(44,492)
Others	(266)	-
	(443,763)	229,521
<b>Net cash from /(used in) financing activities</b>	<b>(443,763)</b>	<b>229,521</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(30,990)</b>	<b>(163,202)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD</b>	<b>56,466</b>	<b>178,686</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD (a)</b>	<b>25,476</b>	<b>15,484</b>
	=====	=====
<b>(a) CASH AND CASH EQUIVALENTS</b>		
	<b>Unaudited As at 30.06.2005 RM'000</b>	<b>As at 30.06.2004 RM'000</b>
Deposits, cash and bank balances	25,476	15,846
Bank overdrafts (included in short term borrowings)	-	(362)
	25,476	15,484
<b>Cash and Cash Equivalents at end of the financial period</b>	<b>25,476</b>	<b>15,484</b>

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 30 June 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 30 June 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 772,412,000 ordinary shares of RM1.00 each as at 30 June 2005.

**6 DIVIDEND**

The Directors do not recommend payment of any interim dividend for the financial period ended 30 June 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 30 June 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 30 June 2005 to the date of this announcement which would substantially affect the financial results of the Group for the financial period ended 30 June 2005.

**10 CHANGES IN THE COMPOSITION OF THE GROUP**

For the financial period ended 30 June 2005, the Group did not undertake any material business combinations, 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 SECOND QUARTER ENDED 30 JUNE 2005**

**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 was from the Sistem Maklumat Kastam-Dagang\*Net ("SMK-Dagang\*Net") services by Dagang Net Technologies Sdn Bhd ("DNT"), managed data centre facilities and sales of hardware and software by TIME Quantum Technology Sdn Bhd and other sales by TIME Systems Integrators Sdn Bhd.

The Teaching and Learning of Science and Mathematics in English Programme ("PPSMI") Phase III project undertaken by TIME Systems Integrators Sdn Bhd that was completed in Quarter 1 was the main contributor to the Group's revenue for the six months financial period.

The loss before taxation for the current quarter and current financial period was mainly due to the share of losses of an associate, TIME dotCom Berhad ("TdC").

**14 COMPARISON BETWEEN THE CURRENT QUARTER AND THE IMMEDIATE PRECEDING QUARTER**

The Group's revenue for the current quarter was from the Sistem Maklumat Kastam-Dagang\*Net ("SMK-Dagang\*Net") services by Dagang Net Technologies Sdn Bhd ("DNT"), managed data centre facilities and sales of hardware and software by TIME Quantum Technology Sdn Bhd and other sales by TIME Systems Integrators Sdn Bhd.

The Group's loss continued to be affected by the results of TIME dotCom Berhad ("TdC").

**15 PROSPECTS FOR THE CURRENT FINANCIAL YEAR**

In the effort to increase its revenue stream, the Group is actively seeking new business opportunities as well as to continue to grow its core activities. The Group will further leverage on its experience and relationship with its partners in the PPSMI project to enhance its outsourcing business to both the public and private sector. At the same time the Group will also continue exploring the adoption of new technologies into the service offerings of the Group.

DNT is working closely with the government agencies to complete its offerings under the SMK-Dagang\*Net services. With the agreement that was signed with the Government in the immediate preceding quarter, DNT and the Group are looking into expanding the product offerings along the trade value chain.

**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)/CREDIT**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30.06.2005 RM'000	Preceding year corresponding quarter 30.06.2004 RM'000	Six months to 30.06.2005 RM'000	Six months to 30.06.2004 RM'000
Malaysian taxation				
- Current taxation	(808)	(4,564)	(902)	(5,177)
- Over provision in prior year	-	-	62	-
- Deferred taxation	(2,410)	4,000	(2,410)	4,000
- Share in taxation expense of associates	(64)	(160)	(130)	(307)
- Recovery of tax deducted at source on dividend received from subsidiary companies	121	4,760	121	4,760
	(3,161)	4,036	(3,259)	3,276

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2005**

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

The current taxation expense of RM0.9 million in the current period was provided by profitable subsidiaries. The RM4.8 million in 2004 was amount receivable from Inland Revenue Board in respect of recovery of tax deducted at source on dividend 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 2005.

**19 ACQUISITIONS AND DISPOSALS OF QUOTED SECURITIES**

- a) There were no acquisitions or disposals of quoted securities in the financial period ended 30 June 2005.
- b) Investments in quoted securities included in investment in associates and long term investment are as follows:

Carrying Value as at 30 June 2005 (RM'000)	Market Value as at 30 June 2005 (RM'000)	Market Value as at 22 August 2005 (RM'000)
985,982	535,473	715,000

**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**

	<b>As at 30.06.2005 RM'000</b>
<b>Long Term Borrowings (Secured)</b>	
USD Bonds (including portion due within one year)	224,180
Bank borrowings from domestic banks	516,342
	740,522
	=====
<b>Short Term Borrowings</b>	
Project financing from domestic banks - Phase III (Note 1)	20,000
Bank borrowings from domestic banks	408
	20,408
	=====

Note 1 – Revolving Credit  
 On 5 August 2005, a subsidiary has fully settled its revolving credit facility.

**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.

TIME ENGINEERING BERHAD (10039-P)  
Incorporated in Malaysia

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2005

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

24 EARNINGS/(LOSS) PER SHARE (“EPS”)

	Current year quarter 30.06.2005	Six months to 30.06.2005
Basic EPS		
Net loss attributable to shareholders (RM'000)	(38,782)	(63,340)
Weighted average number of shares ('000)	772,412	771,929
Basic EPS (sen)	(5.0)	(8.2)

The fully diluted earnings per share for the period ended 30 June 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  
25 August 2005

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