

**YTL E-SOLUTIONS BERHAD (Company No. 236137-K)**  
(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT**

Interim financial report on consolidated results for the period ended 31 December 2006.

The figures have not been audited.

**CONDENSED CONSOLIDATED INCOME STATEMENTS**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2006 RM'000	Preceding Year Corresponding Quarter 31.12.2005 RM'000	Six Months Ended 31.12.2006    31.12.2005 RM'000        RM'000	
<b>REVENUE</b>	6,037	6,096	12,184	16,968
<b>COST OF SALES</b>	(3,503)	(3,736)	(7,289)	(7,803)
<b>GROSS PROFIT</b>	2,534	2,360	4,895	9,165
OTHER OPERATING INCOME	1,602	1,264	3,161	2,199
OTHER OPERATING EXPENSES	(2,197)	(2,211)	(4,274)	(5,043)
<b>PROFIT FROM OPERATIONS</b>	1,939	1,413	3,782	6,321
FINANCE COST	(10)	(4)	(21)	(9)
<b>PROFIT BEFORE TAXATION</b>	1,929	1,409	3,761	6,312
TAXATION	(586)	(636)	(1,267)	(2,216)
<b>PROFIT FOR THE PERIOD</b>	1,343	773	2,494	4,096
<b>ATTRIBUTABLE TO:</b>				
Shareholders	1,147	567	2,059	3,672
Minority interests	196	206	435	424
<b>PROFIT FOR THE PERIOD</b>	1,343	773	2,494	4,096
<b>EARNINGS PER 10 SEN SHARE</b>				
Basic (Sen)	0.08	0.04	0.15	0.27

The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 30 June 2006 and the accompanying explanatory notes attached to the interim financial statements.

**YTL E-SOLUTIONS BERHAD (Company No. 236137-K)**  
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**CONDENSED CONSOLIDATED BALANCE SHEETS**

	<b>Unaudited As at 31.12.2006 RM'000</b>	<b>Audited As at 30.6.2006 RM'000</b>
<b>ASSETS</b>		
<b>Non-current Assets</b>		
Property, plant and equipment	2,842	3,383
Unquoted investment	331	331
Development expenditure	1,711	1,024
Goodwill on consolidation	830	811
	-----	-----
	5,714	5,549
	-----	-----
<b>Current Assets</b>		
Inventories	84	121
Trade receivables	4,131	4,035
Other receivables, deposits & prepayments	1,138	782
Amount due from ultimate holding company	6	-
Amount due from holding company	475	569
Amount due from related companies	1,848	2,211
Tax recoverable	194	-
Fixed deposits	167,162	164,836
Cash & bank balances	643	681
	-----	-----
	175,681	173,235
	-----	-----
<b>TOTAL ASSETS</b>	<b>181,395</b>	<b>178,784</b>
	=====	=====
<b>EQUITY</b>		
Share capital	135,000	135,000
Share premium	1,475	1,475
Exchange difference reserve	71	(513)
Capital reserve	234	234
Unappropriated profits	29,571	27,512
	-----	-----
<b>Total Equity Attributable to Shareholders of the Company</b>	<b>166,351</b>	<b>163,708</b>
<b>Minority interests</b>	<b>8,970</b>	<b>8,534</b>
	-----	-----
<b>TOTAL EQUITY</b>	<b>175,321</b>	<b>172,242</b>
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**CONDENSED CONSOLIDATED BALANCE SHEETS - continued**

	<b>Unaudited As at 31.12.2006 RM'000</b>	<b>Audited As at 30.6.2006 RM'000</b>
<b>LIABILITIES</b>		
<b>Non-current Liabilities</b>		
Hire purchase creditors	349	487
Deferred taxation	316	316
	-----	-----
	665	803
	-----	-----
<b>Current Liabilities</b>		
Trade payables	1,943	2,033
Other payables & accruals	2,753	2,987
Finance lease liabilities	-	62
Hire purchase creditors	274	275
Amount due to related companies	380	73
Post-employment defined contribution obligations	59	108
Provision for taxation	-	201
	-----	-----
	5,409	5,739
	-----	-----
<b>TOTAL LIABILITIES</b>	<b>6,074</b>	<b>6,542</b>
	-----	-----
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>181,395</b>	<b>178,784</b>
	=====	=====
 Net assets per 10 sen share attributable to shareholders of the Company (RM)	 0.12	 0.12
	=====	=====

The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 30 June 2006 and the accompanying explanatory notes attached to the interim financial statements.

**YTL E-SOLUTIONS BERHAD (Company No. 236137-K)**  
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 31 DECEMBER 2005**

	← Attributable to Shareholders of the Company →							
	← Non-distributable →			← Distributable →				
	Share Capital RM'000	Share Premium RM'000	Exchange Difference Reserve RM'000	Capital Reserve RM'000	Unappropriated Profits RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
Balance as at 1 July, 2005	135,000	1,475	(122)	-	23,926	160,279	7,623	167,902
Foreign exchange differences, representing net expense recognised directly in equity	-	-	(1,013)	-	-	(1,013)	(3)	(1,016)
Net profit for the period	-	-	-	-	3,672	3,672	424	4,096
Total recognised (expense)/ income for the period	-	-	(1,013)	-	3,672	2,659	421	3,080
Bonus shares issued by a subsidiary	-	-	-	320	(320)	-	-	-
Balance as at 31 December, 2005	135,000	1,475	(1,135)	320	27,278	162,938	8,044	170,982

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 30 June 2006 and the accompanying explanatory notes attached to the interim financial statements.

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 31 DECEMBER 2006**

	← Attributable to Shareholders of the Company →						Minority Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Exchange Difference Reserve RM'000	Capital Reserve RM'000	Unappropriated Profits RM'000	Total RM'000		
Balance as at 1 July, 2006	135,000	1,475	(513)	234	27,512	163,708	8,534	172,242
Foreign exchange differences, representing net income recognised directly in equity	-	-	584	-	-	584	1	585
Net profit for the period	-	-	-	-	2,059	2,059	435	2,494
Total recognised income for the period	-	-	584	-	2,059	2,643	436	3,079
Balance as at 31 December, 2006	135,000	1,475	71	234	29,571	166,351	8,970	175,321

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 30 June 2006 and the accompanying explanatory notes attached to the interim financial statements.

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2006**

	<b>6 MONTHS ENDED</b>	
	<b>31.12.2006</b>	<b>31.12.2005</b>
	<b>RM'000</b>	<b>RM'000</b>
Net cash from operating activities	2,774	5,859
	-----	-----
Net cash used in investing activities	(875)	(702)
	-----	-----
Net cash used in financing activities	(201)	(141)
	-----	-----
Net changes in cash and cash equivalents	1,698	5,016
Effects of exchange rate changes	590	(1,021)
Cash and cash equivalents brought forward	165,517	162,037
	-----	-----
	<u>167,805</u>	<u>166,032</u>
	=====	=====
Cash and cash equivalents comprise:		
Fixed deposits	167,162	165,591
Cash & bank balances	643	441
	-----	-----
	<u>167,805</u>	<u>166,032</u>
	=====	=====

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 30 June 2006 and the accompanying explanatory notes attached to the interim financial statements.

## **INTERIM FINANCIAL REPORT**

### **Notes:-**

#### **Disclosure requirements pursuant to FRS134<sub>2004</sub>**

##### **A1. Accounting Policies and Methods of Computation**

The interim financial report is unaudited and has been prepared in accordance with FRS134<sub>2004</sub> "Interim Financial Reporting" and Chapter 9, Part K Rule 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the MESDAQ Market.

The Condensed Financial Statements should be read in conjunction with the audited annual financial statements of the Group for the year ended 30 June 2006.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 30 June 2006 except for the adoption of the following new/revised Financial Reporting Standards ("FRS") effective for the financial period beginning 1 July 2006.

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 133 Earnings Per Share  
FRS 136 Impairment of Assets  
FRS 138 Intangible Assets

The adoption of the above FRSs, except for FRS 2 and FRS 101 does not have significant financial impact on the Group.

The principal effects of the changes in accounting policies resulting from the adoption of the new/revised FRSs are discussed below:-

##### **(a) FRS 2: Share-based Payment**

This FRS requires an entity to recognise share-based 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.

**INTERIM FINANCIAL REPORT**

**Notes:- continued**

**A1. Accounting Policies and Methods of Computation - continued**

**(a) FRS 2: Share-based Payment - continued**

The Company's holding company, YTL Corporation Berhad ("YTL Corp"), operates an equity-settled, share-based compensation plan (namely the Employee Share Option Scheme ("ESOS") in relation to YTL Corp shares) for employees of the YTL Corp Group. As the Company is a subsidiary of YTL Corp, the eligible employees of the Company and its subsidiaries participate in the ESOS. Prior to 1 July 2006, no compensation expense was recognised in profit or loss for share options granted. With the adoption of FRS 2, the compensation expense relating to share options is recognised in profit or loss over the vesting periods of the grants with a corresponding reduction in amount due from holding company. The total amount to be recognised as compensation expense is determined by reference to the fair value of the share options at the date of the grant and the number of share options to be vested by vesting date. The fair value of the share option is computed using a binomial model. At every balance sheet date, the Group revises its estimates of the number of share options that are expected to vest by the vesting date. Any revision of this estimate is included in profit or loss and a corresponding adjustment to amount due from holding company over the remaining vesting period.

The financial impact to the Group arising from the retrospective application of FRS 2 is not material and hence, no restatement of retained earnings is performed.

For the current period under review, the application of FRS 2 has resulted in a charge of approximately RM132,000 to the income statement of the Group arising from the ESOS granted to employees of the Group.

**(b) FRS 101: Presentation of Financial Statements**

The adoption of the revised FRS 101 has affected the presentation of minority interests and other disclosures in the consolidated income statement.

In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure, on the face of the statement of changes in equity, the total income and expenses for the period, showing separately the amounts attributable to the equity holders of the parent and to minority interest.

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.



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**Notes:- continued**

**A2. Audit Report of the Last Financial Year Ended 30 June 2006**

The Auditors' Report on the financial statements of the last financial year was not subject to any qualification.

**A3. Seasonality or Cyclicity of Operations**

The business operations of the Group are not materially affected by any seasonal or cyclical factors.

**A4. Exceptional or Unusual Items**

During the current financial quarter, there was no item of exceptional or unusual nature that affects the assets, liabilities, equity, net income or cash flows of the Group.

**A5. Changes in Estimates of Amounts Reported**

There was no change to estimates of amounts reported in prior interim periods and prior financial years.

**A6. Changes in Debt and Equity Securities**

During the current financial quarter, there was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities.

**A7. Dividend paid**

There was no dividend paid during the financial quarter ended 31 December 2006.

**A8. Segment Reporting**

No segment information is prepared as the Group's activities are predominantly in one industry segment and occur predominantly in Malaysia.

**A9. Valuation of Property, Plant and Equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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**Notes:- continued**

**A10. Material Events Subsequent to the End of the Interim Period**

On 23 January 2007, the Company completed its subscription of 13,500,000 ordinary shares of RM0.10 each in Bizsurf (M) Sdn Bhd (“Bizsurf”), representing 50% of the issued and paid-up share capital of Bizsurf, for a cash consideration of RM1,350,000. There were no other material events subsequent to the end of the current financial quarter.

**A11. Changes in the Composition of the Group**

There were no changes in the composition of the Group for the current financial quarter, including business combinations, acquisition or disposal of subsidiaries and long term investments, restructurings and discontinuing operations.

**A12. Changes in Contingent Liabilities or Contingent Assets**

There were no changes in the contingent liabilities or the contingent assets of the Group since the last annual balance sheet as at 30 June 2006.

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**Disclosure requirements per Appendix 9B, Part K of Chapter 9 of the Listing Requirements of Bursa Securities for the MESDAQ Market**

**B1. Review of Performance**

Group revenue recorded for the six months ended 31 December 2006 amounted to RM12.184 million, representing a 28.2% reduction from the revenue recorded for the corresponding period ended 31 December 2005. The lower revenue was mainly due to lower demand for the Group's information, communication and technology ("ICT") products and services, the absence of RM3.564 million project income recognized in the corresponding period ended 31 December 2005, and a continuation of the intensified competition faced by a subsidiary, Extiva Communications Sdn Bhd ("Extiva"), in the Alternative Voice Service Provider ("AVSP") industry. The fall in revenue was, however, cushioned by revenue growth achieved by YTL Info Screen Sdn Bhd ("YTLIS"), a subsidiary involved in digital narrowcasting and digital media content development and delivery.

The Group's profit before taxation for the six months ended 31 December 2006 decreased by 40.4% to RM3.761 million compared to RM6.312 million for the corresponding period in the previous year. The reduction is mainly attributed to the lower revenue as discussed above. The fall in revenue was, however, partially offset by lower other operating expenses and higher other operating income recorded by the Group..

The Group revenue dropped marginally by 1.0% for the quarter ended 31 December 2006 compared with the preceding year's corresponding quarter. Nevertheless, profit before taxation, increased by 36.9% to RM1.929 million largely due to lower operating expenses and higher other operating income recorded by the Group.

**B2. Comparison with Preceding Quarter**

	<b>Current Quarter 31.12.2006 RM'000</b>	<b>Preceding Quarter 30.09.2006 RM'000</b>
Revenue	6,037	6,147
Profit before taxation	1,929	1,832
	-----	-----

The Group's revenue for the current financial quarter decreased by 1.8% compared to the preceding quarter ended 30 September 2006. The decrease is mainly attributable to lower AVSP revenues during the current quarter. Profit before taxation, however, increased by 5.3% to RM1.929 million mainly due to lower operating expenses and higher other operating income recorded by the Group.

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**Notes:- continued**

**B3. Prospects**

The intensity of competition faced by Extiva in the AVSP industry and the overall market conditions in the advertising industry, in particular, overall Malaysian advertising expenditure which has a direct impact on YTLIS's digital narrowcasting business sales revenues remain keen. In light of these factors, the Group's current level of operations, and the current market conditions as explained above, the Group is expected to achieve satisfactory performance for the financial year ending 30 June 2007.

**B4. Profit Forecast**

The Group has not issued any profit forecast in a public document.

**B5. Taxation**

Taxation comprises the following:-

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2006 RM'000	Preceding Year Corresponding Quarter 31.12.2005 RM'000	Six Months Ended	
			31.12.2006 RM'000	31.12.2005 RM'000
Taxation based on the profit for the period	687	636	1,368	2,225
Overprovision of taxation in prior years	(101)	-	(101)	(9)
	<u>586</u>	<u>636</u>	<u>1,267</u>	<u>2,216</u>

The Group's provision for taxation for the quarter ended 31 December 2006 reflected a higher effective tax rate compared to the statutory tax rate. This was largely due to certain expenses that are not deductible for tax purposes, losses incurred by certain subsidiaries that cannot be utilised for group relief, and higher tax rate in other jurisdiction.

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**Notes:- continued**

**B6. Sale of Unquoted Investments and/or Properties**

There was no sale of unquoted investments or properties by the Group during the current financial quarter and the financial year-to-date.

**B7. Quoted Securities**

There was no purchase or disposal of quoted securities during the current financial quarter and the financial year-to-date.

The Group did not have any quoted securities other than the quoted securities held in an existing subsidiary at the end of the current financial quarter.

**B8. (a) Status of Corporate Proposals**

There is no corporate proposal announced by the Company which is not completed as at the date of this report.

**(b) Status of Utilisation of Proceeds Raised**

<b>Purpose</b>	<b>Proposed Utilisation RM'000</b>	<b>Actual Utilisation as at 31.12.2006 RM'000</b>	<b>Deviation Amount RM'000</b>	<b>%</b>
(i) Investment and incubation	32,350	22,586	9,764	30.18% (*)
(ii) Capital expenditure	3,000	3,000	-	-
(iii) Estimated listing expenses	2,100	2,100	-	-
(iv) Working capital	1,050	1,050	-	-
Total	<u>38,500</u>	<u>28,736</u>	<u>9,764</u>	

(\*) Note:

The deviation reflects the lack of opportunity to acquire acceptable incubatees considered viable which could meet the Company's investment objectives and complement its strategy. The Company is actively pursuing incubation and investment opportunities synergistic to its core knowledge competencies in key overseas markets, as well as potential opportunities in Malaysia.

Pending the use of the unutilised listing proceeds for investments and incubation activities, the said proceeds are being placed under short term deposits with licensed financial institutions.

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**Notes:- continued**

**B9. Group Borrowings and Debt Securities**

Particulars of the Group's borrowings as at 31 December 2006 are as follows:-

	<b>RM'000</b>
(i) Short term	
- Secured	274
- Unsecured	-
	-----
	274
	-----
(ii) Long term	
- Secured	349
- Unsecured	-
	-----
	349
	-----

During the current financial quarter, there was no issuance, cancellation, repurchase, resale and repayment of debt securities. None of the Group's borrowings are denominated in foreign currency.

**B10. Off Balance Sheet Financial Instruments**

No off balance sheet financial instruments were utilised as at the date of this report.

**B11. Material Litigation**

There was no material litigation since 30 June 2006, being the last annual balance sheet date, until the date of this report.

**B12. Dividend**

The Board does not recommend any interim dividend for the current financial quarter.

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**Notes:- continued**

**B13. Earnings Per Share**

**i) Basic earnings per share**

The basic earnings per share of the Group has been computed by dividing the net profit for the financial quarter by the weighted average number of ordinary shares in issue during the financial quarter.

	<b>Current Quarter 31.12.2006</b>	<b>Preceding Year Corresponding Quarter 31.12.2005</b>
Profit attributable to shareholders (RM'000)	1,147	567
Weighted average number of ordinary shares ('000)	1,350,000	1,350,000
Basic earnings per share (sen)	0.08	0.04

**ii) Diluted earnings per share**

The Group does not have any convertible securities and accordingly, the disclosure of diluted earnings per share is not applicable.

By Order of the Board  
HO SAY KENG  
Secretary

Kuala Lumpur  
Dated: 8 February 2007