



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

**UNAUDITED INTERIM QUARTERLY REPORT**

**ON CONSOLIDATED RESULTS**

**FOR THE SECOND QUARTER ENDED 30 JUNE 2007**

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

**UNAUDITED INTERIM QUARTERLY REPORT ON CONSOLIDATED RESULTS  
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THE FIGURES HAVE NOT BEEN AUDITED

**I CONDENSED CONSOLIDATED INCOME STATEMENT**

	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	<b>Current year quarter 30.6.2007 RM'000</b>	<b>Preceding year corresponding quarter 30.6.2006 RM'000</b>	<b>Six months to 30.6.2007 RM'000</b>	<b>Six months to 30.6.2006 RM'000</b>
1. (a) Revenue	203,825	115,659	418,254	294,984
(b) Cost of sales	(169,654)	(105,197)	(344,462)	(254,019)
(c) Gross profit	34,171	10,462	73,792	40,965
(d) Other income	1,123	647	2,704	6,144
(e) Expenses	(13,456)	(5,174)	(26,339)	(15,511)
(f) Finance cost	(12,956)	(14,772)	(26,175)	(30,346)
(g) Gain on disposal of investments	5,539	4,631	5,539	53,831
(h) Share of results of associate	(13,283)	(17,589)	(29,416)	(36,333)
(i) Profit/(Loss) before income tax	1,138	(21,795)	105	18,750
(j) Income tax (expense)/credit (Note 17)	(6,227)	8,479	(13,772)	2,843
(k) (Loss)/Profit for the period	<u>(5,089)</u>	<u>(13,316)</u>	<u>(13,667)</u>	<u>21,593</u>
<b>Attributable to:</b>				
(l) Equity holders of the Company	(6,628)	(14,791)	(16,377)	18,612
(m) Minority interests	1,539	1,475	2,710	2,981
	<u>(5,089)</u>	<u>(13,316)</u>	<u>(13,667)</u>	<u>21,593</u>
	=====	=====	=====	=====
2. (Loss)/Earnings per share based on 1(l) above (Note 25)				
(a) Basic	(0.9) sen	(1.9) sen	(2.1) sen	2.4 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 2006.

Note: NA denotes "Not Applicable"

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<b>II CONDENSED CONSOLIDATED BALANCE SHEET</b>	<b>Unaudited As at 30.6.2007 RM'000</b>	<b>Audited As at 31.12.2006 RM'000</b>
<b>ASSETS</b>		
1. Non-current assets		
Property, plant and equipment	7,875	7,547
Investment property	303	303
Investment in associates	589,034	631,170
Other investments	-	30
Intangible assets	5,436	5,764
Non-current receivables	12,529	12,529
Non-current bank deposits	4,982	9,363
	620,159	666,706
2. Current assets		
Inventories	84,480	15,698
Trade and other receivables	313,798	142,536
Tax recoverable	13,740	12,745
Deposits, cash and bank balances	56,465	92,447
	468,483	263,426
<b>Total assets</b>	<b>1,088,642</b>	<b>930,132</b>
<b>EQUITY AND LIABILITIES</b>		
3. Equity attributable to equity holders of the Company:		
Share capital	775,245	775,245
Reserves	(672,477)	(656,100)
Capital and reserves	102,768	119,145
4. Minority interests	13,929	11,980
Total equity	116,697	131,125
5. Non-current liabilities		
Deferred tax liabilities	828	828
	828	828
6. Current liabilities		
Trade and other payables	133,724	147,878
Short term borrowings	211,759	-
Bonds and long term borrowings due within one year (Note 6 & 22)	621,676	647,855
Tax payable	3,958	2,446
	971,117	798,179
Total liabilities	971,945	799,007
<b>Total equity and liabilities</b>	<b>1,088,642</b>	<b>930,132</b>
7. <b>Net assets per share attributable to ordinary equity holders of the Company (RM)</b>	<b>0.13</b>	<b>0.15</b>

The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2006.

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

	<b>Unaudited Six months to 30.6.2007 RM'000</b>	<b>Unaudited Six months to 30.6.2006 RM'000</b>
<b>CASH FLOW USED IN OPERATING ACTIVITIES</b>		
Cash receipts from customers	296,178	48,664
Cash payments to suppliers	(503,283)	(200,592)
Cash payments to employees and for expenses	(7,751)	(18,921)
	(214,856)	(170,849)
Cash used in operations	(214,856)	(170,849)
Taxation (paid)/refunded	(5,575)	5,147
Interest received	-	1,014
	(220,431)	(164,688)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(1,505)	(2,611)
Proceeds from disposal of property, plant and equipment	6	6
Proceeds from disposal of quoted investments	18,259	109,633
Interest received	2,268	-
	19,028	107,028
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Drawdown of bank borrowings	211,758	150,127
Repayment of bank borrowings/redemption of bonds	(46,305)	(112,673)
Interest paid	(3,654)	(9,929)
Dividend paid by a subsidiary to minority shareholders	(759)	(774)
	161,040	26,751
<b>Net cash from financing activities</b>		
	161,040	26,751
<b>Net Change in Cash and Cash Equivalents</b>		
	(40,363)	(30,909)
Cash and Cash Equivalents as at beginning of financial period	101,810	88,390
	(a) 61,447	57,481
<b>Cash and Cash Equivalents as at end of financial period</b>	(a) 61,447	57,481
	=====	=====

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

	<b>As at 30.6.2007 RM'000</b>	<b>As at 30.6.2006 RM'000</b>
Non-current bank deposits – restricted	4,982	6,085
Deposits, cash and bank balances		
- Unrestricted	48,505	51,338
- Restricted	7,960	58
	61,447	57,481
Cash and Cash Equivalents at end of the financial period	61,447	57,481
	=====	=====

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2006.

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**UNAUDITED INTERIM QUARTERLY REPORT ON CONSOLIDATED RESULTS  
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**IV CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY**

In RM'000	← Equity attributable to equity holders of the Company →					Minority interests	Total equity
	← Non-distributable →				<u>Total</u>		
	<u>Share Capital</u>	<u>Share Premium</u>	<u>Other Reserves</u>	<u>Accumulated Losses</u>			
<b>Six months to 30 June 2007 (Unaudited)</b>							
Balance as at 1 January 2007	775,245	1,717,012	18,419	(2,391,531)	119,145	11,980	131,125
(Loss)/profit for the period, representing total recognised expense and income for the period	-	-	-	(16,377)	(16,377)	2,710	(13,667)
Dividend paid by subsidiary to minority interests	-	-	-	-	-	(759)	(759)
Capital distribution by subsidiary to minority interests	-	-	-	-	-	(2)	(2)
Balance as at 30 June 2007	775,245	1,717,012	18,419	(2,407,908)	102,768	13,929	116,697
<b>Six months to 30 June 2006 (Unaudited)</b>							
Balance as at 1 January 2006	775,245	1,717,012	18,419	(2,356,855)	153,821	12,405	166,226
Profit for the period, representing total recognised income for the period	-	-	-	18,612	18,612	2,981	21,593
Dividend paid by subsidiary to minority interests	-	-	-	-	-	(774)	(774)
Capital distribution by subsidiary to minority interests	-	-	-	-	-	(107)	(107)
Balance as at 30 June 2006	775,245	1,717,012	18,419	(2,338,243)	172,433	14,505	186,938

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 2006.

**UNAUDITED INTERIM QUARTERLY REPORT ON CONSOLIDATED RESULTS  
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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 2006.

**1 BASIS OF PREPARATION**

The quarterly consolidated financial statements have been prepared in accordance with FRS134, 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 2006. 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 2006, except for the adoption of the revised Financial Reporting Standards (“FRS”) effective 1 January 2007:

FRS 117 : Leases

In addition to the above, the Group has also taken the option of early adoption of the following revised or amendment to FRSs effective 1 January 2007:

FRS 107 : Cash Flow Statements  
 FRS 112 : Income Taxes  
 FRS 118 : Revenue  
 FRS 119 : Employee Benefits  
 Amendment to FRS 121 : The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation  
 FRS 126 : Accounting and Reporting by Retirement Benefit Plans  
 FRS 134 : Interim Financial Reporting  
 FRS 137 : Provisions, Contingent Liabilities and Contingent Assets

The adoptions of the above revised FRSs and amendment to FRS do not have any impact to the existing accounting policies of the Group.

**2 AUDIT REPORT IN RESPECT OF THE 2006 FINANCIAL STATEMENTS**

The audit report on the Group’s financial statements for the year ended 31 December 2006 was not qualified.

**3 SEASONAL OR CYCLICAL FACTORS**

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

**4 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 and preceding financial year except as disclosed below:

	Individual Quarter		Cumulative Quarter	
	Current year quarter 30.6.2007 RM’000	Preceding year corresponding quarter 30.6.2006 RM’000	Six months to 30.6.2007 RM’000	Six months to 30.6.2006 RM’000
Gain on disposal of investments (quoted shares)	5,539	4,631	5,539	53,831

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**PART A – EXPLANATORY NOTES PURSUANT TO FRS134, PARAGRAPH 16**

**5 MATERIAL CHANGES IN ESTIMATES USED**

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

**6 DEBT AND EQUITY SECURITIES**

The Group did not undertake any 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 June 2007, other than stated below:

- (a) On 18 May 2007, the Company made a partial early repayment of USD4.8 million of its outstanding USD250 million Zero Coupon Secured Bonds 1996/2007 (“USD Bonds”) due on 30 June 2007.
- (b) On 15 June 2007, the Company made a final repayment of USD8.5 million of its outstanding USD Bonds due on 30 June 2007. Following of this final repayment, the USD Bonds was fully redeemed.

**7 DIVIDEND**

The Board does not recommend the payment of an interim dividend for the financial period ended 30 June 2007 (2006: Nil).

**8 SEGMENTAL INFORMATION**

There is no segmental reporting for the financial period ended 30 June 2007, as the Group’s activity is carried out within Malaysia and is operated within the Information Communications & Technologies’ industry.

**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 2007 to the date of this announcement which would substantially affect the financial results of the Group for the financial period ended 30 June 2007.

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

For the financial period ended 30 June 2007, the Group did not undertake any material business combinations, acquisitions or disposals of subsidiaries and long term investments, restructuring or discontinued operations, other than as disclosed in Note 19.

**11 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 2006.

**12 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**

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

The Group recorded revenue of RM203.8 million for the current quarter compared to RM214.4 million in the first quarter. Lower revenue in current quarter was mainly due to the lower percentage of completion of the Teaching and Learning of Science and Mathematics in English Programme (“PPSMI”) Phase V project.

The Group recorded a profit before tax of RM1.1 million in the current quarter compared to a loss of RM1.0 million in the first quarter. The improvement in results for the current quarter is mainly due to the gain from disposal of investment of RM5.5 million. However, the results of both periods were still affected by the share of losses in associate and related financing cost.

**14 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 June 2007 compared to the corresponding quarter ended 30 June 2006. The Group’s revenue for the current year-to-date increased to RM418.3 million compared to RM295.0 million in the preceding year. The increase is mainly attributable to the PPSMI project as well as increase in revenue from SMK-Dagang\*Net services.

The Group recorded profit before tax of RM1.1 million in current quarter compared to a loss before tax of RM21.8 million in preceding corresponding quarter due to better operational profit. The Group recorded a profit before tax of RM0.1 million in the current year-to-date ended 30 June 2007 compared to RM18.8 million in the preceding corresponding period of 2006. The result of both periods were enhanced with the gain on disposal of investments of RM5.5 million in 2007 and RM53.8 million in 2006. However the results of both financial periods were affected by the share of losses of associate and related financing cost.

In terms of operations, the Group recorded earnings before interest, tax, depreciation and amortization (“EBITDA”) of RM52.1 million in 2007 as compared to RM34.0 million as in the preceding year corresponding financial period.

**15 PROSPECTS**

The Group is expected to improve its operational performance in 2007 with the remaining contribution from PPSMI Phase V project, growth in SMK-Dagang\*Net related services and ICT outsourcing businesses to both the public and private sectors.

With the continued repayment of debts, the Group is expected to further strengthen its financial performance for the year ending 31 December 2007.

**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 30.6.2007 RM'000	Preceding year corresponding quarter 30.6.2006 RM'000	Six months to 30.6.2007 RM'000	Six months to 30.6.2006 RM'000
Malaysian taxation				
- Current taxation	(5,932)	(2,147)	(14,173)	(7,783)
- (Under)/Over provision in respect of prior years	(295)	10,626	(295)	10,626
- Recovery of tax deducted at source on dividend received from subsidiaries	-	-	696	-
	(6,227)	8,479	(13,772)	2,843

The current taxation expense of RM5.9 million and RM14.2 million in the current quarter and period respectively 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 disposals of unquoted investments and/or properties in the current financial period.

**19 ACQUISITIONS AND DISPOSALS OF QUOTED SECURITIES**

There were no acquisitions and disposals of quoted securities in the current period, other than on 9 May 2007, the Company has disposed of a total of 20,750,100 ordinary shares of RM1.00 each in TIME dotCom Bhd (“TdC”) in the open market for a total net consideration of RM18.25 million. The disposal proceeds was utilised towards partial early redemption of principal and payment of accrued interest due to the USD Bondholders on 30 June 2007. Following the disposal, the shareholdings in TdC reduced from 40.68% to 39.86%.

**20 INVESTMENT IN QUOTED SECURITIES**

Investments in quoted securities included in investment in associates as at 30 June 2007 are as follows:

	At cost 30 June 2007 (RM'000)	Carrying value 30 June 2007 (RM'000)	Market value 30 June 2007 (RM'000)
Investment in associate	950,520	589,034	837,341

**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**

	<b>As at 30.6.2007 RM'000</b>
<b>Long term borrowings due within one year (secured)</b>	
Bank borrowing from a development bank	
- Principal	516,342
- Accrued interest	105,334
	621,676
	=====

On 11 April 2007, the development bank agreed to extend the maturity to the term loan for another one year up to 30 June 2008.

**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.

**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**

**25 (LOSS)/EARNINGS PER SHARE**

	<b>Current year quarter 30.6.2007</b>	<b>Preceding year corresponding quarter 30.6.2006</b>	<b>Six months to 30.6.2007</b>	<b>Six months to 30.6.2006</b>
(Loss)/Earnings per share				
(Loss)/Profit for the period (RM'000)	(5,089)	(13,316)	(13,667)	21,593
Less: Amount attributable to minority interest (RM'000)	(1,539)	(1,475)	(2,710)	(2,981)
	-----	-----	-----	-----
	(6,628)	(14,791)	(16,377)	18,612
	-----	-----	-----	-----
Weighted average number of shares ('000)	775,245	775,245	775,245	775,245
Basic (loss)/earnings per share (sen)	(0.9)	(1.9)	(2.1)	2.4

**26 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 22 August 2007.

By Order of the Board

Kuala Lumpur  
22 August 2007

SAPIAH JAMALUDIN (MAICSA 0807355)  
Secretary