



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

UNAUDITED INTERIM QUARTERLY REPORT

ON CONSOLIDATED RESULTS

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2008

TIME ENGINEERING BERHAD (10039-P)
Incorporated in Malaysia

**UNAUDITED INTERIM QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2008**

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THE FIGURES HAVE NOT BEEN AUDITED

I CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER	INDIVIDUAL QUARTER	CUMULATIVE QUARTER	CUMULATIVE QUARTER
	Current	Preceding year	Nine	Nine
	year	corresponding	months	months
	quarter	quarter	to	to
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
	RM'000	RM'000	RM'000	RM'000
1. (a) Revenue	29,675	106,771	120,592	525,025
(b) Cost of sales	(3,248)	(79,632)	(43,558)	(424,094)
(c) Gross profit	<u>26,427</u>	<u>27,139</u>	<u>77,034</u>	<u>100,931</u>
(d) Other income	1,142	751	3,933	3,455
(e) Expenses	(14,749)	(17,995)	(41,877)	(44,334)
(f) Finance cost	(7,130)	(12,470)	(22,268)	(38,645)
(g) Gain on disposal of investments	-	47,604	9,383	53,143
(h) Share of results of associate	-	(14,636)	-	(44,052)
(i) Profit before income tax	<u>5,690</u>	<u>30,393</u>	<u>26,205</u>	<u>30,498</u>
(j) Income tax (Note 17)	4,522	(2,701)	(2,421)	(16,473)
(k) Profit for the period	<u>10,212</u>	<u>27,692</u>	<u>23,784</u>	<u>14,025</u>
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>
	Attributable to:			
(l) Equity holders of the Company	8,336	25,921	18,144	9,544
(m) Minority interests	1,876	1,771	5,640	4,481
	<u>10,212</u>	<u>27,692</u>	<u>23,784</u>	<u>14,025</u>
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>
2. Earnings per share based on 1(l) above (Note 25)				
(a) Basic	1.08 sen	3.34 sen	2.34 sen	1.23 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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II	CONDENSED CONSOLIDATED BALANCE SHEET	Unaudited As at 30.9.2008 RM'000	Audited As at 31.12.2007 RM'000
	ASSETS		
1.	Non-current assets		
	Property, plant and equipment	5,081	2,492
	Investment property	303	303
	Intangible assets	6,968	8,227
	Deferred tax asset	1,516	1,516
	Non-current receivables	17,078	17,078
	Non-current bank deposits	1,128	13,057
		<hr/>	<hr/>
		32,074	42,673
2.	Current assets		
	Inventories	239	279
	Trade and other receivables	47,764	192,828
	Tax recoverable	22,092	14,420
	Assets classified as held for sale	399,129	429,430
	Deposits, cash and bank balances	118,934	76,813
		<hr/>	<hr/>
		588,158	713,770
		<hr/>	<hr/>
	Total assets	620,232	756,443
		=====	=====
	EQUITY AND LIABILITIES		
3.	Equity attributable to equity holders of the Company:		
	Share capital	775,245	775,245
	Reserves	(601,158)	(619,302)
		<hr/>	<hr/>
		174,087	155,943
4.	Minority interests	17,763	15,913
		<hr/>	<hr/>
	Total equity	191,850	171,856
		<hr/>	<hr/>
5.	Non-current liabilities		
	Deferred income	10,220	40,875
		<hr/>	<hr/>
		10,220	40,875
6.	Current liabilities		
	Trade and other payables	38,388	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	9,377	5,107
		<hr/>	<hr/>
		418,162	543,712
		<hr/>	<hr/>
	Total liabilities	428,382	584,587
		<hr/>	<hr/>
	Total equity and liabilities	620,232	756,443
		=====	=====
7.	Net assets per share attributable to ordinary equity holders of the Company (RM)	0.22	0.20
		=====	=====

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

	Unaudited Nine months to 30.9.2008 RM'000	Unaudited Nine months to 30.9.2007 RM'000
CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES		
Cash receipts from customers	204,296	544,320
Cash payments to suppliers	(38,211)	(530,383)
Cash payments to employees and other expenses	(31,442)	(26,445)
Other income	1,302	9,351
	135,945	(3,157)
Cash from/(used in) operations	(7,171)	(4,374)
Taxation paid		
Net cash from/(used in) operating activities	128,774	(7,531)
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(2,632)	(2,112)
Proceeds from disposal of property, plant and equipment	-	6
Proceeds from disposal of quoted investments	41,280	128,983
Interest received	2,568	2,925
	41,216	129,802
Net cash from investing activities	41,216	129,802
CASH FLOW USED IN FINANCING ACTIVITIES		
Drawdown of bank borrowings	2,780	249,867
Repayment of bank borrowings	(64,763)	(339,505)
Interest paid	(74,025)	(38,443)
Capital distribution by subsidiary to minority interests	-	(2)
Dividend paid by a subsidiary to minority interests	(3,790)	(1,553)
	(139,798)	(129,636)
Net cash used in financing activities	(139,798)	(129,636)
Net Change in Cash and Cash Equivalents	30,192	(7,365)
Cash and Cash Equivalents as at beginning of financial period	89,870	101,810
Cash and Cash Equivalents as at end of financial period	(a) 120,062	94,445

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

	As at 30.9.2008 RM'000	As at 30.9.2007 RM'000
Non-current		
Deposits with licensed banks		
– Restricted	1,128	5,005
Current		
Deposits with licensed banks and cash and bank balances		
- Unrestricted	99,834	81,268
- Restricted	19,100	8,172
	120,062	94,445
Cash and Cash Equivalents at end of the financial period	120,062	94,445

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 →					Minority interests	Total equity
	Share Capital	Share Premium	Other Reserves	Accumulated Losses	Total		
Nine months to 30 September 2008 (Unaudited)							
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	-	-	-	18,144	18,144	5,640	23,784
Dividend paid by subsidiary to minority interest	-	-	-			(3,790)	(3,790)
Balance as at 30 September 2008	775,245	1,717,012	18,419	(2,336,589)	174,087	17,763	191,850
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 interest	-	-	-	-	-	(1,553)	(1,553)
Capital distribution by subsidiary to minority interest						(2)	(2)
Balance as at 30 September 2007	775,245	1,717,012	18,419	(2,381,987)	128,689	14,906	143,595

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 ("PN17") and Paragraph 8.14C of the Listing Requirements of Bursa Malaysia Securities Berhad.

The Development Bank ("DB's 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's 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.

The Company is currently in the midst of evaluating the options being pursued and will discuss with the authorities on the upliftment of its PN17 status once a suitable option has been identified.

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.

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.

UNAUDITED INTERIM QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2008

PART A – EXPLANATORY NOTES PURSUANT TO FRS134, PARAGRAPH 16

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 2008, other than stated below:

For the nine months period ended 30 September 2008, the Company made partial repayments of the outstanding term loan due to a Development Bank totalling RM 101.2 million. With the repayments, the term loan principal was reduced to RM335.5 million.

7 DIVIDEND

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

8 SEGMENTAL INFORMATION

There is no segmental reporting for the financial period ended 30 September 2008, as the Group's activity is mainly 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 2008 to the date of this announcement which would substantially affect the financial results of the Group for the financial period ended 30 September 2008.

10 CHANGES IN THE COMPOSITION OF THE GROUP

For the financial period ended 30 September 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 registered a revenue of RM29.7 million for the current quarter compared to RM37.0 million in the second quarter of 2008. The second quarter revenue includes the progress billing from the Group's projects in Vietnam and Saudi Arabia, both projects are expected to be fully completed and billed by end of this year 2008.

The Group's operation remain profitable, with a higher profit before tax of RM5.7 million reported in the current quarter, compared to RM0.5 million in the second quarter 2008. This higher profit was mainly contributed by the improved volume of transactions in SMK-Dagang*Net related businesses and the successful cost savings on PPSMI project maintenance. 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 AND YEAR-TO-DATE

Quarter ended 30 September 2008 compared with quarter ended 30 September 2007

The Group recorded lower revenue of RM29.7 million in the current quarter compared to RM106.8 million for the preceding year's corresponding quarter. The current quarter revenue was relatively lower as the final progress billing for the roll out of the PPSMI project Phase V was completed in Quarter 1 2008. The maintenance of the PPSMI project Phase V will only complete in year 2010.

The Group profit before taxation for the current quarter was RM5.7 million compared to RM45.0 million (excluding the share of results of associate) in the preceding year's corresponding quarter. The financial results of the preceding year's corresponding quarter include the extraordinary gain from the partial disposal of investment in an associate company of RM47.6 million. In respect of operations, the Group recorded a higher EBITDA of RM14.1 million in the current quarter compared to RM10.9 million in the third quarter of 2007. Lower financing cost of RM7.1 million was also reported in current quarter: a reduction of RM5.3 million or 42.8% compared to third quarter of 2007 as the Company pared down its borrowings.

Nine months ended 30 September 2008 compared with nine months ended 30 September 2007

The Group recorded a lower revenue of RM120.6 million in the current period compared to RM525.0 million for the nine months 2007. The decrease was attributable to the completion of the PPSMI project Phase V in Quarter 1 2008.

The Group's current period profit before taxation of RM26.2 million was lower compared to RM74.6 million (excluding the share of results of associate) for the nine months 2007. Higher extraordinary gain of RM53.1 million was reported in 2007 (RM9.4 million in 2008) for the partial disposal of investment in an associate company. However both periods' results were affected by the financing costs.

15 PROSPECTS

With regards to the PN17 status, the Company is preparing a regularization plan to the authorities for it to be released. The Group continues to operate profitably in the current quarter and for the year 2008.

16 VARIANCE FOR ACTUAL AND FORECAST PROFIT

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

**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

17 INCOME TAX

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30.9.2008 RM'000	Preceding year corresponding quarter 30.9.2007 RM'000	Nine months to 30.9.2008 RM'000	Nine months to 30.9.2007 RM'000
Malaysian taxation				
- Current taxation	(6,214)	(4,079)	(13,157)	(18,252)
- Over provision in prior year	155	651	155	356
- Recovery of tax deducted at source on dividend received from subsidiaries	10,581	727	10,581	1,423
	4,522	(2,701)	(2,421)	(16,473)

The current taxation expense of RM6.2 million and RM13.2 million in the current quarter and period ended 30 September 2008 was provided for profitable subsidiaries.

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 ("TdC") 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 September 2008 are as follows:

	Carrying value	Market value
	30 September 2008	30 September 2008
	RM'000	RM'000
Investment in associate	399,129	230,249

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.

**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

22 GROUP BORROWINGS

**As at
30.9.2008
RM'000**

Long term borrowings due within one year (secured)

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.

25 EARNINGS PER SHARE

	Current year quarter 30.9.2008	Preceding year corresponding quarter 30.9.2007	Nine months to 30.9.2008	Nine months to 30.9.2007
Profit attributable to equity holders of the Company (RM'000)	8,336	25,921	18,144	9,544
Weighted average number of shares ('000)	775,245	775,245	775,245	775,245
Basic earnings per share (sen)	1.08	3.34	2.34	1.23

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.

By Order of the Board

Kuala Lumpur
24 November 2008

SAPIAH JAMALUDIN (MAICSA 0807355)
Secretary