



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

UNAUDITED INTERIM QUARTERLY REPORT

ON CONSOLIDATED RESULTS

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2007

TIME ENGINEERING BERHAD (10039-P)
Incorporated in Malaysia

**UNAUDITED INTERIM QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2007**

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THE FIGURES HAVE NOT BEEN AUDITED

I CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER	INDIVIDUAL QUARTER	CUMULATIVE QUARTER	CUMULATIVE QUARTER
	Current year	Preceding year	Nine months	Nine months
	quarter	corresponding	to	to
	30.9.2007	quarter	30.9.2007	30.9.2006
	RM'000	30.9.2006	RM'000	RM'000
		RM'000		RM'000
		(As restated)		(As restated)
1. (a) Revenue	106,771	24,863	525,025	319,847
(b) Cost of sales	(79,632)	(5,287)	(424,094)	(259,306)
(c) Gross profit	<u>27,139</u>	<u>19,576</u>	<u>100,931</u>	<u>60,541</u>
(d) Other income	751	1,114	3,455	7,258
(e) Expenses	(17,995)	(16,496)	(44,334)	(32,007)
(f) Finance cost	(12,470)	(15,834)	(38,645)	(46,180)
(g) Gain/(Loss) on disposal of investments	47,604	(28)	53,143	53,803
(h) Share of results of associate	(14,636)	(18,697)	(44,052)	(55,030)
(i) Profit/(Loss) before income tax	<u>30,393</u>	<u>(30,365)</u>	<u>30,498</u>	<u>(11,615)</u>
(j) Income tax (expense)/credit (Note 17)	(2,701)	178	(16,473)	3,021
(k) Profit/(Loss) for the period	<u>27,692</u>	<u>(30,187)</u>	<u>14,025</u>	<u>(8,594)</u>
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>
	Attributable to:			
(l) Equity holders of the Company	25,921	(31,996)	9,544	(13,384)
(m) Minority interests	1,771	1,809	4,481	4,790
	<u>27,692</u>	<u>(30,187)</u>	<u>14,025</u>	<u>(8,594)</u>
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>
2. Earnings/(Loss) per share based on 1(l) above (Note 25)				
(a) Basic	3.34 sen	(4.13) sen	1.23 sen	(1.73) 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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Incorporated in Malaysia

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II	CONDENSED CONSOLIDATED BALANCE SHEET	Unaudited As at 30.9.2007 RM'000	Audited As at 31.12.2006 RM'000
	ASSETS		
1.	Non-current assets		
	Property, plant and equipment	6,867	7,547
	Investment property	303	303
	Investment in associates	511,277	631,170
	Other investments	-	30
	Intangible assets	5,751	5,764
	Non-current receivables	11,175	12,529
	Non-current bank deposits	5,005	9,363
		<hr/>	<hr/>
		540,378	666,706
2.	Current assets		
	Inventories	14,765	15,698
	Trade and other receivables	173,528	142,536
	Tax recoverable	10,363	12,745
	Deposits, cash and bank balances	89,440	92,447
		<hr/>	<hr/>
		288,096	263,426
		<hr/>	<hr/>
	Total assets	828,474	930,132
		=====	=====
	EQUITY AND LIABILITIES		
3.	Equity attributable to equity holders of the Company:		
	Share capital	775,245	775,245
	Reserves	(646,556)	(656,100)
		<hr/>	<hr/>
	Capital and reserves	128,689	119,145
4.	Minority interests	14,907	11,980
		<hr/>	<hr/>
	Total equity	143,596	131,125
		<hr/>	<hr/>
5.	Non-current liabilities		
	Deferred tax liabilities	828	828
		<hr/>	<hr/>
		828	828
6.	Current liabilities		
	Trade and other payables	123,595	147,878
	Short term borrowings – revolving credit	34,175	-
	Bonds and long term borrowings due within one year (Note 6 & 22)	521,810	647,855
	Tax payable	4,470	2,446
		<hr/>	<hr/>
		684,050	798,179
		<hr/>	<hr/>
	Total liabilities	684,878	799,007
		<hr/>	<hr/>
	Total equity and liabilities	828,474	930,132
		=====	=====
7.	Net assets per share attributable to ordinary equity holders of the Company (RM)	0.17	0.15
		=====	=====

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

	Unaudited Nine months to 30.9.2007 RM'000	Unaudited Nine months to 30.9.2006 RM'000 (As restated)
CASH FLOW (USED IN)/FROM OPERATING ACTIVITIES		
Cash receipts from customers	544,320	321,966
Cash payments to suppliers	(530,383)	(261,241)
Cash payments to employees and other expenses	(15,131)	(29,554)
	(1,194)	31,171
Cash (used in)/from operations	(1,194)	31,171
Taxation (paid)/refunded	(4,374)	2,930
Interest received	2,925	1,889
	(2,643)	35,990
Net cash (used in)/from operating activities		
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(2,112)	(3,361)
Proceeds from disposal of property, plant and equipment	6	6
Proceeds from disposal of quoted investments	128,983	109,633
	126,877	106,278
Net cash from investing activities		
CASH FLOW USED IN FINANCING ACTIVITIES		
Drawdown of bank borrowings	249,867	199,628
Repayment of bank borrowings/redemption of bonds	(339,505)	(306,284)
Interest paid	(38,443)	(12,626)
Dividend paid by a subsidiary to minority shareholders	(3,518)	(1,641)
	(131,599)	(120,923)
Net cash used in financing activities		
Net Change in Cash and Cash Equivalents		
	(7,365)	21,345
Cash and Cash Equivalents as at beginning of financial period	101,810	88,390
	94,445	109,735
Cash and Cash Equivalents as at end of financial period	(a) 94,445	109,735
	=====	=====

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

	As at 30.9.2007 RM'000	As at 30.9.2006 RM'000
Non-current bank deposits – restricted	5,005	6,115
Deposits, cash and bank balances		
- Unrestricted	81,268	100,421
- Restricted	8,172	3,199
	94,445	109,735
Cash and Cash Equivalents at end of the financial period	94,445	109,735
	=====	=====

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

**UNAUDITED INTERIM QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2007**

IV CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

In RM'000	← Equity attributable to equity holders of the Company →					Minority interests	Total equity
	Share Capital	Share Premium	Other Reserves	Accumulated Losses	Total		
Nine months to 30 September 2007 (Unaudited)							
Balance as at 1 January 2007	775,245	1,717,012	18,419	(2,391,531)	119,145	11,980	131,125
Profit for the period, representing total recognised income for the period	-	-	-	9,544	9,544	4,481	14,025
Dividend paid by subsidiary to minority interests	-	-	-	-	-	(1,552)	(1,552)
Capital distribution by subsidiary to minority interests	-	-	-	-	-	(2)	(2)
Balance as at 30 September 2007	775,245	1,717,012	18,419	(2,381,987)	128,689	14,907	143,596
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, representing total recognised expense and income 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 interests	-	-	-	-	-	(107)	(107)
Balance as at 30 September 2006	775,245	1,717,012	18,419	(2,370,239)	140,437	15,447	155,884

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
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2007**

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 material 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 30.9.2007 RM’000	Preceding year corresponding quarter 30.9.2006 RM’000	Nine months to 30.9.2007 RM’000	Nine months to 30.9.2006 RM’000
Gain on disposal of investments (quoted shares)	47,604	(28)	53,143	53,803

The current period gain on disposal of investments was resulted from the partial disposal of investment in an associate company as disclosed in Note 19 “Acquisitions And Disposals of Quoted Securities”.

UNAUDITED INTERIM QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2007

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 redemption 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 2007, other than stated below:

- (a) On 18 May 2007, the Company made a partial early redemption 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 redemption of USD8.5 million of its outstanding USD Bonds due on 30 June 2007. Following this final redemption, the USD Bonds was fully redeemed.
- (c) In September 2007, the Company made partial early repayments of principal RM77.5 million and accrued interest of RM33.2 million due to a development bank.

7 DIVIDEND

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

8 SEGMENTAL INFORMATION

There is no segmental reporting for the financial period ended 30 September 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 September 2007 to the date of this announcement which would substantially affect the financial results of the Group for the financial period ended 30 September 2007 other than that the Company had disposed of a total of 116,730,700 ordinary shares of RM1.00 each in TIME dotCom Bhd (“TdC”) in the open market for a total net consideration of RM107.97 million. The disposal proceeds was fully utilised towards partial early repayment of principal and payment of accrued interest due to a development bank. Following the disposal, the shareholdings in TdC reduced to 30.87%.

10 CHANGES IN THE COMPOSITION OF THE GROUP

For the financial period ended 30 September 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 RM106.8 million for the current quarter compared to RM203.8 million in the second quarter. Higher revenue was recognized in previous quarters during the implementation stage of the Teaching and Learning of Science and Mathematics in English Programme (“PPSMI”) Phase V project.

The Group recorded a profit before tax of RM30.4 million in the current quarter compared to RM1.1 million in the second quarter. The improvement in results for the current quarter is mainly due to the gain from partial disposal of investment in an associate company of RM47.6 million. The results of both periods were 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 September 2007 compared to the corresponding quarter ended 30 September 2006. The Group’s revenue for the current year-to-date increased to RM525.0 million compared to RM319.8 million in the preceding year. The increase is mainly attributable to the PPSMI Phase V project as well as increase in revenue from SMK-Dagang*Net services.

The margin for operating profit before tax was maintained at 11% of its revenue recognized for both financial period ended 30 September.

The Group also recorded total gain on disposal of investments in an associate company of RM53.1 million in 2007. However the results of both financial periods were affected by the share of losses of associate and related financing cost.

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 30.9.2007 RM'000	Preceding year corresponding quarter 30.9.2006 RM'000	Nine months to 30.9.2007 RM'000	Nine months to 30.9.2006 RM'000
Malaysian taxation				
- Current taxation	(4,079)	34	(18,252)	(7,749)
- Over provision in respect of prior years	651	144	356	10,770
- Recovery of tax deducted at source on dividend received from subsidiaries	727	-	1,423	-
	(2,701)	178	(16,473)	3,021

The current taxation expense of RM4.1 million and RM18.3 million in the current quarter and nine months ended 30 September 2007 were provided for profitable subsidiaries.

**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

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, but there were disposals of quoted securities in the current period as follows:

- On 9 May 2007, the Company had disposed of a total of 20,750,100 ordinary shares of RM1.00 each in TIME dotCom Berhad (“TdC”). The total net proceeds of RM18.3 million was fully utilized for the redemption of USD Bonds as disclosed in Note 6(a) and 6(b); and
- From 30 August 2007 to 30 September 2007, the Company had disposed of an additional 110,800,900 ordinary shares of RM1.00 each in TdC for a total net consideration of RM110.7 million. The disposal proceeds was fully utilised towards partial early repayment of principal and payment of accrued interest due to a development bank as disclosed in Note 6(c).

20 INVESTMENT IN QUOTED SECURITIES

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

	Carrying value	Market value
	30 September 2007	30 September 2007
	(RM'000)	(RM'000)
Investment in associate	511,277	844,161

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 30.9.2007 RM'000
Long term borrowings due within one year (secured)	
Bank borrowing from a development bank	
- Principal	438,835
- Accrued interest	82,975
	521,810
	=====

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.

**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

24 MATERIAL LITIGATION

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

25 EARNINGS/(LOSS) PER SHARE

	Current year quarter 30.9.2007	Preceding year corresponding quarter 30.9.2006	Nine months to 30.9.2007	Nine months to 30.9.2006
Earnings/(Loss) per share				
Profit/(Loss) for the period (RM'000)	27,692	(30,187)	14,025	(8,594)
Less: Amount attributable to minority interest (RM'000)	(1,771)	(1,809)	(4,481)	(4,790)
	25,921	(31,996)	9,544	(13,384)
Weighted average number of shares ('000)	775,245	775,245	775,245	775,245
Basic earnings/(loss) per share (sen)	3.34	(4.13)	1.23	(1.73)

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.

Kuala Lumpur
 23 November 2007

By Order of the Board

 SAPIAH JAMALUDIN (MAICSA 0807355)
 Secretary