



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

UNAUDITED INTERIM QUARTERLY REPORT

ON CONSOLIDATED RESULTS

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2006

TIME ENGINEERING BERHAD (10039-P)
Incorporated in Malaysia

**UNAUDITED INTERIM QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2006**

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THE FIGURES HAVE NOT BEEN AUDITED

I CONDENSED CONSOLIDATED INCOME STATEMENT

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current year quarter 30.09.2006 RM'000	Preceding year corresponding quarter 30.09.2005 (As restated) RM'000	Nine months to 30.09.2006 RM'000	Nine months to 30.09.2005 (As restated) RM'000
1.	(a) Revenue	24,863	19,301	319,847	144,205
	(b) Cost of sales	(11,182)	(8,040)	(226,637)	(89,419)
	(c) Gross profit	13,681	11,261	93,210	54,786
	(d) Other income	1,114	258	7,258	12,186
	(e) Expenses	(10,601)	(11,487)	(64,676)	(40,956)
	(f) Finance cost	(15,834)	(14,697)	(46,180)	(48,904)
	(g) (Loss)/gain on disposal of investments	(28)	-	53,803	-
	(h) Share of results of associate	(18,697)	(21,182)	(55,030)	(70,552)
	(i) Loss before income tax	(30,365)	(35,847)	(11,615)	(93,440)
	(j) Income tax (Note 19)	178	(4,392)	3,021	(7,521)
	(k) Loss for the period	(30,187)	(40,239)	(8,594)	(100,961)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
		=====	=====	=====	=====
		Attributable to:			
	(l) Equity holders of the parent	(31,996)	(41,348)	(13,384)	(104,688)
	(m) Minority interests	1,809	1,109	4,790	3,727
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
		(30,187)	(40,239)	(8,594)	(100,961)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
		=====	=====	=====	=====
2.	Loss per share based on 1. (l) above (Note 26)				
	(a) Basic	(4.1) sen	(5.4) sen	(1.7) sen	(13.6) sen
	(b) Diluted	NA	NA	NA	NA

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2005.

Note: NA denotes "Not Applicable"

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II CONDENSED CONSOLIDATED BALANCE SHEET

	Unaudited as at 30.09.2006 RM'000	Audited as at 31.12.2005 (As restated) RM'000
ASSETS		
1. Non-current assets		
Property, plant and equipment	9,582	11,015
Investment property	578	581
Investment in associate s	702,461	773,643
Other investments	30	40,299
Goodwill	971	971
Intangible assets	4,119	3,162
Deferred tax assets	731	731
Non-current bank deposits	6,115	7,561
	724,587	837,963
2. Current asset		
Inventories	2,577	10,728
Trade and other receivables	49,603	53,773
Tax recoverable	17,357	17,206
Cash and bank balances	103,620	80,880
	173,157	162,587
Total Assets	897,744	1,000,550
EQUITY AND LIABILITIES		
3. Equity attributable to equity holders of the parent:		
Share capital	775,245	775,245
Reserves	(634,808)	(621,424)
Capital and Reserves	140,437	153,821
4. Minority interests	15,447	12,405
Total equity	155,884	166,226
5. Non-current liabilities		
Long term borrowings	-	665,623
Deferred tax liabilities	593	593
	593	666,216
6. Current liabilities		
Trade and other payables	44,589	56,919
Short term borrowings	-	1,820
Bonds and long term borrowings due within one year (Note 23)	696,188	108,940
Tax payable	490	429
	741,267	168,108
Total liabilities	741,860	834,324
Total equity and liabilities	897,744	1,000,550
7. Net assets per share attributable to ordinary equity holders of the parent (RM)	0.18	0.20

The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2005.

**UNAUDITED INTERIM QUARTERLY REPORT ON CONSOLIDATED RESULTS
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III CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Nine months to 30.09.2006 RM'000	Unaudited Nine months to 30.09.2005 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Cash receipts from customers	321,966	638,646
Cash payments to suppliers	(232,237)	(91,167)
Cash payments to employees and for expenses	(58,653)	(34,181)
	<hr/>	<hr/>
Cash generated from operations	31,076	513,298
Taxation refunded/(paid)	2,930	(8,470)
Interest received	1,889	741
	<hr/>	<hr/>
Net cash from operating activities	35,895	505,569
CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES		
Additions to property, plant and equipment	(3,361)	(1,846)
Proceeds from disposal of property, plant and equipment	6	14
Proceeds from disposal of quoted investments	109,633	-
Capital repayment from associate company	95	1,200
	<hr/>	<hr/>
Net cash from/(used in) investing activities	106,373	(632)
CASH FLOW USED IN FINANCING ACTIVITIES		
Drawdown of bank borrowings	199,628	73,476
Repayment of bank borrowings/redemption of bonds	(306,284)	(514,975)
Interest paid	(12,626)	(22,221)
Dividend paid by a subsidiary to minority shareholders	(1,641)	-
Others	-	(271)
	<hr/>	<hr/>
Net cash used in financing activities	(120,923)	(463,991)
	<hr/>	<hr/>
Net Change in Cash and Cash Equivalents	21,345	40,946
Cash and Cash Equivalents as at beginning of financial period	88,390	56,466
	<hr/>	<hr/>
Cash and Cash Equivalents as at end of financial period	(a) 109,735	97,412
	<hr/> <hr/>	<hr/> <hr/>

(a) **Cash and Cash Equivalents comprise the following amounts:**

	Unaudited As at 30.09.2006 RM'000	Unaudited As at 30.09.2005 RM'000
Non-current bank deposits – restricted	6,115	7,524
Deposits, cash and bank balances		
- Unrestricted	100,421	90,047
- Restricted	3,199	18
	<hr/>	<hr/>
Cash and Cash Equivalents at end of the financial period	109,735	97,589
Bank overdrafts (included in short term borrowings)	-	(177)
	<hr/>	<hr/>
	109,735	97,412
	<hr/> <hr/>	<hr/> <hr/>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2005.

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IV CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

In RM'000	← Equity attributable to equity holders of the parent →					Total	Minority interests	Total equity
	← Non-distributable →							
	<u>Share Capital</u>	<u>Loan Stock</u>	<u>Share Premium</u>	<u>Other Reserves</u>	<u>Accumulated Losses</u>			
Nine months to 30 September 2006 (Unaudited)								
Balance as at 1 January 2006	775,245	-	1,717,012	18,419	(2,356,855)	153,821	12,405	166,226
(Loss)/profit for the period	-	-	-	-	(13,384)	(13,384)	4,790	(8,594)
Total recognised income and expense for the period	-	-	-	-	(13,384)	(13,384)	4,790	(8,594)
Dividend paid by subsidiary to minority interests	-	-	-	-	-	-	(1,641)	(1,641)
Capital distribution by subsidiary to minority interest	-	-	-	-	-	-	(107)	(107)
Balance as at 30 September 2006	775,245	-	1,717,012	18,419	(2,370,239)	140,437	15,447	155,884
Nine months to 30 September 2005 (Unaudited)								
Balance as at 1 January 2005	768,155	21,199	1,702,903	18,419	(2,090,651)	420,025	7,645	427,670
Interest expense on loan stocks	-	-	-	-	(124)	(124)	-	(124)
Expense recognised directly in equity	-	-	-	-	(124)	(124)	-	(124)
(Loss)/profit for the period	-	-	-	-	(104,688)	(104,688)	3,727	(100,961)
Total recognised income and expense for the period	-	-	-	-	(104,812)	(104,812)	3,727	(101,085)
Issue of shares: Conversion of loan stocks	4,257	(12,730)	8,473	-	-	-	-	-
Balance as at 30 September 2005	772,412	8,469	1,711,376	18,419	(2,195,463)	315,213	11,372	326,585

The Condensed Consolidated Statement of Changes in Total Equity should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2005.

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PART A – EXPLANATORY NOTES PURSUANT TO FRS134, PARAGRAPH 16

V NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The notes to the condensed Consolidated Financial Statements should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2005.

1 BASIS OF PREPARATION

The quarterly consolidated financial statements have been prepared in accordance with Financial Reporting Standard (FRS)134²⁰⁰⁴, *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (MASB) 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 2005. The accounting policies, methods 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 2005, except for the accounting policy changes arising from the adoption of the new and revised FRS effective from 1 January 2006. Where applicable the comparatives have been restated as a result of the changes in accounting policies upon adoption of the new/revised FRS as set out in Note 2.

2 CHANGES IN ACCOUNTING POLICIES

The MASB has issued a number of new and revised FRS that are effective for accounting periods beginning on or after 1 January 2006 as disclosed below:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of FRS 2, 3, 5, 102, 108, 110, 116, 121, 127, 128, 131, 132, 133 and 136 does not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the other new/revised FRSs are discussed below :-

(a) FRS 2, Share-based Payment

This FRS requires an entity to recognise sharebased payment transactions in its financial statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the entity or entity’s parent or another entity in the same group as the entity. This policy has no material financial impact to the Group in the interim financial period.

(b) FRS 3, Business Combination

In accordance with FRS 3, the Group no longer amortises positive goodwill. Such goodwill is tested annually for impairment and impairment losses are recognised when the carrying value of the cash generating unit to which the goodwill has been allocated exceeds its recoverable amount.

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PART A – EXPLANATORY NOTES PURSUANT TO FRS134, PARAGRAPH 16

(b) FRS 3, Business Combination (cont'd)

The new policy in respect of positive goodwill has been applied prospectively in accordance with the transitional arrangements under FRS 3. As a result, comparative amounts have not been restated, the cumulative amount of amortisation as of 1 January 2006 has been offset against the cost of goodwill and no amortisation charge for goodwill has been recognised in the income statement for the nine months ended 30 September 2006. This has increased the Group's profit after tax for the nine months ended 30 September 2006 by RM40,500.

The adoption of the new FRS 3 will result in any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisition (previously referred to as negative goodwill arising from acquisition), after reassessment, being recognised immediately in the income statement as it arises.

The change in policy relating to negative goodwill had no effect on the interim financial report as there was no negative goodwill deferred as at 31 December 2005.

(c) FRS 101, Presentation of Financial Statements

The adoption of the revised FRS 101 requires changes in the presentation of minority interests, share of net after tax results of associates and other disclosures in the consolidated income statement.

In the consolidated balance sheet, minority interests are now presented within total equity, separately from the equity attributable to the equity holders of the parent whilst in the consolidated income statement the minority interests are presented as an allocation of the total profit or loss for the period between the minority interests and the equity holders of the parent.

FRS also requires disclosure, on the face of the statement of changes in equity, total recognized income and expense for the period, showing separately the amounts attributable to equity holders of the parent and to minority interests.

In the consolidated balance sheet also, cash and cash equivalents which are restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date are now reclassified as non-current assets as at the balance sheet date as follows:

	As at 31.12.2005 Audited RM'000	Adjustment RM'000	As at 31.12.2005 As restated RM'000
Non-current assets			
Non-current bank deposits	-	7,561	7,561
Current Assets			
Cash and bank balances	88,441	(7,561)	80,880

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101 with the comparatives restated to conform with the current period's presentation.

(d) FRS 138, Intangible Assets and FRS 140, Investment Property

With the adoption of FRS 138, the Group has reclassified certain acquired computer software and licenses that do not form an integral part of the related hardware as intangible assets from property, plant and equipment ("PPE").

Likewise, with the adoption of FRS 140, the Group has reclassified property held for capital gain or rental purposes from PPE to Investment Properties. The investment properties are measured initially at cost, including transaction costs.

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PART A – EXPLANATORY NOTES PURSUANT TO FRS134, PARAGRAPH 16

(d) **FRS 138, Intangible Assets and FRS 140, Investment Property(cont'd)**

Following initial recognition, investment properties are carried at cost less any accumulated depreciation and accumulated impairment losses. Freehold land is not depreciated. Investment properties carried at cost are depreciated over the estimated economic useful life.

The presentation in the consolidated balance sheet for the comparative period has been restated accordingly as follows:

	As at 31.12.2005 Audited RM'000	Adjustment RM'000	As at 31.12.2005 As restated RM'000
Property, plant & equipment	14,653	(3,638)	11,015
Investment property	-	581	581
Intangible assets – others	105	3,057	3,162

3 AUDIT REPORT IN RESPECT OF THE 2005 FINANCIAL STATEMENTS

The audit report on the Group's financial statements for the year ended 31 December 2005 was not qualified.

4 SEASONAL OR CYCLICAL FACTORS

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

5 UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no other items affecting assets, liabilities, equity, net income, or cash flows that were unusual because of their nature, size or incidence in the current financial period except as disclosed below:

	Individual Quarter		Cumulative Quarter	
	Current	Preceding	Nine months	Nine months
	year quarter	corresponding	to	to
	30.09.2006	quarter	30.09.2006	30.09.2005
	RM'000	RM'000	RM'000	RM'000
(Loss)/gain on disposal of investments (quoted shares)	(28)	-	53,803	-

6 MATERIAL CHANGES IN ESTIMATES USED

There were no changes in estimates of amounts reported in prior interim periods of the current financial period or prior financial years that have a material effect to the financial statements of the current period.

7 DEBT AND EQUITY SECURITIES

The Group did not undertake any other issuance and/or repayment of debt and equity securities, share buy-backs, cancellations, repurchases, shares held as treasury shares and resale of treasury shares for the current financial period ended 30 September 2006 except that the Company had made a prepayment on 31 March 2006 towards the redemption amount of USD28.82 million that were due to the USD Bondholders on 30 June 2006. The repayment of the debt will result in a savings of interest of approximately RM8.0 million annually.

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PART A – EXPLANATORY NOTES PURSUANT TO FRS134, PARAGRAPH 16

8 DIVIDEND

The Directors do not recommend payment of any interim dividend for the financial period ended 30 September 2006 (2005: Nil).

9 SEGMENTAL INFORMATION

There is no segmental reporting for the financial period ended 30 September 2006, as the Group's activity is carried out within Malaysia and is operated within the Information Communications & Technologies' industry.

10 VALUATION OF 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.

11 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 2006 to the date of this announcement which would substantially affect the financial results of the Group for the financial period ended 30 September 2006.

12 CHANGES IN THE COMPOSITION OF THE GROUP

For the financial period ended 30 September 2006, the Group did not undertake any other material business combinations, acquisitions or disposals of subsidiaries and long term investments, restructuring or discontinued operations except as stated below :

- (a) Shares in TIME dotCom Berhad
The Company has disposed of 2,565,000 ordinary shares of RM1.00 each in TIME dotCom Berhad ("TdC") in the open market for a total consideration of RM12.9 million. Following the disposal, the shareholding in TdC has been reduced from 44.73% to 43.79%.
- (b) Shares in UEM World Berhad
The Company has disposed of its entire 115,731,528 ordinary shares of RM1.00 each in UEM World Berhad ("UEMW") in the open market for a total consideration of RM96.7 million. Following the disposal, TIME has ceased to be a shareholder of UEMW.

13 CONTINGENT LIABILITIES

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

14 CAPITAL COMMITMENTS

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

**UNAUDITED INTERIM QUARTERLY REPORT ON CONSOLIDATED RESULTS
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PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BMSB

15 COMPARISON BETWEEN THE CURRENT QUARTER AND THE IMMEDIATE PRECEDING QUARTER

The Group recorded revenue of RM24.9 million for the third quarter compared to RM115.7 million in the second quarter. The revenue for both quarters were mainly contributed by the Teaching and Learning of Science and Mathematics in English Programme (“PPSMI”) Phase IV project undertaken by TIME Systems Integrators Sdn Bhd (“TSI”) and SMK-Dagang* Net services. The revenue for the third quarter is lower than the second quarter mainly due to substantial completion of PPSMI contract in the second quarter.

The Group recorded a loss before tax of RM30.4 million in the third quarter compared to RM21.8 million in the second quarter. The Group recorded lower earnings from the business operations in the third quarter as a result of substantial completion of PPSMI in the preceding quarter. The results of both periods were affected by the share of losses of associate and financing cost.

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

The Group recorded an improvement in the results for the current quarter and year-to-date ended 30 September 2006 compared to the corresponding quarter and year-to-date ended 30 September 2005. The Group's revenue for the current year-to-date increased to RM319.8 million compared to RM144.2 million in the preceding year mainly due to the PPSMI Phase IV contract value as well as increase in revenue from SMK-Dagang*Net services.

The Group recorded a year-to-date loss before tax of RM11.6 million compared to RM93.4 million in the corresponding period of 2005. The results for the current year-to-date period include a gain on disposal of investments of RM53.8 million. The Group also recorded higher earnings from the business operations in the current year-to-date period as a result of the higher revenue recorded in the current period. The results of both periods were also affected by the share of losses of associate and financing cost.

17 PROSPECTS FOR THE FINANCIAL YEAR 2006

The Group's results for the remaining three months is expected to improve with projected earnings from PPSMI and SMK-Dagang*Net services.

18 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

19 INCOME TAX

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30.09.2006 RM'000	Preceding year corresponding quarter 30.09.2005 (As restated) RM'000	Nine months to 30.09.2006 RM'000	Nine months to 30.09.2005 (As restated) RM'000
Malaysian taxation				
- Current taxation	34	(2,446)	(7,749)	(3,348)
- Over/(under) provision in respect of prior years	144	(756)	10,770	(694)
- Deferred taxation	-	(1,190)	-	(3600)
- Recovery of tax deducted at source on dividend received from subsidiaries	-	-	-	121
	178	(4,392)	3,021	(7,521)

The current taxation expense of RM7.7 million in the current period was provided by profitable subsidiaries. The overprovision of tax expense in respect of prior years arose due to the changes in the tax treatment of certain expenses that were previously not allowed as deductions by the Inland Revenue Board.

20 DISPOSAL OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There were no disposals of unquoted investments and/or properties in the current financial period.

21 (a) ACQUISITIONS AND DISPOSALS OF QUOTED SECURITIES

Total disposals of quoted securities in the current financial period other than securities in existing subsidiaries and associate is as follows:

	Current year quarter 30.09.2006 RM'000	Current year to date 30.09.2006 RM'000
Total sales proceeds	-	97,288
Total profit on disposal	-	57,019

21 b) INVESTMENT IN QUOTED SECURITIES

Investments in quoted securities included in investment in associates as at 30 September 2006 are as follows:

	At cost 30 September 2006 (RM'000)	Carrying value 30 September 2006 (RM'000)	Market value 30 September 2006 (RM'000)
Investment in associate	1,167,962	702,461	709,390

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

22 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.

23 GROUP BORROWINGS AND DEBT SECURITIES

	As at 30.09.2006 RM'000
Long term borrowings due within one year (secured)	
USD Bonds	107,339
Bank borrowing from a development bank (including accrued interest)	588,849
	696,188
	=====

24 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

25 MATERIAL LITIGATION

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

26 LOSS PER SHARE (“LPS”)

	Current year quarter 30.09.2006	Preceding year corresponding quarter 30.09.2005	Nine months to 30.09.2006	Nine months to 30.09.2005
Loss per share				
Loss for the period (RM'000)	(30,187)	(40,239)	(8,594)	(100,961)
Less: Amount attributable to minority interest (RM'000)	(1,809)	(1,109)	(4,790)	(3,727)
Other movements in accumulated losses as per Statement of Changes in Total Equity (RM'000)	-	(40)	-	(124)
	(31,996)	(41,388)	(13,384)	(104,812)
Weighted average number of shares ('000)	775,245	772,412	775,245	772,093
Basic loss per share (sen)	(4.1)	(5.4)	(1.7)	(13.6)

27 AUTHORISATION FOR ISSUE

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 15 November 2006.

Kuala Lumpur
15 November 2006

By Order of the Board

SAPIAH JAMALUDIN (MAICSA 0807355)
Secretary