



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

**UNAUDITED INTERIM QUARTERLY REPORT**

**ON CONSOLIDATED RESULTS**

**FOR THE SECOND QUARTER ENDED 30 JUNE 2008**

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

**UNAUDITED INTERIM QUARTERLY REPORT ON CONSOLIDATED RESULTS  
FOR THE SECOND QUARTER ENDED 30 JUNE 2008**

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**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 30.6.2008 RM'000</b>	<b>Preceding year corresponding quarter 30.6.2007 RM'000</b>	<b>Six months to 30.6.2008 RM'000</b>	<b>Six months to 30.6.2007 RM'000</b>
1.	(a) Revenue	36,955	203,825	90,917	418,254
	(b) Cost of sales	(15,079)	(169,654)	(40,310)	(344,462)
	(c) Gross profit	21,876	34,171	50,607	73,792
	(d) Other income	1,712	1,123	2,791	2,704
	(e) Expenses	(14,017)	(13,456)	(27,128)	(26,339)
	(f) Finance cost	(7,498)	(12,956)	(15,138)	(26,175)
	(g) Gain/(Loss) on disposal of investments	(1,596)	5,539	9,383	5,539
	(h) Share of results of associate	-	(13,283)	-	(29,416)
	(i) Profit before income tax	477	1,138	20,515	105
	(j) Income tax expense (Note 17)	(567)	(6,227)	(6,943)	(13,772)
	(k) Profit/(Loss) for the period	<u>(90)</u>	<u>(5,089)</u>	<u>13,572</u>	<u>(13,667)</u>
<b>Attributable to:</b>					
	(l) Equity holders of the Company	(2,359)	(6,628)	9,808	(16,377)
	(m) Minority interests	<u>2,269</u>	<u>1,539</u>	<u>3,764</u>	<u>2,710</u>
		<u>(90)</u>	<u>(5,089)</u>	<u>13,572</u>	<u>(13,667)</u>
		=====	=====	=====	=====
2.	Earnings/(Loss) per share based on 1(l) above (Note 25)				
	(a) Basic	(0.3)sen	(0.9) sen	1.3 sen	(2.1) 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 2007.

Note: NA denotes %Not Applicable+

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<b>II CONDENSED CONSOLIDATED BALANCE SHEET</b>	<b>Unaudited As at 30.6.2008 RM'000</b>	<b>Audited As at 31.12.2007 RM'000</b>
<b>ASSETS</b>		
1. Non-current assets		
Property, plant and equipment	5,598	2,492
Investment property	303	303
Intangible assets	6,682	8,227
Deferred tax asset	1,516	1,516
Non-current receivables	17,078	17,078
Non-current bank deposits	918	13,057
	. . . . .	. . . . .
	32,095	42,673
2. Current assets		
Inventories	310	279
Trade and other receivables	48,097	192,828
Tax recoverable	13,011	14,420
Assets classified as held for sale	399,129	429,430
Deposits, cash and bank balances	178,041	76,813
	. . . . .	. . . . .
	638,588	713,770
	. . . . .	. . . . .
<b>Total assets</b>	<b>670,683</b>	<b>756,443</b>
	=====	=====
<b>EQUITY AND LIABILITIES</b>		
3. Equity attributable to equity holders of the Company:		
Share capital	775,245	775,245
Reserves	(611,217)	(619,302)
	. . . . .	. . . . .
Capital and reserves	164,028	155,943
4. Minority interests	19,677	15,913
	. . . . .	. . . . .
Total equity	183,705	171,856
	. . . . .	. . . . .
5. Non-current liabilities		
Deferred income	20,438	40,875
	. . . . .	. . . . .
	20,438	40,875
6. Current liabilities		
Trade and other payables	87,049	106,224
Short term borrowings - revolving credit	-	34,206
Long term borrowings due within one year (Note 6 & 22)	335,474	363,252
Deferred income	34,923	34,923
Tax payable	9,094	5,107
	. . . . .	. . . . .
	466,540	543,712
	. . . . .	. . . . .
Total liabilities	486,978	584,587
	. . . . .	. . . . .
<b>Total equity and liabilities</b>	<b>670,683</b>	<b>756,443</b>
	=====	=====
7. <b>Net assets per share attributable to ordinary equity holders of the Company (RM)</b>	<b>0.21</b>	<b>0.20</b>
	=====	=====

The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2007.

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

	<b>Unaudited Six months to 30.6.2008 RM'000</b>	<b>Unaudited Six months to 30.6.2007 RM'000</b>
<b>CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES</b>		
Cash receipts from customers	183,274	296,178
Cash payments to suppliers	(21,187)	(483,064)
Cash payments to employees and other expenses	(23,491)	(27,968)
	. . . . .	. . . . .
Cash from/(used in) operations	138,596	(214,854)
Taxation paid	(2,315)	(5,575)
	. . . . .	. . . . .
<b>Net cash from/(used in) operating activities</b>	<b>136,281</b>	<b>(220,429)</b>
	. . . . .	. . . . .
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(2,138)	(1,505)
Proceeds from disposal of property, plant and equipment	-	6
Proceeds from disposal of quoted investments	39,684	18,259
Interest received	1,476	2,268
	. . . . .	. . . . .
<b>Net cash from investing activities</b>	<b>39,022</b>	<b>19,028</b>
	. . . . .	. . . . .
<b>CASH FLOW (USED IN)/FROM FINANCING ACTIVITIES</b>		
Drawdown of bank borrowings	2,780	211,758
Repayment of bank borrowings	(64,763)	(46,305)
Interest paid	(22,508)	(3,654)
Capital distribution by subsidiary to minority interests	-	(2)
Dividend paid by a subsidiary to minority interests	(1,723)	(759)
	. . . . .	. . . . .
<b>Net cash (used in)/from financing activities</b>	<b>(86,214)</b>	<b>161,038</b>
	. . . . .	. . . . .
<b>Net Change in Cash and Cash Equivalents</b>	<b>89,089</b>	<b>(40,363)</b>
Cash and Cash Equivalents as at beginning of financial period	89,870	101,810
	. . . . .	. . . . .
<b>Cash and Cash Equivalents as at end of financial period</b>	<b>(a) 178,959</b>	<b>61,447</b>
	=====	=====

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

	<b>As at 30.6.2008 RM'000</b>	<b>As at 30.6.2007 RM'000</b>
Non-current bank deposits . restricted	918	4,982
Deposits, cash and bank balances		
- Unrestricted	158,639	48,505
- Restricted	19,402	7,960
	. . . . .	. . . . .
Cash and Cash Equivalents at end of the financial period	178,959	61,447
	=====	=====

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2007.

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**IV CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY**

In RM'000	← Equity attributable to equity holders of the Company →				Total	Minority interests	Total equity
	Share Capital	Share Premium	Other Reserves	Accumulated Losses			
<b>Six months to 30 June 2008 (Unaudited)</b>							
Balance as at 1 January 2008	775,245	1,717,012	18,419	(2,354,733)	155,943	15,913	171,856
Profit for the period, representing total recognised income for the period	-	-	-	9,808	9,808	3,764	13,572
Dividend paid by subsidiary to minority interest	-	-	-	(1,723)	(1,723)		(1,723)
Balance as at 30 June 2008	775,245	1,717,012	18,419	(2,346,648)	164,028	19,677	183,705
<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 interest	-	-	-	-	-	(759)	(759)
Capital distribution by subsidiary to minority interest						(2)	(2)
Balance as at 30 June 2007	775,245	1,717,012	18,419	(2,407,908)	102,768	13,929	116,697

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 2007.

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 2007.

**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 2007. 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 2007.

**2 AUDIT REPORT IN RESPECT OF THE 2007 FINANCIAL STATEMENTS**

The audit report on the Group's financial statements for the financial year ended 31 December 2007 was not qualified.

However, the auditors have expressed a modified opinion to draw attention on the validity of the going concern assumption that is dependent on the ability of the Group and the Company to raise sufficient funds by 30 June 2008 via sale from its investment in an associated company and from the proceeds repay the term loan which was due on 30 June 2008 amounting to RM422,144,000 as at 31 December 2007. At the date of their report on 30 April 2008, the auditors noted that the Company has applied for approval of an extension of the repayment of the term loan for another twelve months which was pending from the Development Bank.

This modified audit opinion together with the Company's shareholders' fund on consolidated basis being less than 50% of its issued and paid up capital as of 31 December 2007, has triggered the Enhanced PN17 criteria and therefore the Company is now classified as PN17 Affected Listed Issuer pursuant to the Amended Practice Note No.17/2005 (BN17+) and Paragraph 8.14C of the Listing Requirements of Bursa Malaysia Securities Berhad.

The Development Bank (DB+ letter) via a letter dated 22 May 2008 granted an extension of the term loan settlement due date from 30 June 2008 to 30 June 2009. On 2 June 2008, the Company announced that the auditors had issued a letter dated 30 May 2008 to the Company, and of the view that, if DB+ letter was available to them on the date of their audit report, they would have issued an unqualified audit opinion without any emphasis of matters. Based on this letter, the Company had on 27 June 2008 sought the approval of Bursa Malaysia Securities Berhad (Bursa+) for the upliftment its PN17 status.

On 7 July 2008, the Company had further written to Bursa that, the Company is currently considering various options to address its debt issue with the Development Bank and will provide Bursa with additional information in due course.

On 1 August 2008, the Company announced that it is working on various options to address the remaining outstanding debt with the Development Bank. In the meantime, an amount of RM51.52 million was paid on 20 August 2008 to meet the Company's interest obligation with the Development Bank.

**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 the assets, liabilities, equity, net income, or cash flows that were unusual because of their nature, size or incidence in the current and preceding financial period.

UNAUDITED INTERIM QUARTERLY REPORT ON CONSOLIDATED RESULTS  
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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 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 June 2008, other than stated below:

For the six months period ended 30 June 2008, the Company made partial repayments of a term loan due to a Development Bank comprising a principal of RM27.78 million and accrued interest of RM21.9 million. With the repayments, the term loan principal was reduced to RM335.47 million.

**7 DIVIDEND**

The Board does not recommend the payment of any dividend for the financial period ended 30 June 2008 (2007: Nil).

**8 SEGMENTAL INFORMATION**

There is no segmental reporting for the financial period ended 30 June 2008, 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 2008 to the date of this announcement which would substantially affect the financial results of the Group for the financial period ended 30 June 2008.

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

For the financial period ended 30 June 2008, the Group did not undertake any material business combinations, acquisitions or disposals of subsidiaries and long term investments, restructuring or discontinued operations.

**11 CONTINGENT LIABILITIES**

There are no material changes to contingent liabilities as at the date of this announcement since the preceding financial year ended 31 December 2007.

**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 RM37.0 million for the current quarter compared to RM54.0 million in the first quarter of 2008. The higher revenue in the first quarter 2008 was mainly due to the final progress billing of the Teaching and Learning of Science and Mathematics in English Programme (PPSMI) project.

The Group recorded a lower profit before tax of RM0.5million in current quarter, compared to RM20.0 million in first quarter 2008. The profit before tax in the first quarter of 2008 was higher mainly due to the gain on disposal of investments of RM10.98 million compared to loss of RM1.6 million in the current quarter. The Group's operation remain profitable and record EBITDA of RM10.9 million in the current quarter and RM17.9 million in the first quarter of 2008 respectively. However the results of both quarters were affected by the financing cost related to the investment in an associate company.

**14 PERFORMANCE REVIEW FOR THE CURRENT QUARTER**

For the current quarter, the Group recorded lower revenue of RM37.0 million compared to RM203.8 million for the preceding year's corresponding quarter. Revenue in the first six (6) months of 2008 was relatively lower as the final progress billing for the roll out of the PPSMI project Phase V was completed in Quarter 1 2008. Maintenance of the PPSMI project Phase V will complete in 2010.

The Group registered a profit before taxation of RM0.5 million in the current quarter as compared to a profit before taxation of RM14.4 million (excluding the share of results of associate) in the preceding year's corresponding quarter. In respect of operations, the Group recorded a lower EBITDA of RM10.9 million in the current quarter compared to RM22.8 million in the second quarter of 2007 due to the completion of the PPSMI project. However, the financing cost for the current quarter was lower by 42% or RM5.5million as the Company pared down its borrowings. In addition, the Group also recorded a loss on disposal of investments of RM1.6 million in the current quarter, compared to a gain of RM5.5million in the second quarter 2007

**15 PROSPECTS**

Several options are being pursued and will be discussed with the authorities for the upliftment of the Company's PN17 status. New projects have been undertaken and have shown encouraging results which will contribute to the profitability of the Group. The involvement in the international market had also shown positive results where in the current quarter, the Group recorded total revenue of RM5.7million from the progress claims for its projects in Vietnam and Saudi Arabia.

**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**

	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	<b>Current year quarter 30.6.2008 RM'000</b>	<b>Preceding year corresponding quarter 30.6.2007 RM'000</b>	<b>Six months to 30.6.2008 RM'000</b>	<b>Six months to 30.6.2007 RM'000</b>
Malaysian taxation				
- Current taxation	(2,067)	(5,932)	(7,425)	(14,173)
- Under provision in prior year		(295)	(1,018)	(295)
- Recovery of tax deducted at source on dividend received from subsidiaries	1,500	-	1,500	696
	(567)	(6,227)	(6,943)	(13,772)

The current taxation expense of RM2.067 million and RM7.425 million in the current quarter and period ended 30 June 2008 was 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**

The disposals of quoted securities in the current financial period are as follows:

- The Company had between 7 January 2008 to 16 May 2008 disposed of a total of 55,131,200 ordinary shares of RM1.00 each in TIME dotCom Berhad (TIME dotCom) in the open market for a total net consideration of RM39.7million. The disposal proceeds was fully utilised towards partial repayment of principal and payment of accrued interest due to a Development Bank as disclosed in Note 6. Following the disposal, the shareholding in TdC is reduced to 28.69%.

**20 INVESTMENT IN QUOTED SECURITIES**

Investments in quoted securities included in assets classified as held for sale as at 30 June 2008 are as follows:

	<b>Carrying value</b>	<b>Market value</b>
	<b>30 June 2008</b>	<b>30 June 2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Investment in associate	399,129	222,822

**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**

	<b>As at</b>
	<b>30.6.2008</b>
	<b>RM'000</b>
<b>Long term borrowings due within one year (secured)</b>	
Bank borrowing from a Development Bank	
- Principal	335,474
	=====

The Company has obtained the approval from the Development Bank to extend the repayment date of the term loan to 30 June 2009.

**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 EARNINGS/(LOSS) PER SHARE**

	<b>Current year quarter 30.6.2008</b>	<b>Preceding year corresponding quarter 30.6.2007</b>	<b>Six months to 30.6.2008</b>	<b>Six months to 30.6.2007</b>
Profit/(Loss) attributable to equity holders of the Company (RM $\phi$ 00)	(2,359)	(6,628)	9,808	(16,377)
Weighted average number of shares ( $\phi$ 00)	775,245	775,245	775,245	775,245
Basic earnings/(loss) per share (sen)	(0.3)	(0.9)	1.3	(2.1)

**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  
26 August 2008

By Order of the Board  
  
SAPIAH JAMALUDIN (MAICSA 0807355)  
Secretary