



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

UNAUDITED FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2005

TIME ENGINEERING BERHAD
(10039-P)
Incorporated in Malaysia

UNAUDITED FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2005

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I CONDENSED CONSOLIDATED INCOME STATEMENT

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current year quarter 31.12.2005 RM'000	Preceding year corresponding quarter 31.12.2004 RM'000	Twelve months to 31.12.2005 RM'000	Twelve months to 31.12.2004 RM'000
1.	(a) Revenue	29,728	13,096	173,933	444,077
	(b) Operating expenses	(26,723)	(22,481)	(157,098)	(432,185)
	(c) Impairment loss on investments	(123,429)	-	(123,429)	-
	(d) Other operating income/(charges) (Note A)	(4,685)	1,523	7,145	86,234
	(e) (Loss)/Profit from operations	(125,109)	(7,862)	(99,449)	98,126
	(f) Interest income	246	82	602	626
	(g) Finance costs	(14,611)	(20,427)	(63,515)	(71,258)
	(h) Gain on disposal of investment	136	-	136	-
	(i) Loss on dilution of interest in subsidiary	(906)	-	(906)	(14,983)
	(j) Share in results of associates	(20,463)	(355,732)	(90,823)	(371,549)
	(k) Loss before taxation	(160,707)	(383,939)	(253,955)	(359,038)
	(l) Income tax credit/(expense)	101	6,011	(7,612)	8,744
	(m) Loss after taxation	(160,606)	(377,928)	(261,567)	(350,294)
	(n) Minority interests	(746)	(1,163)	(4,473)	(16,837)
	(o) Net loss attributable to shareholders	(161,352)	(379,091)	(266,040)	(367,131)
		=====	=====	=====	=====
2.	Earnings/(Loss) per share (Note 25)				
	(a) Basic	(20.9) sen	(51.3) sen	(34.5) sen	(49.8) sen
	(b) Diluted	NA	NA	NA	NA

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	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31.12.2005 RM'000	Preceding year corresponding quarter 31.12.2004 RM'000	Twelve months to 31.12.2005 RM'000	Twelve months to 31.12.2004 RM'000
(Note A)				
Other operating income comprises the following:				
Debt waiver from creditors of a subsidiary	-	-	-	53,334
Other income/(charges)	(4,685)	1,523	7,145	32,900
	<u>(4,685)</u>	<u>1,523</u>	<u>7,145</u>	<u>86,234</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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II CONDENSED CONSOLIDATED BALANCE SHEET

	Unaudited as at 31.12.2005 RM'000	Audited as at 31.12.2004 RM'000
1. Property, plant and equipment	14,653	12,096
2. Investment in associates	773,643	866,101
3. Other investments	40,299	170,618
4. Intangible assets	1,076	1,235
5. Deferred tax assets	731	4,731
	830,402	1,054,781
6. CURRENT ASSETS		
Inventories	10,728	1,637
Trade and other receivables	70,979	620,197
Deposits, cash and bank balances	88,441	57,123
	170,148	678,957
7. CURRENT LIABILITIES		
Trade and other payables	56,919	120,079
Short term borrowings (Note 22)	1,820	958,975
Portion of bonds due within one year (Note 22)	108,940	224,177
Provision for taxation	429	2,648
	168,108	1,305,879
NET CURRENT ASSETS/(LIABILITIES)	2,040	(626,922)
	832,442	427,859
	=====	=====
8. SHAREHOLDERS' FUNDS:		
Issued capital	775,245	768,155
Loan stocks	-	21,199
Reserves	(621,424)	(369,329)
Capital and Reserves	153,821	420,025
9. Minority interests	12,405	7,645
10. Long term borrowings (Note 22)	665,623	189
11. Deferred tax liabilities	593	-
	832,442	427,859
	=====	=====
12. Net assets per share (RM)	0.21	0.56
	=====	=====

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
Twelve months to 31 December 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 year	-	-	-	-	(266,040)	(266,040)	(266,040)
Interest expense on loan stocks	-	-	-	-	(164)	(164)	(164)
Conversion of loan stocks	7,090	(21,199)	14,109	-	-	14,109	-
Balance at 31 December 2005	775,245	-	1,717,012	18,419	(2,356,855)	(621,424)	153,821
Twelve months to 31 December 2004 (Audited)							
Balance at 1 January 2004	765,029	14,228	1,696,684	18,419	(1,709,950)	5,153	784,410
Net loss for the year	-	-	-	-	(367,131)	(367,131)	(367,131)
Interest expense on loan stocks	-	-	-	-	(596)	(596)	(596)
Disposal of Loan Stock held by subsidiaries	-	16,316	-	-	(12,974)	(12,974)	3,342
Conversion of loan stocks	3,126	(9,345)	6,219	-	-	6,219	-
Balance at 31 December 2004	768,155	21,199	1,702,903	18,419	(2,090,651)	(369,329)	420,025

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 Twelve months to 31.12.2005 RM'000	Audited Twelve months to 31.12.2004 RM'000
CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES		
Cash receipts from customers	653,103	79,264
Cash payments to suppliers	(94,765)	(439,826)
Cash payments to employees and for expenses	(49,076)	(38,191)
	509,262	(398,753)
Cash generated from/(used in) operations	509,262	(398,753)
Taxation refunded/(paid)	(9,074)	5,126
Interest received	1,493	897
	501,681	(392,730)
Net cash from/(used in) operating activities	501,681	(392,730)
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(6,519)	(4,743)
Proceeds from disposal of property, plant and equipment	19	2,122
Proceeds from disposal of quoted investments	7,914	3,342
Capital repayments	1,200	169,798
Dividend received	1,001	-
Net cash outflow from disposal of subsidiary	-	(5,222)
Others	-	(3,787)
	3,615	161,510
Net cash from investing activities	3,615	161,510
CASH FLOW (USED IN)/FROM FINANCING ACTIVITIES		
Drawdown of bank borrowings	75,972	414,741
Repayment of bank borrowings/redemption of bonds	(522,301)	(204,625)
Repayment of lease payables	-	(1,500)
Interest paid	(26,596)	(99,616)
Dividend paid by subsidiary to minority shareholders	(447)	-
	(473,372)	109,000
Net cash (used in)/ from financing activities	(473,372)	109,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	31,924	(122,220)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	56,466	178,686
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR (a)	88,390	56,466
	=====	=====

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(a) CASH AND CASH EQUIVALENTS

	Unaudited As at 31.12.2005 RM'000	Audited As at 31.12.2004 RM'00
Deposits, cash and bank balances		
- Available	61,292	57,123
- Restricted	27,149	-
	88,441	57,123
Bank overdrafts (included in short term borrowings)	(51)	(657)
	88,390	56,466
Cash and Cash Equivalents at end of the financial year	88,390	56,466

In the previous financial year, the condensed Consolidated Cash Flow Statement was prepared under the Indirect Method. For the current financial year, 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.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2005

PART A – EXPLANATORY NOTES PURSUANT TO FRS134, PARAGRAPH 16

1 ACCOUNTING POLICIES

The quarterly consolidated financial statements have been prepared in accordance with FRS134₂₀₀₄, 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 December 2005 does not have any material changes in estimates reported in the previous quarter.

5 DEBT AND EQUITY SECURITIES

The Group did not undertake any other issuance and/or repayment of debts and equity securities, share buy-back, cancellations, repurchases, shares held as treasury shares and resale of treasury shares for the current financial year ended 31 December 2005 except for:

(a) Conversion of Loan Stocks

The Company allotted and issued 7,090,000 new ordinary shares of RM1.00 each pursuant to the conversion of RM21,199,000 of the Company’s Irredeemable Convertible Unsecured Loan Stocks 2000/2005 (“Loan Stocks”) at the conversion price of RM2.99 per new ordinary share by tendering RM2.99 nominal value of Loan Stocks for every new ordinary shares of RM1.00 each. As a result of the conversion, the enlarged issued and paid up share capital of the Company has increased to 775,245,000 ordinary shares of RM1.00 each as at 31 December 2005. The Loan Stocks were fully converted to ordinary shares as at 31 December 2005.

(b) USD Bonds

The Company made a partial early redemption of its USD Bond due on 30 June 2006 amounting to RM4.5 million.

6 DIVIDEND

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

7 SEGMENTAL INFORMATION

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

PART A – EXPLANATORY NOTES PURSUANT TO FRS134, PARAGRAPH 16

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

10 CHANGES IN THE COMPOSITION OF THE GROUP

For the financial year ended 31 December 2005, the Group did not undertake any other material business combinations, acquisitions or disposals of subsidiaries and long term investments, restructuring or discontinuing of operations except for the dilution in the effective interest in a subsidiary, Dagang Net Technologies Sdn Bhd (“DNT”) from 63.3% to 60.2% following the transfer of shares to an original promoter of DNT pursuant to the Shareholders Agreement dated 10 April 1992.

11 CONTINGENT LIABILITIES

There were no material contingent liabilities as at the date of this announcement since the preceding financial year ended 31 December 2005.

12 CAPITAL COMMITMENTS

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

13 EXCEPTIONAL ITEMS

There were no other items affecting assets, liabilities, equity, net income, or cash flows that were unusual because of their nature, size and incidence in the current year other than the impairment loss on investments of RM123 million.

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

14 COMPARISON BETWEEN THE CURRENT QUARTER AND THE IMMEDIATE PRECEDING QUARTER

The revenue for the current quarter of RM29.7 million is an increase of 53.9% compared to the immediate preceding quarter of RM19.3 million. The increase was mainly due to higher sales recorded by TIME Systems Integrators Sdn Bhd (“TSI”).

The loss before taxation for the current quarter was RM160.7 million compared to RM35.8 million for the immediate preceding quarter. The higher loss was mainly due to the impairment loss on investments of RM123.4 million.

15 PERFORMANCE REVIEW FOR THE CURRENT QUARTER AND YEAR-TO-DATE

The revenue for the current quarter was RM29.7 million compared to RM13.1 million in the preceding year corresponding quarter. The higher revenue for the current quarter was mainly due to the improvements in the revenue from TSI and Sistem Maklumat Kastam-Dagang*Net (“SMK-Dagang*Net”) services by DNT.

The Group’s revenue for the current year was RM173.9 million compared to the preceding year of RM444.1 million. The revenue for 2005 was mainly contributed by the Teaching and Learning of Science and Mathematics in English Programme (“PPSMI”) Phase III project of RM98 million undertaken by TSI and SMK-Dagang*Net services of RM55 million. The higher revenue recorded in 2004 was mainly due to the contract value from Phase II of RM368.5 million.

The Group posted current quarter loss before income tax of RM160.7 million compared to RM383.9 million in the corresponding quarter of 2004. The loss for the current quarter was mainly due to the impairment loss on investment, share of losses of associate, TIME dotcom Bhd (“TdC”) and finance costs. However, the Group posted a lower loss mainly due to the lower share of losses of TdC resulting from the change in its depreciation method that was effected in the fourth quarter of 2004.

The Group’s loss before income tax for the current year was RM253.9 million compared to RM359.0 million in the preceding year. The lower loss was mainly due to the improvement in results of the ICT business and associate. However, the Group’s loss for the year was affected by the impairment loss in value of other investments.

16 PROSPECTS FOR THE FINANCIAL YEAR 2006

The Group is expected to improve its operational performance in 2006 with the contribution from PPSMI Phase IV project and the enhancement of outsourcing business to both the public and private sectors. In addition, DNT is expected to complete its major offerings under the SMK-Dagang*Net services and continue to expand its product offerings along the trade and logistics value chain. With the nation wide expansion of SMK-Dagang*Net, DNT is expected to sustain the current growth in revenue.

17 VARIANCE FOR ACTUAL AND FORECAST PROFIT

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

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

18 INCOME TAX CREDIT/(EXPENSE)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31.12.2005 RM'000	Preceding year corresponding quarter 31.12.2004 RM'000	Twelve months to 31.12.2005 RM'000	Twelve months to 31.12.2004 RM'000
Malaysian taxation				
- Current taxation	(481)	(1,422)	(3,829)	(7,136)
- Over provision in prior years	1,508	3,756	814	3,756
- Deferred taxation	(993)	731	(4,593)	4,731
- Share in taxation expense of associates	(243)	(284)	(435)	(597)
- Recovery of tax deducted at source on dividend received from subsidiary companies	310	3,230	431	7,990
	101	6,011	(7,612)	8,744

The current taxation expense of RM3.8 million in the current period was provided by profitable subsidiaries.

19 DISPOSAL OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

Total loss on disposal of unquoted investment (note 10) is as follows:-

	Current year quarter 31.12.2005 RM'000	Twelve months to 31.12.2005 RM'000
Total loss on disposal	906	906

20 ACQUISITIONS AND DISPOSALS OF QUOTED SECURITIES

a) Total disposal of quoted securities in the current financial year is as follows:

	Current year quarter 31.12.2005 RM'000	Twelve months to 31.12.2005 RM'000
Total sales proceeds	7,914	7,914
Total profit on disposal	136	136

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

20. ACQUISITIONS AND DISPOSALS OF QUOTED SECURITIES (CONTINUED)

b) Investments in quoted securities included in investment in associates and long term investment as at 31 December 2005 are as follows

	At cost 31 December 2005 (RM'000)	Carrying Value 31 December 2005 (RM'000)	Market Value 31 December 2005 (RM'000)	Market Value 20 February 2006 (RM'000)
Other investments	163,704	40,269	40,269	56,116
Investment in associate	1,184,065	773,510	520,714	565,994

21 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.

22 GROUP BORROWINGS AND DEBT SECURITIES

	As at 31.12.2005 RM'000
Long Term Borrowings (Secured)	
USD Bonds :	
- portion due within one year	108,940
- portion due after one year	109,600
Bank borrowings from domestic banks (including accrued interest)	556,023
	<hr/> 774,563
Short Term Borrowings (Secured)	
Bank borrowings from domestic banks	1,820
	<hr/> 776,383 =====

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/(LOSS) PER SHARE (“EPS”)

	Current year quarter 31.12.2005	Preceding year corresponding quarter 31.12.2004	Twelve months to 31.12.2005	Twelve months to 31.12.2004
Earnings/(Loss) Per Share				
Net loss attributable to shareholders (RM'000)	(161,352)	(379,091)	(266,040)	(367,131)
Other movements in accumulated losses as per Statement of Changes in Equity (RM'000)	(40)	(13,363)	(164)	(13,570)
	-----	-----	-----	-----
Weighted average number of shares ('000)	(161,392)	(392,454)	(266,204)	(380,701)
Basic loss per share (sen)	772,506 (20.9)	765,739 (51.3)	772,194 (34.5)	765,221 (49.8)

The fully diluted earnings per share for the year ended 31 December 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.

Kuala Lumpur
28 February 2006

By Order of the Board

SAPIAH JAMALUDIN (MAICSA 0807355)
Secretary