

YTL E-SOLUTIONS BERHAD

Company No. 236137-K

Incorporated in Malaysia

Interim Financial Report

31 December 2009

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

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Interim financial report on consolidated results for the quarter ended 31 December 2009.

The figures have not been audited.

CONDENSED CONSOLIDATED INCOME STATEMENTS

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2009 RM'000	Preceding Year Corresponding Quarter 31.12.2008 RM'000	Six Months Ended	
			31.12.2009 RM'000	31.12.2008 RM'000
REVENUE	10,192	8,061	22,682	17,518
COST OF SALES	(4,012)	(4,412)	(8,311)	(8,434)
	-----	-----	-----	-----
GROSS PROFIT	6,180	3,649	14,371	9,084
OTHER OPERATING INCOME	851	1,509	1,628	3,021
OTHER OPERATING EXPENSES	(4,875)	(4,324)	(7,686)	(7,918)
	-----	-----	-----	-----
PROFIT FROM OPERATIONS	2,156	834	8,313	4,187
FINANCE COST	(4)	(9)	(8)	(15)
	-----	-----	-----	-----
PROFIT BEFORE TAXATION	2,152	825	8,305	4,172
TAXATION	(1,001)	(651)	(1,905)	(1,820)
	-----	-----	-----	-----
PROFIT FOR THE PERIOD	1,151	174	6,400	2,352
	=====	=====	=====	=====
ATTRIBUTABLE TO:				
Equity holders of the Company	1,019	192	4,680	2,385
Minority interests	132	(18)	1,720	(33)
	-----	-----	-----	-----
PROFIT FOR THE PERIOD	1,151	174	6,400	2,352
	=====	=====	=====	=====
EARNINGS PER 10 SEN SHARE				
Basic (Sen)	0.08	0.01	0.35	0.18
	=====	=====	=====	=====

The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2009 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED BALANCE SHEETS

	Unaudited As at 31.12.2009 RM'000	Audited As at 30.06.2009 RM'000
ASSETS		
Non-current Assets		
Property, plant & equipment	5,168	5,813
Goodwill on consolidation	2,821	2,821
Other intangible assets	1,007	1,090
Fixed deposits	454	449
Deferred tax assets	2,795	-
	-----	-----
	12,245	10,173
	-----	-----
Current Assets		
Inventories	221	214
Trade receivables	3,663	3,411
Other receivables, deposits & prepayments	1,100	1,393
Income tax assets	275	13
Amount due from related companies	18,427	29,036
Fixed deposits	177,638	150,915
Cash & bank balances	1,025	1,125
	-----	-----
	202,349	186,107
	-----	-----
TOTAL ASSETS	214,594	196,280
	=====	=====
EQUITY		
Share capital	135,000	135,000
Share premium	1,475	1,475
Other reserves	(3,936)	(3,004)
Retained earnings	37,861	33,181
Treasury shares, at cost	(2,141)	(2,140)
	-----	-----
Total Equity Attributable to Shareholders of the Company	168,259	164,512
Minority interests	19,247	20,267
	-----	-----
TOTAL EQUITY	187,506	184,779
	-----	-----

The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2009 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED BALANCE SHEETS - continued

	Unaudited As at 31.12.2009 RM'000	Audited As at 30.06.2009 RM'000
LIABILITIES		
Non-current Liabilities		
Finance lease payables	62	121
Deferred tax liabilities	277	256
	-----	-----
	339	377
	-----	-----
Current Liabilities		
Trade payables	2,342	2,125
Other payables, accruals & deferred income	17,116	6,963
Amount due to related companies	2,266	442
Finance lease payables	109	98
Bank overdraft	30	61
Post-employment defined contribution obligations	200	220
Income tax liabilities	4,686	1,215
	-----	-----
	26,749	11,124
	-----	-----
TOTAL LIABILITIES	27,088	11,501
	-----	-----
TOTAL EQUITY AND LIABILITIES	214,594	196,280
	=====	=====
 Net assets per 10 sen share attributable to equity holders 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 financial year ended 30 June 2009 and the accompanying explanatory notes attached to the interim financial statements.

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 DECEMBER 2009**

	← Attributable to Shareholders of the Company →					Total RM'000	Minority Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Retained Earnings RM'000	Treasury Shares RM'000			
Balance as at 1 July, 2009	135,000	1,475	(3,004)	33,181	(2,140)	164,512	20,267	184,779
Currency translation differences	-	-	(932)	-	-	(932)	(2)	(934)
Expense recognised directly in equity	-	-	(932)	-	-	(932)	(2)	(934)
Profit for the financial period	-	-	-	4,680	-	4,680	1,720	6,400
Total recognised (expense)/ income for the financial period	-	-	(932)	4,680	-	3,748	1,718	5,466
Dividend paid to minority interests	-	-	-	-	-	-	(2,738)	(2,738)
Treasury shares	-	-	-	-	(1)	(1)	-	(1)
Balance as at 31 December, 2009	135,000	1,475	(3,936)	37,861	(2,141)	168,259	19,247	187,506

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2009 and the accompanying explanatory notes attached to the interim financial statements.

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 DECEMBER 2008**

	← Attributable to Shareholders of the Company →					Total RM'000	Minority Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Retained Earnings RM'000	Treasury Shares RM'000			
Balance as at 1 July, 2008	135,000	1,475	(954)	31,761	(1,732)	165,550	20,627	186,177
Currency translation differences	-	-	(4,546)	-	-	(4,546)	(10)	(4,556)
Expense recognised directly in equity	-	-	(4,546)	-	-	(4,546)	(10)	(4,556)
Profit for the financial period	-	-	-	2,385	-	2,385	(33)	2,352
Total recognised (expense)/ income for the financial period	-	-	(4,546)	2,385	-	(2,161)	(43)	(2,204)
Treasury shares	-	-	-	-	(408)	(408)	-	(408)
Effect of issue of shares by a subsidiary to minority interests	-	-	-	294	-	294	706	1,000
Balance carried forward	135,000	1,475	(5,500)	34,440	(2,140)	163,275	21,290	184,565

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2009 and the accompanying explanatory notes attached to the interim financial statements.

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2008 - continued**

	← Attributable to Shareholders of the Company →						Minority Interests RM'000	Total Equity RM'000
	← Non-distributable →			← Distributable →				
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Retained Earnings RM'000	Treasury Shares RM'000	Total RM'000		
Balance brought forward	135,000	1,475	(5,500)	34,440	(2,140)	163,275	21,290	184,565
Increase/ (decrease) arising from change in composition of the Group	-	-	-	2	-	2	(2)	-
Dividend paid	-	-	-	(3,027)	-	(3,027)	-	(3,027)
Balance as at 31 December, 2008	135,000	1,475	(5,500)	31,415	(2,140)	160,250	21,288	181,538

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2009 and the accompanying explanatory notes attached to the interim financial statements.

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE QUARTER ENDED 31 DECEMBER 2009**

	6 MONTHS ENDED	
	31.12.2009	31.12.2008
	RM'000	RM'000
Net cash from operating activities	30,889	3,434
	-----	-----
Net cash used in investing activities	(342)	(4,481)
	-----	-----
Net cash used in financing activities	(2,786)	(3,600)
	-----	-----
Net changes in cash and cash equivalents	27,761	(4,647)
Effects of exchange rate changes	(1,102)	(4,718)
Cash and cash equivalents brought forward	152,428	170,586
	-----	-----
	<u>179,087</u>	<u>161,221</u>
	=====	=====
Cash and cash equivalents comprise:		
Fixed deposits*	178,092	160,500
Cash & bank balances	1,025	808
Bank overdrafts	(30)	(87)
(Included within short term borrowings in [Note B9])		
	-----	-----
	<u>179,087</u>	<u>161,221</u>
	=====	=====
*Fixed deposits pledged as security for borrowings	454	437
	=====	=====

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2009 and the accompanying explanatory notes attached to the interim financial statements.

INTERIM FINANCIAL REPORT

Notes:-

Disclosure requirements pursuant to FRS134

A1. Accounting Policies and Methods of Computation

The interim financial report is unaudited and has been prepared in accordance with FRS 134 Interim Financial Reporting and Chapter 9, Part K Rule 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) for the ACE Market.

The Condensed Financial Statements should be read in conjunction with the audited annual financial statements of the Group for the financial year ended 30 June 2009.

The accounting policies and methods of computation adopted by the Group in the interim financial report are consistent with those adopted for the annual audited financial statements for the year ended 30 June 2009, except for the adoption of FRS 8, Operating Segments and early adoption of Amendments to FRS 8, Operating Segments effective from the financial period beginning 1 July 2009.

Since the change in accounting policy only impacts presentation and disclosure aspects, there is no financial impact on the Group.

A2. Seasonality or Cyclicity of Operations

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

A3. Exceptional or Unusual Items

There were no items of exceptional or unusual nature that affects the assets, liabilities, equity, net income or cash flows of the Group.

A4. Changes in Estimates of Amounts Reported

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

A5. Changes in Debt and Equity Securities

The Company repurchased a total 1,100 ordinary shares of its issued share capital from the open market at an average cost of RM0.56 per share during the current financial year to-date. The total consideration paid for the shares repurchased during the financial year to-date, including transaction costs was RM659. The repurchase transactions were financed by internally generated funds. The repurchased shares are held as treasury shares in accordance with the requirements of Section 67A of the Companies Act, 1965.

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Notes:- continued

A5. Changes in Debt and Equity Securities - continued

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

A6. Dividend paid

There was no dividend paid during the financial quarter ended 31 December 2009.

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Notes:- continued

A7. Segment Reporting

The Group's segmental report for the second quarter ended 31 December 2009 is as follows:-

	Information technology and e-commerce RM'000	Communications technology RM'000	Content and digital media RM'000	Adjustments/ eliminations RM'000	Total RM'000
External revenue	3,508	17,061	2,113	-	22,682
Inter-segment revenue	42	50	44	(136)	-
Total revenue	3,550	17,111	2,157	(136)	22,682
Results					
Consolidated profit before taxation	620	7,480	206	(1)	8,305

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Notes:- continued

A7. Segment Reporting - continued

The Group's segmental report for the second quarter ended 31 December 2008 is as follows:-

	Information technology and e-commerce RM'000	Communications technology RM'000	Content and digital media RM'000	Adjustments/ eliminations RM'000	Total RM'000
External revenue	6,067	9,343	2,108	-	17,518
Inter-segment revenue	158	132	-	(290)	-
Total revenue	<u>6,225</u>	<u>9,475</u>	<u>2,108</u>	<u>(291)</u>	<u>17,518</u>
Results					
Consolidated profit before taxation	<u>3,332</u>	<u>275</u>	<u>571</u>	<u>(6)</u>	<u>4,172</u>

INTERIM FINANCIAL REPORT

Notes:- continued

A8. Material Events Subsequent to the End of the Interim Period

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

A9. Changes in the Composition of the Group

There were no changes in the composition of the Group for the financial period ended 31 December 2009 including business combinations, acquisition or disposal of subsidiaries and long term investments, restructurings and discontinuing of operations.

A10. 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 2009.

As at 31 December 2009, the Company had given corporate guarantees amounting to RM20.0 million to a financial institution for facilities granted by the financial institution to its subsidiaries as follows:

	Total Amount Guaranteed RM'000	Amount Utilised RM'000
Bank guarantee	20,000	9,170
	-----	-----

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INTERIM FINANCIAL REPORT

Notes:- continued

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

B1. Review of Performance

Year-to-date review

For the six months under review, Group revenue increased by 29.5% to RM22.682 million compared to RM17.518 million recorded in the corresponding period ended 31 December 2008. The improvement in Group revenue was largely attributable to fee income derived from a spectrum sharing agreement in relation to the Group's 2.3GHz Worldwide Interoperability for Microwave Access ("WIMAX") spectrum.

The Group had lower operating expenses for the period under review except for a fine imposed on its subsidiary, Y-Max Networks Sdn Bhd ("YMN") by Malaysian Communications and Multimedia Commission ("MCMC") in relation to the delayed roll out of its WIMAX network. An appeal has accordingly been made to MCMC to reconsider its decision in light of a revised business plan submitted by YMN, justifying the delay. The Group also recorded a decrease in its other operating income and this was mainly due to the lower prevailing interest rate on its substantial fixed deposits.

As a result, Group profit before taxation increased by RM4.133 million to RM8.305 million, an increase of 99.1%.

Quarter review

Group revenue and profit before taxation for the current quarter under review increased by 26.4% and 160.8% to RM10.192 million and RM2.152 million respectively, compared to RM8.061 million and RM0.825 million for the corresponding quarter in the previous year. The increases were principally due to the fee income earned as stated above but was partially offset by a reduction in interest income earned on the Group's fixed deposits as a result of lower prevailing interest rates.

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Notes:- continued

B2. Comparison with Preceding Quarter

	Current Quarter 31.12.2009 RM'000	Preceding Quarter 30.09.2009 RM'000
Revenue	10,192	12,490
Profit before taxation	2,152	6,153
	-----	-----

For the current financial quarter, the Group revenue decreased from RM12.490 million to RM10.192 million largely attributable to lower fee income earned during current financial quarter.

Group profit before taxation decreased by RM4.001 million to RM2.152 million compared to the preceding quarter mainly due to the decrease in revenue coupled with the recognition of a fine imposed on YMN as mentioned in Note B1 above.

B3. Prospects

The Group, after considering the Group's current level of operations and the current market condition, is expected to achieve satisfactory performance for the financial year ending 30 June 2010.

B4. Profit Forecast

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

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INTERIM FINANCIAL REPORT

Notes:- continued

B5. Taxation

Taxation comprises the following:-

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year	Preceding	Year	
	Quarter	Corresponding	Six Months Ended	
	31.12.2009	Quarter	31.12.2009	31.12.2008
	RM'000	31.12.2008	RM'000	RM'000
		RM'000	RM'000	RM'000
Taxation based on the profit for the period	3,839	651	4,740	1,813
Over provision of taxation in prior year	(60)	-	(60)	7
Deferred taxation	(2,778)	-	(2,775)	-
	-----	-----	-----	-----
	1,001	651	1,905	1,820
	=====	=====	=====	=====

The Group's taxation expense for the financial period ended 31 December 2009 reflects an effective tax rate higher than the statutory income tax rate. This was largely due to certain expenses that are not deductible for tax purposes.

During the current financial quarter, a deferred tax asset amounting to RM2.778 million was recognised. This deferred tax asset relates to deferred revenue pertaining to fees received in connection with the Group's WIMAX spectrum sharing agreement mentioned in B1 above. The deferred tax asset recognised was entirely offset by corresponding additional tax expense related to the said deferred revenue.

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.

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Notes:- continued

B8. Status of Corporate Proposals

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

B9. Group Borrowings and Debt Securities

Particulars of the Group's borrowings as at 31 December 2009 are as follows:-

	RM'000
(i) Short term	
- Secured	139
- Unsecured	-

	139

(ii) Long term	
- Secured	62
- Unsecured	-

	62

During the current financial quarter, there was no issuance, cancellation, repurchase, resale and repayment of debt securities. None of the Group's borrowings is 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 2009, being the last annual balance sheet date, until the date of this report.

B12. Dividend

No dividend has been declared 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 profit for the financial quarter attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial quarter.

	Current Quarter 31.12.2009	Preceding Year Corresponding Quarter 31.12.2008
Profit attributable to equity holders (RM'000)	1,019	192
Weighted average number of ordinary shares in issue ('000)	1,345,328	1,345,424
Basic earnings per share (sen)	0.08	0.01

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.

B14. Audit Report of the Last Financial Year Ended 30 June 2009

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

By Order of the Board
HO SAY KENG
Secretary

Kuala Lumpur
Dated: 25 February 2010