

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 September 2006.

The figures have not been audited.

CONDENSED CONSOLIDATED INCOME STATEMENTS

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2006 RM'000	Preceding Year Corresponding Quarter 30.09.2005 RM'000	Three Months Ended 30.09.2006 30.09.2005 RM'000 RM'000	
REVENUE	6,147	10,872	6,147	10,872
COST OF SALES	(3,786)	(4,067)	(3,786)	(4,067)
GROSS PROFIT	2,361	6,805	2,361	6,805
OTHER OPERATING INCOME	1,559	935	1,559	935
OTHER OPERATING EXPENSES	(2,077)	(2,832)	(2,077)	(2,832)
PROFIT FROM OPERATIONS	1,843	4,908	1,843	4,908
FINANCE COST	(11)	(5)	(11)	(5)
PROFIT BEFORE TAXATION	1,832	4,903	1,832	4,903
TAXATION	(681)	(1,580)	(681)	(1,580)
PROFIT FOR THE PERIOD	1,151	3,323	1,151	3,323
ATTRIBUTABLE TO:				
Shareholders	912	3,105	912	3,105
Minority interests	239	218	239	218
PROFIT FOR THE PERIOD	1,151	3,323	1,151	3,323
EARNINGS PER 10 SEN SHARE				
Basic (Sen)	0.07	0.23	0.07	0.23

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

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CONDENSED CONSOLIDATED BALANCE SHEETS

	Unaudited As at 30.09.2006 RM'000	Audited As at 30.6.2006 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	3,113	3,383
Unquoted investment	331	331
Development expenditure	1,045	1,024
Goodwill on consolidation	811	811
	-----	-----
	5,300	5,549
	-----	-----
Current Assets		
Inventories	106	121
Trade receivables	3,987	4,035
Other receivables, deposits & prepayments	1,221	782
Amount due from holding company	533	569
Amount due from related companies	1,802	2,211
Tax recoverable	40	-
Fixed deposits	166,016	164,836
Cash & bank balances	825	681
	-----	-----
	174,530	173,235
	-----	-----
TOTAL ASSETS	179,830	178,784
	=====	=====
EQUITY		
Share capital	135,000	135,000
Share premium	1,475	1,475
Exchange difference reserve	28	(513)
Capital reserve	234	234
Unappropriated profits	28,424	27,512
	-----	-----
Total Equity Attributable to Shareholders of the Company	165,161	163,708
Minority interests	8,775	8,534
	-----	-----
TOTAL EQUITY	173,936	172,242
	-----	-----

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CONDENSED CONSOLIDATED BALANCE SHEETS - continued

	Unaudited As at 30.09.2006 RM'000	Audited As at 30.6.2006 RM'000
LIABILITIES		
Non-current Liabilities		
Hire purchase creditors	429	487
Deferred taxation	316	316
	-----	-----
	745	803
	-----	-----
Current Liabilities		
Trade payables	1,956	2,033
Other payables & accruals	2,504	2,987
Finance lease liabilities	17	62
Hire purchase creditors	262	275
Amount due to related companies	346	73
Post-employment defined contribution obligations	64	108
Provision for taxation	-	201
	-----	-----
	5,149	5,739
	-----	-----
TOTAL LIABILITIES	5,894	6,542
	-----	-----
TOTAL EQUITY AND LIABILITIES	179,830	178,784
	=====	=====
 Net assets per 10 sen share attributable to shareholders of the Company (RM)	 0.12	 0.12
	=====	=====

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

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2005

	← Attributable to Shareholders of the Company →							
	← Non-distributable →			← Distributable →				
	Share Capital RM'000	Share Premium RM'000	Exchange Difference Reserve RM'000	Capital Reserve RM'000	Unappropriated Profits RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
Balance as at 1 July, 2005	135,000	1,475	(122)	-	23,926	160,279	7,623	167,902
Foreign exchange differences, representing net expense recognised directly in equity	-	-	(658)	-	-	(658)	(1)	(659)
Net profit for the period	-	-	-	-	3,105	3,105	218	3,323
Total recognised (expense)/ income for the period	-	-	(658)	-	3,105	2,447	217	2,664
Bonus shares issued by a subsidiary	-	-	-	320	(320)	-	-	-
Balance as at 30 September, 2005	135,000	1,475	(780)	320	26,711	162,726	7,840	170,566

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

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2006

	← Attributable to Shareholders of the Company →						Minority Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Exchange Difference Reserve RM'000	Capital Reserve RM'000	Unappropriated Profits RM'000	Total RM'000		
Balance as at 1 July, 2006	135,000	1,475	(513)	234	27,512	163,708	8,534	172,242
Foreign exchange differences, representing net income recognised directly in equity	-	-	541	-	-	541	2	543
Net profit for the period	-	-	-	-	912	912	239	1,151
Total recognised income for the period	-	-	541	-	912	1,453	241	1,694
Bonus shares issued by a subsidiary	-	-	-	-	-	-	-	-
Balance as at 30 September, 2006	<u>135,000</u>	<u>1,475</u>	<u>28</u>	<u>234</u>	<u>28,424</u>	<u>165,161</u>	<u>8,775</u>	<u>173,936</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 2006 and the accompanying explanatory notes attached to the interim financial statements.

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2006**

	3 MONTHS ENDED	
	30.09.2006	30.09.2005
	RM'000	RM'000
Net cash from operating activities	972	4,982
	-----	-----
Net cash used in investing activities	(79)	(366)
	-----	-----
Net cash used in financing activities	(115)	(81)
	-----	-----
Net changes in cash and cash equivalents	778	4,535
Effects of exchange rate changes	546	(663)
Cash and cash equivalents brought forward	165,517	162,037
	-----	-----
	<u>166,841</u>	<u>165,909</u>
	=====	=====
Cash and cash equivalents comprise:		
Fixed deposits	166,016	165,660
Cash & bank balances	825	249
	-----	-----
	<u>166,841</u>	<u>165,909</u>
	=====	=====

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

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Notes:-

Disclosure requirements pursuant to FRS134₂₀₀₄

A1. Accounting Policies and Methods of Computation

The interim financial report is unaudited and has been prepared in accordance with FRS134₂₀₀₄ "Interim Financial Reporting" and Chapter 9, Part K Rule 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the MESDAQ Market.

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

The 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 2006.

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

FRS 2 Share-based Payment
FRS 3 Business Combinations
FRS 5 Non-current Assets Held for Sale and Discontinued Operations
FRS 101 Presentation of Financial Statements
FRS 102 Inventories
FRS 108 Accounting Policies, Changes in Estimates and Errors
FRS 110 Events after the Balance Sheet Date
FRS 116 Property, Plant and Equipment
FRS 121 The Effects of Changes in Foreign Exchange Rates
FRS 127 Consolidated and Separate Financial Statements
FRS 133 Earnings Per Share
FRS 136 Impairment of Assets
FRS 138 Intangible Assets

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

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

(a) FRS 2: Share-based Payment

This FRS requires an entity to recognise share-based payment transactions in its financial statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the entity.

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Notes:- continued

A1. Accounting Policies and Methods of Computation - continued

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

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

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

For the current period under review, the application of FRS 2 has resulted in a charge of approximately RM66,000 to the income statement of the Group arising from the ESOS granted to employees of the Group.

(b) FRS 101: Presentation of Financial Statements

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

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

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current period's presentation.

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Notes:- continued

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

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

A3. Seasonality or Cyclicity of Operations

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

A4. Exceptional or Unusual Items

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

A5. Changes in Estimates of Amounts Reported

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

A6. Changes in Debt and Equity Securities

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

A7. Dividend paid

There was no dividend paid during the financial quarter ended 30 September 2006.

A8. Segment Reporting

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

A9. Valuation of Property, Plant and Equipment

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

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Notes:- continued

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

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

A11. Changes in the Composition of the Group

On 6 September 2006, Infoscreen Networks Plc (“Infoscreen”), a subsidiary of the Company, subscribed for 70,000 ordinary shares of 1 pence each in the capital of The Luxury Channel Limited (“LCL”), representing 70% of the issued and paid-up capital of LCL. As a result of the above, LCL became a subsidiary of Infoscreen and an indirect subsidiary of the Company.

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

A12. Changes in Contingent Liabilities or Contingent Assets

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

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

B1. Review of Performance

For the current quarter under review, the Group revenue decreased by 43.5% to RM6.147 million compared to RM10.872 million recorded in the corresponding quarter ended 30 September 2005. The lower revenue recorded was mainly due to lower demand for the Group's information, communication and technology ("ICT") products and services as well as the intensified competition faced by a subsidiary, Extiva Communications Sdn Bhd ("Extiva"), in the Alternative Voice Service Provider ("AVSP") industry. The fall in revenue was, however, cushioned by revenue growth achieved by YTL Info Screen Sdn Bhd ("YTLIS"), a subsidiary involved in digital narrowcasting and digital media content development and delivery.

The Group profit before taxation for the current quarter under review decreased by 62.6% to RM1.832 million compared to RM4.903 million for the corresponding quarter in the previous year. The reduction is mainly attributed to the lower revenue as discussed above. The fall in revenue was, however, partially offset by lower other operating expenses and higher other operating income recorded by the Group for the current quarter.

B2. Comparison with Preceding Quarter

	Current Quarter 30.09.2006 RM'000	Preceding Quarter 30.06.2006 RM'000
Revenue	6,147	6,734
Profit before taxation	1,832	1,083
	-----	-----

The Group's revenue for the current financial quarter decreased by 8.7% compared to the preceding quarter ended 30 June 2006. The decrease was mainly attributed to lower demand for the Group's ICT products during the current quarter. Profit before taxation, however, increased by 69.2% to RM1.832 million mainly due to lower operating expenses recorded by the Group.

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Notes:- continued

B3. Prospects

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

B4. Profit Forecast

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

B5. Taxation

Taxation comprises the following:-

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2006 RM'000	Preceding Year Corresponding Quarter 30.09.2005 RM'000	Three Months Ended	
			30.09.2006 RM'000	30.09.2005 RM'000
Taxation based on the profit for the period	681	1,589	681	1,589
Overprovision of taxation in prior years	-	(9)	-	(9)
	----- 681 =====	----- 1,580 =====	----- 681 =====	----- 1,580 =====

The Group's provision for taxation for the quarter ended 30 September 2006 reflected a higher effective tax rate compared to the statutory tax rate. This was largely due to certain expenses that are not deductible for tax purposes, losses incurred by certain subsidiaries that cannot be utilised for group relief and higher tax rate in other jurisdiction.

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Notes:- continued

B6. Sale of Unquoted Investments and/or Properties

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

B7. Quoted Securities

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

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

B8. (a) Status of Corporate Proposals

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

(b) Status of Utilisation of Proceeds Raised

Purpose	Proposed Utilisation RM'000	Actual Utilisation as at 30.09.2006 RM'000	Deviation Amount RM'000	%
(i) Investment and incubation	32,350	22,585	9,765	30.19% (*)
(ii) Capital expenditure	3,000	3,000	-	-
(iii) Estimated listing expenses	2,100	2,100	-	-
(iv) Working capital	1,050	1,050	-	-
Total	38,500	28,735	9,765	

(*) Note:

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

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

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Notes:- continued

B9. Group Borrowings and Debt Securities

Particulars of the Group's borrowings as at 30 September 2006 are as follows:-

	RM'000
(i) Short term	
- Secured	279
- Unsecured	-

	279

(ii) Long term	
- Secured	429
- Unsecured	-

	429

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

B10. Off Balance Sheet Financial Instruments

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

B11. Material Litigation

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

B12. Dividend

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

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Notes:- continued

B13. Earnings Per Share

i) Basic earnings per share

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

	Current Quarter 30.09.2006	Preceding Year Corresponding Quarter 30.09.2005
Profit attributable to shareholders (RM'000)	912	3,105
Weighted average number of ordinary shares ('000)	1,350,000	1,350,000
Basic earnings per share (sen)	0.07	0.23

ii) Diluted earnings per share

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

By Order of the Board
HO SAY KENG
Secretary

Kuala Lumpur
Dated: 23 November 2006