

PROSPECTUS



YTL E-SOLUTIONS BERHAD

(Company Number: 239177-B)
(Incorporated in Malaysia under the Companies Act, 1966)



ISSUE OF 34,000,000 NEW ORDINARY SHARES OF RM1.00 EACH AT AN ISSUE PRICE OF RM1.10 PER NEW ORDINARY SHARE BY WAY OF A NON-RENOUNCEABLE RESTRICTED ISSUE TO THE ENTITLED SHAREHOLDERS OF YTL CORPORATION BERHAD ("YTL CORPORATION") PAYABLE IN FULL ON APPLICATION ON A PREFERENCE BASIS AS DESCRIBED IN SECTION 2.2 HEREOF OF ONE (1) SUCH SHARE FOR EVERY FIVE (5) ORDINARY SHARES IN YTL CORPORATION HELD AS AT 5.00 P.M. ON 22 MAY 2002



AND
PUBLIC ISSUE OF 1,000,000 NEW ORDINARY SHARES OF RM1.00 EACH AT AN ISSUE PRICE OF RM1.10 PER NEW ORDINARY SHARE TO THE ELIGIBLE EMPLOYEES AND DIRECTORS OF YTL E-SOLUTIONS BERHAD GROUP PAYABLE IN FULL ON APPLICATION



IN CONJUNCTION WITH ITS LISTING ON THE MESDAQ MARKET OF THE KUALA LUMPUR STOCK EXCHANGE



THE ORDINARY SHARES ISSUED PURSUANT HERETO INVOLVE A CERTAIN DEGREE OF RISK. FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE 'RISK FACTORS' AS SET OUT IN SECTION 3 HEREOF.

Adviser
Managing Underwriter
Underwriter
Sponsor

CIMB

Commerce International Merchant Bankers Berhad
Company No: 19487-A



OSK Securities Berhad
Company No.: 14123-V

PM Securities

PM Securities Sdn Bhd
Company No.: 06290-A



WANG-DBS

WANG-DBS Securities Berhad
Company No.: 14080-U

Underwriters

THIS PROSPECTUS IS DATED 30 MAY 2002

This Prospectus has been seen and approved by the directors and promoters of YTL e-Solutions Berhad ("YTL e-Solutions" or "the Company") and they collectively and individually accept full responsibility for the accuracy of the information given in relation to YTL e-Solutions and its subsidiaries and confirm that, after having made all reasonable enquiries, and to the best of their knowledge and belief, there are no false or misleading statement or other facts the omission of which would make any statement herein false or misleading.

The Adviser and Managing Underwriter acknowledges that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the New Issue and the YTL e-Solutions Group.

The Securities Commission ("SC") has approved the issue, offer or invitation in respect of the Restricted Issue and Public Issue and the approval shall not be taken to indicate that the SC recommends the Restricted Issue and Public Issue. The SC shall not be liable for any non-disclosure on the part of the corporation and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus. INVESTORS SHOULD THEREFORE RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT.

The Kuala Lumpur Stock Exchange ("KLSE") assumes no responsibility for the correctness of any of the statements made or opinions expressed in this Prospectus. Admission to the Official List of the MESDAQ Market is not to be taken as an indication of the merits of YTL e-Solutions or of its securities.

The Issue Price for the Issue Shares of RM1.10 per share was entirely determined and agreed upon by YTL e-Solutions and the Adviser and Managing Underwriter based on various relevant factors. Investors should form their own views on the valuation of the Issue Shares and the reasonableness of the bases used before deciding to invest in the Issue Shares.

A copy of this Prospectus has been registered with the SC and lodged with the Companies Commission of Malaysia, each of whom takes no responsibility for its contents.

TENTATIVE TIME TABLE

The indicative timing of events leading up to the listing of and quotation for the Company's entire enlarged issued and paid-up share capital on MESDAQ Market is set out below:-

Event	Tentative Date
Issue of Prospectus/ Opening of Application for the Issue Shares	30 May 2002
Closing of Application for the Issue Shares	12 June 2002*
Despatch of Notices of Allotment of the Issue Shares to successful applicants	3 July 2002
Listing of the Company's entire enlarged issued and paid-up share capital on MESDAQ Market	9 July 2002

Notes:-

- * *The Directors of YTL e-Solutions and the Underwriters may mutually decide to extend the closing date of the Application to a further date or dates. Should the closing date of the Application be extended, the dates for the Allotment and Listing of YTL e-Solutions' entire enlarged issued and paid-up share capital on the MESDAQ Market would be extended accordingly.*

DEFINITIONS

In this Prospectus, unless the context otherwise requires, the following abbreviations shall apply throughout:-

ADA	: Authorised Depository Agent
ADA Code	: ADA (Broker) Code
AUD	: Australian Dollar
Baht	: Thai Baht
CDS	: Central Depository System
CIMB	: Commerce International Merchant Bankers Berhad (18417-M)
CMC	: Communications and Multimedia Commission, Malaysia
Digital Parade	: Digital Parade Sdn Bhd (530471-H), now known as PropertyNetAsia (Malaysia) Sdn Bhd
EBIDTA	: Earnings Before Interest, Depreciation, Taxation and Amortisation
Entitled Shareholders	: Shareholders of YTL Corporation (other than the Excluded Shareholders) who hold at least five (5) ordinary shares of RM0.50 each in YTL Corporation and whose names appear in YTL Corporation's Record of Depositors as at the New Issue Record Date
EPS	: Earnings Per Share
Excluded Shareholders	: Shareholders of YTL Corporation who are excluded from the Restricted Issue as set out in Section 2.2 of this Prospectus
Extiva	: Extiva Communications Sdn Bhd (460823-A), a 70%-owned subsidiary of YTL e-Solutions
FIC	: Foreign Investment Committee
FY	: Financial Year
FYE	: Financial Year End
GBP	: Great Britain Pound Sterling
ICC	: Internet Competency Centre, YTL e-Solutions' in-house knowledge resource centre
IPO	: Initial Public Offering
HKD	: Hong Kong Dollar
Incubatee	: A company in which YTL e-Solutions has a shareholding stake and which is in YTL e-Solutions' incubation programme

DEFINITIONS (Cont'd)

Issue Price	: RM1.10 per Issue Share
Issue Shares	: The 34,000,000 and the 1,000,000 shares of new ordinary shares of RM1.00 each in YTL e-Solutions, credited as fully paid-up, to be issued pursuant to the Restricted Issue and Public Issue respectively
KINA	: Papua New Guinea KINA
KLSE	: Kuala Lumpur Stock Exchange (30632-P)
Listing	: The listing of and quotation for the entire issued and paid-up shares capital of YTL e-Solutions on the MESDAQ Market, to be effective on commencement of dealings in the Share on the MESDAQ Market
Listing Requirements	: Listing Requirements of KLSE for the MESDAQ Market
Major Shareholder	: A person who has an interest or interests in one or more voting shares in a corporation and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is not less than 5% of the aggregate of the nominal amounts of all the voting shares in the corporation. For the purpose of this definition, "interest in shares" shall have the meaning given in Section 6A of the Companies Act, 1965
MCD	: Malaysian Central Depository Sdn Bhd (165570-W), a subsidiary company of the Kuala Lumpur Stock Exchange and a company approved by the Ministry of Finance to establish and operate the CDS
MDC	: Multimedia Development Corporation Sdn Bhd (389346-D)
MESDAQ	: Malaysian Exchange of Securities Dealing & Automated Quotation Bhd.(433333-P)
MESDAQ Market	: MESDAQ Market of KLSE
MSC	: Multimedia Super Corridor
Nasdaq	: National Association of Securities Dealers Automated Quotation System
New Issue	: The Restricted Issue and the Public Issue
New Issue Record Date	: 5.00 p.m. on 22 May 2002
NTA	: Net tangible assets
PAT	: Profit after taxation
PBT	: Profit before taxation
PNA	: PropertyNetAsia (Malaysia) Sdn Bhd (530471-H), (formerly known as Digital Parade Sdn Bhd), a 60%-owned subsidiary of YTL e-Solutions
PNA.com	: The property portal to be known as "www.PropertyNetAsia.com.my"

DEFINITIONS (Cont'd)

Public Issue	: Issue of 1,000,000 new YTL e-Solutions ordinary shares of RM1.00 each credited as fully paid-up at the Issue Price, payable in full on application, to the eligible employees and Directors of the YTL e-Solutions Group, subject to the terms and conditions of this Prospectus
Public Issue Shares	: 1,000,000 new Shares to be issued pursuant to the Public Issue
Rand	: South African Rand
R&D	: Research and Development
Restricted Issue	: The issue of 34,000,000 new YTL e-Solutions ordinary shares of RM1.00 each, credited as fully paid-up, at the Issue Price, payable in full on application, by way of a non-renounceable restricted issue to the Entitled Shareholders on the basis of one (1) Restricted Issue Share for every five (5) existing YTL Corporation ordinary shares held as at the New Issue Record Date, subject to the terms and conditions of this Prospectus
Restricted Issue Shares	: 34,000,000 new Shares to be issued pursuant to the Restricted Issue
RM and sen	: Ringgit Malaysia and sen respectively
SC	: Securities Commission
S\$: Singapore Dollar
Shares	: Ordinary shares of RM1.00 each in YTL e-Solutions
U.K.	: United Kingdom
U.S.	: United States of America
USD	: U.S. Dollar
YTL Community Portal	: A virtual community portal developed by YTL e-Solutions
YTL Corporation	: YTL Corporation Berhad (92647-H)
YTL Group	: YTL Corporation, its subsidiaries and associated companies
YTL e-Solutions or the Company	: YTL e-Solutions Berhad (236137-K)
YTL e-Solutions Group or the Group	: YTL e-Solutions, its subsidiaries and proposed subsidiaries and associated companies

ABBREVIATED TECHNICAL TERMS

ASP	: Application Service Providers
ADSL	: Asymmetrical Digital Subscriber Lines
B2B	: Business-to-Business, an e-commerce model whereby business entities transact on-line
B2C	: Business-to-Commerce, an e-commerce model whereby business entities transact with individual consumers on-line
Bluetooth	: A short-range communications standard allowing wireless data communications at ranges of approximately 10 meters to facilitate Local Area Networks in which different handheld computing terminals and mobile terminals with radio frequency chips can communicate and exchange data, even on the move and when there is no line of sight between those terminals
e-commerce	: Commercial transactions based on electronic transmission of data over communications networks which may take place between businesses or consumers
Internet	: A worldwide system of computer networks which users at any one computer can, if they have permission, obtain information from any other computer and it is a public, cooperative, and self-sustaining facility accessible to hundreds of millions of people worldwide
IP	: Internet Protocol, a packet transmission standard for transmission of data, voice, video and other information in computer communication networks over the Internet
ICT	: Information and Communications Technology
IT	: Information Technology, a technology involved in acquiring, storing, processing and distributing information by electronic means, such as radio, television, telephone and computers
ITSP	: Internet Telephony Service Providers
LAN	: Local Area Network, is a number of computers connected together over a relatively small geographical area
PABX	: Private Automatic Branch Exchanges
PC	: Personal computer
Portal	: A website that attracts visitors by offering information or services which is updated on an ongoing basis, but also acts as an entry point and gateway to other web-related services
PSTN	: Public Switched Telephone Network, circuit switched network used within an enterprise that enables switching or multiple incoming and outgoing lines
VoIP	: Voice over internet protocol, a software feature installed in the voice interface cards that enables a router to carry voice traffic over an IP network
WAN	: Wide Area Network, a number of computers connected together over a wide geographical area
Website	: A collection of web pages which are linked together

CORPORATE DIRECTORY

DIRECTORS

Name	Address	Occupation	Nationality
Tan Sri Dato' Francis Yeoh Sock Ping <i>(Executive Chairman & Managing Director)</i>	No. 3, Lorong 16/7B 46350 Petaling Jaya Selangor Darul Ehsan	Chairman and Managing Director	Malaysian
Tan Sri Dato' Dr. Md Noordin Bin Md Sopiee <i>(Independent Non-Executive Director)</i>	No.3, Jalan Jejawi Bukit Bandaraya 59100 Kuala Lumpur Wilayah Persekutuan	Company Director	Malaysian
Dato' Yeoh Seok Hong <i>(Executive Director)</i>	No. 3, Lorong 16/7B 46350 Petaling Jaya Selangor Darul Ehsan	Company Director	Malaysian
Dato' Michael Yeoh Sock Siong <i>(Executive Director)</i>	No. 3, Lorong 16/7B 46350 Petaling Jaya Selangor Darul Ehsan	Company Director	Malaysian
Dato' Mark Yeoh Seok Kah <i>(Executive Director)</i>	No. 3, Lorong 16/7B 46350 Petaling Jaya Selangor Darul Ehsan	Company Director	Malaysian
Tuan Syed Abdullah Bin Syed Abd. Kadir <i>(Executive Director)</i>	No. 59, Lakeview Bungalows Saujana Resort, Seksyen U2 40150 Shah Alam Selangor Darul Ehsan	Company Director	Malaysian
Loh Mun San <i>(Executive Director)</i>	No. 6, Jalan Datuk Sulaiman 6 Taman Tun Dr.Ismail 60000 Kuala Lumpur Wilayah Persekutuan	Company Director	Malaysian
Amarjit Singh Chhina <i>(Executive Director)</i>	H7-3-4, Polo View Apartments Menara Polo Desa Pandan 55100 Kuala Lumpur Wilayah Persekutuan	Company Director	British
Toh Muda Rizal Ashram Bin Tan Sri Ramli <i>(Independent Non-Executive Director)</i>	No. 60, Jalan 1, Taman TAR 68000 Ampang Selangor Darul Ehsan	Chief Executive Officer	Malaysian
Dato' Lau Yin Pin @ Lau Yen Beng <i>(Independent Non-Executive Director)</i>	No.70L, Jalan Air Jernih 20300 Kuala Terengganu Terengganu	Company Director	Malaysian

CORPORATE DIRECTORY (Cont'd)

AUDIT COMMITTEE

Name	Designation	Directorship
Dato' Lau Yin Pin @ Lau Yen Beng	Chairman of the Committee	Independent Non-Executive Director
Loh Mun San	Member of the Committee	Executive Director
Tan Sri Dato' Dr. Md Noordin Bin Md Sopiae	Member of the Committee	Independent Non-Executive Director

COMPANY SECRETARY : Ho Say Keng
(MIA 3708)
No. 46, Jalan BU 12/5
Bandar Utama, 47800 Kuala Lumpur
Tel: (03) 2142 6633

REGISTERED OFFICE : 11th Floor, Yeoh Tiong Lay Plaza
55, Jalan Bukit Bintang
55100 Kuala Lumpur
Tel : (03) 2142 6633
E-mail : ctrl@ytl.com.my

MANAGEMENT OFFICE : Level 3, Annexe Block
Lot 10, Shopping Centre
50, Jalan Sultan Ismail
50250 Kuala Lumpur
Wilayah Persekutuan
Tel : (03) 2145 2222
E-mail : webmaster@ytlesolutions.com
Website : www.ytlesolutions.com

AUDITORS AND REPORTING ACCOUNTANTS : Ler Lum & Co (AF0276)
2nd & 3rd Floor, Bangunan Yeoh
35 & 37, Jalan Kamunting
50300 Kuala Lumpur
Wilayah Persekutuan

SOLICITORS : Lee, Perara & Tan
No. 55, Jalan Thambapillai
Off Jalan Tun Sambanthan
Brickfields, 50470 Kuala Lumpur
Wilayah Persekutuan

PRINCIPAL BANKER : Bumiputra-Commerce Bank Berhad
Ground & Mezzanine Floor
Yeoh Tiong Lay Plaza
55, Jalan Bukit Bintang
55100 Kuala Lumpur
Wilayah Persekutuan

CORPORATE DIRECTORY (Cont'd)

- REGISTRAR** : YTL Corporation Berhad
11th Floor, Yeoh Tiong Lay Plaza
55, Jalan Bukit Bintang
55100 Kuala Lumpur
Wilayah Persekutuan
Tel : (03) 2142 6633
E-mail : Shares@ytl.com.my
- ADVISER AND MANAGING UNDERWRITER** : Commerce International Merchant Bankers Berhad
8th Floor, Bangunan CIMB
Jalan Semantan
Damansara Heights
50490 Kuala Lumpur
Wilayah Persekutuan
- UNDERWRITERS** : Commerce International Merchant Bankers Berhad
8th Floor, Bangunan CIMB
Jalan Semantan
Damansara Heights
50490 Kuala Lumpur
Wilayah Persekutuan
- : OSK Securities Berhad
19th Floor, Plaza OSK
Jalan Ampang
50450 Kuala Lumpur
- : Hwang-DBS Securities Berhad
Suite 12-01, 12th Floor
Menara Keck Seng
203, Jalan Bukit Bintang
55100 Kuala Lumpur
- : PM Securities Sdn Bhd
Ground, 1st Floor and 5th Floor, MUI Plaza
Jalan P. Ramlee
50250 Kuala Lumpur
- SPONSOR** : Commerce International Merchant Bankers Berhad
8th Floor, Bangunan CIMB
Jalan Semantan
Damansara Heights
50490 Kuala Lumpur
Wilayah Persekutuan
- LISTING SOUGHT** : MESDAQ Market of the KLSE

INTRODUCTION

This Prospectus is dated 30 May 2002.

A copy of this Prospectus has been registered with the Securities Commission and lodged with the Companies Commission of Malaysia who each takes no responsibility for its contents.

The approvals from KLSE and SC have been obtained for admission to the Official List of the MESDAQ Market and for permission to deal in and quotation for the entire enlarged issued and paid-up ordinary shares of YTL e-Solutions including the Issue Shares which are the subject of this Prospectus. These ordinary shares will be admitted to the Official List of the MESDAQ Market and official quotation will commence after receipt of confirmation from MCD that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants. MESDAQ Market was established on 18 March 2002 as a result of the merger between KLSE and MESDAQ.

An applicant should state his CDS account number in the space provided in the Application Form if he presently has such an account. Where an applicant does not presently have a CDS account, he should state in the Application Form his preferred ADA Code.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act 1991, the KLSE has prescribed YTL e-Solutions Shares as a prescribed security. In consequence thereof, the Issue Shares offered through this Prospectus will be deposited directly with MCD and any dealings in these shares will be carried out in accordance with the aforesaid Acts and the Rules of MCD.

Pursuant to the Listing Requirements, the Company needs to have at least 25% of the issued and paid-up share capital in the hands of public shareholders and a minimum number of 200 shareholders. The Company is expected to achieve this at the point of listing. However, in the event that the above requirement is not met pursuant to this New Issue, the Company may not be allowed to proceed with its listing plan.

No person is authorised to give any information or to make any representation not contained herein in connection with the New Issue and if given or made, such information or representation must not be relied upon as having been authorised by YTL e-Solutions. Neither the delivery of this Prospectus nor any issue made in connection with this Prospectus shall, under any circumstances, constitute a representation or create an implication that there has been no change in the affairs of YTL e-Solutions or the Group since the date thereof.

The distribution of this Prospectus and the issuance of the Issue Shares will not be registered under any securities legislation of any jurisdiction except Malaysia and the Issue Shares will not be placed out in any country other than Malaysia. Persons into whose possession this Prospectus may come are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an offer to sell or an invitation of an offer to buy any Issue Shares in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

If you are in doubt about this Prospectus, you should consult CIMB, your stockbroker, bank manager, solicitor, accountant or other professional adviser.

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1. SUMMARY

THE FOLLOWING SUMMARY IS QUALIFIED IN ITS ENTIRETY AND SHOULD BE READ IN CONJUNCTION WITH THE MORE DETAILED INFORMATION AND FINANCIAL STATEMENTS APPEARING ELSEWHERE IN THIS PROSPECTUS. THE INFORMATION SUMMARY IS ONLY A SUMMARY OF THE SALIENT INFORMATION ABOUT THE CORPORATION/GROUP AND THAT INVESTORS SHOULD READ AND UNDERSTAND THE WHOLE PROSPECTUS PRIOR TO DECIDING WHETHER TO INVEST.

1.1 THE BUSINESS

YTL e-Solutions was incorporated in Malaysia under the Companies Act, 1965 on 14 March 1992 as a private limited company under the name of YTL Power Sdn Bhd. It changed its name to YTL Electro-Dynamic Sdn Bhd on 20 May 1993 and on 5 May 2000, it changed its name again to YTL e-Solutions Sdn Bhd. It was converted to a public company on 21 March 2001 under the name of YTL e-Solutions Berhad. YTL e-Solutions commenced its business in August 2000.

Presently, the authorised share capital of YTL e-Solutions is RM1,000,000,000.00 comprising 1,000,000,000 ordinary shares of RM1.00 each. Its issued and paid-up share capital is RM100,000,000.00 comprising 100,000,000 ordinary shares of RM1.00 each, credited as fully paid-up.

The principal activities of YTL e-Solutions are investment holding, provision of incubation services including developing and incubating technology companies, Internet contents of all descriptions and non-Internet related businesses, provision of consultancy and advisory services in relation to the business of electronic commerce or internet commerce solutions.

Presently, YTL e-Solutions has two subsidiaries, Extiva and PNA.

Extiva

Extiva was incorporated in Malaysia on 14 April 1998 pursuant to the Companies Act, 1965 under the name of Metro Prestige Sdn Bhd. It subsequently changed to its present name on 6 March 2000.

Presently, the authorised share capital of Extiva is RM500,000.00 comprising 500,000 ordinary shares at RM1.00 each and has an issued and paid-up share capital of RM180,000.00 comprising 180,000 ordinary shares of RM1.00 each, credited as fully paid-up.

The principal activity of Extiva is developing and marketing VoIP telephony and other advanced network media appliances for the service provider and enterprise telephony markets. Extiva commenced its business on 12 July 2000. On 23 July 2001, CMC issued an "ASP- Individual License" to Extiva. Extiva has no subsidiary or associated company.

For the financial year ended 30 June 2001, the first year of its operation, Extiva achieved a return on original investment of approximately 140%. For the six months ended 31 December 2001, Extiva achieved a return on original investment of approximately 577%.

1. SUMMARY (Cont'd)

PNA

PNA was incorporated in Malaysia under the Companies Act, 1965 on 30 October 2000 as a private limited company under the name of Digital Parade Sdn Bhd and subsequently changed its name to PropertyNetAsia (Malaysia) Sdn Bhd on 8 June 2001. PNA commenced operations in January 2001.

Presently, the authorised share capital of PNA is RM5,000,000.00 comprising 5,000,000 ordinary shares at RM1.00 each and has an issued and paid-up share capital of RM2,500,000.00 comprising 2,500,000 ordinary shares of RM1.00 each, credited as fully paid-up.

The principal activity of PNA is to own, develop and operate the property portal known as PropertyNetAsia.com.my and provision of related services. PNA has no subsidiary or associated company.

For a more detailed commentary on the Group's business, please refer to Section 4.

1.2 RISK FACTORS

Applicants for the Issue Shares should carefully consider the following risk factors (which may not be exhaustive) in addition to the other information contained in this Prospectus before applying for the Issue Shares:-

Risks relating to YTL e-Solutions

Principal Shareholder : Following the New Issue, YTL Corporation will still be the single largest shareholder of YTL e-Solutions and will be able to influence the Company and dictate its business direction.

Limited Operating History : The Company has limited operating history and there are difficulties frequently encountered in addressing the challenges faced by early stage and rapidly growing companies.

New Business Model : The Company's business model is relatively new and subject to a high level of uncertainty.

Dependence on Performance of Incubatees : The Company's performance is dependent upon the success of its incubatees which may be start-ups and companies in the early stages of development and thus carry a high degree of risk.

Lack of Opportunity to Acquire Suitable Incubatees : The Company may not be able to successfully identify suitable companies that comply with its investment strategy.

Management of Growth : The Company's ability to manage its growth is dependent on its ability to improve its investment, operational, financial and other internal systems, and to train, recruit, motivate and manage its employees.

Competition from Potential Acquirers of Technology Related Companies : The Company faces competition from other capital providers, venture capital companies and large corporations which may limit the Company's opportunity to acquire interests in potential incubatees.

1. SUMMARY (Cont'd)

Dependence on Skilled Personnel : The Company's business is dependent on highly skilled knowledge workers, the market for which is highly competitive.

Risks relating to Incubatees

Dependence on Continued Growth of Developing the On-line Market : If the use of the Internet and other online services does not continue to grow or grows more slowly than expected, or if the infrastructure for the Internet and other online services does not effectively support the growth that may occur, or if the Internet and other online services do not become a viable commercial medium, some of the Company's incubatees' and potential incubatees' businesses, results of operations and financial conditions would be materially and adversely affected.

Rapid Technological Changes : Some of the Company's incubatees and potential incubatees compete in a market which is rapidly evolving in nature. Accordingly, some of the incubatees' future success will depend on their ability to adapt to rapidly changing technologies and demands of the marketplace.

Competition : The IT industry in Malaysia is highly competitive and increased competition may result in reduced operating margins, loss of market share and diminished value in the incubatees' services.

Difficulty of Installation and Implementation : Installation and implementation of new products of the Company's incubatees and potential incubatees often involve a significant commitment of resources, financial and otherwise, by the customers.

Negative Publicity Due to Product Failure : New products developed by the Company's incubatees and potential incubatees may suffer from various unforeseen problems which may disrupt the customers' operations in which event, unless immediately rectified, will result in negative exposure which will affect the incubatees' reputation and financial position.

Branding : There can be no assurance that the efforts in promoting the incubatees' and potential incubatees' brands will yield increased revenues or that any such revenues would offset the expenses incurred by these companies in building their brands.

Intellectual Property Issues : The new products developed by the Company's incubatees and potential incubatees may be adversely affected by intellectual property rights infringement.

Other Risks

No Prior Market for the Ordinary Shares of YTL e-Solutions : Prior to the Listing, there has been no public market for the ordinary shares of YTL e-Solutions.

Political, Economic and Social Considerations : Changes in political, economic, social and regulatory conditions in Malaysia and elsewhere could materially and adversely affect the financial and business prospects of YTL e-Solutions.

Forward-Looking Statements : Forward-looking statements in this Prospectus, involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievement of YTL e-Solutions' or industry's results, to be materially different from any future results, plans, performances and achievements, expressed or implied, by such prospective statements.

1. SUMMARY (Cont'd)

Negative Sentiments Towards Technology Sector : Prevailing negative sentiments towards the technology sector of global capital markets may limit the available avenues for YTL e-Solutions to exit from its investments.

Termination of the Underwriting Agreement : The Underwriting Agreement dated 2 April 2002 permits the Underwriters to discharge itself from its obligations upon the occurrence of certain circumstances which may result in the Issue Shares not being underwritten and thus adversely affecting the success of the Listing.

Underwriters as Possible Major Shareholder : In the event of a final undersubscription by the Entitled Shareholders, the Underwriters may end up becoming a Major Shareholder of the Company and result in non-compliance of the public shareholding spread requirements of the Listing Requirements and this could adversely affect the success of the Listing.

For a more detailed commentary, please refer to Section 3 of this Prospectus.

1. SUMMARY (Cont'd)**1.3 FINANCIAL HIGHLIGHTS****Profit and Dividend Record**

Summary of the audited consolidated financial results of YTL e-Solutions for the past five (5) financial years ended 30 June 2001 and the 6 months period ended 31 December 2001 are set out below:-

		FYE	FYE	FYE	FYE	FYE	6 months period ended
Note	30.06.1997	30.06.1998	30.06.1999	30.06.2000	30.06.2001	30.06.2001	31.12.2001
	RM	RM	RM	RM	RM	RM	RM
Turnover	-	-	-	-	4,373,179	5,995,653	
EBIDTA	-	-	-	98,507	2,413,647	2,630,241	
Depreciation and development expenditure	-	-	-	(22,584)	(461,800)	(437,170)	
Interest Expenses	-	-	-	-	-	-	
Share of Result in Associated Company	-	-	-	-	-	-	
PBT	-	-	-	75,923	1,951,847	2,193,071	
Taxation	-	-	-	(48,000)	(578,000)	(725,464)	
PAT	-	-	-	27,923	1,373,847	1,467,607	
Minority Interest	-	-	-	-	(75,486)	(272,000)	
Profit After Taxation and Minority Interest	-	-	-	27,923	1,298,361	1,195,607	
Weighted Average Number of Ordinary Shares of RM1.00 each in issue	(a) 2	2	2	7,103,827	94,246,575	100,000,000	
Gross EPS (Sen)	(b) -	-	-	1.07	2.07	2.19	
Net EPS (Sen)	(b) -	-	-	0.39	1.38	1.20	
Gross Dividend Rate (%)	-	-	-	-	-	-	

Notes:-

* YTL e-Solutions was incorporated on 14 March 1992. It commenced its business in August 2000.

* The results for the financial year ended 30 June 2001 and the 6 months period ended 31 December 2001 were in respect of the consolidated results of YTL e-Solutions and its subsidiaries.

1. SUMMARY (Cont'd)

- (a) *The weighted average number of ordinary shares in issue for the respective financial years/period has been adjusted to take into account the allotment made during the years/period under review.*
- (b) *The gross EPS and net EPS have been calculated by dividing the PBT and PAT and minority interest respectively for the years/period by the weighted average number of ordinary shares for the respective years/period.*
- (c) *There were no extraordinary items or exceptional items in respect of all the financial years/period under review.*

For a more detailed commentary on the Company's financial position, please refer to Section 6.

Balance Sheet

The proforma consolidated balance sheets of YTL e-Solutions as of 31 December 2001 have been prepared to illustrate the effects of the New Issue on the assumption that the New Issue was effected on that date:-

	<-----Company----->				<-----Group----->		
	As at 30.06.1997	As at 30.06.1998	As at 30.06.1999	As at 30.06.2000	As at 30.06.2001	As at 31.12.2001	After New Issue and proposed utilisation of proceeds
	RM	RM	RM	RM	RM	RM	RM
Current assets	-	-	-	75,289,849	100,806,989	104,563,274	105,613,274
Less : current liabilities	69,966	71,210	71,825	25,595,947	2,564,383	5,107,034	5,107,034
Net current (liabilities)/assets	(69,966)	(71,210)	(71,825)	49,693,902	98,242,606	99,456,240	100,506,240
Property, plant & equipment	-	-	-	203,255	1,976,600	2,392,215	5,392,215
Unquoted investment	-	-	-	-	331,200	331,200	32,331,200
Development expenditure	-	-	-	130,766	1,159,365	2,026,722	2,026,722
Deferred expenditure	69,968	71,212	71,827	-	-	-	-
Goodwill on consolidation	-	-	-	-	-	7,939	7,939
	<u>2</u>	<u>2</u>	<u>2</u>	<u>50,027,923</u>	<u>101,709,771</u>	<u>104,214,316</u>	<u>140,264,316</u>
Financed by :							
Share capital	2	2	2	50,000,000	100,000,000	100,000,000	135,000,000
Share premium	-	-	-	-	-	-	1,050,000
Unappropriated profits	-	-	-	27,923	1,326,284	2,521,891	2,521,891
	<u>2</u>	<u>2</u>	<u>2</u>	<u>50,027,923</u>	<u>101,326,284</u>	<u>102,521,891</u>	<u>138,571,891</u>
Minority interests	-	-	-	-	129,487	1,409,425	1,409,425
Deferred taxation	-	-	-	-	254,000	283,000	283,000
	<u>2</u>	<u>2</u>	<u>2</u>	<u>50,027,923</u>	<u>101,709,771</u>	<u>104,214,316</u>	<u>140,264,316</u>
(Net Liabilities)/NTA	(69,966)	(71,210)	(71,825)	49,897,157	100,166,919	100,487,230	136,537,230
(Net Liabilities)/NTA per share of RM1.00 each	(34,983)	(35,605)	(35,913)	1	1	1	1

For a more detailed commentary on the Company's balance sheet, please refer to Section 14.

1. SUMMARY (Cont'd)**1.4 PRINCIPAL STATISTICS RELATING TO THE NEW ISSUE**

- (i) **Share capital**
- Authorised:-*
1,000,000,000 ordinary shares of RM1.00 each RM1,000,000,000.00
- Issued and paid-up:-*
100,000,000 ordinary shares of RM1.00 each RM100,000,000.00
- To be issued and credited as fully paid-up pursuant to the Restricted Issue:-*
34,000,000 new ordinary shares of RM1.00 each, credited as fully paid-up RM34,000,000.00
- To be issued and credited as fully paid-up pursuant to the Public Issue:-*
1,000,000 new ordinary shares of RM1.00 each, credited as fully paid-up RM1,000,000.00
- (ii) **Issue Price per share** RM1.10
- (iii) **Market capitalisation of YTL e-Solutions based on the Issue Price** RM148,500,000.00
- (iv) **Proforma NTA**
- Group Proforma NTA as at 31 December 2001 after taking into account the New Issue of 35,000,000 new ordinary shares of RM1.00 each at an Issue Price of RM1.10 per Issue Share and after deducting estimated listing expenses of RM2,450,000.00 RM136,537,230
- Group Proforma NTA per share (based on the enlarged issued and paid-up share capital after the New Issue) RM1.01
- (v) **Classes of shares and ranking**
- There is only one class of shares in YTL e-Solutions namely ordinary shares of RM1.00 each. The Issue Shares will rank *pari passu* in all respects with one another and the other existing issued and paid-up ordinary shares in YTL e-Solutions including voting rights and the right to all dividends and other distribution that may be declared subsequent to the date of allotment of the Issue Shares.
- (vi) **Listing on MESDAQ Market**
- The entire enlarged issued and paid-up share capital of YTL e-Solutions is expected to be listed on MESDAQ Market in July 2002.

For more details on the New Issue, please refer to Section 2.

1. SUMMARY (Cont'd)**1.5 PROCEEDS FROM THE NEW ISSUE AND UTILISATION**

The gross proceeds from the New Issue amounting to RM38,500,000.00 will accrue entirely to the Company and will be utilised as follows:-

	RM'000
Investment and incubation activities	32,000
Capital expenditure	3,000
Estimated listing expenses	2,450
Working capital	1,050
Total	<u>38,500</u>

For more details, please see Section 2.7.

1.6 DIRECT AND INDIRECT SHAREHOLDINGS OF PROMOTERS, MAJOR SHAREHOLDERS, DIRECTORS, KEY INVESTMENT, MANAGEMENT AND TECHNICAL PERSONNEL

a) The shareholdings of the Promoters of YTL e-Solutions before and after the New Issue are as follows:-

Promoter	Designation	<-----Before the New Issue-----> No. of ordinary shares of RM 1.00 each held				<-----After the New Issue-----> No. of ordinary shares of RM1.00 each held			
		Direct '000	%	Indirect '000	%	Direct '000	%	Indirect '000	%
YTL Corporation	-	100,000	100.00	-	-	100,000	74.07	-	-
Tan Sri Dato' Francis Yeoh Sock Ping	Executive Chairman / Managing Director	-	-	*100,000	100.00	-	-	*100,000	74.07

Note:-

* By virtue of his substantial shareholdings in Yeoh Tiong Lay & Sons Holdings Sdn Bhd which is a substantial shareholder of YTL Corporation.

For more details, please refer to Section 8.1.

b) The shareholdings of the directors of YTL e-Solutions before and after the New Issue are as follows:-

1. SUMMARY (Cont'd)

Director	Designation	<-----Before the New Issue----->				<-----After the New Issue----->			
		No. of ordinary shares of RM 1.00 each held				No. of ordinary shares of RM1.00 each held			
		Direct '000	%	Indirect '000	%	Direct '000	%	Indirect '000	%
Tan Sri Dato' Francis Yeoh Sock Ping	Executive Chairman/ Managing Director	-	-	*100,000	100.00	-	-	*100,000	74.07
Tan Sri Dato' Dr. Md Noordin Bin Md Sopiee	Independent Non-Executive Director	-	-	-	-	#100	**	-	-
Dato' Yeoh Seok Hong	Executive Director	-	-	*100,000	100.00	-	-	*100,000	74.07
Dato' Michael Yeoh Sock Siong	Executive Director	-	-	*100,000	100.00	-	-	*100,000	74.07
Dato' Mark Yeoh Seok Kah	Executive Director	-	-	*100,000	100.00	-	-	*100,000	74.07
Syed Abdullah Bin Syed Abd. Kadir	Executive Director	-	-	-	-	#30	**	-	-
Loh Mun San	Executive Director	-	-	-	-	#100	**	-	-
Amarjit Singh Chhina	Executive Director	-	-	-	-	#100	**	-	-
Toh Muda Rizal Ashram Bin Tan Sri Ramli	Independent Non-Executive Director	-	-	-	-	#15	**	-	-
Dato' Lau Yin Pin @ Lau Yen Beng	Independent Non-Executive Director	-	-	-	-	#15	**	-	-

Notes:-

* *By virtue of their substantial shareholdings in Yeoh Tiong Lay & Sons Holdings Sdn Bhd which is a substantial shareholder of YTL Corporation.*

** *Negligible.*

Assuming the Public Issue Shares allocated will be taken up by eligible directors.

For more details, please refer to Section 8.2 and Section 15.3(ix).

c) The shareholdings of the major shareholders of YTL e-Solutions before and after the New Issue are as follows:-

1. SUMMARY (Cont'd)

Shareholder	Designation	<-----Before the New Issue-----> No. of ordinary shares of RM 1.00 each held				<-----After the New Issue-----> No. of ordinary shares of RM1.00 each held			
		Direct '000	%	Indirect '000	%	Direct '000	%	Indirect '000	%
YTL Corporation	-	100,000	100.00	-	-	100,000	74.07	-	-
Yeoh Tiong Lay & Sons Holdings Sdn Bhd	-	-	-	#100,000	100.00	-	-	#100,000	74.07
Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay	-	-	-	*100,000	100.00	-	-	*100,000	74.07
Puan Sri Datin Seri Tan Kai Yong @ Tan Kay Neong	-	-	-	*100,000	100.00	-	-	*100,000	74.07
Tan Sri Dato' Francis Yeoh Sock Ping	Executive Chairman/ Managing Director	-	-	*100,000	100.00	-	-	*100,000	74.07
Dato' Yeoh Seok Kian	-	-	-	*100,000	100.00	-	-	*100,000	74.07
Yeoh Soo Min	-	-	-	*100,000	100.00	-	-	*100,000	74.07
Dato' Yeoh Seok Hong	Executive Director	-	-	*100,000	100.00	-	-	*100,000	74.07
Dato' Michael Yeoh Sock Siong	Executive Director	-	-	*100,000	100.00	-	-	*100,000	74.07
Yeoh Soo Keng	-	-	-	*100,000	100.00	-	-	*100,000	74.07
Dato' Mark Yeoh Seok Kah	Executive Director	-	-	*100,000	100.00	-	-	*100,000	74.07

Notes:-

Deemed interested by virtue of its substantial shareholdings in YTL Corporation.

* Deemed interested by virtue of their substantial shareholdings in Yeoh Tiong Lay & Sons Holdings Sdn Bhd which is a substantial shareholder of YTL Corporation.

For more details, please refer to Section 8.1.

d) The shareholdings of the key investment, management and technical personnel of YTL e-Solutions before and after the New Issue are as below:-

1. SUMMARY (Cont'd)

Employees	Designation	<-Before the New Issue-> No. of ordinary shares of RM1.00 each held				<-After the New Issue-> No. of ordinary shares of RM1.00 each held			
		Direct '000	%	Indirect '000	%	Direct '000	%	Indirect '000	%
Kok Kee Chon	Chief Technology Officer	-	-	-	-	# 45	*	-	-
Tan Foo Chong	Senior Technology Officer	-	-	-	-	# 45	*	-	-
Ng Choon Seang	Applications Manager	-	-	-	-	# 45	*	-	-
Chong Fui Yuen @ Moses Chong	Application Specialist/ Senior Database Administrator	-	-	-	-	# 45	*	-	-
Seow Kong Guan	Senior Systems Technology Officer	-	-	-	-	# 45	*	-	-
Looi Ming Kok	Senior Web Developer	-	-	-	-	# 45	*	-	-

Note:-

Assuming the Public Issue Shares allocated will be taken up by the eligible employees

* Negligible

The Public Issue Shares are allocated to 43 Eligible Employees and Directors of YTL e-Solutions Group based on the seniority and length of service of each staff. For more details on the key investment, management and technical personnel of YTL e-Solutions, please refer to Section 8.4.

1.7 TECHNOLOGY, INTELLECTUAL PROPERTY, FRANCHISE AND LICENCE, AND RESEARCH & DEVELOPMENT

Technology

YTL e-Solutions is an investment/incubator company. Its ICC's integrated backbone connectivity infrastructure is supported by the following technology:-

- Sun Microsystems Ultra Enterprise 10 and Enterprise 450 servers;
- Dell and Intel servers;
- Cisco 3600 series Routers;
- 3 Com Remote Access Server;
- WAP Gateway;
- Payment Gateway;
- Network connected to 2 Internet Service Providers using dedicated leased lines from two telecommunications companies; and
- Oracle 8I Enterprise Database management software.

1. SUMMARY (Cont'd)

Intellectual Property

YTL e-Solutions has acquired exclusive rights to use the property portal concept under the domain names of www.PropertyNetAsia.com and extiva.com.my.

The software applications currently being developed by YTL e-Solutions have intellectual property residing in them but these will not be registered until the full completion of development of these applications.

Franchise and Licence

Extiva has been granted an ASP Individual Licence, which was awarded by CMC on 23 July 2001. Other than that, the YTL e-Solutions Group is not in possession of any other franchises and licences.

Research and Development

The ICC will carry out:-

- (i) research, study and keep itself up-dated with the latest software applications;
- (ii) develop new software applications;
- (iii) participate in knowledge and technology transfer with international software development companies; and
- (iv) in-house testing of new software applications and products.

For more detail, please refer to Section 4.4.

1.8 MATERIAL LITIGATION, COMMITMENTS, CONTINGENT LIABILITIES AND WORKING CAPITAL

As at 17 May 2002, YTL e-Solutions Group:-

- (i) has no outstanding material contingent liabilities, loan capital outstanding or created but not issued, or mortgages;
- (ii) has no contracted capital commitments not provided for in the accounts in respect of the purchase of land, building, plant and machinery and construction of factory buildings; and
- (iii) is not engaged in any material litigation either as plaintiff or defendant and the directors of the Group have no knowledge of any proceedings pending or threatened against the Group or any facts likely to give rise to any proceedings which might materially affect the financial position and business of the Group.

The Directors of the Company are of the opinion that the Company has sufficient working capital to meet the needs and foreseeable requirements of the Group.

For more detail, please refer to Sections 2.7(iv), 6.6 and 15.7.

1. SUMMARY *(Cont'd)*

1.9 GENERAL DESCRIPTION OF THE FIVE YEAR BUSINESS PLAN

The success of the MSC and the development of a K-economy hinges on Malaysia developing and adopting new technologies and having a large pool of knowledge workers with the right skill set. The development of new technologies is in turn dependant to a large extent, on the availability of "risk capital" from venture capital funds. Without access to such capital, the Internet age would have advanced at a much slower pace.

YTL e-Solutions understands that the availability of funds drives innovation at a faster pace. Faster innovation, in turn should drive productivity growth higher, lower inflation and accelerate investment. YTL e-Solutions therefore intends to invest in and incubate companies utilising new evolving technologies for their use and adoption in Malaysia.

Nevertheless, YTL e-Solutions is mindful that success is more than a function of just capital – the bursting of the "dotcom" bubble has strengthened this view, and therefore, one compelling selection process of YTL e-Solutions is that companies promoting new technologies must be viable over the longer-term.

YTL e-Solutions' mission is to earn high returns, incubating and investing in high growth and knowledge intensive companies that leverage on new technologies – and then to enhance the value of these investments using the internal and external resources available to YTL e-Solutions. Underscoring this mission, is its belief that IT, the Internet, communications and other related technologies are here to stay over the longer term, and offer excellent investment opportunities, particularly now that valuations have corrected since the bursting of the technology bubble.

YTL e-Solutions is of the view that there will be many opportunities available to it in the future. The potential of IT, as a means of conducting business more efficiently is still largely untapped in Asia. Internet penetration is still quite low, and investment in critical new infrastructure (like broadband and wireless Internet) is still relatively poor.

YTL e-Solutions is of the view that these technologies will not disappear quickly, rather they will be improved, made more consumer friendly and become cheaper. And as these new technologies become cheaper, usage or penetration would grow significantly—creating lucrative new investment opportunities.

Asking prices for technology companies have also fallen significantly, with the bursting of the technology bubble on Nasdaq. This development provides YTL e-Solutions with a window of opportunity and will enable it to acquire businesses exposed to these key new technologies more cheaply.

YTL e-Solutions' expertise lies with its ICC (which comprises of information systems integration specialists, ICT project management and consultancy specialists, telecommunication network administration specialists, database administration and integration specialists, web application development specialists, host-based applications specialists, digital transmission and communications specialists, multimedia and graphics specialists, ICT training and resource development specialists, system maintenance and support specialists) as well as its non-ICT related expertise in the form of investment and business analysts. It also has access to extensive entrepreneurial experience and being part of the YTL Group with its investment track record, it is in a good position to advise, nurture and grow new companies and new technologies, so that real benefits are derived and tangible shareholder value is created over the longer term.

1. SUMMARY (Cont'd)

With its technological and investment expertise, YTL e-Solutions therefore strives to be more than just a quasi-venture capitalist, it will be a provider of "smart capital" – i.e. financial capital, as well as "real world" knowledge capital to eliminate many of the risks associated with new technology investments, such as technical risk, financial risk or operational risk. YTL e-Solutions intends to help new entrepreneurs avoid common management pit-falls, allowing them to focus on the areas where they can create the most value. The enterprise will also benefit from the association with the "YTL" brand name, which may create opportunities for the enterprise as a result of gaining access to YTL Group's extensive business networks, as well as possibly making it easier to attract and retain staff, and generally speed up the development of the company.

The technology sectors being targeted by YTL e-Solutions include internet and e-commerce technologies and applications, cutting-edge hardware and software solutions, data warehouse infrastructure, web infrastructure, content management and delivery solutions, communications and networking solutions, enabling technologies (e.g. Internet appliances, security solutions, biometric technologies, smart card and encryption technologies, etc), digital technologies and services, ICT technologies and services, multi-media technologies and services, wireless and broadband related technologies, and other evolving technologies in the future.

For more details on the Five Year Business Plan, please refer to Section 7.

1.10 PROSPECTS AND OUTLOOK

The Malaysian economy is recovering in 2002 following a strengthening of external demand. Past trends show that there is a brief lag between the recovery in the major economies and recovery in Malaysian exports. As such, the timing and magnitude of the recovery would have a significant impact on the Malaysian economy. The current economic upturn is taking place amidst global excess capacity, particularly in the technology sector. External demand is, therefore, expected to strengthen gradually. Against this background, the recovery in the Malaysian economy would be modest, with real GDP expanding by 3.5% in 2002.

(Source: Bank Negara Malaysia, Annual Report 2001)

Despite eleven interest rate cuts by the U.S. Federal Reserve in 2001 (leaving benchmark U.S. interest rates at a 40 year low of 1.75%), the U.S. economy has displayed remarkable resilience in the face of some very significant adverse shocks over the last six months. However, economic recovery in the 2nd Quarter of 2002 remains uncertain at best.

There is however growing evidence of recovery in some segments of the technology sector (e.g. semi-conductor sector), and at least some forms of high-tech investment is under way. However until substantial overcapacity in certain sub-sectors like telecommunications is cleared, overall improvements across the board will be slow and gradual.

In light of the above scenario, the group is confident that it is in a good position to exploit the tremendous long-term opportunities available in the local and international technology sector as:

- technology companies have become relatively cheaper;
- the Group has sufficient cash reserves available for investment; and
- the Group has a long investment horizon of 3 to 7 years.

For a more detailed commentary on the company's investment philosophy, please refer to Section 4.4.

2. PARTICULARS OF THE NEW ISSUE

2.1 PRELIMINARY

A copy of this Prospectus has been registered with the SC and lodged with the Companies Commission of Malaysia which each takes no responsibility for its contents.

The approvals from KLSE, MESDAQ, SC and shareholders of YTL Corporation have been obtained on 14 March 2002, 27 July 2001, 24 July 2001 and 16 October 2001 respectively for admission to the Official List of the MESDAQ Market and for permission to deal in and quotation for the entire enlarged issued and paid-up ordinary shares of YTL e-Solutions including the Issue Shares which are the subject of this Prospectus. These ordinary shares will be admitted to the Official List of the MESDAQ Market and official quotation will commence after receipt of confirmation from MCD that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

An applicant should state his CDS account number in the space provided in the Application Form if he presently has such an account. Where an applicant does not presently have a CDS account, he should state in the Application Form his preferred ADA Code.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act 1991, the KLSE has prescribed YTL e-Solutions Shares as a prescribed security. In consequence thereof, the Issue Shares offered through this Prospectus will be deposited directly with MCD and any dealings in these shares will be carried out in accordance with the aforesaid Acts and the Rules of MCD.

The written consents of the Solicitors, Registrar, Adviser, Managing Underwriter, Underwriters, Sponsor, Issuing House, Principal Banker and Auditors to the inclusion in this Prospectus of their names in the manner and form in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.

The written consent of the Reporting Accountants to the inclusion in this Prospectus of their names, Accountants' Report and their letter relating to the proforma consolidated balance sheets as at 31 December 2001 in the manner and form in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

2.2 PARTICULARS OF THE NEW ISSUE

The New Issue which comprises of the following, is subject to the terms and conditions in this Prospectus and the relevant application forms:-

- (a) a restricted issue by way of an invitation by YTL e-Solutions to the Entitled Shareholders to apply for 34,000,000 Issue Shares at an Issue Price of RM1.10 per share, payable in cash in full on acceptance; and
- (b) issue of 1,000,000 of the Issue Shares are to be reserved for the eligible employees and Directors of the YTL e-Solutions Group.

The Restricted Issue is NON-RENOUNCEABLE.

The Restricted Issue shall be offered for application to the Entitled Shareholders with exception to the Excluded Shareholders. These Excluded Shareholders are:-

- (i) Yeoh Tiong Lay & Sons Holdings Sdn Bhd, and/or its nominees or associates; and

2. PARTICULARS OF THE NEW ISSUE (Cont'd)

- (ii) U.S. persons (as such terms are defined by Regulations under the U.S. Securities Act of 1933, as amended ("Securities Act")); or
- (iii) persons who are resident in Japan or are a corporation or entity organised under the laws of Japan or who hold such shares in YTL Corporation, as nominee for any such resident, corporation or entity (for avoidance of doubt, Cartaban Nominees (Asing) Sdn Bhd shall be an Excluded Shareholder in respect of those shares held by it as nominee for Japan Securities Clearing Corporation); or
- (iv) persons with addresses in any other jurisdictions outside Malaysia in which acceptance of the entitlement under the Restricted Issue would result in the contravention of the laws of such jurisdiction, whether in the absence of any necessary consent and/or compliance with any registration of other legal requirements or for any other reason; or
- (v) persons who in the opinion of the Directors of the Company (on the advice of the Company's legal counsel) it would be necessary or expedient to be excluded from participating in the Restricted Issue by reason of legal or regulatory requirements.

The Restricted Issue Shares are being offered to the Entitled Shareholders on a preference basis of one (1) Restricted Issue Share for every five (5) ordinary shares in YTL Corporation held by the Entitled Shareholders as at the New Issue Record Date. All Entitled Shareholders will each be offered a minimum one hundred (100) Restricted Issue Shares. The number of the Restricted Issue Shares offered will be rounded up or down, to the nearest board lot, where applicable.

Entitled Shareholders who apply for the Restricted Issue Shares will first be allocated one hundred (100) Restricted Issue Shares PROVIDED THAT such Entitled Shareholders shall have remitted the minimum application monies for the one hundred (100) Restricted Issue Shares in accordance with the procedures for application and acceptance set out herein. Thereafter, the Restricted Issue Shares will be allocated proportionately to the number of Shares applied for and adjusted to the nearest board lot, subject to the meeting of the public spread requirement.

In the event of oversubscription, acceptance of application in respect of the Restricted Issue Shares shall be conducted in a manner determined by the Directors of YTL e-Solutions.

In the event of undersubscription, any Restricted Issue Shares not applied for will be made available to the Entitled Shareholders who apply for excess shares under the Restricted Issue.

EACH ENTITLED SHAREHOLDER ACCEPTING ALL OR PART OF THE RESTRICTED ISSUE SHARES OFFERED TO HIM WILL BE DEEMED TO HAVE REPRESENTED THAT HE AND/OR THE BENEFICIAL OWNER OF THOSE ORDINARY SHARES IN YTL CORPORATION IN RESPECT OF WHICH THE RESTRICTED ISSUE SHARES ARE ACCEPTED IS NOT AN EXCLUDED SHAREHOLDER.

There is only one class of shares in YTL e-Solutions, being ordinary shares of RM1.00 each. The Issue Shares are expected to be allotted on 1 July 2002. The Issue Shares upon allotment shall rank *pari passu* in all respects with one another and the other existing issued and fully paid-up ordinary shares of YTL e-Solutions including voting rights and the right to all dividends and other distribution that may be declared subsequent to the date of this Prospectus.

All the Restricted Issue Shares are fully underwritten.

2. PARTICULARS OF THE NEW ISSUE (Cont'd)

2.3 DEADLINE FOR APPLICATION

The deadline for receipt of all applications is 5.00 p.m. on 12 June 2002 or such other date and time as the Directors of YTL e-Solutions at their discretion may decide subject to such consents as may be required from the Managing Underwriter and Underwriters. The extension of the closing period is subject to the approval of KLSE and the SC. Late applications will not be accepted.

The entire enlarged issued and paid-up share capital of YTL e-Solutions is expected to be listed on the MESDAQ Market in July 2002.

2.4 PURPOSES OF THE LISTING

The purposes of the Listing are as follows:-

- (i) To obtain the listing of and quotation for the entire enlarged issued and paid-up share capital of YTL e-Solutions on the MESDAQ Market;
- (ii) To provide YTL e-Solutions with access to the capital market to raise funds for future expansion and growth of the Group;
- (iii) To enable Entitled Shareholders to participate directly in the continuing growth of the Group;
- (iv) To motivate, incentivise and retain staff by providing opportunities to all eligible employees and Directors of the Group to participate directly in the continuing growth of the Group;
- (v) To enhance the stature of YTL e-Solutions and allow it to attain greater visibility as a Malaysian technology investment and incubation company;
- (vi) To increase YTL e-Solutions' profile both in Malaysia and internationally to facilitate the sourcing of quality deal flow; and
- (vii) To enable YTL e-Solutions to forge strategic alliances using publicly quoted equity.

2.5 MAJOR SHAREHOLDER'S UNDERTAKING

Yeoh Tiong Lay & Sons Holdings Sdn Bhd has given its irrevocable written undertaking to subscribe for the excess of the Public Issue Shares not subscribed by the eligible employees and/or Directors of the YTL e-Solutions Group and not applied for in excess by the Entitled Shareholders.

2. PARTICULARS OF THE NEW ISSUE (Cont'd)

2.6 PRICING OF THE NEW ISSUE

The Issue Price of RM1.10 per ordinary share was determined and agreed upon by the Company and CIMB as Adviser and Managing Underwriter, after taking into account, *inter alia*, the following factors:-

- 1) The Group's operating history and financial conditions as described in Sections 4 and 6 of this Prospectus;
- 2) The future plans and strategies and outlook of the Group and industry overview, as described in Sections 4.7 and 5 of this Prospectus; and
- 3) The Group's proforma NTA per share of RM1.01 as at 31 December 2001.

Note:-

The proforma NTA per ordinary share of the Group as at 31 December 2001 after taking into account the New Issue of 35,000,000 Issue Shares at an Issue Price of RM1.10 per Issue Share and after deducting estimated listing expenses of RM2,450,000.00

Investors should form their own views on the valuation of the Issue Shares before deciding to invest in the Issue Shares.

2.7 PROCEEDS OF THE NEW ISSUE AND UTILISATION

The minimum subscription to be raised in order to satisfy the objectives of the Restricted Issue and Public Issue is RM37,400,000 and RM1,100,000 respectively.

The gross proceeds from the New Issue amounting to RM38,500,000.00 will accrue entirely to the Group and will be utilised as follows:-

	Notes	RM'000
Investments and incubation activities	(i)	32,000
Capital expenditure	(ii)	3,000
Estimated listing expenses	(iii)	2,450
Working capital	(iv)	1,050
		38,500

Notes:-

- (i) *This amount is expected to be fully utilised by the financial year ended 30 June 2004. Utilisation will be pro-rated over the three (3) financial years ended 30 June 2002, 30 June 2003 and 30 June 2004 respectively. The amount expected to be utilised in the respective years are RM7 million, RM10 million and RM15 million. Generally, it is expected that YTL e-Solutions will invest equity capital of between RM5 million to RM10 million over the life of an incubatee and for seed capital, investments may be as low as RM100,000. YTL e-Solutions is targeting to allocate at least 50% of its investments in early stage companies which will typically require initial and further financing. The incubation programme will see YTL e-Solutions, through its investment in the incubatees, providing the infrastructure, value added support services and enabling the incubatees to accelerate the steps required to bring their technology to the market, and at the same time, participating in the growth and prospects of the incubatees.*

2. PARTICULARS OF THE NEW ISSUE (Cont'd)

- (ii) *This amount is expected to be fully utilised by the financial year ended 30 June 2004. Utilisation will be pro-rated over the three (3) financial years ended 30 June 2002, 30 June 2003 and 30 June 2004 respectively, with RM1 million being utilised in each of the respective years. The provision for capital expenditure is an annual provision for the purchase of computers and peripherals for the Company, as well as for the replacement of IT equipment which will become obsolete. The key tentative areas for capital expenditure that YTL e-Solutions is making provision for are as follows:-*

Customer Relationship Management Call Centre (software, system administration software, all servers, all port cards etc). The budget for capital expenditure for the Call Centre is approximately RM400,000; and

Extiva – Estimated 4 gateways and servers over the period at roughly RM300,000 each. There is also expected to be additional capital expenditure related to Extiva's hardware development plan of approximately RM1.4 million. Extiva's hardware development plan focuses on developing PABX integration solutions for "seamless" centralized VoIP telephony services, the development of low cost and reliable wireless LAN and wireless WAN networks and other wireless solutions such as the Bluetooth handsets, wireless LAN access points, Bluetooth modems, wireless ADSL routers and software drivers to enable customization.

- (iii) *Please refer to Section 2.8 for details of the estimated listing expenses.*
- (iv) *This amount is expected to be fully utilised by the financial year ended 30 June 2004. Utilisation will be pro-rated over the three (3) financial years ended 30 June 2002, 30 June 2003 and 30 June 2004 respectively, with RM350,000 being utilised in each of the respective years. The Directors of YTL e-Solutions are of the opinion that the working capital available to the Group will be sufficient for the foreseeable requirements of the Group.*

The proceeds will be used by the Group to fulfil its objective of realising high returns through long term capital appreciation, through equity or equity related investments. The financial impact to the YTL e-Solutions Group from the utilisation of proceeds is expected to enhance its earnings by speeding up the development and growth of the incubatee companies. The proceeds will also increase the NTA of the Group.

2.8 UNDERWRITING AND LISTING EXPENSES

- (i) **Underwriting Commission**
The Managing Underwriter and Underwriters mentioned herein have agreed to underwrite 34,000,000 ordinary shares of RM1.00 each in YTL e-Solutions to be offered to the Entitled Shareholders pursuant to the Restricted Issue. Underwriting commission is payable by the Company to the Underwriters at the rate of 2.5% of the issue price of RM1.10 per Restricted Issue Share underwritten. Managing underwriting commission of 0.5% of the issue price of RM1.10 per Restricted Issue Share is payable to the Managing Underwriter.

(ii) **Estimated Listing Expenses**

	RM
Professional fees	500,000
Advertisement	150,000
Printing of Prospectus	150,000
Sponsorship fees	75,000
Underwriting commission	1,122,000
Fees of the authorities	40,500
Contingencies	412,500
Total	<u>2,450,000</u>

2. PARTICULARS OF THE NEW ISSUE (*Cont'd*)

2.9 DETAILS OF THE UNDERWRITING AGREEMENT

The Underwriting Agreement between YTL e-Solutions, the Managing Underwriter and the Underwriters dated 2 April 2002 ("the Underwriting Agreement") contains the following clauses which may allow the Underwriters to withdraw from its/their obligations under the Underwriting Agreement :

(i) **Conditions Precedent**

The several obligations of the Underwriters under the Underwriting Agreement shall be conditional upon:-

- (a) KLSE having agreed in principle on or prior to the closing date to the listing of and quotation for all the Issued Shares of the Company and the Underwriters being reasonably satisfied that such listing and quotation will be granted three (3) market days (or such other days as KLSE may permit) after KLSE has received all the necessary supporting documents and the receipt of confirmation from MCD that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants;
- (b) the registration of the Prospectus with the SC in accordance with the requirements of the Securities Commission Act, 1993 (as amended), together with all documents required by the aforesaid Act and the issue by the SC of the relevant certificate of registration of the Prospectus or any like document;
- (c) the lodgment with the Companies Commission of Malaysia of the Prospectus in accordance with the requirements of the Companies Act, 1965 together with copies of all documents required by the Companies Act, 1965 and the issue by the Companies Commission of Malaysia of the relevant certificate of lodgment of the Prospectus or any like document, if any;
- (d) the issuance of the Prospectus within three (3) months from the date hereof; and
- (e) in the reasonable opinion of the Underwriters, there not having been on or prior to the closing date any adverse and material change or development reasonably likely to involve a prospective adverse and material change in the financial or business condition of the Company or any of its subsidiaries from that set out in the Prospectus which is material in the context of the Restricted Issue or offering of the Restricted Issue Shares thereunder or any occurrence of any event rendering untrue or incorrect or misleading or not complied with to an extent which is material as aforesaid, any of the warranties and representations as set out in the Underwriting Agreement as though given or made on such date.

The Underwriters shall have the right to terminate this Agreement by notice in writing on or before the closing date, in the event that any of the conditions stated above is not satisfied on or before the closing date or the approval in principle of KLSE for the listing of and quotation for all the New Issue Shares on the MESDAQ Market is withdrawn or not procured; and upon such termination the liabilities of the Company and the Underwriters concerned hereto shall become null and void and none of the parties shall have any claim against each other for compensation, costs, expenses or otherwise save that each party shall return any moneys paid in advance to the other under this Agreement within seventy-two (72) hours of the receipt of such notice, provided that the Company shall remain liable for the payment of the cost and expenses in relation to the underwriting.

2. PARTICULARS OF THE NEW ISSUE (Cont'd)

(ii) **Force Majeure**

Notwithstanding anything herein contained, each of the Underwriters, acting through the Managing Underwriter, may at any time be entitled to terminate their respective obligations under this Agreement, provided that the majority in number of the Underwriters have agreed to and consented in writing, by delivering a notice in writing to the Company on the occurrence of all or any of the matters stated herebelow on or before the closing date if the success of the Restricted Issue is, in the reasonable opinion of the Underwriters, seriously jeopardised by:-

- (a) any Government requisition or other occurrence of any nature whatsoever which in the reasonable opinion of the Underwriters seriously affects or will seriously affect the business and/or financial position of the Company or its subsidiaries; or
- (b) any change or any development involving a prospective change in national or international monetary, financial, (including stockmarket conditions and interest rates) political or economic conditions or exchange control or currency exchange rates as would in the reasonable opinion of the Underwriters prejudice materially the success of the New Issue and their distribution or sale (whether in the primary or in respect of dealings on the secondary market); or
- (c) any material breach of the warranties and undertakings referred to in the Underwriting Agreement or withholding of information of a material nature from the Underwriters the occurrence or effect of which would in the reasonable opinion of the Underwriters prejudice materially the success of the New Issue and their distribution or sale (whether in the primary or in respect of dealing on the secondary market); or
- (d) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, which in the reasonable opinion of the Underwriters has or is likely to have a material adverse effect on the condition, financial or otherwise, or the earnings, business affairs or business prospects (whether or not arising in the ordinary course of business) of the Company or the Group (taken as a whole); or
- (e) any acts of government, acts of war, or acts of God which has or is likely to have the effect of making any material part of this Agreement incapable of performance with its terms or which prevents the processing of application, crediting of accounts and/or payments pursuant to the New Issue or pursuant to the underwriting hereof; or
- (f) the imposition of any moratorium, suspension or material restriction on trading in securities generally in the MESDAQ Market of KLSE due to exceptional financial circumstances or otherwise.

On delivery of such a notice by the Managing Underwriter to the Company and confirmation of such a notice by facsimile or by hand, the Underwriting Agreement shall be terminated and the obligations of the Underwriters under this Agreement shall be discharged accordingly. In the event of any such termination pursuant to the above paragraph, the Company shall bear all the cost and expenses incurred under the Underwriting Agreement.

3. RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF THE COMPANY AS OUTLINED IN THIS PROSPECTUS, APPLICANTS SHOULD CAREFULLY CONSIDER THE FOLLOWING FACTORS (WHICH MAY NOT BE EXHAUSTIVE) THAT MAY HAVE A SIGNIFICANT IMPACT ON THE FUTURE PERFORMANCE OF THE COMPANY/GROUP IN ADDITION TO OTHER INFORMATION CONTAINED ELSEWHERE HEREIN, BEFORE PARTICIPATING IN THE NEW ISSUE.

3.1 RISKS RELATING TO YTL E-SOLUTIONS

Principal Shareholder

Following the New Issue, YTL Corporation will still be the single largest shareholder of YTL e-Solutions. Consequently, YTL Corporation is in a position to influence the Company and dictate its business direction and will have sufficient voting rights to influence the outcome of certain corporate transactions unless it is prevented from doing so by law or the relevant regulations.

Limited Operating History

The Company has a limited operating history on which to evaluate its business. There are risks and difficulties frequently encountered by companies in the early stages of development, particularly companies in the new and rapidly evolving information technology and Internet industry. These risks and difficulties include the Company's ability to: -

- Effectively allocate resources to help incubatees; and
- Promptly address the challenges faced by early stage, rapidly growing companies which do not have experience or a performance base to draw on.

The Company's management believes that with the management experience and business expertise of its senior management and the support of the YTL Group's facilities and other planned group synergies, the Company can mitigate this risk factor.

New Business Model

The Company's business model is relatively new and subject to a high level of uncertainty. The success of its model will depend on the Company's ability to identify and attract incubatees and to effectively assist these companies in their business development and growth. If the Company is unable to convince incubatees of the value of its business model, its business, operating results and financial condition would be materially and adversely affected.

The Company's management believes that with the management experience and business expertise of its senior management and the support of the YTL Group's facilities and other planned group synergies, the Company can mitigate this risk factor.

3. RISK FACTORS (Cont'd)

Dependence on Performance of Incubatees

The Company's performance is dependent upon the success of its incubatees. Investment in start-ups and companies in the early stages of development carries a high degree of risk. Some of these companies will operate in the rapidly evolving Internet industry and will thus encounter difficulties and risks relating to the Internet. There can be no assurance that any of these companies will be financially successful, and if they do not succeed, the Company's value of assets and profitability will be adversely affected.

To mitigate this risk, the Company will participate actively in the management of its incubatees and monitor the progress and performance of these companies through regular informal interactions and review meetings.

Lack of Opportunity to Acquire Suitable Incubatees

The Company may not be able to identify suitable companies that complement its strategy, and even if identified, the Company may not be successful in acquiring an interest in the company due to various reasons such as:-

- Failure to settle on terms of the acquisition such as the value and pricing of the intended acquisition;
- Competition from other acquirers of technology-related companies;
- Incompatible management style and philosophy between the Company and the company to be acquired; and
- Unwillingness of the companies to be acquired by YTL e-Solutions.

If the Company is unable to acquire interests in suitable companies, its business model and strategy may not succeed.

To mitigate the risk, the Company will seek to attract suitable companies by providing value-added services such as assisting investee companies accelerate the development of their products and services by providing funding, managerial and technical support to them.

Management of Growth

The Company anticipates rapid growth of its business, which can place a strain on the Company's financial, management and other resources. The Company's ability to manage its growth will depend on its ability to improve its investment, operational, financial and other internal systems, and to train, recruit, motivate and manage its employees. If the Company is unable to achieve the anticipated performance levels, its business and financial performance may be adversely affected.

To mitigate this risk, the Company will continue to recruit highly qualified employees and to train existing staff. The Company will offer attractive remuneration packages to encourage employees to continue employment with the Company.

Competition from Potential Acquirers of Technology Related Companies

The Company faces competition from other capital providers, venture capital companies and large corporations. These competitors may limit the Company's opportunity to acquire interests in potential incubatees. If the Company is unable to acquire interests in attractive companies, its business model and strategy may not succeed.

3. RISK FACTORS *(Cont'd)*

YTL e-Solutions is both "technology-centric" and "investment-centric". It fulfils the role of a venture capitalist, a technology consultant, an investment advisor and an entrepreneur, and provides comprehensive support services. These factors differentiate it from other potential acquirers of technology-related companies, reducing its exposure to the above risk.

Dependence on Skilled Personnel

The IT industry is a growing and fast changing sector, and management and operation of the business requires the employment of highly skilled knowledge workers, whether in IT or non-IT related fields. The labour market for skilled personnel is highly competitive and the increased competition for these personnel raises the risks for the Company in being able to secure the services of such personnel or where secured, of retaining their services for the long term.

To mitigate this risk, the Company intends to offer its employees competitive salary/remuneration and benefits packages, at least on par with other companies in the market, and it will implement an employees' share option scheme for eligible employees in the future.

3.2 RISKS RELATING TO INCUBATEES

Dependence on Continued Growth of Developing the Online Market

The market for the sale of goods and services over the Internet is a new and emerging market. The future revenues of some of the Company's incubatees and potential incubatees may be substantially dependent upon the acceptance and use of the Internet and other online services as a medium for commerce.

Rapid growth in the use of and interest in the Internet and other online services is a recent phenomenon. There can be no assurance that this acceptance and use will continue to develop or that a sufficiently broad base of consumers will adopt, and continue to use, the Internet as a medium of commerce. Demand and market acceptance for recently introduced services and products over the Internet are subject to a high level of uncertainty, and there exist few proven services and products. For these incubatees to be successful, consumers must accept and use novel ways of conducting business and exchanging information.

In addition, the Internet may not be a viable medium of commerce in the long term for a number of reasons, including potentially inadequate development of the necessary network infrastructure or delayed development of enabling technologies, performance improvements and security measures. As the Internet continues to experience significant growth in the number of users, frequency of use and bandwidth requirements, there can be no assurance that the infrastructure for the Internet and other online services will be able to support the demands placed upon them. In addition, the Internet or other online services could lose their viability as a medium of commerce due to delays in the development or adoption of new standards and protocols required to handle increased levels of Internet or other online service activity, or due to increased governmental regulation. Changes in or insufficient availability of telecommunications services to support the Internet or other online services also could result in slower response times and adversely affect usage of the Internet and other online services generally.

If use of the Internet and other online services do not continue to grow or grows more slowly than expected, or if the infrastructure for the Internet and other online services do not effectively support the growth that may occur, or if the Internet and other online services do not become a viable commercial medium, some of the Company's incubatees' and potential incubatees' businesses, results of operations and financial conditions would be materially and adversely affected.

3. RISK FACTORS *(Cont'd)*

To mitigate this risk, YTL e-Solutions will not only focus on Internet and e-Commerce technologies and applications but intends to invest in high growth, knowledge-intensive sectors that leverage on other new technologies. These sectors include, but are not limited to, cutting-edge hardware and software solutions, data warehouse infrastructure, communications and networking solutions, enabling technologies (e.g. security solutions, biometric technologies, smart card and encryption technologies etc.), digital technologies and services, IT technologies and services, multi-media technologies and services, wireless and broadband related technologies, and other evolving technologies in the future.

Rapid Technological Changes

Some of the Company's incubatees and potential incubatees compete in a market which is characterised by rapidly changing technology, evolving industry standards, frequent new service and product announcements, introductions and enhancements and changing customer demands. These market characteristics are exacerbated by the emerging nature of the Internet and the apparent need of companies from a multitude of industries to offer Internet-based products and services. Accordingly, some of the incubatees' future success will depend on their ability to adapt to rapidly changing technologies, to adapt their services to evolving industry standards and to continually improve the performance, features and reliability of their services in response to competitive service and product offerings and evolving demands of the marketplace.

The failure of these incubatees to adapt to such changes will have a material adverse effect on their businesses, their results of operations and financial condition. In addition, the widespread adoption of new Internet, networking or telecommunications technologies or other technological changes could require substantial expenditures by the incubatees to modify or adapt their services or infrastructure, which could have a material adverse effect on their businesses, results of operations and financial conditions.

In anticipation of rapid technology changes, YTL e-Solutions will use its best endeavour in helping its incubatees to develop and upgrade their technology and network structure by allocating the necessary resources to them.

Competition

The IT industry in Malaysia is highly competitive, and the Company expects a number of new competitors to enter the IT, Internet and Internet-related markets in the near future. YTL e-Solutions' incubatees' and potential incubatees' products and services may face competition from other similar products and services developed and offered by competitors.

Increased competition may result in reduced operating margins, loss of market share and diminished value in the incubatees' services. There is no assurance that the incubatees will be able to successfully compete against current and future competitors.

To mitigate this risk, the Company intends to assist its incubatees and potential incubatees by providing them with sufficient resources for R&D activities to develop new and innovative products or services to stay ahead of their competitors.

3. RISK FACTORS (Cont'd)

Difficulty of Installation and Implementation

Installation and implementation of new products often involve a significant commitment of resources, financial and otherwise, by the customers. Any failure by the Company's incubatees and potential incubatees to maintain service personnel to support their customers, or a delay in implementation for any other reason may result in dissatisfied customers. This may damage the incubatees' reputation and product brand, resulting in decreased product revenue.

To mitigate this risk, YTL e-Solutions through the ICC, its in-house knowledge resource centre, is capable of providing adequate technical support and the infrastructure required by the incubatees to enable them to provide a high quality service to their clients and deliver products in a timely, effective and efficient manner.

Negative Publicity Due to Product Failure

The Company's incubatees and potential incubatees may be involved in new product development whereby a substantial amount of pre-launch testing is normally conducted before a new product is officially marketed. However, as with all software packages, the true outcome as to whether or not there are any defects with the software is uncertain until after being actually applied in the field. The software may suffer from various unforeseen problems which may disrupt the customers' operations in which event, unless immediately rectified, will result in negative exposure which will affect the incubatees' reputation and financial position. In an industry where product branding and awareness are crucial, the incubatees may stand to see their market share being eroded due to negative publicity.

The ICC is well placed to ensure that ample testing is done on any new applications or products developed by any one of the incubatees prior to the commissioning or the marketing of the said applications and products to external parties.

Branding

The Company believes that efforts to promote and position its incubatees' and potential incubatees' brands are critical to achieve widespread acceptance of the companies' products. Promoting and positioning their brands will depend largely on the success of the incubatees' marketing efforts and their ability to provide high quality services. In order to promote and position their brands, the incubatees will need to increase their marketing budgets and otherwise increase their financial commitments to creating and maintaining brand loyalty. There can be no assurance that brand promotion and positioning activities will yield increased revenues or that any such revenues would offset the expenses incurred by these companies in building their brands. If the incubatees fail to promote and maintain their brands or incur substantial expenses in attempts to promote and maintain their brands or if these companies' existing or future strategic relationships fail to promote their brands or increase brand awareness, the incubatees' businesses, results of operations and financial conditions would be materially and adversely affected.

To mitigate this risk, the Company intends to allocate sufficient resources to its incubatees to assist them in their marketing and promotion efforts.

3. RISK FACTORS (Cont'd)

Intellectual Property Issues

Some of the Company's incubatees and potential incubatees may be involved in new product development and thus may require patents or trademarks registered in their name to protect any of their intellectual property rights. There is no assurance that unauthorised parties will not attempt to copy aspects of the incubatees' software and services products and use confidential information which these companies consider as their trade secrets.

There is also no assurance that third parties will not claim infringement of their intellectual proprietary rights. If the incubatees incur substantial costs as a result of unexpected liability arising from claims of infringement of these rights, their financial conditions may be adversely affected.

3.3 OTHER RISKS

No Prior Market for the Ordinary Shares of YTL e-Solutions

Prior to the Listing, there has been no public market for the ordinary shares of YTL e-Solutions. No assessment is made nor implied herein as to the price at which the shares will trade on the said exchange upon or subsequent to its listing or that an active trading market for the shares will develop upon its listing and if developed, that it will be sustained.

Political, Economic and Social Considerations

Like all other business entities, changes in political, economic, social and regulatory conditions in Malaysia (for example, adverse stock market conditions may prohibit YTL e-Solutions' ability to list its investments on a stock exchange as an exit strategy) and elsewhere could materially and adversely affect the financial and business prospects of YTL e-Solutions. Amongst the political, economic, social and regulatory uncertainties include, but not limited to, the changes in political leadership, war, expropriation, nationalization, renegotiation or nullification of existing contracts, changes in rates of interest, methods of taxation and currency exchange rules.

Forward-Looking Statements

Certain statements in this Prospectus are based on historical statistics which may not be reflective of the future results, and others are forward-looking in nature, which may or may not be achieved. Whether such statements ultimately prove to be accurate depends upon a variety of factors that may affect the business and operations of YTL e-Solutions and such forward-looking statements also involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievement of YTL e-Solutions or industry results, to be materially different from any future results, plans, performances and achievements, expressed or implied, by such prospective statements.

Negative Sentiments towards Technology Sector

The prevailing negative sentiments towards the technology sector of global capital markets may limit the available avenues for YTL e-Solutions to exit from its investment. These conditions may also distort the valuation of YTL e-Solutions and its incubatees.

3. RISK FACTORS *(Cont'd)*

Termination of Underwriting Agreement

In accordance with the Underwriting Agreement, the Underwriters may be entitled, on or prior to the closing date of the New Issue, upon any material breach of the warranties and undertakings as stated in the Underwriting Agreement by notice to the Company elect to treat such breach as releasing or discharging the Underwriters from its obligations under the Underwriting Agreement.

The Underwriters may also, at any time prior to the closing date of the New Issue, terminate its obligations under the Underwriting Agreement if in its reasonable opinion there shall have been such a change in national or international, monetary, financial, political or economic conditions or exchange control or currency exchange rates as would prejudice the success of the New Issue or seriously affect the business of the Group.

This conditional obligation of the Underwriters may result in the Restricted Issue Shares not being underwritten for the reasons stated above and this could adversely affect the success of the Listing.

Underwriters as Possible Major Shareholder

Save for the 1,000,000 ordinary shares allocated for eligible employees and Directors of the Group pursuant to the Public Issue, the remaining 34,000,000 ordinary shares to be issued pursuant to the Restricted Issue are fully underwritten by the Underwriters. In the event of a final under-subscription by the Entitled Shareholders, the Underwriters will have to subscribe for such under-subscribed shares and if such amount is significantly large, the Underwriters may end up becoming Major Shareholders of the Company. This may result in non-compliance of the public shareholding spread requirements of KLSE and could adversely affect the success of the Listing.

As Major Shareholders, the Underwriters may also be able to elect some of the Company's directors and influence the Company, including its business directions, and may have sufficient voting rights to influence the outcome of certain corporate transactions unless it is prevented from exercising its voting rights by law or by the relevant regulatory authorities.