



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

UNAUDITED INTERIM FINANCIAL REPORT

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2005

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Incorporated in Malaysia

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I CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30.09.2005 RM'000	Preceding year corresponding quarter 30.09.2004 RM'000	Nine months to 30.09.2005 RM'000	Nine months to 30.09.2004 RM'000
Revenue	19,301	33,839	144,205	430,981
Operating expenses	(19,527)	(30,496)	(130,375)	(409,704)
Other operating income (Note A)	132	22,065	11,830	84,711
(Loss)/Profit from operations	(94)	25,408	25,660	105,988
Interest income	126	77	356	544
Finance costs	(14,697)	(20,246)	(48,904)	(50,831)
Loss on dilution of interest in subsidiary	-	-	-	(14,983)
Share in results of associates	(21,120)	(10,757)	(70,360)	(15,817)
(Loss)/Profit before taxation	(35,785)	(5,518)	(93,248)	24,901
Income tax (expense)/credit	(4,454)	(543)	(7,713)	2,733
(Loss)/Profit after taxation	(40,239)	(6,061)	(100,961)	27,634
Minority interests	(1,109)	(1,079)	(3,727)	(15,674)
Net (loss)/profit attributable to shareholders	(41,348)	(7,140)	(104,688)	11,960
	=====	=====	=====	=====
(Loss)/Earnings per share				
- basic	(5.4) sen	(0.9) sen	(13.6) sen	1.6 sen
- diluted	NA	NA	NA	NA

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	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30.09.2005 RM'000	Preceding year corresponding quarter 30.09.2004 RM'000	Nine months to 30.09.2005 RM'000	Nine months to 30.09.2004 RM'000
(Note A)				
Other operating income comprises the following:				
Debt waiver from creditors of a subsidiary	-	-	-	53,334
Others	132	22,065	11,830	31,377
	<u>132</u>	<u>22,065</u>	<u>11,830</u>	<u>84,711</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"

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I CONDENSED CONSOLIDATED BALANCE SHEET

	Unaudited as at 30.09.2005 RM'000	Audited as at 31.12.2004 RM'000
Property, plant and equipment	13,840	12,096
Investment in associates	794,349	866,101
Long term investments	170,618	170,618
Intangible assets	1,117	1,235
Deferred tax assets	1,126	4,731
	981,050	1,054,781
CURRENT ASSETS		
Inventories	16,678	1,637
Trade receivables and other receivables	59,358	620,197
Deposits, cash and bank balances	97,589	57,123
	173,625	678,957
CURRENT LIABILITIES		
Trade payables	11,239	78,841
Other payables	73,033	41,238
Short term borrowings (Note 21)	465	958,975
Portion of bonds due within one year (Note 21)	114,000	224,177
Provision for taxation	2,831	2,648
	201,568	1,305,879
NET CURRENT LIABILITIES	(27,943)	(626,922)
	953,107	427,859
	=====	=====
FINANCED BY:		
Capital and reserves		
Issued capital	772,412	768,155
Loan stocks	8,469	21,199
Reserves	(465,668)	(369,329)
	315,213	420,025
Shareholders' funds	11,372	7,645
Minority interests	626,522	189
Long term borrowings (Note 21)	953,107	427,859
	=====	=====
Net tangible assets per share (RM)	0.41	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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III 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
Nine months to 30 September 2005 (Unaudited)							
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	-	-	-	-	(104,688)	(104,688)	(104,688)
Interest expense on loan stocks	-	-	-	-	(124)	(124)	(124)
Conversion of loan stocks	4,257	(12,730)	8,473	-	-	8,473	-
Balance at 30 September 2005	772,412	8,469	1,711,376	18,419	(2,195,463)	(465,668)	315,213
Nine months to 30 September 2004 (Unaudited)							
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	-	-	-	-	11,960	11,960	11,960
Interest expense on loan stocks	-	-	-	-	(207)	(207)	(207)
Conversion of loan stocks	24	(71)	47	-	-	47	-
Balance at 30 September 2004	765,053	14,157	1,696,731	18,419	(1,698,197)	16,953	796,163

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.

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IV CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Nine months to 30.09.2005 RM'000	Unaudited Nine months to 30.09.2004 RM'000
CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES		
Cash receipts from customers	638,646	60,883
Cash payments to suppliers	(91,167)	(426,662)
Cash payments to employees and for expenses	(36,873)	(32,712)
Other income	3,890	13,014
	514,496	(385,477)
Cash generated from/(used in) operations		
Taxation paid	(8,470)	(506)
Interest received	741	831
Other payments	(1,198)	(187)
	505,569	(385,339)
CASH FLOW USED IN INVESTING ACTIVITIES		
Additions to property, plant and equipment	(1,846)	(3,679)
Proceeds from disposal of property, plant and equipment	14	-
Net cash outflow from disposal of subsidiary	-	(5,222)
Others	1,200	(1,117)
	(632)	(10,018)
CASH FLOW (USED IN)/FROM FINANCING ACTIVITIES		
Drawdown of bank borrowings	73,476	393,471
Repayment of bank borrowings/redemption of bonds	(514,975)	(112,388)
Interest paid	(22,221)	(50,686)
Others	(271)	-
	(463,991)	230,397
NET CHANGE IN CASH AND CASH EQUIVALENTS	40,946	(164,960)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	56,466	178,686
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD (a)	97,412	13,726
	=====	=====
(a) CASH AND CASH EQUIVALENTS		
	Unaudited As at 30.09.2005 RM'000	Unaudited As at 30.09.2004 RM'000
Deposits, cash and bank balances	97,589	14,454
Bank overdrafts (included in short term borrowings)	(177)	(728)
	97,412	13,726

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 September 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 September 2005 other than as follows:

- 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 September 2005.

6 DIVIDEND

The Directors do not recommend payment of any interim dividend for the financial period ended 30 September 2005 (2004: Nil).

UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2005

PART A – EXPLANATORY NOTES PURSUANT TO FRS134, PARAGRAPH 16

7 SEGMENTAL INFORMATION

There is no segmental reporting for the financial period ended 30 September 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 September 2005 to the date of this announcement which would substantially affect the financial results of the Group for the financial period ended 30 September 2005.

10 CHANGES IN THE COMPOSITION OF THE GROUP

For the financial period ended 30 September 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 THIRD QUARTER ENDED 30 SEPTEMBER 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 ("TQT") and other sales by TIME Systems Integrators Sdn Bhd ("TSI").

The Teaching and Learning of Science and Mathematics in English Programme ("PPSMI") Phase III project undertaken by TSI that was completed in Quarter 1 was the main contributor to the Group's revenue for the nine months financial period. TSI is currently finalizing the negotiation on the PPSMI Phase IV project.

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") and finance costs.

14 COMPARISON BETWEEN THE CURRENT QUARTER AND THE IMMEDIATE PRECEDING QUARTER

The revenue for the current quarter of RM19.3 million is an increase of 26% as compared to the immediate preceding quarter of RM15.3 million. The increase was mainly due to higher sales recorded by Dagang Net Technologies Sdn Bhd, TIME Systems Integrators Sdn Bhd and TIME Quantum Technology Sdn Bhd.

The loss before taxation for the current quarter was RM35.8 million compared to RM34.5 million for the immediate preceding quarter.

15 PROSPECTS FOR THE CURRENT FINANCIAL YEAR

The Group continues to actively seek new business opportunities as well as grow its core activities. The PPSMI Phase IV project is expected to contribute to improve the performance of the Group for the remaining period of the year.

In addition, leveraging on its experience and relationship with its partners in the PPSMI project, the Group will continue to enhance its outsourcing business to both the public and private sectors. 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. In addition, 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.

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

17 INCOME TAX (EXPENSE)/CREDIT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30.09.2005 RM'000	Preceding year corresponding quarter 30.09.2004 RM'000	Nine months to 30.09.2005 RM'000	Nine months to 30.09.2004 RM'000
Malaysian taxation				
- Current taxation	(2,446)	(537)	(3,348)	(5,714)
- Over provision in prior year	(756)	-	(694)	-
- Deferred taxation	(1,190)	-	(3,600)	4,000
- Share in taxation expense of associates	(62)	(6)	(192)	(313)
- Recovery of tax deducted at source on dividend received from subsidiary companies	-	-	121	4,760
	(4,454)	(543)	(7,713)	2,733

The current taxation expense of RM3.3 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 September 2005.

19 ACQUISITIONS AND DISPOSALS OF QUOTED SECURITIES

a) There were no acquisitions or disposals of quoted securities in the financial period ended 30 September 2005.

b) Investments in quoted securities included in investment in associates and long term investment as at 30 September 2005 are as follows:

	At cost 30 September 2005 (RM'000)	Carrying Value 30 September 2005 (RM'000)	Market Value 30 September 2005 (RM'000)	Market Value 14 November 2005 (RM'000)
Other investments	1,579,651	957,021	796,226	664,058
Ranhill Power Berhad (Note 1)	10,097	7,779	7,188	-
	1,589,748	964,800	803,414	664,058

Note 1

The investment in Ranhill Power Berhad was disposed of on 10 October 2005 for a consideration of RM7.9 million resulting in a gain of RM0.1 million.

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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

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

21 GROUP BORROWINGS AND DEBT SECURITIES

	As at 30.09.2005 RM'000
Long Term Borrowings (Secured)	
USD Bonds (including portion due within one year)	224,180
Bank borrowings from domestic banks	516,342
	740,522
	=====
Short Term Borrowings	
Bank borrowings from domestic banks	465
	740,987
	=====

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.

24 EARNINGS/(LOSS) PER SHARE (“EPS”)

	Current year quarter 30.09.2005	Preceding year corresponding quarter 30.09.2004	Nine months to 30.09.2005	Nine months to 30.09.2004
Earnings/(Loss) Per Share				
Net (loss)/profit attributable to shareholders (RM'000)	(41,348)	(7,140)	(104,688)	11,960
Weighted average number of shares ('000)	772,412	765,053	772,093	765,049
Basic (loss)/earnings per share (sen)	(5.4)	(0.9)	(13.6)	1.6

The fully diluted earnings per share for the period ended 30 September 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.

By Order of the Board

Kuala Lumpur
21 November 2005

SAPIAH JAMALUDIN (MAICSA 0807355)
Secretary