

YTL E-SOLUTIONS BERHAD

Company No. 236137-K
Incorporated in Malaysia

**Interim Financial Report
31 December 2013**

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

Interim Financial Report
31 December 2013

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

INTERIM FINANCIAL REPORT

Interim financial report on consolidated results for the financial period ended 31 December 2013.

The figures have not been audited.

CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2013 RM'000	Preceding Year Corresponding Quarter 31.12.2012 RM'000	6 Months Ended	
			31.12.2013 RM'000	31.12.2012 RM'000
REVENUE	21,784	21,969	43,449	43,552
COST OF SALES	(2,592)	(1,167)	(5,173)	(2,203)
GROSS PROFIT	19,192	20,802	38,276	41,349
OTHER OPERATING INCOME	1,356	1,538	2,832	3,090
ADMINISTRATION EXPENSES	(1,950)	(1,782)	(3,509)	(3,264)
FINANCE COSTS	(3)	(3)	(6)	(3)
SHARE OF RESULTS OF ASSOCIATED COMPANY	347	-	597	-
PROFIT BEFORE TAX	18,942	20,555	38,190	41,172
INCOME TAX EXPENSE	(4,757)	(5,216)	(9,515)	(10,369)
PROFIT FOR THE PERIOD	14,185	15,339	28,675	30,803
PROFIT ATTRIBUTABLE TO:				
Owners of the parent	8,900	9,564	18,052	19,292
Non-controlling interests	5,285	5,775	10,623	11,511
	14,185	15,339	28,675	30,803
EARNINGS PER 10 SEN SHARE				
Basic (sen)	0.66	0.71	1.34	1.43

The Condensed Consolidated Income Statement should be read in conjunction with the audited annual financial statements for the year ended 30 June 2013 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 COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2013 RM'000	Preceding Year Corresponding Quarter 31.12.2012 RM'000	6 Months Ended 31.12.2013 31.12.2012 RM'000 RM'000	
PROFIT FOR THE PERIOD	14,185	15,339	28,675	30,803
OTHER COMPREHENSIVE INCOME/(LOSS):				
CURRENCY TRANSLATION DIFFERENCES	384	(113)	1,510	(106)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	384	(113)	1,510	(106)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	14,569	15,226	30,185	30,697
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent	9,284	9,451	19,561	19,186
Non-controlling interests	5,285	5,775	10,624	11,511
	14,569	15,226	30,185	30,697

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited annual financial statements for the year ended 30 June 2013 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 31.12.2013 RM'000	Audited As at 30.06.2013 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	2,491	2,795
Goodwill on consolidation	2,490	2,490
Other intangible assets	83	105
Investment in associate	7,940	7,343
	-----	-----
	13,004	12,733
	-----	-----
Current assets		
Inventories	29	56
Trade and other receivables	3,167	1,998
Income tax assets	1,228	1,216
Amount due from related parties	14,370	14,740
Cash and cash equivalents	189,039	206,954
	-----	-----
	207,833	224,964
	-----	-----
TOTAL ASSETS	220,837	237,697
	=====	=====
EQUITY		
Share capital	135,000	135,000
Share premium	1,475	1,475
Other reserves	(4,598)	(6,096)
Retained earnings	69,176	78,023
Treasury shares, at cost	(2,141)	(2,141)
	-----	-----
Equity attributable to owners of the parent	198,912	206,261
Non-controlling interests	6,280	11,701
	-----	-----
TOTAL EQUITY	205,192	217,962
	-----	-----

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited annual financial statements for the year ended 30 June 2013 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued

	Unaudited	Audited
	As at	As at
	31.12.2013	30.06.2012
	RM'000	RM'000
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	293	293
Loan and borrowings	126	190
	-----	-----
	419	483
	-----	-----
Current liabilities		
Trade and other payables	14,558	18,868
Provisions	73	119
Amount due to related parties	1	6
Loan and borrowings	126	123
Income tax liabilities	468	136
	-----	-----
	15,226	19,252
	-----	-----
TOTAL LIABILITIES	15,645	19,735
	-----	-----
TOTAL EQUITY AND LIABILITIES	220,837	237,697
	=====	=====
Net assets per 10 sen share (RM)	0.15	0.15
	=====	=====

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited annual financial statements for the year ended 30 June 2013 and the accompanying explanatory notes attached to the interim financial statements.

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2013**

	← Attributable to owners of the parent →					Treasury shares RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Currency translation reserve RM'000	Retained earnings RM'000				
At 1 July 2013	135,000	1,475	10	(6,106)	78,023	(2,141)	206,261	11,701	217,962
Profit for the financial period	-	-	-	-	18,052	-	18,052	10,623	28,675
Other comprehensive income for the financial period	-	-	-	1,509	-	-	1,509	1	1,510
Total comprehensive income for the financial period	-	-	-	1,509	18,052	-	19,561	10,624	30,185
Transaction with owners:									
Additional investment in an existing subsidiary	-	-	-	(11)	8	-	(3)	(61)	(64)
Treasury shares acquired	-	-	-	-	-	(*)	(*)	-	(*)
Dividend paid	-	-	-	-	(26,907)	-	(26,907)	-	(26,907)
Dividend paid to non-controlling interest by subsidiary	-	-	-	-	-	-	-	(15,984)	(15,984)
At 31 December 2013	135,000	1,475	10	(4,608)	69,176	(2,141)	198,912	6,280	205,192

* Less than RM1,000

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited annual financial statements for the year ended 30 June 2013 and the accompanying explanatory notes attached to the interim financial statements.

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2012**

	← Attributable to owners of the parent →					Treasury shares RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Currency translation reserve RM'000	Retained earnings RM'000				
At 1 July 2012	135,000	1,475	10	(5,758)	73,967	(2,141)	202,553	25,203	227,756
Profit for the financial period	-	-	-	-	19,292	-	19,292	11,511	30,803
Other comprehensive loss for the financial period	-	-	-	(106)	-	-	(106)	-	(106)
Total comprehensive income for the financial period	-	-	-	(106)	19,292	-	19,186	11,511	30,697
Transaction with owners:									
Treasury shares acquired	-	-	-	-	-	(*)	(*)	-	(*)
Dividend paid	-	-	-	-	(26,907)	-	(26,907)	-	(26,907)
At 31 December 2012	135,000	1,475	10	(5,864)	66,352	(2,141)	194,832	36,714	231,546

* Less than RM1,000

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited annual financial statements for the year ended 30 June 2013 and the accompanying explanatory notes attached to the interim financial statements.

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2013**

	6 MONTHS ENDED	
	31.12.2013	31.12.2012
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	38,190	41,172
Adjustments for:-		
Allowance for obsolete inventories no longer required	(7)	-
Amortisation of other intangible assets	24	19
Depreciation of property, plant and equipment	375	164
Interest expenses	6	3
Interest income	(2,828)	(3,075)
Loss on disposal of property, plant and equipment	-	22
Reversal of impairment loss on trade receivables	-	(9)
Share of results of associated company	(597)	-
Write-back of provisions	(46)	-
	-----	-----
Operating profit before working capital changes	35,117	38,296
Changes in working capital:-		
Inventories	34	(75)
Receivables	(1,177)	(708)
Payables	(4,315)	(949)
Related parties	365	9
	-----	-----
Cash generated from operations	30,024	36,573
Interest paid	(6)	(3)
Interest received	2,836	3,090
Tax paid	(9,195)	(9,964)
Tax refund	-	386
	-----	-----
Net cash generated from operating activities	23,659	30,082
	-----	-----
Cash flows from investing activities		
Additional investment in an existing subsidiary	(64)	-
Proceeds from disposal of property, plant and equipment	-	115
Purchase of property, plant and equipment	(71)	(108)
Purchase of other intangible assets	(2)	(29)
	-----	-----
Net cash flows used in investing activities	(137)	(22)
	-----	-----

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited annual financial statements for the year ended 30 June 2013 and the accompanying explanatory notes attached to the interim financial statements.

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2013 - continued**

	6 MONTHS ENDED	
	31.12.2013	31.12.2012
	RM'000	RM'000
Cash flows from financing activities		
Dividend paid	(26,907)	(26,907)
Dividend paid to non-controlling interest by subsidiary	(15,984)	-
Repayment of loans and borrowings	(61)	(20)
Purchase of own shares (net)	(*)	(*)
	-----	-----
Net cash flows used in financing activities	(42,952)	(26,927)
	-----	-----
Net (decrease)/increase in cash and cash equivalents	(19,430)	3,133
Effects of exchange rate changes	1,515	(106)
Cash and cash equivalents at beginning of the financial period	206,954	214,157
	-----	-----
Cash and cash equivalents at end of the financial period	189,039	217,184
	=====	=====
Cash and cash equivalents comprise:-		
Deposits with licensed banks	188,298	216,491
Cash on hand and at banks	741	693
	-----	-----
	189,039	217,184
	=====	=====

* Less than RM 1,000

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The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited annual financial statements for the year ended 30 June 2013 and the accompanying explanatory notes attached to the interim financial statements.

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Notes:-

Disclosure requirements pursuant to MFRS 134

The interim financial reports should be read in conjunction with the audited annual financial statements of the Group for the financial year ended 30 June 2013.

A1. Accounting Policies and Methods of Computation

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134: “Interim Financial Reporting”, IAS 34: “Interim Financial Reporting” and Chapter 9, Part K paragraph 9.22 of the ACE Market Listing Requirements of the Bursa Malaysia Securities Berhad (“Bursa Securities”).

The accounting policies and methods of computations adopted by the Group in this interim financial report are consistent with those adopted in the annual audited financial statements for the financial year ended 30 June 2013.

The adoption of MFRSs and amendments to MFRSs which were effective for financial year beginning on or after 1 July 2013 do not have significant financial impact on the Group.

A2. Seasonality or Cyclicity of Interim Operations

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

A3. Unusual Items

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

A4. Changes in Estimates of Amounts Reported

There was no significant change in estimates of amounts reported in prior interim periods or prior financial years.

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Notes:- continued

A5. Changes in Debt and Equity Securities

For the financial year-to-date, the Company repurchased 100 ordinary shares of RM0.10 each of its issued share capital from the open market, at an average cost of RM0.63 per share. The total consideration paid for the share buy-back, including transaction costs during the financial year-to-date amounted to RM103.52 and were financed by internally generated funds. The repurchased shares are held as treasury shares in accordance with the requirements of Section 67A of the Companies Act, 1965. As at 31 December 2013, the total number of treasury shares held was 4,672,800 ordinary shares of RM0.10 each.

Apart from the above, there was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the financial year-to-date.

A6. Dividends paid

An interim single tier dividend of 2 sen per ordinary share of 10 sen each amounting to RM26,906,544 in respect of financial year ended 30 June 2013 was paid on 14 November 2013.

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Notes:- continued

A7. Segment Information

The Group's segmental results for the financial period ended 31 December 2013 are as follows:-

	Information technology and e-commerce RM'000	Communications technology RM'000	Content and digital media RM'000	Adjustments/ eliminations RM'000	Total RM'000
External revenue	2,665	37,570	3,214	-	43,449
Inter-segment revenue	6	-	7	(13)	-
Total revenue	<u>2,671</u>	<u>37,570</u>	<u>3,221</u>	<u>(13)</u>	<u>43,449</u>
Segment profit before tax	<u>1,447</u>	<u>36,388</u>	<u>355</u>	<u>-</u>	<u>38,190</u>

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Notes:- continued

A7. Segment Information - continued

The Group's segmental results for the financial period ended 31 December 2012 are as follows:-

	Information technology and e-commerce RM'000	Communications technology RM'000	Content and digital media RM'000	Adjustments/ eliminations RM'000	Total RM'000
External revenue	2,865	37,578	3,109	-	43,552
Inter-segment revenue	42	-	-	(42)	-
	-----	-----	-----	-----	-----
Total revenue	2,907	37,578	3,109	(42)	43,552
	=====	=====	=====	=====	=====
Segment profit before tax	987	38,844	1,341	-	41,172
	=====	=====	=====	=====	=====

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Notes:- continued

A8. Events after the Interim Period

There was no item, transaction or event of a material or unusual in nature during the period from the end of the quarter under review to the date of this report.

A9. Changes in the Composition of the Group

There were no changes in the composition of the Group for the financial period ended 31 December 2013 including business combinations, obtaining or losing control of subsidiaries and long term investments, restructurings and discontinued of operations except for the following:-

- (i) On 16 July 2103, the Company approved a proposal to undertake a final cash offer to acquire the entire issued share capital of Infoscreen Networks Plc (“Infoscreen”) not already owned by the Company (“Final Cash Offer”), comprising 666,766 ordinary shares of 1 pence each (“Offeree Shares”) at an offer price of 2 pence per share in cash.
- (ii) On the closing date of 30 August 2013, Infoscreen received 97.35% acceptance to the Final Cash Offer comprising 649,091 ordinary shares, out of the Offeree Shares. As a result, the Company, pursuant to the United Kingdom Companies Act 2006, instigated the compulsory acquisition to acquire the remaining 17,675 Offeree Shares from the non-assenting shareholders of Infoscreen which was completed on 19 November 2013 where Infoscreen became a wholly-owned subsidiary of the Company.

A10. Changes in Contingent Liabilities

There were no changes in the contingent liabilities of the Group since the last financial year ended 30 June 2013.

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Notes:- continued

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

B1. Review of Performance

	Individual Quarter		Cumulative Quarter	
	31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Revenue				
Information technology and e-commerce	1,247	1,513	2,665	2,865
Communications technology	18,781	18,789	37,570	37,578
Content and digital media	1,756	1,667	3,214	3,109
	-----	-----	-----	-----
	21,784	21,969	43,449	43,552
	=====	=====	=====	=====
Profit before tax				
Information technology and e-commerce	534	284	1,447	987
Communications technology	18,151	19,490	36,388	38,844
Content and digital media	257	781	355	1,341
	-----	-----	-----	-----
	18,942	20,555	38,190	41,172
	=====	=====	=====	=====

Part A – Financial year-to-date review

For the six months under review, the Group recorded revenue and profit before tax of RM43.449 million and RM38.190 million respectively, representing a decrease of 0.2% and 7.2% respectively, compared to the preceding financial year's corresponding period. The decrease in profit before tax was mainly due to an accrual of RM2.25 million contribution to MCMC's Universal Service Provision fund ("USP Fund") established under the Communications and Multimedia Act 1988.

The performance of the respective operating segments was as follows:-

i) Information technology and e-commerce

Revenue decreased by 7.0% to RM2.665 million from RM2.865 million, mainly due to lower income in relation to hardware sales activities. However, despite the decrease in revenue, profit before tax increased by 46.6% from RM0.987 million to RM1.447 million, mainly due to the higher interest income on higher cash deposits in the current financial period.

INTERIM FINANCIAL REPORT

Notes:- continued

B1. Review of Performance - continued

ii) Communications technology

Revenue derived from the spectrum sharing agreement in relation to the Group's 2.3GHz Worldwide Interoperability for Microwave Access ("WIMAX") spectrum was largely unchanged compared to the preceding year's corresponding period. However, profit before tax decreased by 6.3% to RM36.388 million from RM38.844 million, mainly due to an accrual of RM2.25 million contribution to the USP Fund.

iii) Content and digital media

Revenue and profit before tax of RM3.214 million and RM0.355 million respectively, represented an increase of 3.4% and a decrease of 73.5% respectively, compared to the preceding year's corresponding period. The decrease in profit before tax was mainly due to lower gross profit as a result of change in the revenue mix, and higher depreciation charge due to networks expansion.

Part B – Current quarter review

The Group recorded a revenue and profit before tax for the current financial quarter of RM21.784 million and RM18.942 million respectively, representing a decrease of 0.8% and 7.8% respectively, compared to preceding financial year's corresponding quarter. The decrease in profit before tax was mainly due to an accrual of RM1.125 million contribution to MCMC's Universal Service Provision fund ("USP Fund") established under the Communications and Multimedia Act 1988.

The performance of the respective operating segments was as follows:-

i) Information technology and e-commerce

Revenue decreased by 17.6% to RM1.247 million from RM1.513 million, mainly due to lower income in relation to hardware sales activities. However, despite the decrease in revenue, profit before tax increased by 88.0% mainly due to the higher interest income on higher cash deposits in the current financial quarter.

ii) Communications technology

Revenue derived from the spectrum sharing agreement in relation to the Group's 2.3GHz Worldwide Interoperability for Microwave Access ("WIMAX") spectrum was largely unchanged compared to the preceding year's corresponding quarter. Profit before tax decreased by 6.9% to RM18.151 million from RM19.490 million, mainly due to the accrual of RM1.125 million contribution to the USP Fund.

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Notes:- continued

B1. Review of Performance - continued

iii) Content and digital media

Revenue and profit before tax of RM1.756 million and RM0.257 million respectively, represented an increase of 5.3% and decrease of 67.1% respectively, compared to the preceding year's corresponding quarter. The decrease in profit before tax was mainly due to lower gross profit as a result of change in the revenue mix and higher depreciation charge due to networks expansion.

B2. Comparison with Preceding Quarter

	Current Quarter 31.12.2013 RM'000	Preceding Quarter 30.09.2013 RM'000
Revenue	21,784	21,665
Profit before tax	18,942	19,248

The Group revenue and profit before tax remained relatively unchanged compared to that recorded in the preceding quarter.

B3. Prospects

Given a significant portion of Group revenue is derived from spectrum sharing fee income, the outlook for the Group's performance in the financial year ending 30 June 2014 should be satisfactory.

B4. Profit Forecast

The Group did not issue any profit forecast or profit guarantee in a public document during the current financial quarter.

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Notes:- continued

B5. Profit for the period

	Current Year Quarter 31.12.2013 RM'000	Financial Year- To-Date 31.12.2013 RM'000
Profit for the period is stated after charging /(crediting):-		
Amortisation of other intangible assets	13	24
Depreciation of property, plant and equipment	188	375
Interest expenses	3	6
Interest income	(1,355)	(2,828)
	<u>=====</u>	<u>=====</u>

Other than the above items, there was no investment income, allowance for impairment and write off of receivables, allowance for impairment and write off of inventories, gain or loss on disposal of quoted or unquoted investments or properties, impairment of assets, foreign exchange gain or loss, gain or loss on derivatives and exceptional items for the current financial quarter and financial year-to-date.

B6. Income Tax Expense

	Current Year Quarter 31.12.2013 RM'000	Financial Year- To-Date 31.12.2013 RM'000
Taxation based on profit for the period	4,757	9,515
	<u>=====</u>	<u>=====</u>

The provision for taxation for the current financial quarter and financial year-to-date reflects an effective tax rate which approximates to the statutory income tax rate.

B7. Status of Corporate Proposals

As at the date of this report, there are no corporate proposals announced and pending completion.

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Notes:- continued

B8. Group Borrowings and Debt Securities

The Group's borrowings from financial institutions as at 31 December 2013 are as follows:-

	Short term RM'000	Long term RM'000	Total RM'000
Secured	126	126	252
	=====	=====	=====

B9. Derivative Financial Instruments, Fair Value Changes of Financial Liabilities and Retained Earnings

i) Derivative Financial Instruments

There is no outstanding derivative financial instrument as at 31 December 2013.

ii) Fair Value Changes of Financial Liabilities

As at 31 December 2013, the Group does not have any financial liabilities measured at fair value through profit or loss.

iii) Retained Earnings

	Unaudited As at 31.12.2013 RM'000	Audited As at 30.06.2013 RM'000
Retained earnings/(Accumulated losses) of the Company and its subsidiaries		
- Realised	53,955	68,769
- Unrealised	(293)	(293)
	-----	-----
	53,662	68,476
	-----	-----
Retained earnings of the associated companies		
- Realised	597	93
	-----	-----
Consolidated adjustments	14,917	9,454
	-----	-----
Total Group retained earnings as per consolidated interim financial report	69,176	78,023
	=====	=====

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Notes:- continued

B10. Material Litigation

There was no material litigation pending as at the date of this report.

B11. Dividend

No dividend has been declared for the current financial quarter.

B12. Earnings Per Share

i) Basic earnings per share

The basic earnings per share of the Group has been computed by dividing the profit attributable to owners of the parent for the financial quarter by the weighted average number of ordinary shares in issue during the financial quarter as set out below:-

	Current Year Quarter 31.12.2013	Preceding Year Corresponding Quarter 31.12.2012
Profit attributable to owners of the parent (RM'000)	8,900	9,564
Weighted average number of ordinary shares in issue ('000)	1,345,327	1,345,327
Basic earnings per share (sen)	0.66	0.71

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.

B13. Audit Report of the Preceding Financial Year Ended 30 June 2013

The auditors' report on the financial statements of the financial year ended 30 June 2013 did not contain any qualification.

By Order of the Board
HO SAY KENG
Secretary

Kuala Lumpur
Dated: 20 February 2014