

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

INTERIM FINANCIAL REPORT

Interim financial report on consolidated results for the period ended 30 June 2004.

The figures have not been audited.

CONDENSED CONSOLIDATED INCOME STATEMENTS

	INDIVIDUAL QUARTER PRECEDING YEAR		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30.6.2004 RM'000	CORRESPONDING QUARTER 30.6.2003 RM'000	YEAR ENDED	
			30.6.2004 RM'000	30.6.2003 RM'000
REVENUE	7,797	6,425	31,849	25,945
OPERATING EXPENSES	(6,308)	(3,807)	(23,732)	(16,445)
OTHER OPERATING INCOME	1,374	1,266	4,537	4,214
PROFIT FROM OPERATIONS	2,863	3,884	12,654	13,714
FINANCE COST	(12)	(19)	(42)	(19)
PROFIT BEFORE TAXATION	2,851	3,865	12,612	13,695
TAXATION	(1,155)	(946)	(3,943)	(4,019)
PROFIT AFTER TAXATION	1,696	2,919	8,669	9,676
MINORITY INTERESTS	(436)	(658)	(2,017)	(2,057)
NET PROFIT FOR THE PERIOD	1,260	2,261	6,652	7,619
EARNINGS PER SHARE				
Basic (Sen)	0.93	1.67	4.93	5.64

The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 30 June 2003

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CONDENSED CONSOLIDATED BALANCE SHEETS

	UNAUDITED AS AT 30.6.2004 RM'000	AUDITED AS AT 30.6.2003 RM'000
PROPERTY, PLANT & EQUIPMENT	4,169	4,172
	-----	-----
UNQUOTED INVESTMENT	331	331
	-----	-----
DEVELOPMENT EXPENDITURE	1,613	1,776
	-----	-----
GOODWILL ON CONSOLIDATION	12	12
	-----	-----
CURRENT ASSETS		
Inventories	138	-
Trade receivables	4,637	3,722
Other receivables, deposits & prepayments	427	343
Amount due from ultimate holding company	-	218
Amount due from holding company	657	54
Amount due from related companies	1,461	1,761
Fixed deposits	158,111	152,365
Cash & bank balances	584	345
	-----	-----
	166,015	158,808
	-----	-----
LESS: CURRENT LIABILITIES		
Trade payables	4,576	4,848
Other payables & accruals	2,538	3,107
Lease creditor	335	115
Amount due to related companies	96	76
Provision for taxation	433	1,749
	-----	-----
	7,978	9,895
	-----	-----
NET CURRENT ASSETS	158,037	148,913
	-----	-----
	164,162	155,204
	=====	=====

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CONDENSED CONSOLIDATED BALANCE SHEETS - continued

	UNAUDITED	AUDITED
	AS AT	AS AT
	30.6.2004	30.6.2003
	RM'000	RM'000
SHARE CAPITAL	135,000	135,000
SHARE PREMIUM	1,475	1,475
RETAINED PROFITS	20,768	14,150
SHAREHOLDERS' FUNDS	----- 157,243	----- 150,625
MINORITY INTERESTS	6,069	4,023
LONG TERM LIABILITY		
Lease creditor	316	146
Deferred taxation	534	410
	----- 164,162	----- 155,204
	=====	=====
Net tangible assets per share (RM)	1.15	1.10
	=====	=====

The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 30 June 2003

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2004**

	Share Capital RM'000	Share Premium RM'000	Retained Profits RM'000	Total RM'000
As at 1 July 2002	135,000	3,500	6,531	145,031
Listing expenses	-	(2,025)	-	(2,025)
Net profit for the period	-	-	7,619	7,619
As at 30 June 2003	<u>135,000</u>	<u>1,475</u>	<u>14,150</u>	<u>150,625</u>
As at 1 July 2003	135,000	1,475	14,150	150,625
Net profit for the period	-	-	6,652	6,652
Excess of consideration for shares subscribed in a new subsidiary over net tangible assets acquired	-	-	(34)	(34)
As at 30 June 2004	<u>135,000</u>	<u>1,475</u>	<u>20,768</u>	<u>157,243</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 30 June 2003

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2004**

	YEAR ENDED	
	30.6.2004	30.6.2003
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	12,612	13,695
Adjustments for:-		
Non-cash items	1,738	1,437
Non-operating items	(4,411)	(4,214)
	-----	-----
Operating profit before working capital changes	9,939	10,918
Net changes in current assets	(1,270)	1,392
Net changes in current liabilities	(821)	2,031
Interest received	4,411	4,214
Taxation paid	(5,134)	(3,410)
	-----	-----
Net cash from operating activities	7,125	15,145
	-----	-----
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	16	1
Purchase of property, plant and equipment	(867)	(2,744)
Development expenditure paid	(62)	(14)
	-----	-----
Net cash used in investing activities	(913)	(2,757)
	-----	-----
Cash flows from financing activities		
Lease creditors	(257)	(89)
Listing expenses	-	(1,388)
	-----	-----
Net cash used in financing activities	(257)	(1,477)
	-----	-----

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2004 – continued**

	YEAR ENDED	
	30.6.2004	30.6.2003
	RM'000	RM'000
Net changes in cash and cash equivalents	5,985	10,911
Cash and cash equivalents brought forward	152,710	141,799
	-----	-----
	158,695	152,710
	=====	=====
Cash and cash equivalents comprise:		
Fixed deposits	158,111	152,365
Cash & bank balances	584	345
	-----	-----
	158,695	152,710
	=====	=====

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 30 June 2003

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Notes:-

Disclosure requirements per MASB 26 - paragraph 16

A1. Accounting Policies and methods of computation

The interim financial report is unaudited and has been prepared in accordance with MASB 26 “Interim Financial Reporting” and Chapter 9, part K of the Listing Requirements of Bursa Malaysia Securities Berhad.

The Condensed Financial Statements should be read in conjunction with the audited annual financial statements of the Group for the year ended 30 June 2003.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the latest audited annual financial statements.

The following notes explain the events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2003.

A2. Audit Report of the preceding financial year ended 30 June 2003

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

A3. Seasonality or Cyclicity of Operations

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

A4. Exceptional or Unusual Items

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

A5. Changes in estimates of amounts reported

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

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Notes:- continued

A6. Changes in Debt and Equity Securities

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

A7. Dividend paid

No dividend has been paid during the current financial quarter.

A8. Segment Reporting

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

A9. Valuation of Property, Plant and Equipment

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

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

On 12 July 2004, the subdivision of the Company's 135,000,000 ordinary shares of RM1 each into 1,350,000,000 ordinary shares of RM0.10 each was completed with the listing and quotation of the new shares on the MESDAQ exchange.

The proforma effect of the subdivision on issued and paid-up capital, earnings per share and net tangible assets per shares are as follows:-

	As at 30.06.04	After subdivision of shares
Issued and paid-up share capital	135,000,000 shares of RM1.00 each	1,350,000,000 shares of RM0.10 each
Earnings per share (basic) (sen)	4.93	0.493
Net tangible assets per share (RM)	1.15	0.115

There were no other material events subsequent to the end of the current financial quarter.

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Notes:- continued

A11. Changes in the Composition of the Group

On 17 July 2003, the Group subscribed for 70,000 shares of RM1 each in Hipmobile (M) Sdn Bhd, representing 70% equity interest in that company. On 28 November 2003, the Group acquired two (2) ordinary shares of S\$1.00 each in Hipmobile Singapore Pte Ltd via its subsidiary, Hipmobile (M) Sdn Bhd, for a purchase consideration of S\$2.00. This acquisition resulted in Hipmobile Singapore Pte Ltd becoming a subsidiary of the Group. There were no other changes in the composition of the Group for the current financial quarter, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations.

A12. Changes in Contingent Liabilities or Contingent Assets

There were no changes in the contingent liabilities or the contingent assets of the Group since the last annual balance sheet as at 30 June 2003.

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Disclosure requirements per Bursa Malaysia Securities Berhad listing requirements Part A of Appendix 9B

B1. Review of Performance

The Group's revenue for the year ended 30 June 2004 amounted to RM31.849 million, representing an increase of 23% from that of year ended 30 June 2003. This increase is mainly due to higher demand for YTL e-Solutions Berhad's content development and management services, and the post-paid and pre-paid Alternative Voice Service Provider ("AVSP") services provided by its subsidiary, Extiva Communications Sdn Bhd ("Extiva"). The higher Group turnover was also partly due to the full year, and a much improved contribution from wholly owned YTL Info Screen Sdn Bhd which is involved in creating, providing and advertising content, media, web media and up to date information via electronic media. However, the Group's higher revenue was offset by higher operating expense mainly due to increased telecommunication costs experienced in the AVSP market and the initial start-up costs and investment associated with the development of an advanced digital data platform, connected and integrated to the major telecommunications network operators in Malaysia by Hipmobile (M) Sdn Bhd ("Hipmobile"). This infrastructure will allow Hipmobile to fulfill its business strategy over the medium term. Hence the lower profit before taxation recorded for the year ended 30 June 2004 compared with year ended 30 June 2003.

Revenue for the quarter ended 30 June 2004 is 2% higher than the preceding year corresponding quarter mainly due to higher demand for Extiva's AVSP services. Profit before taxation for the quarter fell 26% when compared to quarter ended 30 June 2003 mainly due to the factors mentioned above.

B2. Comparison with Preceding Quarter

	Current Quarter 30.6.2004 RM'000	Preceding Quarter 31.3.2004 RM'000
Revenue	7,797	7,714
Profit before taxation	2,851	2,436
	-----	-----

The Group's revenue for the current financial quarter increased by 1% mainly due to higher demand for Extiva's AVSP services and Hipmobile (M) Sdn Bhd's mobile phone content. The current quarter profit before taxation is 17% higher mainly due to a write-back of over-provision of telecommunications cost by Extiva.

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Notes:- continued

B3. Prospects

The Group, after considering the Group's current level of operations and current market conditions, is expected to achieve satisfactory performance for the financial year ending 30 June 2005.

B4. Profit Forecast

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

B5. Taxation

Taxation comprises the following:-

	Current Quarter 30.6.2004 RM'000	Preceding Quarter 31.3.2004 RM'000
Taxation based on the profit for the period	1,155 -----	733 -----

The Group's provision for taxation for the year ended 30 June 2004 and current financial quarter reflects an effective tax rate higher than the statutory tax rate mainly due to losses incurred by certain subsidiaries that cannot be utilized for group relief. Additional losses incurred by these subsidiaries have also caused the Group's effective tax rate for the current quarter to be higher than the preceding quarter.

B6. Sale of Unquoted Investments and/or Properties

There was no sale of unquoted investments or properties during the current financial quarter.

B7. Quoted Securities

During the current financial quarter, there was no purchase or disposal of quoted securities. The Group does not have any quoted securities at the end of the current financial quarter.

B8. Corporate Development

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

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Notes:- continued

B9. Group Borrowings and Debt Securities

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

B10. Off Balance Sheet Financial Instruments

No off balance sheet financial instruments were utilised for the current financial quarter.

B11. Material Litigation

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

B12. Dividend

The Board of Directors is pleased to recommend for the approval of the shareholders a First and Final Dividend of 2% less 28% tax for the year ended 30 June, 2004. The Book Closure and Payment Dates in respect of the aforesaid dividend will be determined by the Board at a later date.

B13. Earnings Per Share

i) **Basic earnings per share**

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

	Current Quarter 30.6.2004 RM'000	Preceding Year Corresponding Quarter 30.6.2003 RM'000
Net profit for the period (RM'000)	1,260	2,261
Weighted average number of ordinary shares ('000)	135,000	135,000
Basic earnings per share (sen)	0.93	1.67

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Notes:- continued

B13. Earnings Per Share - continued

ii) Diluted earnings per share

The Group does not have any convertible securities and accordingly dilution of earnings per share is not applicable.

By Order of the Board
HO SAY KENG
Secretary

Kuala Lumpur
Dated: 26 August 2004