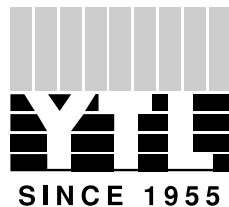


12. DIRECTORS' REPORT

(Prepared for the inclusion in this Prospectus)



YTL e-Solutions Berhad

(formerly known as YTL e-Solutions Sdn Bhd)
(Company No. 236137-K)
(A Y T L C O M P A N Y)

11th Floor Yeoh Tiong Lay Plaza
55, Jalan Bukit Bintang
55100 Kuala Lumpur

17 May 2002

The Shareholders
YTL e-Solutions Berhad

Dear Sir/ Madam

On behalf of the Board of Directors of YTL e-Solutions Berhad, I report after due enquiry that during the period from 31 December 2001 (being the date to which the last audited accounts of the Group has been made) to 17 May 2002 (being a date not earlier than fourteen (14) days before the issuance of this Prospectus) :-

- (i) the business of the Group, in the opinion of the Directors, has been satisfactorily maintained;
- (ii) in the opinion of the Directors, no circumstances have arisen subsequent to the last audited accounts of the Group which have adversely affected the trading or the value of the assets of the Group;
- (iii) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (iv) no contingent liabilities have arisen by reason of any guarantees or indemnities given by the Group; and
- (v) save as disclosed in the Accountants' Report and proforma consolidated balance sheets dated 17 May 2002 in this Prospectus, there have been no changes in the published reserves nor any unusual factors affecting the profits of the Group, since the last audited accounts of the Group.

Yours faithfully
For and on behalf of the Board of Directors
YTL e-Solutions Berhad

Business Office:
Level 3, Annexe Block
Lot 10 Shopping Centre
50 Jalan Sultan Ismail
50250 Kuala Lumpur, Malaysia
Tel: 603-2148 9877
Fax: 603-2148 4885
E-mail:
webmaster@ytlcsolutions.com

Registered Office:
11th Floor Yeoh Tiong Lay Plaza
55 Jalan Bukit Bintang
55100 Kuala Lumpur, Malaysia
Tel: 603-2142 6633, 2142 6088
Fax: 603-2141 2703
E-mail: ctrl@ytl.com.my
Website: www.ytlcommunity.com

Executive Chairman
Tan Sri Dato' Francis Yeoh Sock Ping

13. ACCOUNTANTS' REPORT

(Prepared for inclusion in this Prospectus)

Ler Cheng Chye KMN
CA(M), CPA, FTII, FBIM

Lum Tuck Cheong
CA(M), CPA, FTII, MBIM

呂
林
會
計
師
樓

LER LUM & CO.

AF 0276
Chartered Accountants



2nd & 3rd Floor, Bangunan Yeoh
35 & 37, Jalan Kamunting
50300 Kuala Lumpur
Tel: 03-26915737
Fax: 03-26913227

Our ref : GEN/0357/2002

Your ref :

ACCOUNTANTS' REPORT

(Prepared for inclusion in this Prospectus)

17 May 2002

The Board of Directors
YTL e-Solutions Berhad
11th Floor, Yeoh Tiong Lay Plaza
55, Jalan Bukit Bintang
55100 Kuala Lumpur

Dear Sirs,

1. INTRODUCTION

This report has been prepared by an approved company auditor for inclusion in the Prospectus to be dated 30 May 2002 in connection with the Restricted Issue of 34,000,000 new ordinary shares of RM1.00 each in YTL e-Solutions Berhad ("YTL e-Solutions" or "the Company") to entitled shareholders of its holding company, YTL Corporation Berhad, a public listed company incorporated in Malaysia, at an issue price of RM1.10 per share and a Public Issue of 1,000,000 new ordinary shares of RM1.00 each in YTL e-Solutions to eligible employees and Directors of the Company at an issue price of RM1.10 per share and the listing of and quotation for its entire issued and paid-up share capital on the MESDAQ Market of the Kuala Lumpur Stock Exchange.

2. GENERAL INFORMATION

2.1. The Company

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.. On 20 May 1993, the Company changed its name to YTL Electro-Dynamic Sdn. Bhd. and subsequently changed its name to YTL e-Solutions Sdn. Bhd. on 5 May 2000 and was converted to a public company on 21 March 2001 under the name of YTL e-Solutions Berhad.

13. ACCOUNTANTS' REPORT (Cont'd)

2. GENERAL INFORMATION - (Continued)

The principal activities of the Company 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, the Company has an authorised share capital of 1,000,000,000 ordinary shares of RM1.00 each and its issued and paid-up share capital is 100,000,000 ordinary shares of RM1.00 each.

Details of the changes in the issued and paid-up share capital of the Company since the date of its incorporation are as follows :-

Date of Allotment	No. of ordinary shares of RM1.00 each issued	Consideration	Total issued and paid-up share capital (RM)
14 March 1992	2	Cash	2
9 May 2000	49,999,998	Cash	50,000,000
11 August 2000	50,000,000	Cash	100,000,000

Upon completion of the Restricted Issue of 34,000,000 and Public Issue of 1,000,000, both ordinary shares of RM1.00 each, the issued and paid-up capital of YTL e-Solutions will be enlarged to RM135,000,000 comprising 135,000,000 ordinary shares of RM1.00 each.

2.2. Subsidiaries

- a. The subsidiaries of YTL e-Solutions, all of which are incorporated in Malaysia, as at the date of this report are as follows :-

Company	Effective Equity Interest %	Principal Activities
Extiva Communications Sdn. Bhd. ("Extiva")	70	Developing and marketing VoIP telephony and other advanced network media appliances for the service provider and enterprise telephony markets
PropertyNetAsia (Malaysia) Sdn. Bhd. (formerly known as Digital Parade Sdn. Bhd.) ("PNA")	60	Develops and operates a property portal known as PropertyNetAsia.com.my

13. ACCOUNTANTS' REPORT (Cont'd)

2. GENERAL INFORMATION - (Continued)

b. A summary of the particulars of the subsidiaries of YTL e-Solutions are as follows :-

i. Extiva

Extiva was incorporated in Malaysia under the Companies Act, 1965 on 14 April 1998 as a private limited company under the name of Metro Prestige Sdn. Bhd. and subsequently changed its name to Extiva Communications Sdn. Bhd. on 6 March 2000.

Presently, Extiva has an authorised share capital of 500,000 ordinary shares of RM1.00 each and its issued and paid-up share capital is 180,000 ordinary shares of RM1.00 each.

Details of the changes in the issued and paid-up share capital of Extiva since the date of its incorporation are as follows :-

Date of Allotment	No. of ordinary shares of RM1.00 each issued	Consideration	Total issued and paid-up share capital (RM)
14 April 1998	2	Cash	2
23 June 2000	50,000	Cash	50,002
17 February 2001	129,998	Cash	180,000

ii. 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.

Presently, PNA has an authorised share capital of 5,000,000 ordinary shares of RM1.00 each and its issued and paid-up share capital is 2,500,000 ordinary shares of RM1.00 each.

Details of the changes in the issued and paid-up share capital of PNA since the date of its incorporation are as follows:-

Date of Allotment	No. of ordinary shares of RM1.00 each issued	Consideration	Total issued and paid-up share capital (RM)
30 October 2000	2	Cash	2
19 September 2001	299,998	Cash	300,000
31 December 2001	2,200,000	Capitalisation of development expenditure	2,500,000

13. ACCOUNTANTS' REPORT (*Cont'd*)

3. FINANCIAL STATEMENTS AND AUDITORS

We have been appointed to act as auditors of YTL e-Solutions since the date of its incorporation and have reported on the financial statements without any qualification.

We have also been appointed to act as auditors of :

- a. Extiva with effect from the financial year ended 30 June 2001; and
- b. PNA since the date of its incorporation.

The said financial statements have been reported by us without any qualification.

The financial statements of Extiva prior to our appointment as auditors were audited by another firm of public accountants and their reports under review were not subject to any qualification.

4. ACCOUNTING POLICIES AND STANDARDS

This report is prepared on a basis consistent with the accounting policies normally adopted by YTL e-Solutions Group and in compliance with applicable approved Accounting Standards issued by the Malaysian Accounting Standards Board.

13. ACCOUNTANTS' REPORT (Cont'd)

5. SUMMARISED INCOME STATEMENTS

5.1. YTL e-Solutions Group

We set out below the audited consolidated results of YTL e-Solutions Group for the year/period ended 30 June 2001 and 31 December 2001 respectively. The results are to be read in conjunction with the notes thereon.

	Year ended 30.6.2001 RM	1.7.2001 to 31.12.2001 RM
Revenue	<u>4,373,179</u>	<u>5,995,653</u>
Profit before depreciation, amortisation and interest expense	2,413,647	2,630,241
Depreciation	(461,800)	(324,539)
Development expenditure	-	(112,631)
Interest expense	<u>-</u>	<u>-</u>
Profit before taxation	1,951,847	2,193,071
Taxation	<u>(578,000)</u>	<u>(725,464)</u>
Profit after taxation	1,373,847	1,467,607
Minority interests	<u>(75,486)</u>	<u>(272,000)</u>
Profit after taxation and minority interests	<u>1,298,361</u>	<u>1,195,607</u>
Weighted average number of ordinary shares in issue	94,246,575	100,000,000
Gross EPS (sen)	2.07	2.19
Net EPS (sen)	1.38	1.20

Notes:-

- a. The consolidated results for the year ended 30 June 2001 was the first consolidated financial statements prepared for the YTL e-Solutions Group.
- b. The Group's effective tax rate for the financial year/period ended 30 June 2001 and 31 December 2001 respectively were higher than the statutory tax rate due mainly to certain income and expenses which were treated differently for tax purposes.
- c. The weighted average number of ordinary shares in issue for the financial year has been adjusted to take into account the allotment made during the year under review.

13. ACCOUNTANTS' REPORT (Cont'd)

5. SUMMARISED INCOME STATEMENTS - (Continued)

- d. The gross EPS and net EPS have been calculated by dividing the profit before tax and profit after tax and minority interests respectively by the weighted average number of ordinary shares for the year/period.
- e. There were no exceptional and extraordinary items in the financial year/period under review.

5.2 The Company and its subsidiary companies

We set out below the summarised audited results of each of the companies in YTL e-Solutions Group for the relevant financial years/period: -

a. YTL e-Solutions

	Financial year ended 30 June					1.7.2001 to
	1997	1998	1999	2000	2001	31.12.2001
	RM	RM	RM	RM	RM	RM
Revenue	-	-	-	-	2,046,034	1,806,158
Profit before depreciation, amortisation and interest expense	-	-	-	98,507	1,955,242	1,063,885
Depreciation	-	-	-	(22,584)	(300,107)	(186,640)
Development expenditure	-	-	-	-	-	(112,631)
Interest expense	-	-	-	-	-	-
Profit before taxation	-	-	-	75,923	1,655,135	764,614
Taxation	-	-	-	(48,000)	(461,000)	(328,464)
Profit after taxation	-	-	-	27,923	1,194,135	436,150
Weighted average number of ordinary shares in issue	2	2	2	7,103,827	94,246,575	100,000,000
Gross EPS (sen)	-	-	-	1.07	1.76	0.76
Net EPS (sen)	-	-	-	0.39	1.27	0.44

Notes :-

- a. YTL e-Solutions had been inactive since its incorporation to year 2000.
- b. YTL e-Solutions commenced its operations in August 2000. The revenue for the year/period ended 30 June 2001 and 31 December 2001 comprises mainly sales of computer hardware, software and peripherals.

13. ACCOUNTANTS' REPORT (Cont'd)

5. SUMMARISED INCOME STATEMENTS - (Continued)

- c. Profit before taxation for the year ended 30 June 2001 increased substantially mainly due to higher interest income earned during the year, which amounted to RM3,055,425 compared to RM289,750 in year 2000. Interest income for the period ended 31 December 2001 amounted to RM1,478,179.
- d. The provision for taxation for the years/period ended 30 June 2000, 2001 and 31 December 2001 were mainly provided for in respect of interest income.
- e. There were no exceptional and extraordinary items in all the financial years/period under review.
- f. There is no allowance made for persons other than members of the issuer in all the financial years/period under review.

b. **Extiva**

	14 April 1998 (Date of Incorporation)			
	to 30 June 1999	Financial year ended 30 June		1.7.2001 to 31.12.2001
	RM	2000	2001	RM
Revenue	-	-	2,476,410	4,221,092
Profit before depreciation and interest expense	-	-	530,316	1,573,691
Depreciation	-	-	(161,693)	(137,899)
Interest expense	-	-	-	-
Profit before taxation	-	-	368,623	1,435,792
Taxation	-	-	(117,000)	(397,000)
Profit after taxation	-	-	251,623	1,038,792
Weighted average number of ordinary shares in issue	-	-	97,371	180,000
Gross EPS (sen)	-	-	378.58	797.66
Net EPS (sen)	-	-	258.42	577.11

13. ACCOUNTANTS' REPORT (Cont'd)

5. SUMMARISED INCOME STATEMENTS - (Continued)

Notes :-

- a. Extiva had been inactive since its incorporation to year 2000.
- b. Extiva commenced its operations in July 2000. The revenue of the Company for the financial year/period ended 30 June 2001 and 31 December 2001 mainly consists of telephony services rendered and sales of gateway.
- c. The effective tax rate for the financial year ended 30 June 2001 was higher than the statutory tax rate due mainly to certain expenses which are not allowable for tax purposes.
- d. There were no exceptional and extraordinary items in all the financial periods/years under review.
- e. There is no allowance made for persons other than members of the issuer in all the financial years/periods under review.

c. PNA

	30 October 2000 (Date of Incorporation) to 30 June 2001 RM	1.7.2001 to 31.12.2001 RM
Revenue	-	-
Loss before depreciation and interest expense	(71,911)	(7,335)
Depreciation	-	-
Interest expense	-	-
Loss before taxation	(71,911)	(7,335)
Taxation	-	-
Loss after taxation	(71,911)	(7,335)
Weighted average number of ordinary shares in issue	2	167,936
Gross Loss Per Share (RM)	(35,955.50)	(0.04)
Net Loss Per Share (RM)	(35,955.50)	(0.04)

13. ACCOUNTANTS' REPORT (Cont'd)

5. SUMMARISED INCOME STATEMENTS - (Continued)

Notes:

- a. PNA was incorporated on 30 October 2000 and commenced its operations in January 2001. However, PNA has not generated any income for the financial periods ended 30 June 2001 and 31 December 2001.
- b. There were no exceptional and extraordinary items in the financial periods under review.
- c. There is no allowance made for persons other than members of the issuer in all the financial periods under review.

6. DIVIDENDS

There have been no dividends declared or paid by YTL e-Solutions and its subsidiaries in respect of the financial periods/years under review.

7. SUMMARISED BALANCE SHEETS

The balance sheets of YTL e-Solutions and its subsidiaries based on their respective audited financial statements are as follows :-

a. YTL e-Solutions Group

	As at 30.6.2001 RM	As at 31.12.2001 RM
Property, plant & equipment	1,976,600	2,392,215
Unquoted investment	331,200	331,200
Development expenditure	1,159,365	2,026,722
Current assets	100,806,989	104,563,274
Less : Current liabilities	<u>2,564,383</u>	<u>5,107,034</u>
Net current assets	<u>98,242,606</u>	<u>99,456,240</u>
Goodwill on consolidation	-	7,939
	<u>101,709,771</u>	<u>104,214,316</u>
Financed by :		
Share capital	100,000,000	100,000,000
Unappropriated profits	<u>1,326,284</u>	<u>2,521,891</u>
	101,326,284	102,521,891
Minority interests	129,487	1,409,425
Deferred taxation	<u>254,000</u>	<u>283,000</u>
	<u>101,709,771</u>	<u>104,214,316</u>

13. ACCOUNTANTS' REPORT (Cont'd)

7. SUMMARISED BALANCE SHEETS - (Continued)

	As at 30.6.2001 RM	As at 31.12.2001 RM
No. of shares in issue	100,000,000	100,000,000
Net tangible assets (RM)	100,166,919	100,487,230
Net tangible assets per share (RM)	1.00	1.00

Note : The consolidated balance sheet for the year ended 30 June 2001 was the first consolidated financial statements prepared for the YTL e-Solutions Group.

b. YTL e-Solutions

	As at 30 June					As at
	1997 RM	1998 RM	1999 RM	2000 RM	2001 RM	31.12.2001 RM
Property, plant & equipment	-	-	-	203,255	1,329,830	1,312,815
Investment in subsidiaries	-	-	-	-	126,001	1,626,000
Unquoted investment	-	-	-	-	331,200	331,200
Development expenditure	-	-	-	130,766	1,031,517	1,018,874
Current assets	-	-	-	75,289,849	99,883,346	100,060,181
Current liabilities	(69,966)	(71,210)	(71,825)	(25,595,947)	(1,316,836)	(1,207,862)
Net current (liabilities)/ assets	(69,966)	(71,210)	(71,825)	49,693,902	98,566,510	98,852,319
Deferred expenditure	69,968	71,212	71,827	-	-	-
	<u>2</u>	<u>2</u>	<u>2</u>	<u>50,027,923</u>	<u>101,385,058</u>	<u>103,141,208</u>
Financed by :-						
Share capital	2	2	2	50,000,000	100,000,000	100,000,000
Unappropriated profits	-	-	-	27,923	1,222,058	1,658,208
	<u>2</u>	<u>2</u>	<u>2</u>	<u>50,027,923</u>	<u>101,222,058</u>	<u>101,658,208</u>
Long term liabilities						
Deferred taxation	-	-	-	-	163,000	163,000
Deferred revenue	-	-	-	-	-	1,320,000
	<u>2</u>	<u>2</u>	<u>2</u>	<u>50,027,923</u>	<u>101,385,058</u>	<u>103,141,208</u>

13. ACCOUNTANTS' REPORT (Cont'd)

7. SUMMARISED BALANCE SHEETS - (Continued)

	As at 30 June					As at
	1997	1998	1999	2000	2001	31.12.2001
	RM	RM	RM	RM	RM	RM
No. of shares in issue	2	2	2	50,000,000	100,000,000	100,000,000
Net (liabilities)/tangible assets (RM)	(69,966)	(71,210)	(71,825)	49,897,157	100,190,541	100,639,334
Net (liabilities)/tangible assets per share (RM)	(34,983)	(35,605)	(35,913)	1.00	1.00	1.01

c. **Extiva**

	As at 30 June			As at
	1999	2000	2001	31.12.2001
	RM	RM	RM	RM
Property, plant & equipment	-	4,317	646,770	1,079,400
Current assets	200	39,665	1,438,390	4,409,106
Current liabilities	(700)	(7,330)	(1,562,537)	(3,898,091)
Net current (liabilities)/assets	(500)	32,335	(124,147)	511,015
Deferred expenditure	502	13,350	-	-
	<u>2</u>	<u>50,002</u>	<u>522,623</u>	<u>1,590,415</u>
Financed by :-				
Share capital	2	50,002	180,000	180,000
Unappropriated profits	-	-	251,623	1,290,415
	<u>2</u>	<u>50,002</u>	<u>431,623</u>	<u>1,470,415</u>
Long term liability				
Deferred taxation	-	-	91,000	120,000
	<u>2</u>	<u>50,002</u>	<u>522,623</u>	<u>1,590,415</u>
No. of shares in issue	2	50,002	180,000	180,000
Net (liabilities)/tangible assets (RM)	(500)	36,652	431,623	1,470,415
Net (liabilities)/tangible assets per share (RM)	(250)	0.73	2.40	8.17

13. ACCOUNTANTS' REPORT (Cont'd)

7. SUMMARISED BALANCE SHEETS - (Continued)

d. PNA

	As at 30.6.2001 RM	As at 31.12.2001 RM
Development expenditure	127,848	2,327,848
Current assets	2,002	101,463
Current liabilities	(201,759)	(8,557)
Net current (liabilities)/assets	<u>(199,757)</u>	<u>92,906</u>
	<u>(71,909)</u>	<u>2,420,754</u>
Financed by :-		
Share capital	2	2,500,000
Accumulated losses	(71,911)	(79,246)
	<u>(71,909)</u>	<u>2,420,754</u>
No. of shares in issue	2	2,500,000
Net (liabilities)/tangible assets (RM)	(199,757)	92,906
Net (liabilities)/tangible assets per share (RM)	(99,878.50)	0.04

Note: There is no allowance made for persons other than members of the issuer in all the financial years/periods under review.

8. CASH FLOW STATEMENTS

We set out below the cash flow statements for the period from 1 July 2001 to 31 December 2001 based on the audited financial statements of YTL e-Solutions :-

	Group RM	Company RM
Cash flows from operating activities		
Profit from operations	2,193,071	764,614
Adjustments for :-		
Depreciation	324,539	186,640
Development expenditure	112,631	112,631
Bad debts written off	52	-
Property, plant & equipment written off	976	976
Interest income	(1,497,473)	(1,478,179)
Operating profit/(loss) before working capital changes	<u>1,133,796</u>	<u>(413,318)</u>

13. ACCOUNTANTS' REPORT (Cont'd)

8. CASH FLOW STATEMENTS - (Continued)

	Group RM	Company RM
Debtors	(1,275,848)	(199,899)
Creditors	2,212,382	(126,557)
Holding company	(26,687)	(26,768)
Subsidiaries	-	365,782
Related companies	(98,594)	(173,150)
Director's account	16,361	16,361
Cash generated from/(used in) operations	<u>1,961,410</u>	<u>(557,549)</u>
Taxation paid	(336,799)	(336,799)
Interest received	1,408,981	1,389,687
Net cash from operating activities	<u>3,033,592</u>	<u>495,339</u>
Cash flows from investing activities		
Development expenditure paid	(99,988)	(99,988)
Purchase of property, plant & equipment	(741,130)	(170,601)
Subscription of shares in subsidiaries	-	(36,568)
Net cash used in investing activities	<u>(841,118)</u>	<u>(307,157)</u>
Cash flows from financing activities		
Proceeds from issue of shares to minority interests in a subsidiary	62,171	-
Net cash from financing activities	<u>62,171</u>	<u>-</u>
Net changes in cash and cash equivalents	2,254,645	188,182
Cash and cash equivalents brought forward	98,629,799	98,216,469
Cash and cash equivalents carried forward	<u>100,884,444</u>	<u>98,404,651</u>

Notes to Cash Flow Statements :-

Cash and cash equivalents consist of cash in hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value.

	Group RM	Company RM
Cash and cash equivalents comprise :-		
Fixed deposits	100,321,591	98,183,314
Cash & bank balances	562,853	221,337
	<u>100,884,444</u>	<u>98,404,651</u>

13. ACCOUNTANTS' REPORT (*Cont'd*)

9. PROFORMA STATEMENT OF ASSETS AND LIABILITIES

The Proforma Statement of Assets and Liabilities of the Group and of the Company set out below are based on the audited financial statements of YTL e-Solutions as at 31 December 2001 after taking into account the effects of the Restricted Issue and Public Issue and had these transactions been effected on that date :-

	Note	----- As at 31 December 2001 -----	
		Group RM	Company RM
PROPERTY, PLANT & EQUIPMENT	10.2	<u>2,392,215</u>	<u>1,312,815</u>
INVESTMENT IN SUBSIDIARIES	10.3	<u>-</u>	<u>1,626,000</u>
UNQUOTED INVESTMENT		<u>331,200</u>	<u>331,200</u>
DEVELOPMENT EXPENDITURE	10.4	<u>2,026,722</u>	<u>1,018,874</u>
CURRENT ASSETS			
Trade debtors		1,872,683	15,623
Other debtors, deposits & prepayments		309,640	266,031
Amount due from holding company	10.5	15,650	15,584
Amount due from subsidiaries	10.3	-	7,185
Amount due from related companies	10.6	1,089,318	959,568
Fixed deposits, cash & bank balances	10.7	<u>137,325,983</u>	<u>134,846,190</u>
		<u>140,613,274</u>	<u>136,110,181</u>
LESS : CURRENT LIABILITIES			
Trade creditors		2,823,141	510,250
Other creditors & accruals		1,442,535	252,921
Amount due to related companies	10.6	93,332	90,665
Amount due to a director	10.8	16,361	16,361
Provision for taxation		731,665	337,665
		<u>5,107,034</u>	<u>1,207,862</u>
NET CURRENT ASSETS		<u>135,506,240</u>	<u>134,902,319</u>
GOODWILL ON CONSOLIDATION	10.9	<u>7,939</u>	<u>-</u>
		<u>140,264,316</u>	<u>139,191,208</u>

13. ACCOUNTANTS' REPORT (Cont'd)

9. PROFORMA STATEMENT OF ASSETS AND LIABILITIES - (Continued)

	Note	----- As at 31 December 2001 -----	
		Group RM	Company RM
FINANCED BY :-			
SHARE CAPITAL	10.10	135,000,000	135,000,000
SHARE PREMIUM	10.11	1,050,000	1,050,000
UNAPPROPRIATED PROFITS		2,521,891	1,658,208
SHAREHOLDERS' FUNDS		<u>138,571,891</u>	<u>137,708,208</u>
MINORITY INTERESTS		1,409,425	-
LONG TERM LIABILITIES			
Deferred taxation	10.12	283,000	163,000
Deferred revenue	10.13	-	1,320,000
		<u>140,264,316</u>	<u>139,191,208</u>
Net tangible assets per ordinary share (RM)	10.14	<u>1.01</u>	<u>1.01</u>

13. ACCOUNTANTS' REPORT (*Cont'd*)

10. NOTES TO STATEMENT OF ASSETS AND LIABILITIES

10.1 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The statement of assets and liabilities have been prepared for illustrative purposes only and in accordance with the provisions of the Companies Act, 1965 and applicable approved Accounting Standards issued by Malaysian Accounting Standards Board.

(b) Investment in subsidiaries and basis of consolidation

Investment in subsidiaries is stated at cost less amount provided or written off for any permanent diminution in value. Permanent diminution in the value of an investment is recognised as an expense in the period in which the diminution is identified.

Subsidiaries are companies in which the Group has power to exercise control over their financial and operating policies so as to obtain benefits from their activities.

The consolidated financial statements include the financial statements of the Company and its subsidiaries. The results of the subsidiaries acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition or up to the date of disposal.

The excess or deficit of the cost of acquisition over the fair value of the Group's share of the identified net assets of the subsidiaries at the date of acquisition is included in the consolidated balance sheet as goodwill or reserve arising on consolidation.

The Company adopts the acquisition method of accounting in preparing the consolidated financial statements.

All significant inter-company transactions and balances are eliminated on consolidation.

The financial statements of the subsidiaries which have been consolidated are based on the financial statements as at 31 December 2001.

(c) Property, plant & equipment and depreciation

Property, plant & equipment are stated at cost less accumulated depreciation.

Depreciation on property, plant & equipment is calculated on the straight line basis at rates required to write off the cost of the property, plant & equipment over their estimated useful lives.

13. ACCOUNTANTS' REPORT (Cont'd)

10. NOTES TO STATEMENT OF ASSETS AND LIABILITIES - (Continued)

The principal annual rates of depreciation used are as follows :-

Computer infrastructure & equipment	10% - 20%
Furniture, fixtures & equipment	10%
Motor vehicles	20%
Telecommunication equipment	20%

(d) Development expenditure

Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Development expenditure is charged to the Income Statement as and when incurred except that development expenditure relating to specific projects with commercial viability and for which there is clear indication of the marketability of the products being developed, is carried forward. Such development expenditure is charged to the Income Statement on the straight line basis over a five-year period or over the periods in which benefits are expected to be derived, whichever is shorter, commencing in the year in which the related sales are first made.

(e) Transactions in foreign currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at the exchange rates ruling at the date of transaction. Foreign currency monetary items at the balance sheet date are translated into Ringgit Malaysia at rates of exchange ruling at that date. All exchange differences are included in the Income Statement.

(f) Deferred taxation

Deferred taxation is provided, on the liability method, on all timing differences.

(g) Bad and doubtful debts

Known bad debts are written off and doubtful debts are provided for based on estimates of possible losses which may arise from non-collection of certain debtors accounts.

(h) Investments

Investments are stated at cost. Where an indication of impairment exist, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

13. ACCOUNTANTS' REPORT (Cont'd)

10. NOTES TO STATEMENT OF ASSETS AND LIABILITIES - (Continued)

(i) Goodwill on consolidation

Goodwill is retained in the Consolidated Balance Sheet at cost and is written down only when the directors are of the opinion that there is a permanent diminution in its value.

10.2 PROPERTY, PLANT & EQUIPMENT

Group	----- Cost -----			
	Balance at 1.7.2001 RM	Additions RM	Written off RM	Balance at 31.12.2001 RM
Computer infrastructure & equipment	1,993,385	419,019	-	2,412,404
Furniture, fixtures & equipment	77,999	20,911	(1,148)	97,762
Motor vehicles	247,300	53,200	-	300,500
Telecommunication equipment	142,300	248,000	-	390,300
	<u>2,460,984</u>	<u>741,130</u>	<u>(1,148)</u>	<u>3,200,966</u>
	----- Accumulated Depreciation -----			
	Balance at 1.7.2001 RM	Charge for the period RM	Written off RM	Balance at 31.12.2001 RM
Computer infrastructure & equipment	398,664	240,304	-	638,968
Furniture, fixtures & equipment	7,800	5,075	(172)	12,703
Motor vehicles	49,460	40,130	-	89,590
Telecommunication equipment	28,460	39,030	-	67,490
	<u>484,384</u>	<u>324,539</u>	<u>(172)</u>	<u>808,751</u>
				Net Book Value at 31.12.2001 RM
Computer infrastructure & equipment				1,773,436
Furniture, fixtures & equipment				85,059
Motor vehicles				210,910
Telecommunication equipment				322,810
				<u>2,392,215</u>

13. ACCOUNTANTS' REPORT (Cont'd)

10. NOTES TO STATEMENT OF ASSETS AND LIABILITIES - (Continued)

Company

	----- Cost -----			Balance at 31.12.2001 RM
	Balance at 1.7.2001 RM	Additions RM	Written off RM	
Computer infrastructure & equipment	1,327,222	99,070	-	1,426,292
Furniture, fixtures & equipment	77,999	18,331	(1,148)	95,182
Motor vehicles	247,300	53,200	-	300,500
	<u>1,652,521</u>	<u>170,601</u>	<u>(1,148)</u>	<u>1,821,974</u>

	----- Accumulated Depreciation -----			Balance at 31.12.2001 RM
	Balance at 1.7.2001 RM	Charge for the period RM	Written off RM	
Computer infrastructure & equipment	265,431	141,693	-	407,124
Furniture, fixtures & equipment	7,800	4,817	(172)	12,445
Motor vehicles	49,460	40,130	-	89,590
	<u>322,691</u>	<u>186,640</u>	<u>(172)</u>	<u>509,159</u>

	Net Book Value at 31.12.2001 RM
Computer infrastructure & equipment	1,019,168
Furniture, fixtures & equipment	82,737
Motor vehicles	210,910
	<u>1,312,815</u>

10.3 SUBSIDIARIES

(a)	Company 31.12.2001 RM
Unquoted shares, at cost	<u>1,626,000</u>

13. ACCOUNTANTS' REPORT (Cont'd)

10. NOTES TO STATEMENT OF ASSETS AND LIABILITIES - (Continued)

The subsidiaries of the Company are as follows :-

Name of Company	Place of Incorporation	Principal Activities	Effective Equity Interest %
Extiva Communications Sdn. Bhd.	Malaysia	Developing and marketing of VoIP telephony services	70
PropertyNetAsia (Malaysia) Sdn. Bhd.	Malaysia	Develops and operates a property portal known as PropertyNetAsia.com.my	60

(b) Amount due from subsidiaries

The amount due from subsidiaries pertain mainly to trade receivables and payments on behalf. The outstanding amounts are unsecured, interest free and have no fixed terms of repayment.

10.4 DEVELOPMENT EXPENDITURE

	Group 31.12.2001 RM	Company 31.12.2001 RM
As at beginning of the period	1,159,365	1,031,517
Capitalised during the period	979,988	99,988
Less : Charged to Income Statement	(112,631)	(112,631)
As at end of the period	<u>2,026,722</u>	<u>1,018,874</u>

This is in respect of expenditure incurred for the development of internet portal.

10.5 AMOUNT DUE FROM HOLDING COMPANY

The Company is currently a wholly-owned subsidiary of YTL Corporation Berhad, a public listed company incorporated in Malaysia and the ultimate holding company is Yeoh Tiong Lay & Sons Holdings Sdn. Bhd., a company incorporated in Malaysia.

The amount due from holding company pertains mainly to trade receivables, advances and payments on behalf. The outstanding amount is unsecured, interest free and has no fixed terms of repayment.

10.6 AMOUNT DUE FROM/TO RELATED COMPANIES

The amount due from/to related companies pertain mainly to trade receivables, rental charges and payments on behalf. The outstanding amounts are unsecured, interest free and have no fixed terms of repayment.

13. ACCOUNTANTS' REPORT (Cont'd)

10. NOTES TO STATEMENT OF ASSETS AND LIABILITIES - (Continued)

10.7 FIXED DEPOSITS, CASH & BANK BALANCES

	Group RM	Company RM
As at 31 December 2001	100,884,444	98,404,651
Add : Restricted Issue and Public Issue	38,500,000	38,500,000
Less : Listing expenses	(2,058,461)	(2,058,461)
	<u>137,325,983</u>	<u>134,846,190</u>

10.8 AMOUNT DUE TO A DIRECTOR

This is unsecured, interest free and has no fixed terms of repayment.

10.9 GOODWILL ON CONSOLIDATION

	Group 31.12.2001 RM
As at beginning of the period	-
Arising from acquisition of additional shares in subsidiary	7,939
	<u>7,939</u>

10.10 SHARE CAPITAL

	Company 31.12.2001 RM
Authorised :-	
1,000,000,000 ordinary shares of RM1 each	<u>1,000,000,000</u>
Issued and fully paid :-	
As at 31 December 2001	100,000,000
Add : Restricted Issue and Public Issue	35,000,000
	<u>135,000,000</u>

13. ACCOUNTANTS' REPORT (Cont'd)

10. NOTES TO STATEMENT OF ASSETS AND LIABILITIES - (Continued)

10.11 SHARE PREMIUM

	Company RM
As at 31 December 2001	-
Add : Restricted Issue and Public Issue	3,500,000
Less : Estimated listing expenses	(2,450,000)
	<u>1,050,000</u>

10.12 DEFERRED TAXATION

	Group 31.12.2001 RM	Company 31.12.2001 RM
As at beginning of the period	254,000	163,000
Transfer from Income Statement	29,000	-
	<u>283,000</u>	<u>163,000</u>

The deferred tax provided is in respect of timing differences between depreciation and corresponding capital allowances on property, plant & equipment.

10.13 DEFERRED REVENUE

This represents the unearned development fees for the provision and maintenance of backend infrastructure facilities and development of website.

10.14 NET TANGIBLE ASSETS PER ORDINARY SHARE

Based on the Proforma Statement of Assets and Liabilities of the Group and of the Company as at 31 December 2001, the net tangible assets cover is as follows:-

	Group RM	Company RM
Net assets as at 31 December 2001	138,571,891	137,708,208
Less : Development expenditure	(2,026,722)	(1,018,874)
Goodwill on consolidation	(7,939)	-
	<u>136,537,230</u>	<u>136,689,334</u>
Number of ordinary shares of RM1.00 each	<u>135,000,000</u>	<u>135,000,000</u>
Net tangible assets per ordinary share (RM)	<u>1.01</u>	<u>1.01</u>

13. ACCOUNTANTS' REPORT (Cont'd)

10. NOTES TO STATEMENT OF ASSETS AND LIABILITIES - (Continued)

10.15 SIGNIFICANT SUBSEQUENT EVENTS

There were no significant events between 31 December 2001 and the date of this report.

10.16 CONTINGENT LIABILITIES - unsecured

The Company has given corporate guarantees amounting to RM300,000 to a financial institution for facility granted by the financial institution to a subsidiary as follows :-

	Total amount guaranteed RM	Amount utilised RM
Bankers guarantees	300,000	200,000

10.17 FINANCIAL STATEMENTS

No audited financial statements have been prepared in respect of any period subsequent to 31 December 2001.

Yours faithfully,

LER LUM & CO.
(Firm Number : AF0276)
Chartered Accountants

LUM TUCK CHEONG
1005/3/03 (J/PH)
Partner of the Firm

14. **PROFORMA CONSOLIDATED BALANCE SHEETS AND REPORTING ACCOUNTANTS' LETTER THEREON**

Ler Cheng Chye KMN
CA(M), CPA, FTII, FBIM

Lum Tuck Cheong
CA(M), CPA, FTII, MBIM

呂
林
會
計
師
樓

LER LUM & CO.

AF 0276

Chartered Accountants



2nd & 3rd Floor, Bangunan Yeoh
35 & 37, Jalan Kamunting
50300 Kuala Lumpur
Tel: 03-26915737
Fax: 03-26913227

Our ref: GEN/0358/2002

17 May 2002

The Board of Directors
YTL e-Solutions Berhad
11th Floor, Yeoh Tiong Lay Plaza
55, Jalan Bukit Bintang
55100 Kuala Lumpur.

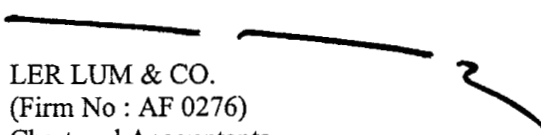
Dear Sirs,

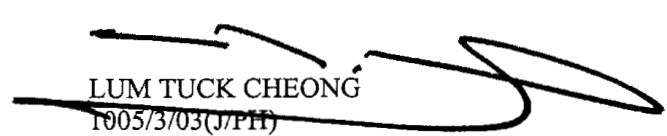
**YTL E-SOLUTIONS BERHAD (236137-K)
PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2001**

We have reviewed the Proforma Consolidated Balance Sheets of YTL e-Solutions Berhad as at 31 December 2001 together with the notes and assumptions thereon, for which the Board of Directors of YTL e-Solutions Berhad are solely responsible, as set out in the Prospectus to be dated 30 May 2002 in connection with the Restricted Issue of 34,000,000 new ordinary shares of RM1.00 each to entitled shareholders of its holding company, YTL Corporation Berhad, a public listed company incorporated in Malaysia, at an issue price of RM1.10 per share and a Public Issue of 1,000,000 new ordinary shares of RM1.00 each to eligible employees and Directors of the Company at an issue price of RM1.10 per share and the listing of and quotation for the entire issued and fully paid-up share capital of YTL e-Solutions Berhad on the MESDAQ Market of the Kuala Lumpur Stock Exchange.

Based on the results of the review, we confirm that the Proforma Consolidated Balance Sheets of YTL e-Solutions Berhad as at 31 December 2001, which have been prepared for illustrative purposes only, have been properly compiled on the basis set out in the notes and assumptions thereto.

Yours faithfully,


LER LUM & CO.
(Firm No : AF 0276)
Chartered Accountants


LUM TUCK CHEONG
1005/3/03(J/PH)
Partner of the Firm

14. **PROFORMA CONSOLIDATED BALANCE SHEETS AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**

YTL E-SOLUTIONS BERHAD
PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2001

The Proforma Consolidated Balance Sheets set out below are provided for illustrative purposes only to show the effects on the audited consolidated balance sheet of YTL e-Solutions Berhad as at 31 December 2001 after taking into account the effects of the New Issue & proposed utilisation of proceeds from the New Issue (details of which are as set out in the notes to the proforma consolidated balance sheets as at 31 December 2001) and had these transactions been effected on that date :-

	Note	As at 31 December 2001 RM	After the New Issue & proposed utilisation of proceeds RM
PROPERTY, PLANT & EQUIPMENT		2,392,215	5,392,215
UNQUOTED INVESTMENT		331,200	32,331,200
DEVELOPMENT EXPENDITURE		2,026,722	2,026,722
CURRENT ASSETS			
Trade debtors		1,872,683	1,872,683
Other debtors, deposits & prepayments		701,179	309,640
Amount due from holding company		15,650	15,650
Amount due from related companies		1,089,318	1,089,318
Fixed deposits, cash & bank balances	3	100,884,444	102,325,983
		<u>104,563,274</u>	<u>105,613,274</u>
LESS: CURRENT LIABILITIES			
Trade creditors		2,823,141	2,823,141
Other creditors & accruals		1,442,535	1,442,535
Amount due to related companies		93,332	93,332
Amount due to a director		16,361	16,361
Provision for taxation		731,665	731,665
		<u>5,107,034</u>	<u>5,107,034</u>
NET CURRENT ASSETS		99,456,240	100,506,240
GOODWILL ON CONSOLIDATION		7,939	7,939
		<u>104,214,316</u>	<u>140,264,316</u>

14. PROFORMA CONSOLIDATED BALANCE SHEETS AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

YTL E-SOLUTIONS BERHAD
PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2001 - (Continued)

	Note	As at 31 December 2001 RM	After the New Issue & proposed utilisation of proceeds RM
SHARE CAPITAL	4	100,000,000	135,000,000
SHARE PREMIUM	5	-	1,050,000
UNAPPROPRIATED PROFITS		<u>2,521,891</u>	<u>2,521,891</u>
		102,521,891	138,571,891
MINORITY INTERESTS		1,409,425	1,409,425
LONG TERM LIABILITY			
Deferred taxation		<u>283,000</u>	<u>283,000</u>
		<u>104,214,316</u>	<u>140,264,316</u>
Net tangible assets		100,487,230	136,537,230
Net tangible assets per share (RM)		1.00	1.01

14. PROFORMA CONSOLIDATED BALANCE SHEETS AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

**YTL E-SOLUTIONS BERHAD
NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS
AS AT 31 DECEMBER 2001**

1. The Proforma Consolidated Balance Sheets have been prepared for illustrative purposes only and are based on the audited financial statements as at 31 December 2001 and on the bases and accounting policies consistent with those previously adopted in the preparation of the audited financial statements.
2. The Proforma Consolidated Balance Sheets incorporate the Restricted Issue of 34,000,000 new ordinary shares of RM1.00 each at an issue price of RM1.10 per share, a Public Issue of 1,000,000 new ordinary shares of RM1.00 each at an issue price of RM1.10 per share, and the proposed utilisation of proceeds from the Restricted Issue and Public Issue :

	RM
Proceeds from the restricted issue of 34,000,000 new ordinary shares of RM1.00 each at an issue price of RM1.10 per share and public issue of 1,000,000 new ordinary shares of RM1.00 each at an issue price of RM1.10 per share	<u>38,500,000</u>
Proposed utilisation of proceeds :	
Investment and incubation activities	32,000,000
Capital expenditure	3,000,000
Estimated listing expenses	2,450,000
Working capital	<u>1,050,000</u>
	<u>38,500,000</u>

3. Fixed Deposits, Cash & Bank Balances

	RM
As at 31 December 2001	100,884,444
Add : Restricted Issue and Public Issue	38,500,000
Less : Investment in incubatees*	(32,000,000)
Capital expenditure	(3,000,000)
Estimated listing expenses	<u>(2,058,461)</u>
	<u>102,325,983</u>

- * In line with the proposed utilisation of proceeds as detailed in section 1.5, RM32 million will be expended on investment & incubatee activities

14. **PROFORMA CONSOLIDATED BALANCE SHEETS AND REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**

YTL E-SOLUTIONS BERHAD
NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS
AS AT 31 DECEMBER 2001 – (Continued)

4. Share Capital

	RM
As at 31 December 2001	100,000,000
Add : Restricted Issue and Public Issue	<u>35,000,000</u>
	<u><u>135,000,000</u></u>

5. Share Premium

	RM
As at 31 December 2001	-
Add : Restricted Issue and Public Issue	3,500,000
Less : Estimated listing expenses	<u>(2,450,000)</u>
	<u><u>1,050,000</u></u>