



YTL
E-SOLUTIONS
BERHAD 236137-K

the journey continues...

annual report 2006

Contents

Corporate

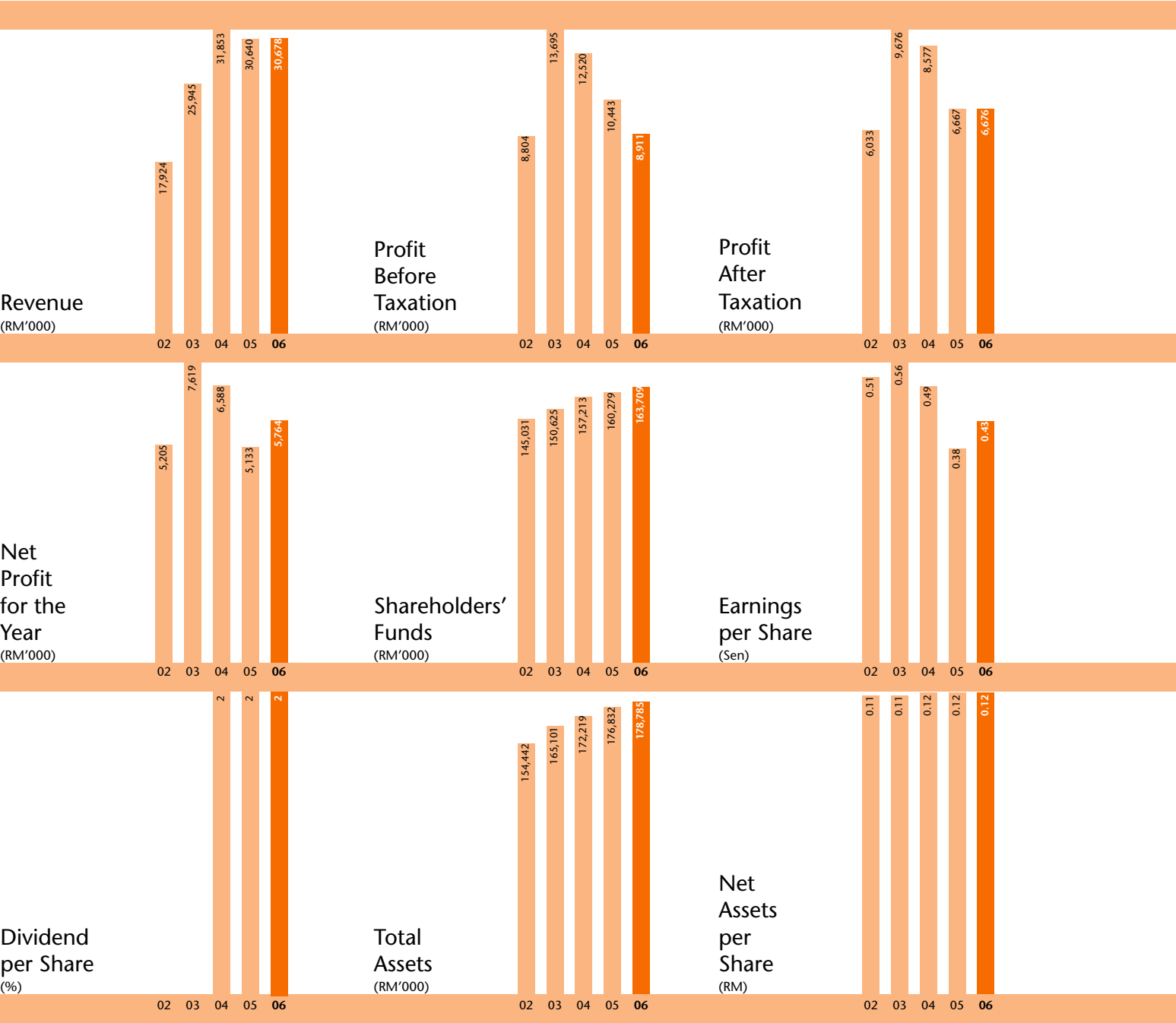
| | |
|---|----|
| Financial Highlights | 2 |
| Chairman's Statement | 4 |
| Notice of Annual General Meeting | 10 |
| Statement Accompanying Notice of Annual General Meeting | 13 |
| Corporate Information | 14 |
| Profile of the Board of Directors | 15 |
| Statement of Directors' Responsibilities | 18 |
| Audit Committee Report | 19 |
| Statement on Corporate Governance & Internal Control | 23 |
| Disclosure of Recurrent Related Party Transactions | 28 |
| Analysis of Shareholdings | 31 |
| Statement of Directors' Interests | 33 |

Financial Statements

| | |
|-----------------------------------|----|
| Director's Report | 38 |
| Statement by Directors | 46 |
| Statutory Declaration | 46 |
| Auditors' Report | 47 |
| Income Statements | 48 |
| Balance Sheets | 49 |
| Statement of Changes in Equity | 51 |
| Cash Flow Statements | 52 |
| Notes to the Financial Statements | 55 |

Form of Proxy

Financial Highlights



Financial Highlights

| | 2006 | 2005 | 2004 | 2003 | 2002 |
|----------------------------------|---------|---------|---------|---------|---------|
| Revenue (RM'000) | 30,678 | 30,640 | 31,853 | 25,945 | 17,924 |
| Profit Before Taxation (RM'000) | 8,911 | 10,443 | 12,520 | 13,695 | 8,804 |
| Profit After Taxation (RM'000) | 6,676 | 6,667 | 8,577 | 9,676 | 6,033 |
| Net Profit for the Year (RM'000) | 5,764 | 5,133 | 6,588 | 7,619 | 5,205 |
| Shareholders' Funds (RM'000) | 163,709 | 160,279 | 157,213 | 150,625 | 145,031 |
| Earnings per Share (Sen) | 0.43 | 0.38 | 0.49 | 0.56 | 0.51 |
| Dividend per Share (%) | 2 | 2 | 2 | – | – |
| Total Assets (RM'000) | 178,785 | 176,832 | 172,219 | 165,101 | 154,442 |
| Net Assets per Share (RM) | 0.12 | 0.12 | 0.12 | 0.11 | 0.11 |

Chairman's Statement



TAN SRI DATO' (DR) FRANCIS YEOH SOCK PING, CBE
Executive Chairman and Managing Director

On behalf of the Board of Directors of YTL e-Solutions Berhad ("YTL e-Solutions"), I have the pleasure of presenting to you the Annual Report and Audited Financial Statements of the Group and the Company for the financial year ended 30 June 2006.

OVERVIEW

The Malaysian economy has remained robust with real Gross Domestic Product (GDP) projected to grow by 5.8% during 2006, an increase of 0.6% over growth of 5.2% in 2005. However, the scarcity of viable investment opportunities in the local information technology ("IT") and e-commerce sectors that meet the YTL e-Solutions' strategic investment requirements reported last year persisted during the year under review, and this has continued to impact the Group's ability to effectively deploy its cash reserves raised for such incubation activities.

Whilst the information and communications technology ("ICT") industry, where the bulk of the Group's activities are concentrated, experienced sustained growth during the year under review, this growth was driven predominantly by the high levels of activity in the cellular segment. However, the Government's increasing focus on ICT is expected to generate growth throughout all ICT sectors, following implementation of the measures announced in the Ninth Malaysia Plan ("9MP") and the 2007 Budget.

YTL e-Solutions' stable of incubatees currently comprises Extiva Communications Sdn Bhd ("Extiva"), Infoscreen Networks Plc ("INP") and its wholly-owned subsidiary, YTL Info Screen Sdn Bhd ("YTLIS"), Hipmobile (M) Sdn Bhd ("Hipmobile"), Hipmobile Singapore Pte Ltd, Intellectual Learning Sdn Bhd and PropertyNetAsia (M) Sdn Bhd ("PropertyNetAsia").

FINANCIAL PERFORMANCE

The Group registered a marginal growth in revenue for the financial year ended 30 June 2006 to RM30.678 million, compared to RM30.640 million last year. Profit before taxation decreased to RM8.911 million compared to RM10.443 million for the year ended 30 June 2005 but net profit grew to RM5.764 million for the year ended 30 June 2006, an increase of 12.3% from RM5.133 million achieved last year.

Chairman's Statement

The lower profit before taxation was largely due to higher operating expenses and lower demand for Extiva's Alternative Voice Service Provider ("AVSP") services, which experienced intense competition during the year under review. The reduction in profit before tax was, however, dampened by increased contributions from YTLIS. The improvement in net profit for the year under review was due mainly to the write-back of over-provisions for tax in prior years and a lower minority interest share of profits caused by profit pressures on 70%-owned Extiva.

DIVIDEND

In line with the Group's policy of rewarding shareholders and enhancing shareholder value the Board of Directors of YTL e-Solutions is pleased to recommend for shareholders' approval a First and Final Dividend of 2% less Malaysian income tax for the year ended 30 June 2006.

REVIEW OF OPERATIONS

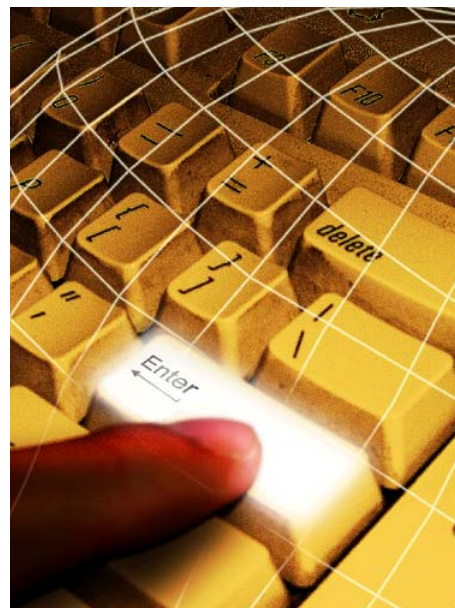
Investment Objectives

YTL e-Solutions' strategy is to pursue incubation and investment opportunities in high growth, knowledge-intensive companies that develop or utilise new technologies, and to enhance the value of these investments using the internal and external resources available to the Group. Where possible, YTL e-Solutions endeavours to integrate its incubatees into a collaborative network that leverages on their inter-related or complementary resources and sales channels.

INP & YTLIS

INP was listed on the Alternative Investment Market (AIM) of the London Stock Exchange in June 2005 with the intention of raising its profile in the UK to assist in sourcing opportunities to create value for the Group. As it was recently listed, there were no recruitments of UK-based incubatees during the year under review.

The AIM Market is the London Stock Exchange's international market for young and growing companies, enabling these businesses to access the capital and liquidity of the London markets. The AIM Market is specially tailored to suit growing businesses and its flexibility attracts a wide range of companies, from young and venture capital-backed businesses to long-established family concerns.



Chairman's Statement

INP's wholly-owned subsidiary, YTLIS, meanwhile, continues to develop its reputation as one of the leading plasma-based digital media networks in Malaysia, displaying high quality "in-house" created digital content. As an innovator within the digital narrowcast media sector in Malaysia, both as a digital network owner and operator, and as a developer of digital media solutions, YTLIS realised a 107.2% growth in advertising revenues for the year under review. This growth is attributed to greater media sales to leading brands (both local and multinational) on its digital narrowcast media networks in high traffic areas such as Sungei Wang Plaza, the Bintang Walk area of Kuala Lumpur and on the KLIA Ekspres trains.

Additionally, contract income earned from the development of a digital narrowcast solution for a major shopping mall in Petaling Jaya also contributed to YTLIS' revenue for the year. YTLIS' revenue growth is expected to remain in line with the current growth in the Malaysian economy, and growth in the overall level of Malaysian advertising expenditure.

Extiva

Extiva is a 70%-owned subsidiary of YTL e-Solutions and undertakes value-added AVSP and telephony solutions and services and currently serves close to 2,800 accounts comprising individuals and local and multinational corporations.

Lower demand for Extiva's AVSP services resulted from intense competition within the industry during the year under review. As such, Extiva's upcoming efforts will include exploring new technologies related to voice applications over broadband channels to potentially capitalise on the technological advances in this area and improved broadband penetration in Malaysia.

The 9MP, for example, targets to increase broadband penetration from 1.9% in 2005 to 13.0% by 2010, and Extiva will explore alternative revenue streams that are synergistic to its current services. The company is also undertaking research and development on the delivery of voice services over broadband channels to enable it to compete in this highly competitive industry.

Web Hosting and Applications Development

YTL e-Solutions conceptualised, designed, developed and currently manages the award-winning YTL Community website, a lifestyle and corporate information portal for the YTL Group and continues to maintain and create content for the portal. The YTL Community portal services the YTL Group's consumer related businesses by acting as an online customer community source of news and lifestyle information. YTL e-Solutions also developed and has been hosting and maintaining the following websites: Sentul Park Koi Centre (an information website on Koi fish farming), The Kuala Lumpur Performing Arts Centre (an information website for the performing arts), Starhill Gallery (an information website for leisure / shopping activities), YTL Platinum Plus (a loyalty card membership website) and Art Colony (an information website for an art gallery).

In terms of applications development during the last financial year, YTL e-Solutions continued to enhance a loyalty card points tracking software it had developed earlier, as well as YTLIS' scheduling software, and developed a C2C classifieds and auction website. YTL e-Solutions also manages and maintains the Automatic Fare Collection system for the KLIA Ekspres and KLIA Transit railway systems.



Chairman's Statement



Utilisation of Proceeds

YTL e-Solutions has been actively pursuing incubation and investment opportunities that meet its investment criteria and are synergistic to its core knowledge competencies in key overseas markets, as well as potential opportunities in Malaysia. As at 30 June 2006, YTL e-Solutions had utilised approximately 74.64% of the total proceeds raised from its initial public offering in July 2002. The Group plans to utilise the remaining 25.36% for their intended purposes, as summarised in the following table.

| | Proposed utilisation RM'000 | Actual utilisation as at 30 June 2006 RM'000 | Deviation Amount RM'000 | % |
|--------------------------------------|-----------------------------------|--|-------------------------------|--------------|
| Investment and incubation activities | 32,350 | 22,585 | 9,765 | 30.19 |
| Capital expenditure | 3,000 | 3,000 | – | – |
| Estimated listing expenses | 2,100 | 2,100 | – | – |
| Working capital | 1,050 | 1,050 | – | – |
| Total | 38,500 | 28,735 | 9,765 | 25.36 |

The unutilised proceeds for investment and incubation reflect the lack of opportunities to acquire viable incubatees which meet the Group's strategic investment objectives. On 27 December 2005, the Company received approval from the Securities Commission for an extension of time up to 30 June 2008 to fully utilise these proceeds.

Chairman's Statement

Progressive Independence from YTL Corporation Berhad ("YTL Corp")

Since its listing in July 2002, YTL e-Solutions has reduced its dependence on YTL Corp. This is evidenced from the fact that the percentage of the Group's revenue sourced from the YTL Corp group of companies has fallen from approximately 40% in the financial year ended 30 June 2002 to approximately 20% for the 2006 financial year.

CORPORATE SOCIAL RESPONSIBILITY

Social responsibility is one of the Group's key values and YTL e-Solutions places a high priority on acting responsibly in every aspect of its business. The Group is also part of the wider network of the YTL group of companies under the umbrella of its parent company, YTL Corp, with a long-standing commitment to creating successful, profitable and sustainable businesses which, in turn, benefit the surrounding community through the creation of sustained value for shareholders, secure and stable jobs for the Group's employees, support for the arts and culture in Malaysia and contributions to promote education for the benefit of future generations.

Every employee of the Group is expected to maintain the highest standards of propriety, integrity and conduct in all their business relationships and the Group is held to the same standard in its compliance with all applicable legal and regulatory requirements.

This year, the Group is pleased to integrate the corporate social responsibility aspect of its business into the Annual Report, as part of its reporting procedure. The Group believes that effective corporate responsibility can deliver benefits to its businesses and, in turn, to its shareholders, by enhancing reputation and business trust, risk management performance, relationships with regulators, staff motivation and attraction of talent, customer preference and loyalty, the goodwill of local communities and long-term shareholder value.

This approach has proven effective and, during the year under review, YTL e-Solutions won the Malaysian Business Corporate Governance Award 2005 under the Mesdaq category. The Group's Statement on Corporate Governance and Internal Control, which also elaborates on the Group's systems and controls, can be found as a separate section in this Annual Report.



Chairman's Statement

FUTURE PROSPECTS

The Government's increasing focus on ICT is seen as a boon to the industry. Under the 9MP and the 2007 Budget, the Government intends to continue to implement measures to promote Malaysia as a choice destination for ICT-based investments by developing ICT-related skills and competencies and improving broadband connections for advanced multimedia applications, local content development, greater e-commerce adoption and improved information security.

Continued emphasis by the Government on the utilisation of technology and the development of high value-added industries with strong growth potential should spur the development of innovative new companies suitable for investment. Concurrently, the Group intends to fully pursue these avenues for development.

The continued intensity of competition in the AVSP market is expected to provide a challenging operating environment but the Group will persist in its efforts to explore new technologies related to voice applications over broadband channels to potentially capitalise on the technological advances in this area.

The Group will continue to actively pursue incubation and investment opportunities synergistic to its core knowledge competencies in these areas and in key overseas markets, in addition to leveraging on its availability of funds to identify new evolving and market demand technologies.

The integrity and reliability of the selection and assessment process have served to mitigate the very high risks inherent in the business of technology incubation and the Group is committed to maintaining this growth strategy.

APPRECIATION

The Board of Directors wishes to take this opportunity to thank our shareholders, customers, business associates and the regulatory authorities for their ongoing support, which contributed to the Group's performance this year.

We wish to place on record the Group's deep appreciation for the invaluable guidance of the late Y.Bhg Tan Sri Dato' Seri Dr. Md. Noordin Bin Md. Soviee, who served as an Independent Non-Executive Director on the Board from the Company's listing in 2002 until he passed away on 29 December 2005.

We would also like to thank the management and staff for their continued dedication and commitment to the ideals of the Group.

TAN SRI DATO' (DR) FRANCIS YEOH SOCK PING

PSM, CBE, SIMP, DPMS, DPMP, JMN, JP
Executive Chairman and Managing Director



Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE FOURTEENTH ANNUAL GENERAL MEETING OF YTL E-SOLUTIONS BERHAD WILL BE HELD AT STARHILL 2, LEVEL 4, JW MARRIOTT HOTEL KUALA LUMPUR, 183 JALAN BUKIT BINTANG, 55100 KUALA LUMPUR ON THURSDAY, THE 7TH DAY OF DECEMBER, 2006 AT 12.00 NOON TO TRANSACT THE FOLLOWING BUSINESS:

AS ORDINARY BUSINESS

- 1 To receive the Audited Financial Statements for the financial year ended 30 June 2006 together with the Reports of the Directors and Auditors thereon; **Resolution 1**
- 2 To sanction the declaration of a First and Final Dividend of 2% gross less Malaysian Income Tax in respect of the financial year ended 30 June 2006; **Resolution 2**
- 3 To re-elect Tan Sri Dato' (Dr) Francis Yeoh Sock Ping who retires pursuant to Rule 7.26(2) of the Revamped Listing Requirements of Bursa Malaysia Securities Berhad for the Mesdaq Market; **Resolution 3**
- 4 To re-elect the following Directors who retire pursuant to Article 83 of the Company's Articles of Association:
 - i) Dato' Michael Yeoh Sock Siong **Resolution 4**
 - ii) Mohamad Zaid Bin Dato' Hj Mohd Zainal Abidin **Resolution 5**
- 5 To approve the payment of Directors' fees amounting to RM150,000 for the financial year ended 30 June 2006; **Resolution 6**
- 6 To re-appoint the Auditors and to authorise the Directors to fix their remuneration. **Resolution 7**

AS SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolutions:

ORDINARY RESOLUTION 1

- 7 PROPOSED AUTHORITY TO ALLOT SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

"THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad."

Resolution 8

ORDINARY RESOLUTION 2

- 8 PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE AND NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

"THAT the Company and/or its subsidiaries be and is/are hereby authorised to enter into recurrent related party transactions from time to time with Related Parties who may be a Director, a substantial shareholder of the Company and/or its subsidiaries or a person connected with such a Director or a substantial shareholder, as specified in section 2.3 of the Circular to Shareholders dated 15 November 2006 subject to the following:

- i the transactions are of a revenue or trading in nature which are necessary for the day-to-day operations of the Company and/or its subsidiaries and are transacted

Notice of Annual General Meeting

on terms consistent or comparable with market or normal trade practices and/or based on normal commercial terms and on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders; and

- ii Disclosure is made in the annual report of the aggregate value of transactions conducted during the financial year pursuant to the shareholders' mandate in accordance with the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market.

THAT the mandate given by the shareholders of the Company shall only continue to be in force until the conclusion of the next Annual General Meeting of the Company or the expiry of the period within which the next Annual General Meeting is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (the "Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); unless revoked or varied by Ordinary Resolution of the shareholders of the Company in general meeting, whichever is the earlier;

AND THAT the Directors of the Company be authorised to complete and do such acts and things as they may consider expedient or necessary to give full effect to the shareholders' mandate."

Resolution 9

SPECIAL RESOLUTION 1

9 PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

"THAT the amendments to the Company's Articles of Association as set out in Appendix I of the Circular to Shareholders dated 15 November 2006 be and are hereby approved."

Resolution 10

NOTICE OF BOOK CLOSURE

Notice is hereby given that the Register of Members of the Company will be closed at 5.00 p.m. on 14 December 2006 for the entitlement of the following:

Proposed First and Final Dividend of two percent (2%) gross less Malaysian Income Tax in respect of the financial year ended 30 June 2006 as recommended by the Directors on 24 August 2006.

A Depositor shall qualify for entitlement to the first and final dividend only in respect of:

- a shares transferred into the Depositor's Securities Account before 4.00 p.m. on 14 December 2006 in respect of transfers; and
- b shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

Notice is also hereby given that the Dividend Payment Date of the Proposed First and Final Dividend of two percent (2%) gross less Malaysian Income Tax in respect of the financial year ended 30 June 2006, if approved by the shareholders at the forthcoming Fourteenth Annual General Meeting, shall be on 5 January 2007.

By Order of the Board,

HO SAY KENG

Company Secretary

KUALA LUMPUR
15 November 2006

Notice of Annual General Meeting

Notes:

A member entitled to attend and vote at the meeting may appoint a proxy to vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. Where a member appoints more than one proxy, he shall specify the proportion of his shareholdings to be represented by each proxy. The instrument appointing a proxy or proxies, in the case of an individual, shall be signed by the appointer or his attorney and in the case of a corporation, either under seal or under the hand of an officer or attorney duly authorised in writing. An instrument appointing a proxy shall be deposited at the Registered Office of the Company at least 48 hours before the appointed time for holding the meeting. For the purpose of determining a member who shall be entitled to attend the Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Article 59(ii) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 30 November 2006. Only a depositor whose name appears on the General Meeting Record of Depositors as at 30 November 2006 shall be entitled to attend the said meeting or appoint proxy to attend and/or vote in his stead.

Resolution pursuant to Section 132D of the Companies Act, 1965

The Company is actively pursuing business opportunities in prospective areas so as to broaden the operating base and earnings potential of the Company. Such expansion plans may require the issue of new shares not exceeding ten per centum of the Company's issued share capital. With the passing of the Resolution 8 mentioned above by the shareholders of the Company at the forthcoming Annual General Meeting, the Directors would avoid delay and cost of convening further general meetings to approve issue of such shares for such purposes.

Resolution pertaining to the Recurrent Related Party Transactions

For Resolution 9, further information on the Recurrent Related Party Transactions is set out in the Circular to Shareholders of the Company dated 15 November 2006 which is despatched together with the Company's Annual Report 2006.

Proposed Amendments to the Company's Articles of Association

The Proposed amendments under Resolution 10 is to conform and reflect the new/amended provisions of the revamped Listing Requirements of Bursa Malaysia Securities Berhad for the Mesdaq Market. The details of the Proposed Amendments to the Company's Articles of Association are set out in Appendix I of the Circular to Shareholders dated 15 November 2006.

Statement Accompanying Notice of Annual General Meeting

1 THE NAMES OF INDIVIDUALS WHO ARE STANDING FOR RE-ELECTION

Director retiring pursuant to Rule 7.26(2) of the Listing Requirements of Bursa Securities for the Mesdaq Market

- Tan Sri Dato' (Dr) Francis Yeoh Sock Ping

Directors retiring by rotation pursuant to Article 83 of the Company's Articles of Association

- Dato' Michael Yeoh Sock Siong
- Mohamad Zaid Bin Dato' Hj Mohd Zainal Abidin

2 NUMBER OF BOARD MEETINGS HELD

There were five (5) Board meetings held during the financial year ended 30 June 2006. Details of attendance of the Directors are set out in the "Profile of the Board of Directors".

3 14TH ANNUAL GENERAL MEETING OF YTL E-SOLUTIONS BERHAD

Place : Starhill 2, Level 4
JW Marriott Hotel Kuala Lumpur
183 Jalan Bukit Bintang
55100 Kuala Lumpur

Date & Time : 7 December 2006 at 12.00 noon

4 FURTHER DETAILS OF DIRECTORS WHO ARE STANDING FOR RE-ELECTION

The profile of the Directors who are standing for re-election are set out in the "Profile of the Board of Directors" and their securities holdings in the Company and its subsidiaries are presented in the "Statement of Directors' Interests" of the Annual Report.

Corporate Information

BOARD OF DIRECTORS

Executive Chairman and Managing Director

Tan Sri Dato' (Dr) Francis Yeoh Sock Ping

PSM, CBE, SIMP, DPMS, DPMP, JMN, JP

Hon D Eng (Kingston), B Sc (Hons) Civil Engineering

FFB, F Inst D, MBIM, RIM

Directors

Dato' Cheong Keap Tai

Dato' Yeoh Seok Hong

DSPN, JP

BE (Hons) Civil & Structural Engineering, FFB

Dato' Michael Yeoh Sock Siong

DIMP

BE (Hons) Civil & Structural Engineering, FFB

Dato' Mark Yeoh Seok Kah

DSSA

LLB (Hons)

Syed Abdullah Bin Syed Abd. Kadir

B Sc (Engineering Production), B Com (Economics)

Amarjit Singh Chhina

CIOB I (Eng)

Mohamad Zaid Bin Dato' Hj Mohd Zainal Abidin

BE (Hons) Automotive Engineering

COMPANY SECRETARY

Ho Say Keng

REGISTERED OFFICE

11th Floor, Yeoh Tiong Lay Plaza

55 Jalan Bukit Bintang

55100 Kuala Lumpur

Tel • 03-2117 0088 / 03-2142 6633

Fax • 03-2141 2703

BUSINESS OFFICE

Levels 1 & 3, Annexe Block

Lot 10 Shopping Centre

50 Jalan Sultan Ismail

50250 Kuala Lumpur

Tel • 03-2330 2700

Fax • 03-2330 2703

REGISTRAR

YTL Corporation Berhad

11th Floor, Yeoh Tiong Lay Plaza

55 Jalan Bukit Bintang

55100 Kuala Lumpur

Tel • 03-2117 0088 / 03-2142 6633

Fax • 03-2141 2703

SPONSOR

CIMB Investment Bank Berhad

(formerly known as Commerce
International Merchant Bankers Berhad)

10th Floor, Bangunan CIMB

Jalan Semantan

Damansara Heights

50490 Kuala Lumpur

Tel • 03-2084 8888

Fax • 03-2084 8899

SOLICITORS

Lee, Perara & Tan

AUDIT COMMITTEE

Dato' Cheong Keap Tai

*Chairman and Independent Non-Executive
Director*

Amarjit Singh Chhina

Executive Director

**Mohamad Zaid Bin Dato' Hj Mohd Zainal
Abidin**

Independent Non-Executive Director

AUDITORS

HLB Ler Lum (AF 0276)

Chartered Accountants

(A member of HLB International)

PRINCIPAL BANKERS OF THE GROUP

CIMB Bank Berhad (formerly known as

Bumiputra-Commerce Bank Berhad)

Citibank Berhad

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad

MESDAQ Market (2.7.2002)

Profile of the Board of Directors

TAN SRI DATO' (DR) FRANCIS YEOH SOCK PING

Malaysian, aged 52, was appointed to the Board on 26 April 2000 as Executive Chairman and Managing Director. Tan Sri Francis obtained his secondary education at Victoria Institution, Kuala Lumpur, Malaysia where he was the Head Boy. He obtained his Bachelor of Science (Hons) Degree in Civil Engineering from Kingston University, United Kingdom in 1978. Under his stewardship, YTL Group has grown from a single listed entity in 1985 to a force comprising six listed entities i.e. YTL Corporation Berhad, YTL Power International Berhad, YTL Cement Berhad, YTL Land & Development Berhad, YTL e-Solutions Berhad and Starhill Real Estate Investment Trust, a listed real estate investment trust fund.

He currently serves as a member of the Malaysian Pacific Basin Economic Council (PBEC), Commonwealth Partnership for Technology Management (CPTM), The Capital Markets Advisory Council, The Nature Conservancy Asia Pacific Council and the Asia Business Council. He is also the Trustee of the Asia Society. He is a Board Member of SEI for Advanced Studies in Management - Wharton School, the Council Member of INSEAD and a Member of the Asia Regional Advisory Board of London Business School. He was the past President of the Kuala Lumpur Symphony Orchestra Society (KLSO) and the Founder President of the famous Eastern and Orient Express train. He was named the Ernst & Young "Master Entrepreneur of the Year 2002". He holds fellowships in many of the Chartered Institutions in the United Kingdom and is also the recipient of many major awards conferred by the Government of Malaysia. On 13 February 2004, he was conferred the degree of Honorary Doctorate of Engineering by Kingston University, United Kingdom. Tan Sri Francis was awarded the BusinessWeek's "25 Stars of Asia 2003" on 6 November 2003 in Hong Kong and was ranked 21st by Fortune Magazine Asia's 25 Most Powerful Business Personalities on 9 August 2004. He was appointed as a member of Barclays Asia-Pacific Advisory Committee on 1 January 2005. CNBC Asia Pacific named him Malaysia CEO of the Year at its Asia Business Leaders Awards on 9 November 2005. On 8 June 2006, he was conferred an Honorary Commander of the Most Excellent Order of the British Empire (CBE) by Her Majesty Queen Elizabeth II.

Besides the 5 listed companies in the YTL Group, Tan Sri Francis also sits on the board of YTL Industries Berhad, YTL Foundation and the prominent private utilities companies in United Kingdom, Wessex Water Limited and Wessex Water Services Limited. He is also the chief executive officer of Pintar Projek Sdn Bhd, the Manager of Starhill Real Estate Investment Trust.

DATO' CHEONG KEAP TAI

Malaysian, aged 58, was appointed to the Board on 30 September 2004 as an Independent Non-Executive Director. Dato' Cheong graduated from the University of Singapore with a degree of Bachelor of Accountancy. He is a Chartered Accountant of Malaysian Institute of Accountants (MIA), a Member of the Malaysian Institute of Certified Public Accountants (MICPA) and a Member of the Institute of Chartered Secretaries and Administrators (ICSA). He was the Executive Director and Partner of Coopers & Lybrand and upon its merger with Price Waterhouse was the Executive Director and Partner of PricewaterhouseCoopers until his retirement in December 2003. He continues to be a partner of a local accounting practice. He is also a director of YTL Corporation Berhad, YTL Land & Development Berhad, Cement Industries of Malaysia Berhad, Kinta Kellas Public Limited Company, Gromutual Berhad and certain private limited companies.

Profile of the Board of Directors

DATO' YEOH SEOK HONG

Malaysian, aged 47, was appointed to the Board of the Company on 26 April 2000 as an Executive Director. He obtained his Bachelor of Engineering (Hons) Civil & Structural Engineering Degree from the University of Bradford, United Kingdom in 1982. He is a member of the Faculty of Building, United Kingdom. Dato' Yeoh Seok Hong has vast experience in the construction industry, being the Executive Director responsible for the YTL Group's construction division. He was the project director responsible for the development and the construction of the two Independent Power Producer power stations owned by YTL Power Generation Sdn Bhd. He continues to be actively involved in the construction activities of the YTL Group, his most recent project being the construction of the Express Rail Link between the Kuala Lumpur International Airport and the Kuala Lumpur Sentral Station, and is also responsible for developing the power and utility businesses of the YTL Power International Berhad Group. He is also a director of YTL Corporation Berhad, YTL Power International Berhad, YTL Land & Development Berhad, YTL Industries Berhad, YTL Foundation and the prominent private utilities companies in United Kingdom, Wessex Water Limited and Wessex Water Services Limited.

DATO' MICHAEL YEOH SOCK SIONG

Malaysian, aged 46, was appointed to the Board on 15 May 2000 as an Executive Director. He graduated from the University of Bradford, United Kingdom in 1983 with a Bachelor of Engineering (Hons) Civil & Structural Engineering Degree. Dato' Michael Yeoh is primarily responsible for YTL Group's Manufacturing Division which activities involve cement manufacturing, ready-mixed concrete and other building material industries. He is also a director of YTL Corporation Berhad, YTL Cement Berhad, YTL Power International Berhad, YTL Land & Development Berhad, YTL Industries Berhad, Sentul Raya Golf Club Berhad and private company, Wessex Water Limited.

DATO' MARK YEOH SEOK KAH

Malaysian, aged 41, was appointed to the Board on 26 April 2000 as an Executive Director. He graduated from King's College, University of London with an LLB (Hons) and was subsequently called to the Bar at Gray's Inn, London in 1988. Dato' Mark Yeoh joined YTL Group in 1989 and is presently the Executive Director responsible for the YTL Hotels and Resorts Division. In addition, he is also part of YTL Power's Mergers & Acquisitions Team and was involved in the takeovers of ElectraNet SA (Australia), Wessex Water Limited (UK) and P.T. Jawa Power (Indonesia). He also serves on the board of YTL Corporation Berhad, YTL Power International Berhad, YTL Land & Development Berhad, YTL Vacation Club Berhad and private company, Wessex Water Limited.

SYED ABDULLAH BIN SYED ABD. KADIR

Malaysian, aged 52, was appointed to the Board on 26 April 2000 as an Executive Director. He graduated from the University of Birmingham in 1977 with a Bachelor of Science (Engineering Production) and a Bachelor of Commerce (Economics) Double Degree. He has extensive experience in banking and financial services, having been with Bumiputra Merchant Bankers Berhad from 1984 to 1994, holding the position of general manager immediately prior to his departure from the Bank. Prior to joining YTL Corporation Berhad Group, he was the general manager of Amanah Capital Partners Berhad, a public listed company with subsidiaries involved in, *inter alia*, discount, money broking, unit trusts, finance and fund management operations from November 1994 to February 1996. He also serves on the board of YTL Corporation Berhad, YTL Power International Berhad, Iris Corporation Berhad, Malaysian South-South Corporation Berhad and Versatile Creative Berhad.

Profile of the Board of Directors

AMARJIT SINGH CHHINA

British, aged 39, was appointed to the Board on 26 April 2000 as an Executive Director and is also Chief Executive Officer of Infoscreen Networks PLC. He has attained professional qualifications from the Institute of Bankers (U.K.), the London International Stock Exchange, the Stock Exchange of Singapore and has previously been licensed by the Securities and Futures Authority (U.K.) and the Monetary Authority of Singapore. He has 12 years of international investment banking and equity market experience, beginning his career with the stockbrokers, Grieveson Grant & Co. in London and then going on to become a UK Equity Fund Manager with Kleinwort Benson Investment Management. In 1990, he joined Barclays de Zoete Wedd Securities Ltd. ("BZW") in London as a UK Equity Analyst where he advised on a number of equity capital raisings for listed UK Building & Construction companies, and acted as one of the advisors to Steetley PLC in its defence of the USD1.2 billion hostile takeover bid from Redland PLC. In 1993, he was seconded to BZW Asia and over the next 5 years held posts in Hong Kong, Singapore and Malaysia as Associate Director. In 1998, he was appointed Associate Sales Director of HSBC Securities Pte. Ltd. in Singapore, eventually leaving found a high technology manufacturing company.

MOHAMAD ZAID BIN DATO' HJ MOHD ZAINAL ABIDIN

Malaysian, aged 27, was appointed to the Board on 20 October 2003 as an Independent Non-Executive Director. He graduated from University of Hertfordshire, Hatfield, Hert in 2003 with a Bachelor of Engineering (Hons) in Automotive Engineering. Encik Mohamad Zaid underwent 9 months of industrial placement at Perusahaan Otomobil Nasional Berhad under the Research & Development Department. He is experienced in design using CATIA and simulation using LS-DYNA.

Notes:

1 Family Relationship with Director and/or Major Shareholder

Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Dato' Yeoh Seok Hong, Dato' Michael Yeoh Sock Siong and Dato' Mark Yeoh Seok Kah are siblings. Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay, the father of Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Dato' Yeoh Seok Hong, Dato' Michael Yeoh Sock Siong and Dato' Mark Yeoh Seok Kah is a deemed major shareholder of the Company. Save as disclosed herein, none of the Directors has any family relationship with any director and/or major shareholder of the Company.

2 Conflict of Interest

None of the Directors has any conflict of interest with the Company.

3 Conviction of Offences

None of the Directors has been convicted of any offences in the past ten (10) years.

DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

During the financial year, a total of 5 Board meetings were held and the details of attendance are as follows:

| | Attendance |
|--|-------------------|
| Tan Sri Dato' (Dr) Francis Yeoh Sock Ping | 3 |
| Dato' Cheong Keap Tai | 5 |
| Dato' Yeoh Seok Hong | 4 |
| Dato' Michael Yeoh Sock Siong | 4 |
| Dato' Mark Yeoh Seok Kah | 4 |
| Syed Abdullah Bin Syed Abd. Kadir | 5 |
| Amarjit Singh Chhina | 5 |
| Mohamad Zaid Bin Dato' Hj Mohd Zainal Abidin | 5 |

Statement of Directors' Responsibilities

The Directors are required by law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of the results and cash flows of the Group and of the Company for the financial year then ended.

The Directors consider that, in preparing the financial statements for the financial year ended 30 June 2006, the Group has used appropriate accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent. The Directors also consider that all applicable approved accounting standards have been followed and confirm that the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Group and the Company keep accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and which enable them to ensure that the financial statements comply with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia.

Audit Committee Report

MEMBERS

Dato' Cheong Keap Tai

Chairman/Independent Non-Executive Director

Amarjit Singh Chhina

Member/Executive Director

Mohamad Zaid Bin Dato' Hj Mohd Zainal Abidin

Member/Independent Non-Executive Director

TERMS OF REFERENCE

Primary Purposes

The Committee shall:

- 1 Provide assistance to the Board in fulfilling its fiduciary responsibilities relating to the corporate accounting and practices for YTL e-Solutions Berhad and all its wholly and majority owned subsidiaries ("Group").
- 2 Improve the Group's business efficiency, the quality of the accounting function, the system of internal controls and audit function and strengthen the confidence of the public in the Group's reported results.
- 3 Maintain through regularly scheduled meetings, a direct line of communication between the Board and the external auditors as well as internal auditors.
- 4 Enhance the independence of both the external and internal auditors' function through active participation in the audit process.
- 5 Strengthen the role of the Independent Directors by giving them a greater depth of knowledge as to the operations of the Company and of the Group through their participation in the Committee.
- 6 Act upon the Board of Directors' request to investigate and report on any issues or concerns in regard to the management of the Group.

- 7 Review existing practices and recommend to Management to formalise an ethics code for all executives and members of the staff of the Group.
- 8 Create a climate of discipline and control which will reduce opportunity of fraud.

Membership

- 1 The Committee shall be appointed by the Board from amongst their number and shall be composed of no fewer than three (3) members, majority of whom should be Independent Directors.
- 2 At least one member of the Audit Committee:
 - a must be a member of the Malaysian Institute of Accountants; or
 - b if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
 - i he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - ii he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967 or
 - c fulfils such other requirements as prescribed by Bursa Malaysia Securities Berhad ("Bursa Securities").
- 3 The Board must ensure that no chief executive officer or alternate director is appointed as a member of the Audit Committee.
- 4 The members of the Committee shall elect a Chairman from amongst their number who shall be an Independent Director.

Audit Committee Report

Authority

The Committee shall in accordance with the procedure determined by the Board and at the cost of the Company:

- 1 have explicit authority to investigate any matter within its terms of reference;
- 2 have the resources which are required to perform its duties;
- 3 have full and unrestricted access to any information pertaining to the Company;
- 4 have direct communication channels with the external auditors and person(s) carrying out the internal audit function;
- 5 be able to obtain independent professional or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary; and
- 6 be able to convene meetings with the external auditors excluding the attendance of the executive members of the Company, whenever deemed necessary.

Functions And Duties

The Committee shall, amongst others, discharge the following functions:

- 1 Review the following and report the same to the Board of the Company:
 - a with the external auditors, the audit plan;
 - b with the external auditors, his evaluation of the quality and effectiveness of the entire accounting system, the adequacy and the integrity of the internal control system and the efficiency of the Group's operations and efforts and processes taken to reduce the Group's operational risks;
 - c with the external auditors, the audit report;
 - d the assistance given by the employees of the Company to the external auditors;

- e the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- f the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- g the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focussing particularly on:
 - changes in or implementation of major accounting policy changes
 - significant and unusual events
 - the accuracy and adequacy of the disclosure of information essential to a fair and full presentation of the financial affairs of the Group
 - compliance with accounting standards, other statutory and legal requirements and the going concern assumption;
- h any related party transaction and conflict of interest situation that may arise within the Company/Group and any related parties outside the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- i any letter of resignation from the external auditors of the Company;
- j whether there is reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment;
- k all areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels; and
- l any significant audit findings, reservations, difficulties encountered or material weaknesses reported by the external and internal auditors.

Audit Committee Report

- 2 Recommend the nomination of a person or persons as external auditors and the external audit fee.
- 3 Promptly report to Bursa Securities on any matter reported by it to the Board of the Company which has not been satisfactorily resolved resulting in a breach of Listing Requirements of Bursa Securities.
- 4 Carry out any other function that may be mutually agreed upon by the Committee and the Board which would be beneficial to the Company and ensure the effective discharge of the Committee's duties and responsibilities.

Meetings

- 1 To form a quorum in respect of a meeting of the Committee, the majority of members present must be Independent Directors.
- 2 The Committee shall meet at least five (5) times a year, although additional meetings may be called at any time at the Audit Committee Chairman's discretion. An agenda shall be sent to all members of the Committee and any other persons who may be required/invited to attend. All meetings to review the quarterly results and annual financial statements, shall be held prior to such quarterly results and annual financial statements being presented to the Board for approval.
- 3 Notwithstanding paragraph 2 above, upon the request of any member of the Committee, the external auditors or the internal auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider any matter which should be brought to the attention of the Directors or shareholders.
- 4 The external auditors and internal auditors have the right to appear and be heard at any meeting of the Committee and shall appear before the Committee when required to do so by the Committee.
- 5 The Committee may invite any Board member or any member of the Senior Management or any relevant employee within the Company who the Committee thinks fit to attend its meetings to assist in resolving and clarifying matters raised in audit reports.

- 6 The internal auditors shall be in attendance at meetings of the Committee to present and discuss the audit reports of findings and the recommendations relating thereto and to follow up on decisions made at these meetings.
- 7 The Committee may establish any regulations from time to time to govern its administration.

Retirement And Resignation

In the event of any vacancy in the Audit Committee resulting in the non-compliance of sub-Rule 15.09(1) of the Listing Requirements of Bursa Securities for the Mesdaq Market, the Company must fill the vacancy within three months.

Minutes

- 1 The Committee shall cause minutes to be duly entered in the books provided for the purpose of all resolutions and proceedings of all meetings of the Committee. Such minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting and if so signed, shall be conclusive evidence without any further proof of the facts thereon stated.
- 2 Minutes of each meeting shall also be distributed to all attendees at the meetings and members of the Committee.
- 3 Detailed minutes of the Committee's meetings will be made available to all Board members. A summary of significant matters and resolutions will be reported to the Board by the Committee.
- 4 The books containing the minutes of proceedings of any meeting of the Committee shall be kept by the Company at the registered office of the Company and shall be opened to the inspection of any member of the Committee and of the Board.

Secretary

The Secretary to the Committee shall be the Company Secretary.

Audit Committee Report

ACTIVITIES

In line with the terms of reference of the Committee, the following activities were carried out by the Committee during the financial year ended 30 June 2006 in discharging its functions:

- 1 Review of the external auditors' scope of work and their audit plan.
- 2 Reviewing with the external auditors on the results of their audit, the audit report and internal control recommendations in respect of control weaknesses noted in the course of their audit.
- 3 Review of internal control procedures.
- 4 Review of the quarterly unaudited financial results announcements and recommending for the Board of Directors' approval.
- 5 Reviewing the audited financial statements before recommending for the Board of Directors' approval.
- 6 Reviewing the Company's compliance with the Listing Requirements of Bursa Securities and the applicable approved accounting standards issued by the Malaysian Accounting Standards Board.

NUMBER OF MEETINGS HELD AND DETAILS OF ATTENDANCE

During the financial year, a total of 5 Audit Committee meetings were held and the details of attendance are as follows:

| | <u>Attendance</u> |
|--|-------------------|
| <u>Dato' Cheong Keap Tai</u> | <u>5</u> |
| Amarjit Singh Chhina <i>(Appointed w.e.f. 16.02.2006)</i> | 2 |
| <u>Mohamad Zaid Bin Dato' Hj Mohd Zainal Abidin</u> | <u>5</u> |

Statement on Corporate Governance & Internal Control

YTL e-Solutions Berhad (“YTL e-Solutions” or “Company”) and its subsidiaries (“YTL e-Solutions Group”) are committed to ensuring that the highest standards of corporate governance are practiced throughout the YTL e-Solutions Group. Good corporate governance is a fundamental responsibility of the Board of Directors (“Board”) to protect and enhance long term shareholder value and the financial performance of the YTL e-Solutions Group, whilst taking into account the interests of other stakeholders.

The Board has continued to undertake measures since its listing on the MESDAQ Market of Bursa Malaysia Securities Berhad (“MESDAQ”) on 2 July 2002, in order to enhance its corporate governance framework. In assessing its corporate governance practices, the YTL e-Solutions Group is governed by the Listing Requirements of the MESDAQ (“Listing Requirements”) and Guidance Note 11 on Corporate Governance (“Guidance Note”). The Guidance Note represents the recommended best practices with which listed companies are expected to comply. The YTL e-Solutions Group has also endeavoured to comply with applicable sections of the Malaysian Code on Corporate Governance (“Code”).

This section of the Annual Report details the measures implemented by the YTL e-Solutions Group to enhance its corporate governance practices and compliance with the Listing Requirements, the Guidance Note and the Code.

COMPOSITION OF THE BOARD

YTL e-Solutions is led and managed by an experienced Board with a wide and varied range of expertise. This broad spectrum of skills and ensures that the YTL e-Solutions Group is under the guidance of an accountable and competent Board. The Directors recognise the key role they play in charting the strategic direction, development and control of the YTL e-Solutions Group and have adopted the five primary responsibilities as listed in the Guidance Notes, which facilitate the discharge of the Board’s stewardship responsibilities.

The Board currently has eight Directors comprising six executive members and two non-executive members, both of whom are independent. The Board complies with the Listing Requirements for the Board to have at least two independent directors, and for the selection and appointment of independent directors to be a matter for the Board as a whole.

Due to the strong independent component of the Board, the roles of the Managing Director and Chairman have not been divided, and both functions continue to be exercised by the same person. He is primarily responsible for the orderly conduct and working of the Board as well as responsible for the day-to-day running of the business, implementation of Board policies and making operational decisions. Together with the Executive Directors, he is accountable to the Board for the profitable operation and development of the YTL e-Solutions Group consistent with the primary aim of enhancing long term shareholder value.

The presence of Independent Non-Executive Directors brings an additional element of balance to the Board and these Independent Non-Executive Directors must have the experience to carry sufficient weight in the Board’s decisions. The differing roles of Executive and Non-Executive Directors are delineated, both having fiduciary duties towards shareholders. Executive Directors have a direct responsibility for business operations whereas Non-Executive Directors have the necessary skill and experience to bring an independent judgement to bear on the issues of strategy, performance and resources, including key appointments and standards of conduct.

The Executive Directors are responsible for the YTL e-Solutions Group’s operations and for ensuring that strategies proposed by management are fully discussed and examined and take account of the long term interests of shareholders, employees, customers, suppliers and the many communities in which the YTL e-Solutions Group conducts its business.

Statement on Corporate Governance & Internal Control

Together, the Directors possess the wide range of business, commercial and financial experience essential in the management and direction of a corporation with international presence. A brief description of the background of each Director is presented in the Profile of the Board of Directors in this Annual Report.

To date, the Board has not found it necessary to designate a senior independent non-executive to whom concerns may be conveyed mainly because the Chairman encourages full deliberation of issues affecting the YTL e-Solutions Group by all members of the Board.

DIRECTORS' TRAINING

All the Directors have successfully completed the Mandatory Accreditation Programme and each Director has now obtained the applicable number of points under the Continuing Education Programme ("CEP") that they were required to obtain prior to the repeal of the CEP by Bursa Securities last year. The Directors attended various other conferences and programmes throughout the year to enhance their knowledge and expertise, and the Board will continue to evaluate and determine the training needs of its Directors on an ongoing basis.

BOARD MEETINGS

The Board met five times during the financial year ended 30 June 2006. Details of each Director's attendance of Board meetings are disclosed in the Profile of the Board of Directors in this Annual Report.

The Directors have full and unrestricted access to all information pertaining to the YTL e-Solutions Group's business and affairs, both as a full Board and in their individual capacities, to enable them to discharge their duties. There are matters specifically reserved for the Board's decision to ensure that the direction and control of the YTL e-Solutions Group rests firmly with the Board. Prior to each Board meeting, all Directors receive the agenda together with a full set of Board papers containing information relevant to the business of the meeting. This allows the Directors to obtain further explanations or clarification, where necessary, in order to be properly briefed before each meeting.

All Directors have full access to the advice and services of the Company Secretary who ensures that Board procedures are adhered to at all times during meetings and advises the Board on matters including corporate governance issues, and Directors' responsibilities in complying with relevant legislation and regulations.

APPOINTMENT & RE-ELECTION OF DIRECTORS

The appointment of Directors is undertaken by the Board as a whole. The Managing Director recommends candidates suitable for appointment to the Board, and the final decision lies with the entire Board to ensure that the resulting mix of experience and expertise of members of the Board is sufficient to address the issues affecting the YTL e-Solutions Group.

In accordance with the Company's Articles of Association, one-third of the Directors are required to retire from office at each Annual General Meeting ("AGM"). Retiring Directors can offer themselves for re-election. Directors who are appointed by the Board during the financial year are subject to re-election by the shareholders at the next AGM held following their appointments. Directors who are over seventy years of age are required to submit themselves for re-appointment annually in accordance with Section 129 of the Companies Act, 1965. Details of Directors seeking re-election at the forthcoming AGM are disclosed in the Statement Accompanying the Notice of AGM in this Annual Report.

Statement on Corporate Governance & Internal Control

GENERAL DUTIES OF OFFICERS AND DIRECTORS

The YTL e-Solutions Group places great importance on the role of Officers in the performance of their duties. Officers comprise the Directors, the company secretary, managers and promoters. Due to their breadth of experience, the Officers of the YTL e-Solutions Group are aware of their responsibilities in carrying out their roles and functions.

DIRECTORS' REMUNERATION

Directors' remuneration is decided in line with the objective as recommended by the Code to determine the remuneration for directors so as to attract and retain directors of the calibre needed to run the YTL e-Solutions Group successfully.

In general, the component parts of remuneration are structured so as to link rewards to performance, in the case of Executive Directors. In the case of Non-Executive Directors, the level of remuneration reflects the experience and responsibilities undertaken by the particular non-executive concerned. Directors do not participate in decisions regarding their own remuneration packages and Directors' fees must be approved by the shareholders at the AGM.

Details of the aggregate remuneration of Directors categorised into appropriate components and the range of remuneration for each Director can be found in Note 5 of the Notes to the Financial Statements in this Annual Report (for security reasons, details are not shown with reference to Directors individually).

DIALOGUE WITH SHAREHOLDERS & INVESTORS

The YTL e-Solutions Group values dialogue with investors as a means of effective communication that enables the Board to convey information about performance, corporate strategy and other matters affecting shareholders' interests. The Board recognises the importance of timely dissemination of information to shareholders and accordingly ensures that they are well informed of any major developments of the YTL e-Solutions Group. Such information is communicated through the Annual Report, the various disclosures and announcements to Bursa Securities, including quarterly and annual results, and corporate websites.

The Managing Director meets with analysts, institutional shareholders and investors throughout the year. Presentations based on permissible disclosures are made to explain the YTL e-Solutions Group's performance and major development programs. Price-sensitive and any information that may be regarded as undisclosed material information about the YTL e-Solutions Group is, however, not disclosed in these sessions until after the prescribed announcement to Bursa Securities has been made.

The AGM is the principal forum for dialogue with shareholders. The Board provides opportunities for shareholders to raise questions pertaining to issues in the Annual Report, corporate developments in the YTL e-Solutions Group, the resolutions being proposed and the business of the YTL e-Solutions Group in general at every AGM and Extraordinary General Meeting of the Company. The Chairman and Sponsor will respond to shareholders' questions during the meeting. Representatives of the Sponsor are also in attendance to answer questions, thereby ensuring a high level of accountability, transparency and identification with the YTL e-Solutions Group's business operations, strategy and goals. Each item of special business included in the notice of the meeting will be accompanied by an explanatory statement for the proposed resolution to facilitate full understanding and evaluation of issues involved.

Statement on Corporate Governance & Internal Control

THE AUDIT COMMITTEE

The Company has in place an Audit Committee which comprises of two Non-Executive Directors and one Executive Director. The composition of the Audit Committee is fully compliant with the Listing Requirements. The Audit Committee met five times during the financial year ended 30 June 2006. Full details of the composition, complete terms of reference and the activities of the Audit Committee during the financial year are set out in the Audit Committee Report included in this Annual Report.

FINANCIAL REPORTING

The Directors are responsible for ensuring that financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia. In presenting the financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors also strive to ensure that financial reporting present a true and fair assessment of the Company's position and prospects. Quarterly financial statements were reviewed by the Audit Committee and approved by the Board prior to release to Bursa Securities and Securities Commission.

The Statement by Directors made pursuant to Section 169 of the Companies Act, 1965 is set out in this Annual Report.

RELATIONSHIP WITH THE AUDITORS

The Board has established formal and transparent arrangements for maintaining an appropriate relationship with the Company's auditors. The Company's auditor, Messrs. HLB Ler Lum, has continued to report to members of the Company on their findings which are included as part of the Company's financial reports with respect to each year's audit on the statutory financial statements.

INTERNAL CONTROL

During the year under review, YTL e-Solutions continued to enhance its system of internal control and risk management. The Board is responsible for maintaining a sound system of internal control to safeguard shareholders' investments and the YTL e-Solutions Group's assets, and for reviewing the adequacy and integrity of the system. The system of internal control covers not only financial controls but operational and compliance controls and risk management. However, the Board recognises that reviewing the YTL e-Solutions Group's system of internal control is a concerted and continuing process, designed to manage rather than eliminate the risk of failure to achieve business objectives. Accordingly, the system of internal control can only provide reasonable but not absolute assurance against material misstatement, fraud and loss.

The Board believes that the YTL e-Solutions Group's system of internal control, financial or otherwise, should provide reasonable assurance regarding the achievement of the YTL e-Solutions Group's objectives in ensuring effectiveness and efficiency of operations, reliability and transparency of financial information and compliance with laws and regulations.

During the year under review, an in-house internal audit department was established. The in-house internal audit department is also complemented by the internal audit functions outsourced to a professional firm. The internal auditors report to the Audit Committee, which reviews the effectiveness of the system of internal financial and accounting control as it operated during the year under review and reports its conclusions to the Board. The team advises executive and operational management on areas for improvement and subsequently reviews the extent to which its recommendations have been implemented.

Statement on Corporate Governance & Internal Control

The principal features of the YTL e-Solutions Group's system of internal control can be summarised as follows:

- Definition of authorisation procedures and a clear line of accountability, with strict authorisation, responsibility levels, approval and control procedures within which senior management operates;
- Delegated authority levels for major tenders, capital expenditure projects, acquisitions and disposals of businesses and other significant transactions. The approval of capital and revenue proposals above authorised limits is reserved for decision by the Board;
- Interim financial results are reviewed by the Audit Committee and approved by the Board upon recommendation of the Audit Committee before release to Bursa Securities. The full year financial results and analyses of the YTL e-Solutions Group's state of affairs are disclosed to shareholders after review and audit by the external auditors.
- Monitoring of compliance with internal financial controls through management reviews and reports which are internally reviewed by key personnel. Updates of internal policies and procedures are undertaken to reflect changing risks or resolve operational deficiencies;

ADDITIONAL DISCLOSURE

- **Employee Incentives:** The Board believes that maintaining the calibre of its employees is vital to ensure the continued success of the YTL e-Solutions Group and the consequent increase in returns to shareholders. To these ends, the YTL e-Solutions Group has implemented various staff retention and assessment practices, including a Thirteenth Month wage supplement, annual bonuses and biannual reviews of staff performance.

The Board is satisfied that the Company has, in all material aspects, complied with the best practices of the Code as at 30 June 2006.

This statement was approved by the Board of Directors on 19 October 2006.

Disclosure of Recurrent Related Party Transactions

At the last Annual General Meeting of YTL e-Solutions Berhad (“YTL e-Solutions”) held on 8 December 2005, the Company had obtained a mandate from its shareholders to allow YTL e-Solutions and/or its subsidiaries (“YTL e-Solutions Group”) to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature (“Recurrent Transactions”).

In accordance with Rule 10.09(1)(b) and Section 4.1.5 of Guidance Note 8/2006 of the Revamped Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market, details of the Recurrent Transactions conducted during the financial year ended 30 June 2006 pursuant to the said shareholders’ mandate are as follows:

Companies in the YTL e-Solutions Group involved

| Companies in the YTL e-Solutions Group involved in the Recurrent Transactions | Related Party | Nature of Transactions | Interested Related Parties | Nature of Relationship | Value of Transactions RM’000 |
|---|--|---|--|--|------------------------------|
| YTL e-Solutions, YTL Info Screen Sdn Bhd | YTL Corporation Berhad (“YTL Corporation”) ⁽⁶⁾ and its subsidiaries | Provision of I.T. hardware and/or software, wireless LAN, wireless broadband network, system connectivity, portal development & management services to Related Party; | Yeoh Tiong Lay & Sons Holdings Sdn Bhd (“YTLSH”) YTL Corporation; Tan Sri Dato’ Seri (Dr) Yeoh Tiong Lay [“Tan Sri Yeoh Tiong Lay”] | Substantial Shareholder/ Person Connected ⁽¹⁾⁽²⁾ | 3,644.7 |
| | | Provision of software professional services, graphic design and/or digital imaging services, computer networking services and digital data storage services to Related Party; | Tan Sri Dato’ (Dr) Francis Yeoh Sock Ping, Dato’ Yeoh Seok Hong, Dato’ Michael Yeoh Sock Siong, and Dato’ Mark Yeoh Seok Kah [collectively referred to as the “Yeoh Siblings”] | Directors ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾ | |
| | | | Puan Sri Datin Seri Tan Kai Yong @ Tan Kay Neong, Dato’ Yeoh Seok Kian, Dato’ Yeoh Soo Min, Dato’ Yeoh Soo Keng, Datin Lim Lee Lee, Dato’ Tan Kim Kuan, (continued next page) | Persons Connected ⁽⁵⁾ | |

Disclosure of Recurrent Related Party Transactions

Companies in the

YTL e-Solutions

Group involved

in the Recurrent

Transactions

Related
Party

Nature of
Transactions

Interested
Related
Parties

Nature of
Relationship

Value of
Transactions
RM'000

Renting of 324 sq. ft. premises located at 213 Jalan Bukit Gambir, Bukit Jambul, 11950 Penang for RM800 per month from Related Party;

Datin Kathleen Chew Wai Lin, Datin Tan Siew Bee, Choy Wai Hin, Datin Julie Teh Chooi Gan [collectively referred to as "Other Yeoh Family"]

Persons
Connected⁽⁵⁾

Renting of 1,000 sq. ft. premises located at 9 Jalan Lumut, Off Jalan Ipoh, 50400 Kuala Lumpur for RM2,200 per month from Related Party;

Licence fees for I.T. software received from Related Party;

Procurement of printing and stationary, seminar expenses and advertising and related services from Related Party;
(continued next page)

Disclosure of Recurrent Related Party Transactions

Companies in the

YTL e-Solutions

| Group involved in the Recurrent Transactions | Related Party | Nature of Transactions | Interested Related Parties | Nature of Relationship | Value of Transactions RM'000 |
|--|---------------|---|----------------------------|------------------------|------------------------------|
| | | Provision of services on development and management of advertising content of Bintang Walk on YTL Community to Related Party; | | | |
| | | Renting of 9,595 sq. ft. premises and carpark located at Level 1 & 3, Annexe Block, Lot 10 Shopping Centre, Jalan Sultan Ismail, 50250 Kuala Lumpur for RM65,765 per month from Related Party | | | |

Notes:

- (1) YTL SH is a substantial shareholder of YTL e-Solutions and the Related Parties. YTL SH is a person connected with the substantial shareholder, Tan Sri Yeoh Tiong Lay; and the directors, the Yeoh Siblings.
- (2) YTL Corporation is a substantial shareholder of YTL e-Solutions and the Related Parties. YTL Corporation is a person connected with the substantial shareholder, Tan Sri Yeoh Tiong Lay; and the directors, the Yeoh Siblings.
- (3) Tan Sri Yeoh Tiong Lay is a substantial shareholder of YTL SH, YTL Corporation, YTL e-Solutions and the Related Parties. Tan Sri Yeoh Tiong Lay is also a person connected with the Yeoh Siblings. Tan Sri Yeoh Tiong Lay is also a director of YTL Corporation.
- (4) The Yeoh Siblings are also directors and shareholders of YTL Corporation.
- (5) Puan Sri Datin Seri Tan Kai Yong @ Tan Kay Neong, Dato' Yeoh Seok Kian, Dato' Yeoh Soo Min, Dato' Yeoh Soo Keng, Datin Lim Lee Lee, Dato' Tan Kim Kuan, Datin Kathleen Chew Wai Lin, Datin Tan Siew Bee, Choy Wai Hin and Datin Julie Teh Chooi Gan who are persons connected with Tan Sri Yeoh Tiong Lay and the Yeoh Siblings are also shareholders of YTL Corporation. Dato' Yeoh Seok Kian, Dato' Yeoh Soo Min and Dato' Yeoh Soo Keng are also directors of YTL Corporation.
- (6) YTL Corporation Berhad is a 51% owned subsidiary of YTL SH. YTL Corporation Berhad holds 74.07% direct interest in YTL e-Solutions.

Analysis of Shareholdings

as at 9 October 2006

Class of shares : Ordinary Shares of RM0.10 each

Voting rights : One vote per shareholder on a show of hands or one vote per ordinary share on a poll

DISTRIBUTION OF SHAREHOLDINGS

| Size of holding | No. of shareholders | % | No. of Shares | % |
|--|------------------------|---------------|----------------------|---------------|
| Less than 100 | 66 | 1.10 | 1,273 | 0.00 |
| 100 - 1,000 | 569 | 9.46 | 450,319 | 0.04 |
| 1,001 - 10,000 | 3,025 | 50.31 | 17,383,920 | 1.29 |
| 10,001 - 100,000 | 2,034 | 33.83 | 74,678,788 | 5.53 |
| 100,001 to less than 5% of issued shares | 318 | 5.29 | 257,485,700 | 19.07 |
| 5% and above of issued shares | 1 | 0.01 | 1,000,000,000 | 74.07 |
| Total | 6,013 | 100.00 | 1,350,000,000 | 100.00 |

THIRTY LARGEST SHAREHOLDERS (without aggregating securities from different securities accounts belonging to the same person)

| Name | No. of shares | % |
|--|---------------|-------|
| 1 YTL Corporation Berhad | 1,000,000,000 | 74.07 |
| 2 UOBM Nominees (Asing) Sdn Bhd - Deutsche Bank Ag Singapore Branch (PBD) for Velvet Properties Limited | 26,737,000 | 1.98 |
| 3 DB (Malaysia) Nominee (Asing) Sdn Bhd - Deutsche Bank Ag Singapore PBD for Tien Shia International Limited | 26,028,800 | 1.93 |
| 4 DB (Malaysia) Nominee (Asing) Sdn Bhd - Deutsche Bank Ag Singapore PBD for Jamaican Gold Limited | 25,470,000 | 1.89 |
| 5 UOBM Nominees (Asing) Sdn Bhd - Deutsche Bank Ag Singapore Branch (PBD) for Orchestral Harmony Limited | 17,621,700 | 1.31 |
| 6 UOBM Nominees (Asing) Sdn Bhd - Deutsche Bank Ag Singapore Branch (PBD) for Water City Limited | 16,321,600 | 1.21 |
| 7 Seri Yakin Sdn Bhd | 11,514,000 | 0.85 |
| 8 DB (Malaysia) Nominee (Asing) Sdn Bhd - Deutsche Bank Ag Singapore PBD for Steeloak International Limited | 10,649,000 | 0.79 |
| 9 Lucy Hong Yik Liam | 10,435,500 | 0.77 |
| 10 HSBC Nominees (Asing) Sdn Bhd - Exempt An for JPMorgan Chase Bank, National Association (JPMINTL BK Ltd) | 9,686,000 | 0.72 |
| 11 UOBM Nominees (Asing) Sdn Bhd - Deutsche Bank Ag Singapore Branch (PBD) for Windchime Developments Limited | 7,174,000 | 0.53 |
| 12 Eagletron Venture Corp. | 4,389,000 | 0.33 |
| 13 Law Chin Wat | 1,628,700 | 0.12 |
| 14 BHLB Trustee Berhad - Exempt-Trust Account for EPF Investment for Member Savings Scheme | 1,488,400 | 0.11 |

Analysis of Shareholdings

as at 9 October 2006

| Name | No. of shares | % |
|---|----------------------|--------------|
| 15 Elewinton Investment Limited | 1,487,000 | 0.11 |
| 16 Lee Guan Seong | 1,430,500 | 0.11 |
| 17 Tan Yong Siang | 1,426,300 | 0.11 |
| 18 Arulanathan a/l Thambirajah | 1,400,000 | 0.10 |
| 19 Seow Kong Guan | 1,335,500 | 0.10 |
| 20 CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB Bank for Yap Swee Hang (MM1105) | 1,143,400 | 0.08 |
| 21 Kuala Lumpur City Nominees (Tempatan) Sdn Bhd - Pledged Securities A/c for Leong Kien Min | 1,021,500 | 0.08 |
| 22 Amarjit Singh Chhina | 1,000,000 | 0.07 |
| 23 Yeo Khee Huat | 1,000,000 | 0.07 |
| 24 Fang Jeh Chuan | 978,600 | 0.07 |
| 25 Leong Kien Min | 948,300 | 0.07 |
| 26 Ng Boo Kean @ Ng Beh Kian | 923,000 | 0.07 |
| 27 Chen Kon Ying | 900,000 | 0.07 |
| 28 Mayban Nominees (Asing) Sdn Bhd - Pledged Securities A/c for Teo Huay Siong | 880,000 | 0.07 |
| 29 Public Nominees (Tempatan) Sdn Bhd - Pledged Securities A/c for Lee Kwong Joo (E-KLC) | 850,000 | 0.06 |
| 30 RHB Capital Nominees (Tempatan) Sdn Bhd - Pledged Securities A/c for Yapp Pit Keng (471288) | 835,000 | 0.06 |
| Total | 1,186,702,800 | 87.91 |

SUBSTANTIAL SHAREHOLDERS (as per register of substantial shareholders)

| Name | Direct | No. of Shares Held | | % |
|--|---------------|--------------------|------------------------------|-------|
| | | % | Indirect | |
| Yeoh Tiong Lay & Sons Holdings Sdn Bhd | 520,500 | 0.04 | 1,000,000,000 ⁽¹⁾ | 74.07 |
| YTL Corporation Berhad | 1,000,000,000 | 74.07 | – | – |
| Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay | – | – | 1,000,520,500 ⁽²⁾ | 74.11 |

⁽¹⁾ Deemed interested by virtue of its interest in YTL Corporation Berhad pursuant to section 6A of the Companies Act, 1965.

⁽²⁾ Deemed interested by virtue of his interest in Yeoh Tiong Lay & Sons Holdings Sdn Bhd & YTL Corporation Berhad pursuant to section 6A of the Companies Act, 1965.

Statement of Directors' Interests

in the company and related corporations as at 9 October 2006

THE COMPANY

YTL E-SOLUTIONS BERHAD

| Name | Direct | No. of Shares Held | | % |
|--|-----------|--------------------|----------|---|
| | | % | Indirect | |
| Syed Abdullah Bin Syed Abd Kadir | 300,000 | 0.02 | – | – |
| Amarjit Singh Chhina | 1,000,000 | 0.07 | – | – |
| Mohamad Zaid Bin Dato' Hj Mohd Zainal Abidin | 100,000 | 0.01 | – | – |

HOLDING COMPANY

YTL CORPORATION BERHAD

| Name | Direct | No. of Shares Held | | | No. of Share Options |
|--|------------|--------------------|----------|---|----------------------|
| | | % | Indirect | % | |
| Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE | 13,424,052 | 0.94 | – | – | 5,000,000 |
| Dato' Yeoh Seok Hong | 4,863,690 | 0.34 | – | – | 3,000,000 |
| Dato' Michael Yeoh Sock Siong | 4,433,997 | 0.31 | – | – | 3,000,000 |
| Dato' Mark Yeoh Seok Kah | 3,246,248 | 0.23 | – | – | 3,000,000 |
| Syed Abdullah Bin Syed Abd Kadir | 752,611 | 0.05 | – | – | 3,000,000 |
| Amarjit Singh Chhina | 25,000 | – | – | – | 25,000 |

| Name | Direct | No. of 1997/2007 Warrants Held | | % |
|--|---------|--------------------------------|----------|---|
| | | % | Indirect | |
| Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE | 609,600 | 0.81 | – | – |
| Dato' Yeoh Seok Hong | 172,800 | 0.23 | – | – |
| Dato' Michael Yeoh Sock Siong | 144,000 | 0.19 | – | – |

| Name | Direct | No. of 1999/2009 Warrants Held | | % |
|--|-----------|--------------------------------|----------|---|
| | | % | Indirect | |
| Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE | 2,285,472 | 0.73 | – | – |
| Dato' Yeoh Seok Hong | 648,372 | 0.21 | – | – |
| Dato' Michael Yeoh Sock Siong | 550,110 | 0.18 | – | – |
| Dato' Mark Yeoh Seok Kah | 271,800 | 0.09 | – | – |
| Syed Abdullah Bin Syed Abd Kadir | 600 | – | – | – |

Statement of Directors' Interests

in the company and related corporations as at 9 October 2006

ULTIMATE HOLDING COMPANY YEOH TIONG LAY & SONS HOLDINGS SDN BHD

| Name | Direct | No. of Shares Held | | % |
|--|-----------|--------------------|----------|---|
| | | % | Indirect | |
| Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE | 5,000,000 | 12.28 | – | – |
| Dato' Yeoh Seok Hong | 5,000,000 | 12.28 | – | – |
| Dato' Michael Yeoh Sock Siong | 5,000,000 | 12.28 | – | – |
| Dato' Mark Yeoh Seok Kah | 5,000,000 | 12.28 | – | – |

RELATED CORPORATIONS YTL CEMENT BERHAD

| Name | Direct | No. of Shares Held | | % | No. of Share Options |
|--|-----------|--------------------|----------|---|----------------------|
| | | % | Indirect | | |
| Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE | 1,727,423 | 0.36 | – | – | 1,400,000 |
| Dato' Yeoh Seok Hong | 225,634 | 0.05 | – | – | – |
| Dato' Michael Yeoh Sock Siong | 1,265,634 | 0.26 | – | – | 1,000,000 |
| Dato' Mark Yeoh Seok Kah | 187,200 | 0.04 | – | – | – |

| Name | Direct | No. of Irredeemable Convertible Unsecured Loan Stocks 2005/2015 Held | | % |
|--|-----------|---|----------|---|
| | | % | Indirect | |
| Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE | 1,727,423 | 0.36 | – | – |
| Dato' Yeoh Seok Hong | 225,634 | 0.05 | – | – |
| Dato' Michael Yeoh Sock Siong | 1,265,634 | 0.26 | – | – |
| Dato' Mark Yeoh Seok Kah | 187,200 | 0.04 | – | – |

YTL LAND & DEVELOPMENT BERHAD

| Name | Direct | No. of Irredeemable Convertible Preference Shares 2001/2011 Held | | % |
|--|--------|---|----------|---|
| | | % | Indirect | |
| Mohamad Zaid Bin Dato' Hj Mohd Zainal Abidin | 20,000 | 0.01 | – | – |

Statement of Directors' Interests

in the company and related corporations as at 9 October 2006

YTL POWER INTERNATIONAL BERHAD

| Name | Direct | No. of Shares Held | | % | No. of Share Options |
|--|------------|--------------------|----------|---|----------------------|
| | | % | Indirect | | |
| Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE | 11,047,939 | 0.23 | – | – | 7,000,000 |
| Dato' Yeoh Seok Hong | 5,785,322 | 0.12 | – | – | 5,000,000 |
| Dato' Michael Yeoh Sock Siong | 3,410,829 | 0.07 | – | – | 3,000,000 |
| Dato' Mark Yeoh Seok Kah | 4,693,134 | 0.10 | – | – | 3,000,000 |
| Syed Abdullah Bin Syed Abd Kadir | 1,892,038 | 0.04 | – | – | 3,000,000 |

| Name | Direct | No. of Warrants Held | | % |
|----------------------------------|--------|----------------------|----------|---|
| | | % | Indirect | |
| Syed Abdullah Bin Syed Abd Kadir | 87,000 | 0.01 | – | – |

Financial Statements

| | |
|-----------------------------------|----|
| Director's Report | 38 |
| Statement by Directors | 46 |
| Statutory Declaration | 46 |
| Auditors' Report | 47 |
| Income Statements | 48 |
| Balance Sheets | 49 |
| Statement of Changes in Equity | 51 |
| Cash Flow Statements | 52 |
| Notes to the Financial Statements | 55 |

Directors' Report

The directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June, 2006.

PRINCIPAL ACTIVITIES

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 and provision of consultancy and advisory services in relation to the business of electronic commerce or internet commerce solutions.

The principal activities of the subsidiaries are set out in Note 11 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

| | Group RM | Company RM |
|--|-------------|---------------|
| Net profit for the year | 5,764,111 | 2,671,968 |
| Unappropriated profits brought forward | 23,926,307 | 9,490,625 |
| | 29,690,418 | 12,162,593 |
| Less: Transferred to capital reserve* | (233,976) | – |
| Dividend paid | (1,944,000) | (1,944,000) |
| Unappropriated profits carried forward | 27,512,442 | 10,218,593 |

* The transfer made to capital reserve relates to the issue of bonus shares by certain subsidiaries during the financial year.

DIVIDENDS

The amount of dividend paid since the end of the last financial year was as follows:

In respect of the financial year ended 30 June, 2005 as reported in the directors' report of that year:

| | RM |
|--|-----------|
| First and final dividend of 2% less 28% tax, paid on 6 January, 2006 | 1,944,000 |

The Board of Directors recommends for the approval of shareholders at the forthcoming Annual General Meeting the payment of a first and final dividend of 2% less Malaysian income tax for the financial year ended 30 June, 2006 amounting to RM1,944,000 (2005: RM1,944,000).

Directors' Report

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year.

DIRECTORS

The directors who served on the Board of the Company since the date of the last report are:

Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE
Dato' Yeoh Seok Hong
Dato' Michael Yeoh Sock Siong
Dato' Mark Yeoh Seok Kah
Dato' Chong Keap Thai @ Cheong Keap Tai
Tuan Syed Abdullah Bin Syed Abd. Kadir
Mr. Amarjit Singh Chhina
En. Mohamad Zaid Bin Dato' Hj Mohd Zainal Abidin
Mr. Loh Mun San (Resigned on 18.11.2005)
Tan Sri Dato' Seri Dr Md Noordin Bin Md Soviee (Deceased on 29.12.2005)

In accordance with Rule 7.26(2) of the Revamped Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market and Article 83 of the Company's Articles of Association, Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE, Dato' Michael Yeoh Sock Siong and En. Mohamad Zaid Bin Dato' Hj Mohd Zainal Abidin retire from the Board at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

The following directors of the Company who held office at the end of the financial year had, according to the register required to be kept under Section 134 of the Companies Act, 1965, an interest in shares of the Company and related companies:

THE COMPANY

YTL E-SOLUTIONS BERHAD

| | Number of Ordinary Shares of RM0.10 Each | | | Balance at 30.6.2006 |
|--|--|----------|----------|-------------------------|
| | Balance at 1.7.2005 | Acquired | Disposed | |
| Tuan Syed Abdullah Bin Syed Abd. Kadir | 300,000 | – | – | 300,000 |
| Mr. Amarjit Singh Chhina | 1,000,000 | – | – | 1,000,000 |
| En. Mohamad Zaid Bin Dato' Hj Mohd Zainal Abidin | 100,000 | – | – | 100,000 |

Directors' Report

PENULTIMATE HOLDING COMPANY YTL CORPORATION BERHAD

| | Number of Ordinary Shares of RM0.50 Each | | | Balance at 30.6.2006 |
|--|--|-----------|-----------|-------------------------|
| | Balance at 1.7.2005 | Acquired | Disposed | |
| Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE | 9,887,447 | 2,500,000 | – | 12,387,447 |
| Dato' Yeoh Seok Hong | 3,363,690 | 1,500,000 | – | 4,863,690 |
| Dato' Michael Yeoh Sock Siong | 2,933,997 | 1,500,000 | – | 4,433,997 |
| Dato' Mark Yeoh Seok Kah | 1,746,248 | 1,500,000 | – | 3,246,248 |
| Tuan Syed Abdullah Bin Syed Abd. Kadir | 2,611 | 1,500,000 | (750,000) | 752,611 |
| Mr. Amarjit Singh Chhina | – | 25,000 | – | 25,000 |

YTL CORPORATION BERHAD

| | Number of Warrants | | | Balance at 30.6.2006 |
|--|------------------------|----------|----------|-------------------------|
| | Balance at 1.7.2005 | Acquired | Disposed | |
| Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE | | | | |
| - Warrants 1997/2007 | 573,600 | – | – | 573,600 |
| - Warrants 1999/2009 | 2,147,472 | – | – | 2,147,472 |
| Dato' Yeoh Seok Hong | | | | |
| - Warrants 1997/2007 | 172,800 | – | – | 172,800 |
| - Warrants 1999/2009 | 648,372 | – | – | 648,372 |
| Dato' Michael Yeoh Sock Siong | | | | |
| - Warrants 1997/2007 | 144,000 | – | – | 144,000 |
| - Warrants 1999/2009 | 550,110 | – | – | 550,110 |
| Dato' Mark Yeoh Seok Kah | | | | |
| - Warrants 1999/2009 | 271,800 | – | – | 271,800 |
| Tuan Syed Abdullah Bin Syed Abd. Kadir | | | | |
| - Warrants 1999/2009 | 600 | – | – | 600 |

Directors' Report

YTL CORPORATION BERHAD

| | Number of Options Over Ordinary Shares of RM0.50 Each | | | Balance at 30.6.2006 |
|--|---|-----------|-------------|-------------------------|
| | Balance at 1.7.2005 | Granted | Exercised | |
| Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE | 2,500,000 | 5,000,000 | (2,500,000) | 5,000,000 |
| Dato' Yeoh Seok Hong | 1,500,000 | 3,000,000 | (1,500,000) | 3,000,000 |
| Dato' Michael Yeoh Sock Siong | 1,500,000 | 3,000,000 | (1,500,000) | 3,000,000 |
| Dato' Mark Yeoh Seok Kah | 1,500,000 | 3,000,000 | (1,500,000) | 3,000,000 |
| Tuan Syed Abdullah Bin Syed Abd. Kadir | 1,500,000 | 3,000,000 | (1,500,000) | 3,000,000 |
| Mr. Amarjit Singh Chhina | 25,000 | 25,000 | (25,000) | 25,000 |

ULTIMATE HOLDING COMPANY

YEOH TIONG LAY & SONS HOLDINGS SDN. BHD.

| | Number of Ordinary Shares of RM1.00 Each | | | Balance at 30.6.2006 |
|--|--|----------|----------|-------------------------|
| | Balance at 1.7.2005 | Acquired | Disposed | |
| Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE | 5,000,000 | – | – | 5,000,000 |
| Dato' Yeoh Seok Hong | 5,000,000 | – | – | 5,000,000 |
| Dato' Michael Yeoh Sock Siong | 5,000,000 | – | – | 5,000,000 |
| Dato' Mark Yeoh Seok Kah | 5,000,000 | – | – | 5,000,000 |

RELATED COMPANIES

YTL POWER INTERNATIONAL BERHAD

| | Number of Ordinary Shares of RM0.50 Each | | | Balance at 30.6.2006 |
|--|--|-----------|-------------|-------------------------|
| | Balance at 1.7.2005 | Acquired | Disposed | |
| Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE | 3,905,834 | 7,000,000 | – | 10,905,834 |
| Dato' Yeoh Seok Hong | 485,322 | 5,000,000 | – | 5,485,322 |
| Dato' Michael Yeoh Sock Siong | 410,829 | 3,000,000 | – | 3,410,829 |
| Dato' Mark Yeoh Seok Kah | 1,693,134 | 3,000,000 | – | 4,693,134 |
| Tuan Syed Abdullah Bin Syed Abd. Kadir | 392,038 | 3,000,000 | (1,500,000) | 1,892,038 |

YTL POWER INTERNATIONAL BERHAD

| | Number of Warrants 2000/2010 | | | Balance at 30.6.2006 |
|--|------------------------------|----------|----------|-------------------------|
| | Balance at 1.7.2005 | Acquired | Disposed | |
| Tuan Syed Abdullah Bin Syed Abd. Kadir | 87,000 | – | – | 87,000 |

Directors' Report

YTL POWER INTERNATIONAL BERHAD

| | Number of Options Over Ordinary Shares of RM0.50 Each | | | Balance at 30.6.2006 |
|--|---|-----------|-------------|-------------------------|
| | Balance at 1.7.2005 | Granted | Exercised | |
| Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE | 7,000,000 | 7,000,000 | (7,000,000) | 7,000,000 |
| Dato' Yeoh Seok Hong | 5,000,000 | 5,000,000 | (5,000,000) | 5,000,000 |
| Dato' Michael Yeoh Sock Siong | 3,000,000 | 3,000,000 | (3,000,000) | 3,000,000 |
| Dato' Mark Yeoh Seok Kah | 3,000,000 | 3,000,000 | (3,000,000) | 3,000,000 |
| Tuan Syed Abdullah Bin Syed Abd. Kadir | 3,000,000 | 3,000,000 | (3,000,000) | 3,000,000 |

YTL CEMENT BERHAD

| | Number of Ordinary Shares of RM0.50 Each | | | Balance at 30.6.2006 |
|--|--|----------|----------|-------------------------|
| | Balance at 1.7.2005 | Acquired | Disposed | |
| Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE | 1,681,634 | – | – | 1,681,634 |
| Dato' Yeoh Seok Hong | 225,634 | – | – | 225,634 |
| Dato' Michael Yeoh Sock Siong | 1,265,634 | – | – | 1,265,634 |
| Dato' Mark Yeoh Seok Kah | 187,200 | – | – | 187,200 |

| | Number of Irredeemable Convertible Unsecured Loan Stocks (ICULS) | | | Balance at 30.6.2006 |
|--|---|-----------|----------|-------------------------|
| | Balance at 1.7.2005 | Acquired | Disposed | |
| Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE | – | 1,681,634 | – | 1,681,634 |
| Dato' Yeoh Seok Hong | – | 225,634 | – | 225,634 |
| Dato' Michael Yeoh Sock Siong | – | 1,265,634 | – | 1,265,634 |
| Dato' Mark Yeoh Seok Kah | – | 187,200 | – | 187,200 |

YTL CEMENT BERHAD

| | Number of Options Over Ordinary Shares of RM0.50 Each | | | Balance at 30.6.2006 |
|--|---|-----------|-----------|-------------------------|
| | Balance at 1.7.2005 | Granted | Exercised | |
| Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE | – | 1,400,000 | – | 1,400,000 |
| Dato' Michael Yeoh Sock Siong | – | 1,000,000 | – | 1,000,000 |

Directors' Report

YTL LAND & DEVELOPMENT BERHAD

| | Number of Irredeemable Convertible Preference Shares 2001/2011 of RM0.50 Each | | | Balance at 30.6.2006 |
|--|---|----------|----------|----------------------|
| | Balance at 1.7.2005 | Acquired | Disposed | |
| En. Mohamad Zaid Bin Dato' Hj Mohd Zainal Abidin | 20,000 | – | – | 20,000 |

INFOSCREEN NETWORKS PLC *

| | Number of Ordinary Shares of GBP0.01 Each | | | Balance at 30.6.2006 |
|--|---|----------|----------|----------------------|
| | Balance at 1.7.2005 | Acquired | Disposed | |
| Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE | 100 | – | – | 100 |

* Incorporated in United Kingdom

SYARIKAT PELANCONGAN SERI ANDALAN (M) SDN BHD

| | Number of Ordinary Shares of RM1.00 Each | | | Balance at 30.6.2006 |
|--|--|----------|----------|----------------------|
| | Balance at 1.7.2005 | Acquired | Disposed | |
| Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE | 1 | – | – | 1 |

YEOH TIONG LAY CONSTRUCTION (S) PTE LTD

| | Number of Ordinary Shares | | | Balance at 30.6.2006 |
|--|---------------------------|----------|----------|----------------------|
| | Balance at 1.7.2005 | Acquired | Disposed | |
| Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE | 2 | – | – | 2 |

Incorporated in Singapore

Other than as disclosed above, directors who held office at the end of the financial year did not have an interest in shares of the Company or related companies.

Directors' Report

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangement subsisted to which the Company is a party, with the object or objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive any benefits (other than benefits included in the aggregate amount of remuneration received or due and receivable by directors as shown in the financial statements of the Group and of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except that certain directors received remuneration from the Company's holding company.

INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps:

- a to ascertain that proper action has been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts have been written off and that adequate allowance has been made for doubtful debts; and
- b to ensure that any current assets which were unlikely to realise their values as shown in the accounting records of the Group and of the Company in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances:

- a which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- b which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- c which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

At the date of this report, there does not exist:

- a any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- b any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

Directors' Report

OTHER STATUTORY INFORMATION

The directors state that:

At the date of this report, they are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the respective financial statements misleading.

In their opinion,

- a the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- b there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ULTIMATE HOLDING COMPANY

The Company regards Yeoh Tiong Lay & Sons Holdings Sdn. Bhd., a company incorporated in Malaysia, as its ultimate holding company.

AUDITORS

The auditors, Messrs. HLB Ler Lum, Chartered Accountants, have expressed their willingness to continue in office.

On behalf of the Board,

Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE

Amarjit Singh Chhina

Dated: 19 October 2006

Kuala Lumpur

Statement by Directors

We, TAN SRI DATO' (DR) FRANCIS YEOH SOCK PING, CBE and AMARJIT SINGH CHHINA, being two of the directors of YTL e-SOLUTIONS BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Accounting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June, 2006 and of the results of the operations and cash flows of the Group and of the Company for the year ended on that date.

On behalf of the Board,

Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE

Amarjit Singh Chhina

Dated: 19 October 2006

Kuala Lumpur

Statutory Declaration

I, TAN SRI DATO' (DR) FRANCIS YEOH SOCK PING, CBE, being the director primarily responsible for the financial management of YTL e-SOLUTIONS BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief the accompanying financial statements are correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE

Subscribed and solemnly declared at
Kuala Lumpur on 19 October 2006

Before me:

Soh Ah Kau, AMN
Commissioner for Oaths

Auditors' Report

to the members of YTL e-Solutions Berhad (Incorporated in Malaysia)

We have audited the financial statements set out on pages 48 to 78. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- a the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - i the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
 - ii the state of affairs of the Group and of the Company as at 30 June, 2006 and of the results of the operations and cash flows of the Group and of the Company for the year ended on that date;

and

- b the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the said Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for these purposes.

The auditors' report on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Companies Act, 1965.

HLB LER LUM
(Firm Number : AF 0276)
Chartered Accountants

LUM TUCK CHEONG
1005/3/07(J/PH)
Partner of the Firm

Dated: 19 October 2006
Kuala Lumpur

Income Statements

for the year ended 30 June 2006

| | Note | Group | | Company | |
|-----------------------------------|------|---------------------|--------------|--------------------|-------------|
| | | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| REVENUE | 4 | 30,677,784 | 30,639,554 | 9,288,527 | 5,716,597 |
| COST OF SALES | | (16,405,158) | (15,650,468) | (3,648,927) | (2,499,449) |
| GROSS PROFIT | | 14,272,626 | 14,989,086 | 5,639,600 | 3,217,148 |
| OTHER OPERATING INCOME | | 5,276,418 | 4,551,542 | 3,645,501 | 4,267,885 |
| ADMINISTRATION EXPENSES | | (10,613,971) | (9,062,925) | (5,434,347) | (4,455,283) |
| PROFIT FROM OPERATIONS | 5 | 8,935,073 | 10,477,703 | 3,850,754 | 3,029,750 |
| FINANCE COSTS | 6 | (23,646) | (34,793) | (6,452) | – |
| PROFIT BEFORE TAXATION | | 8,911,427 | 10,442,910 | 3,844,302 | 3,029,750 |
| TAXATION | 7 | (2,234,974) | (3,775,797) | (1,172,334) | (1,059,000) |
| PROFIT AFTER TAXATION | | 6,676,453 | 6,667,113 | 2,671,968 | 1,970,750 |
| MINORITY INTERESTS | | (912,342) | (1,534,434) | – | – |
| NET PROFIT FOR THE YEAR | | 5,764,111 | 5,132,679 | 2,671,968 | 1,970,750 |
| Earnings per ordinary share | | | | | |
| Basic | 8 | 0.43 sen | 0.38 sen | | |
| Gross dividend per ordinary share | 9 | 0.20 sen | 0.20 sen | | |

The notes set out on pages 55 to 78 form an integral part of these financial statements.

Balance Sheets

as at 30 June 2006

| | Note | Group | | Company | |
|--|------|--------------------|--------------------|--------------------|--------------------|
| | | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| PROPERTY, PLANT & EQUIPMENT | 10 | 3,383,281 | 3,564,109 | 1,468,054 | 1,109,416 |
| INVESTMENT IN SUBSIDIARIES | 11 | – | – | 23,177,168 | 23,177,168 |
| DEVELOPMENT EXPENDITURE | 12 | 1,024,218 | 1,461,203 | 16,370 | 453,355 |
| UNQUOTED INVESTMENT | 13 | 331,200 | 331,200 | 331,200 | 331,200 |
| GOODWILL ON CONSOLIDATION | 14 | 811,386 | 811,386 | – | – |
| CURRENT ASSETS | | | | | |
| Inventories | 15 | 121,466 | 113,101 | 51,385 | 33,100 |
| Trade debtors | 16 | 4,034,633 | 4,450,671 | 605,929 | 447,043 |
| Other debtors, deposits & prepayments | 17 | 782,069 | 1,280,166 | 323,705 | 834,975 |
| Amount due from ultimate holding company | 18 | – | 3,069 | – | 3,069 |
| Amount due from holding company | 18 | 569,037 | 614,340 | 536,445 | 614,340 |
| Amount due from subsidiaries | 11 | – | – | 1,745,994 | 2,133,181 |
| Amount due from related companies | 19 | 2,210,841 | 2,165,782 | 1,722,229 | 1,688,764 |
| Fixed deposits | 20 | 164,836,094 | 161,499,676 | 119,658,000 | 119,085,297 |
| Cash & bank balances | 20 | 681,054 | 537,181 | 298,251 | 204,435 |
| | | 173,235,194 | 170,663,986 | 124,941,938 | 125,044,204 |

The notes set out on pages 55 to 78 form an integral part of these financial statements.

Balance Sheets

as at 30 June 2006

| | Note | Group | | Company | |
|--|------|--------------------|--------------------|--------------------|--------------------|
| | | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| LESS: CURRENT LIABILITIES | | | | | |
| Trade creditors | 21 | 2,033,587 | 2,738,935 | 247,190 | 360,894 |
| Other creditors & accruals | 22 | 2,986,621 | 4,113,805 | 429,127 | 1,375,512 |
| Finance lease liabilities | 23 | 61,975 | 227,496 | – | – |
| Hire purchase creditors | 24 | 274,805 | 37,859 | 171,074 | – |
| Amount due to subsidiary | 11 | – | – | 36,302 | – |
| Amount due to related companies | 19 | 72,672 | 129,956 | 69,752 | 122,263 |
| Post-employment defined contribution obligations | 25 | 107,847 | 75,345 | 54,687 | 44,343 |
| Provision for taxation | | 201,486 | 979,508 | 364,771 | 707,689 |
| | | 5,738,993 | 8,302,904 | 1,372,903 | 2,610,701 |
| NET CURRENT ASSETS | | 167,496,201 | 162,361,082 | 123,569,035 | 122,433,503 |
| | | 173,046,286 | 168,528,980 | 148,561,827 | 147,504,642 |
| FINANCED BY: | | | | | |
| SHARE CAPITAL | 26 | 135,000,000 | 135,000,000 | 135,000,000 | 135,000,000 |
| SHARE PREMIUM | | 1,475,017 | 1,475,017 | 1,475,017 | 1,475,017 |
| EXCHANGE DIFFERENCE RESERVE | | (512,647) | (122,137) | – | – |
| CAPITAL RESERVE | | 233,976 | – | – | – |
| UNAPPROPRIATED PROFITS | | 27,512,442 | 23,926,307 | 10,218,593 | 9,490,625 |
| SHAREHOLDERS' FUNDS | | 163,708,788 | 160,279,187 | 146,693,610 | 145,965,642 |
| MINORITY INTERESTS | | 8,534,254 | 7,622,782 | – | – |
| LONG TERM LIABILITIES | | | | | |
| Finance lease liabilities | 23 | – | 61,975 | – | – |
| Hire purchase creditors | 24 | 486,764 | 31,036 | 329,217 | – |
| Deferred taxation | 27 | 316,480 | 534,000 | 219,000 | 219,000 |
| Deferred revenue | 28 | – | – | 1,320,000 | 1,320,000 |
| | | 173,046,286 | 168,528,980 | 148,561,827 | 147,504,642 |

The notes set out on pages 55 to 78 form an integral part of these financial statements.

Statements of Changes in Equity

for the year ended 30 June 2006

| Group | Share capital RM | Share premium RM | Non-distributable | Distributable | | Total RM |
|---|---------------------|---------------------|-----------------------------------|-----------------------|------------------------------|-------------|
| | | | Exchange difference reserve RM | Capital reserve RM | Unappropriated profits RM | |
| Balance at 1 July, 2004 | 135,000,000 | 1,475,017 | – | – | 20,737,628 | 157,212,645 |
| Currency translation differences | – | – | (122,137) | – | – | (122,137) |
| Net loss not recognised in the Income Statements | – | – | (122,137) | – | – | (122,137) |
| Net profit for the year | – | – | – | – | 5,132,679 | 5,132,679 |
| Dividend paid | – | – | – | – | (1,944,000) | (1,944,000) |
| Balance at 30 June, 2005 | 135,000,000 | 1,475,017 | (122,137) | – | 23,926,307 | 160,279,187 |
| Currency translation differences | – | – | (390,510) | – | – | (390,510) |
| Net loss not recognised in the Income Statements | – | – | (390,510) | – | – | (390,510) |
| Transferred to capital reserve | – | – | – | 233,976 | (233,976) | – |
| Net profit for the year | – | – | – | – | 5,764,111 | 5,764,111 |
| Dividend paid | – | – | – | – | (1,944,000) | (1,944,000) |
| Balance at 30 June, 2006 | 135,000,000 | 1,475,017 | (512,647) | 233,976 | 27,512,442 | 163,708,788 |

| Company | Share capital RM | Share premium RM | Non-distributable | Distributable | | Total RM |
|--------------------------|---------------------|---------------------|---------------------|---------------------|------------------------------|-------------|
| | | | Share capital RM | Share premium RM | Unappropriated profits RM | |
| Balance at 1 July, 2004 | | | 135,000,000 | 1,475,017 | 9,463,875 | 145,938,892 |
| Net profit for the year | | | – | – | 1,970,750 | 1,970,750 |
| Dividend paid | | | – | – | (1,944,000) | (1,944,000) |
| Balance at 30 June, 2005 | | | 135,000,000 | 1,475,017 | 9,490,625 | 145,965,642 |
| Net profit for the year | | | – | – | 2,671,968 | 2,671,968 |
| Dividend paid | | | – | – | (1,944,000) | (1,944,000) |
| Balance at 30 June, 2006 | | | 135,000,000 | 1,475,017 | 10,218,593 | 146,693,610 |

The notes set out on pages 55 to 78 form an integral part of these financial statements.

Cash Flow Statements

for the year ended 30 June 2006

| | Group | | Company | |
|--|-------------|-------------|-------------|-------------|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Profit before taxation | 8,911,427 | 10,442,910 | 3,844,302 | 3,029,750 |
| Adjustments for: | | | | |
| Allowance for doubtful debts no longer required | (316,215) | - | - | - |
| Bad debts recovered | (5,000) | (2,000) | - | - |
| Bad debts written off | 397,882 | 3,896 | - | - |
| Depreciation | 1,472,555 | 1,690,012 | 408,655 | 568,117 |
| Development expenditure charged to Income Statement | 212,913 | - | 212,913 | - |
| Amortisation of development expenditure | 224,072 | 225,262 | 224,072 | 225,262 |
| (Gain)/Loss on disposal of property, plant & equipment | (16,935) | (14,131) | (18,502) | 2,884 |
| Gain on disposal of shares in subsidiaries | - | (86,871) | - | (485,827) |
| Interest expenses | 23,646 | 34,793 | 6,452 | - |
| Interest income | (5,220,285) | (4,423,063) | (3,617,768) | (3,781,842) |
| Property, plant & equipment written off | - | 16,518 | - | - |
| Unrealised loss/(gain) on foreign exchange | 365 | 727 | (933) | - |
| Operating profit/(loss) before working capital changes | 5,684,425 | 7,888,053 | 1,059,191 | (441,656) |
| (Increase)/Decrease in inventories | (8,365) | 24,839 | (18,285) | 26,929 |
| Decrease/(Increase) in debtors | 885,163 | (400,980) | 387,848 | (332,298) |
| (Decrease)/Increase in creditors | (1,798,148) | (286,641) | (1,049,745) | 505,608 |
| Net changes in ultimate holding company | 3,069 | (2,352) | 3,069 | (2,350) |
| Net changes in holding company | 45,303 | 41,364 | 77,895 | (61,737) |
| Net changes in subsidiaries | - | - | 424,422 | (336,519) |
| Net changes in related companies | (101,420) | (570,913) | (85,976) | (155,533) |
| Cash generated from/(absorbed by) operations | 4,710,027 | 6,693,370 | 798,419 | (797,556) |
| Tax paid | (3,230,303) | (3,229,214) | (1,515,252) | (1,053,099) |
| Interest paid | (23,646) | (34,793) | (6,452) | - |
| Interest received | 5,169,609 | 4,198,086 | 3,582,304 | 3,567,477 |
| Net cash from operating activities | 6,625,687 | 7,627,449 | 2,859,019 | 1,716,822 |

The notes set out on pages 55 to 78 form an integral part of these financial statements.

Cash Flow Statements

for the year ended 30 June 2006

| | Group | | Company | |
|---|-----------------------|-------------|--------------------|--------------|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Acquisition of subsidiary (net of cash acquired) | – | (766,801) | – | (20,852,425) |
| Development expenditure paid | – | (73,267) | – | (73,267) |
| Proceeds from disposal of property, plant & equipment | 22,926 | 50,871 | 21,276 | 15,371 |
| Proceeds from disposal of subsidiary | – | – | – | 397,066 |
| Purchase of property, plant & equipment | (514,718) | (1,082,798) | (233,567) | (117,492) |
| Net cash used in investing activities | (491,792) | (1,871,995) | (212,291) | (20,630,747) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Dividend paid | (1,944,000) | (1,944,000) | (1,944,000) | (1,944,000) |
| Repayment of finance lease liabilities | (227,496) | (316,930) | – | – |
| Repayment of hire purchase creditors | (88,826) | (31,381) | (36,209) | – |
| Net cash used in financing activities | (2,260,322) | (2,292,311) | (1,980,209) | (1,944,000) |
| Net changes in cash and cash equivalents | 3,873,573 | 3,463,143 | 666,519 | (20,857,925) |
| Effects of exchange rate changes | (393,282) | (121,288) | – | – |
| Cash and cash equivalents brought forward | 162,036,857 | 158,695,002 | 119,289,732 | 140,147,657 |
| Cash and cash equivalents carried forward | 20 165,517,148 | 162,036,857 | 119,956,251 | 119,289,732 |

NOTES TO CASH FLOW STATEMENTS

a Analysis of acquisition of property, plant & equipment:

| | | | | |
|------------------------|------------------|-----------|----------------|---------|
| Cash paid | 514,718 | 1,082,798 | 233,567 | 117,492 |
| Hire purchase creditor | 781,500 | 55,000 | 536,500 | – |
| | 1,296,218 | 1,137,798 | 770,067 | 117,492 |

The notes set out on pages 55 to 78 form an integral part of these financial statements.

Cash Flow Statements

for the year ended 30 June 2006

b Summary of assets acquired:

| | 2006 RM | Group 2005 RM |
|---|------------|---------------------|
| Property, plant & equipment | – | – |
| Debtors | – | – |
| Creditors | – | – |
| Minority interest | – | – |
| Cash and cash equivalents | – | 20,732,140 |
| Fair value of net assets acquired | – | 20,732,140 |
| Goodwill on acquisition | – | 766,801 |
| Total cost of acquisition | – | 21,498,941 |
| Represented by: | | |
| Purchase consideration paid | – | (20,852,425) |
| Purchase consideration due but not paid | – | (646,516) |
| Total purchase consideration | – | (21,498,941) |
| Add: Cash and cash equivalents of subsidiary acquired | – | 20,732,140 |
| Net cash outflow on acquisition | – | (766,801) |

- c Proceeds from disposal of subsidiary received by the Company in the previous financial year related to its disposal of YTL Info Screen Sdn. Bhd.'s shares to Infoscreen Networks Limited ("INL"). This disposal did not have any bearing on the cash position of the Group as INL was a wholly-owned subsidiary of the Company at the point of disposal.

The notes set out on pages 55 to 78 form an integral part of these financial statements.

Notes to the Financial Statements

1 GENERAL INFORMATION

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 and provision of consultancy and advisory services in relation to the business of electronic commerce or internet commerce solutions. The principal activities of the subsidiaries are set out in Note 11 to the financial statements.

The number of employees of the Group and of the Company (excluding directors) at the end of the financial year was 80 (2005: 79) and 36 (2005: 29) respectively.

The Company is a limited liability company, incorporated and domiciled in Malaysia and is listed on the Malaysian Exchange of Securities Dealing & Automated Quotation Bhd (“MESDAQ”) of Bursa Malaysia Securities Berhad (“BMSB”).

The address of the registered office of the Company is as follows:

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

The address of the principal place of business of the Company is as follows:

Level 1 & 3, Annexe Block
Lot 10 Shopping Centre
50 Jalan Sultan Ismail
50250 Kuala Lumpur

2 FINANCIAL RISK MANAGEMENT AND OBJECTIVES

The Group’s and the Company’s operations are subject to a variety of financial risks, including foreign currency risk, interest rate risk, credit risk and liquidity and cash flow risk.

The Group’s and the Company’s risk management policies seek to ensure that adequate resources are available to manage the above risks and to create value for their shareholders. The Board regularly reviews these risks and approves treasury policies, which covers the management of these risks. It is not the Group’s and the Company’s policy to engage in speculative transactions.

a Foreign currency risk

The Group and the Company are exposed to currency risk as a result of foreign currency transactions other than Ringgit Malaysia. However, the effect of the foreign currency risk is not significant as the majority of Group’s and Company’s transactions, assets and liabilities are denominated in Ringgit Malaysia.

Notes to the Financial Statements

b Interest rate risk

The Group and the Company finance their operations through a mixture of shareholders' funds and borrowings. Interest rates exposures arise from the Group's and the Company's borrowings and deposits. It is the Group's and the Company's policy to manage their interest costs within predictable and desired range and to achieve this through the use of fixed rate debt where appropriate. Deposits with licensed financial institutions are held for short term and not for speculative purposes.

c Credit risk

The Group and the Company are exposed to credit risk mainly from receivables. The Group and the Company extend credit to their customers based upon established credit evaluation and monitoring guidelines.

d Liquidity and cash flow risk

The Group and the Company practice prudent liquidity risk management policies and maintain sufficient levels of cash and credit facilities for working capital and contingent funding requirements.

3 SIGNIFICANT ACCOUNTING POLICIES

a Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention (unless stated otherwise in the significant accounting policies below) and comply with the provisions of the Companies Act, 1965 and applicable approved Accounting Standards in Malaysia.

There were no changes in accounting policy that affect net profit or shareholders' equity.

The preparation of financial statements in conformity with the applicable approved Accounting Standards in Malaysia and the provisions of the Companies Act requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

The accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

b Investment in subsidiaries and basis of consolidation

Investment in subsidiaries is stated at cost less allowance made or amount written off for any diminution in value other than temporary. Diminution in value other than temporary 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 off during the year are included in the consolidated Income Statement from the date of their acquisition or up to the date of disposal.

Notes to the Financial Statements

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

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

All significant inter-company transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from inter-company transactions are also eliminated unless cost cannot be recovered.

The financial statements of the subsidiaries which have been consolidated are based on the financial statements as at 30 June, 2006.

Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the subsidiary.

c Goodwill on consolidation

Goodwill represents the excess of the cost of acquisition over the fair values of the net identifiable assets acquired.

Goodwill is retained in the consolidated Balance Sheet at cost and an impairment loss is recognised when the directors are of the opinion that there is a permanent diminution in its value.

d Inventories

Inventories are stated at the lower of cost and net realisable value. Inventories cost is determined on a first-in-first-out method.

Cost includes the actual cost of purchase and incidentals in bringing the inventories to their present location and condition.

e Property, plant & equipment

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

Depreciation on the 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.

The principal annual rates of depreciation used are as follows:

| | |
|-------------------------------------|-----------|
| Computer infrastructure & equipment | 10% - 20% |
| Furniture, fixtures & equipment | 10% - 50% |
| Motor vehicles | 20% |
| Telecommunication equipment | 10% - 20% |
| Office renovation & fittings | 10% |
| Musical instrument | 20% |

Property, plant & equipment retired from active use and held for disposal are stated at the lower of net book value and net realisable value.

Notes to the Financial Statements

f Impairment of assets

The carrying values of assets, other than inventories and financial assets (excluding investment in subsidiaries), are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts.

An impairment loss is charged to the Income Statements immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset.

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the Income Statements immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the Income Statements, a reversal of that impairment loss is recognised as income in the Income Statements.

g Development expenditure

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

Development expenditure is charged to the Income Statements as and when incurred except for development expenditure relating to specific projects with technical and commercial viability and there is clear indication of the marketability of the products being developed. Such development expenditure is capitalised and charged to the Income Statements 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.

h Creditors

Creditors are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group and the Company.

i Income tax

Income tax on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided for using the liability method in respect of all temporary differences arising between the carrying amounts of assets and liabilities in the financial statements and their attributable amounts for tax purposes.

Deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unabsorbed tax losses can be utilised.

Notes to the Financial Statements

j Debtors

Debtors are stated at cost less any allowances for 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.

k Foreign currency transactions

Foreign currency transactions in Group companies are accounted for at exchange rates prevailing at the transaction dates, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Foreign currency monetary assets and liabilities are translated at exchange rates prevailing at the balance sheet date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the Income Statements.

Translation of financial statements of foreign entities

The Group's foreign entities are those operations that are not an integral part of the operations of the Company. Income Statements of foreign entities are translated into Ringgit Malaysia at average exchange rates for the financial year and the Balance Sheets are translated at exchange rates ruling at the balance sheet date. Exchange differences arising from the retranslation of the net investment in foreign entities and of borrowings that hedge such investments are taken to 'exchange difference reserve' in shareholders' equity. On disposal of the foreign entity, such translation differences are recognised in the Income Statements as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the Company and are translated accordingly at the exchange rate ruling at the date of the transaction.

The closing rate used in the translation of monetary items at balance sheet date is as follows:

| | 2006 | 2005 |
|--------------------|------|------|
| | RM | RM |
| 1 Singapore Dollar | 2.28 | 2.25 |
| 1 Sterling Pound | 6.74 | 6.87 |

l Investments

Investments held on long term basis are stated at cost. An allowance is made when the directors are of the opinion that there is a diminution other than temporary in their value.

Notes to the Financial Statements

m Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured. The specific recognition criteria for revenue are as follows:

i Sale of goods and rendering of services

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised when the significant risks and rewards of ownership of the goods have passed to the buyers.

Revenue from rendering of services is recognised in the Income Statements in proportion to the stage of completion of the transaction at the balance sheets date. The stage of completion is assessed by reference to the proportion that costs incurred to date that reflect services performed bear to the total estimated costs of the transaction. Where the outcome of the transaction cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

ii Interest income

Revenue is recognised as the interest income accrues, taking into account the effective yield on the asset.

n Deferred revenue and deferred credit

The development fee revenue arising from the provision and maintenance of backend infrastructure facilities and development of website has been deferred and will be amortised over a five (5) years period upon commencement of the commercial operation of the website.

Other deferred revenue, which is included in other creditors and accruals, relates to unutilised airtime of prepaid telephony services packages. The deferred revenue will be progressively recognised as revenue based on actual airtime utilisation of the services.

Deferred credit, which is included in other creditors and accruals, comprises deferred revenue from future advertising services to be rendered to customers and is recognised over the period of the relevant contracts.

o Financial instruments

i Description

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

Notes to the Financial Statements

ii Financial instruments recognised on the Balance Sheet

The particular recognition method adopted for financial instruments recognised on Balance Sheet is disclosed in the individual accounting policy statement associated with each item.

iii Fair value estimation for disclosure purposes

The face values of financial assets and financial liabilities with a maturity period of less than one year are assumed to approximate their fair values.

p Finance lease

Where assets are financed by leasing arrangements, which transfer substantially all the risks and rewards of ownership of an asset to the lessee (finance leases), the assets are treated as if they had been purchased and the corresponding capital cost is shown as an obligation to the lessor. Leasing payments are treated as consisting of a capital element and finance costs, the capital element reducing the obligation to the lessor and the finance charge being written off to the Income Statements over the period of the lease in reducing amounts in relation to the outstanding obligations.

Property, plant & equipment acquired under finance leases are depreciated over the estimated useful lives of the assets.

q Hire purchase

Property, plant & equipment acquired under hire purchase arrangements which in substance transfer the risks and benefits of ownership, are capitalised at the value equivalent to the principal sum of total hire purchase payables. The corresponding obligations are treated as liabilities.

Finance charges are allocated to the Income Statements to give a constant periodic rate of interest on the remaining hire purchase liabilities.

r Employee benefits

i Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and of the Company.

ii Defined contribution plans

The Company and subsidiaries incorporated in Malaysia make contributions to a statutory provident fund and recognise the contributions payable after deducting contributions already paid as a liability and as an expense in the financial year in which the employees render their services.

s Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and deposits held at call with financial institutions and highly liquid investments which have an insignificant risk of changes in value.

Notes to the Financial Statements

4 REVENUE

| | Group | | Company | |
|-------------------|-------------------|-------------------|------------------|------------------|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| Sale of goods | 3,235,295 | 2,616,175 | 3,605,210 | 2,390,593 |
| Services rendered | 27,442,489 | 28,023,379 | 5,683,317 | 3,326,004 |
| | 30,677,784 | 30,639,554 | 9,288,527 | 5,716,597 |

5 PROFIT FROM OPERATIONS

| | Group | | Company | |
|--|------------|------------|------------|------------|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |

Profit from operations is stated after charging:

| | | | | |
|---|-----------|-----------|-----------|-----------|
| Auditors' remuneration | | | | |
| - current year | 84,623 | 74,828 | 7,000 | 7,000 |
| - under-provision in prior year | 10,873 | 163 | - | - |
| - others | - | 1,000 | - | - |
| Bad debts written off | 397,882 | 3,896 | - | - |
| Depreciation | 1,472,555 | 1,690,012 | 408,655 | 568,117 |
| Amortisation of development expenditure | 224,072 | 225,262 | 224,072 | 225,262 |
| Development expenditure charged to Income Statement | 212,913 | - | 212,913 | - |
| Directors' remuneration | | | | |
| - fees | 150,000 | 100,000 | 150,000 | 100,000 |
| - emoluments | 289,229 | 470,400 | 289,229 | 470,400 |
| Loss/(Gain) on foreign exchange | | | | |
| - realised | 3,659 | 6,148 | 5,328 | 5,376 |
| - unrealised | 365 | 727 | (933) | - |
| Property, plant & equipment written off | - | 16,518 | - | - |
| Rental of office equipment | 16,827 | 23,318 | 12,720 | 12,300 |
| Rental of premises | 875,474 | 635,475 | 790,380 | 564,425 |
| Staff costs (excluding directors' emoluments) | 5,860,069 | 4,275,655 | 2,958,414 | 1,728,679 |

And crediting (other than those disclosed in Note 4):

| | | | | |
|--|-------------|-------------|-------------|-------------|
| Allowance for doubtful debts no longer required | (316,215) | - | - | - |
| Bad debt recovered | (5,000) | (2,000) | - | - |
| Fixed deposit interest | (5,220,285) | (4,423,063) | (3,617,768) | (3,781,842) |
| (Gain)/Loss on disposal of property, plant & equipment | (16,935) | (14,131) | (18,502) | 2,884 |
| Gain on disposal of shares in subsidiaries | - | (86,871) | - | (485,827) |
| Rental income | (3,000) | (7,200) | - | - |

Notes to the Financial Statements

| | Group | | Company | |
|---|-------|------|---------|------|
| | 2006 | 2005 | 2006 | 2005 |
| Number of employees at the end of the financial year (excluding directors) | 80 | 79 | 36 | 29 |

Cost of inventories recognised as an expense in the cost of sales are as follows:

| | Group | | Company | |
|---------------------|------------|------------|------------|------------|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| Cost of inventories | 3,421,311 | 2,342,836 | 3,366,892 | 2,264,263 |

The aggregate remuneration of directors categorised into appropriate components for the year ended 30 June, 2006 are as follows:

| Group/Company | Fees | Salaries | Bonus | Others | Total |
|-------------------------|--------|----------|--------|--------|---------|
| | RM | RM | RM | RM | RM |
| Executive directors | 80,000 | 233,233 | 25,000 | 30,996 | 369,229 |
| Non-executive directors | 70,000 | – | – | – | 70,000 |

The number of directors of the Group and of the Company whose total remuneration fell within the following bands for the financial year ended 30 June, 2006 are as follows:

| Range of remuneration | Group/Company No. of Directors | |
|-----------------------|-----------------------------------|---------------|
| | Executive | Non-Executive |
| Below RM50,001 | 4 | 3 |
| RM50,001 - RM150,000 | 1 | – |
| RM150,001 - RM200,000 | – | – |
| RM200,001 - RM250,000 | 1 | – |

6 FINANCE COSTS

| | Group | | Company | |
|------------------------|------------|------------|------------|------------|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| Finance lease interest | 11,057 | 34,793 | – | – |
| Hire purchase interest | 12,589 | – | 6,452 | – |
| | 23,646 | 34,793 | 6,452 | – |

Notes to the Financial Statements

7 TAXATION

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| In Malaysia | | | | |
| Tax charged for the current year | 3,153,685 | 3,372,099 | 1,811,023 | 1,059,000 |
| (Over)/Under-provision in prior years | (865,850) | 390,768 | (638,689) | – |
| Deferred tax (Note 27) | | | | |
| - origination and reversal of temporary differences | (35,451) | – | – | – |
| - over-provision in prior years | (182,069) | – | – | – |
| Withholding tax | 14 | 1,966 | – | – |
| | 2,070,329 | 3,764,833 | 1,172,334 | 1,059,000 |
| Outside Malaysia | | | | |
| Tax charged for the current year | 174,100 | 10,964 | – | – |
| Over-provision in prior years | (9,455) | – | – | – |
| | 2,234,974 | 3,775,797 | 1,172,334 | 1,059,000 |

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| Profit before taxation | 8,911,427 | 10,442,910 | 3,844,302 | 3,029,750 |
| Income tax using Malaysian tax rate of 28% (2005: 28%) | 2,495,200 | 2,924,015 | 1,076,405 | 848,330 |
| Non deductible expenses | 710,937 | 316,562 | 653,751 | 77,423 |
| (Over)/Under-provision in prior years | | | | |
| - taxation | (875,305) | 390,768 | (638,689) | – |
| - deferred taxation | (182,069) | – | – | – |
| Withholding tax | 14 | 1,966 | – | – |
| Tax effect of tax rate at 20% on first RM500,000 of chargeable income | (80,280) | (80,000) | – | – |
| Tax effect of previously unrecognised deferred tax assets | – | 133,247 | – | 133,247 |
| Tax effect of unrecognised reduction in deferred tax liabilities during the year | 94,077 | – | 80,867 | – |
| Tax effect of unrecognised deferred tax assets during the year | 60,793 | 94,433 | – | – |
| Different tax rates in other countries | 11,607 | (5,194) | – | – |
| | 2,234,974 | 3,775,797 | 1,172,334 | 1,059,000 |

Notes to the Financial Statements

Subject to agreement with the Inland Revenue Board, the Company has exempt income estimated at RM160,663 (2005: RM160,663), from which tax exempt dividends can be declared.

Based on prevailing tax rate applicable to dividends and the estimated tax credits under Section 108 of the Income Tax Act, 1967 and the tax exempt account balance as mentioned above, the unappropriated profits of the Company as at 30 June, 2006 amounting to RM9,861,328 (2005: RM7,908,967) are available for distribution by way of dividends without additional tax liabilities being incurred. This is, however, subject to confirmation by the Inland Revenue Board.

If the balance of the unappropriated profits of RM357,265 (2005: RM1,581,658) were to be distributed as dividends prior to there being sufficient tax credit, the Company would have a Section 108 shortfall of approximately RM138,936 (2005: RM615,089).

8 EARNINGS PER SHARE (EPS)

| | Group | |
|--|---------------|---------------|
| | 2006 RM | 2005 RM |
| Basic EPS | | |
| Net profit for the year/Net profit attributable to ordinary shareholders | 5,764,111 | 5,132,679 |
| Number of shares in issue for basic EPS | 1,350,000,000 | 1,350,000,000 |
| Basic EPS (sen) | 0.43 | 0.38 |

9 DIVIDENDS

| | Company | |
|---|------------|------------|
| | 2006 RM | 2005 RM |
| Dividends paid during the respective financial years were as follows: | | |
| First and final dividend of 2% less 28% tax | 1,944,000 | 1,944,000 |

10 PROPERTY, PLANT & EQUIPMENT

Group

| | Cost | | | |
|-------------------------------------|------------------------|-----------|-----------|-------------------------|
| | Balance at 1.7.2005 | Additions | Disposals | Balance at 30.6.2006 |
| | RM | RM | RM | RM |
| Computer infrastructure & equipment | 6,377,924 | 336,804 | (3,979) | 6,710,749 |
| Furniture, fixtures & equipment | 214,665 | 25,262 | – | 239,927 |
| Motor vehicles | 373,928 | 862,616 | (51,400) | 1,185,144 |
| Telecommunication equipment | 1,097,349 | 68,286 | (1,285) | 1,164,350 |
| Office renovation & fittings | 937,540 | 3,250 | – | 940,790 |
| Musical instrument | 850 | – | – | 850 |
| | 9,002,256 | 1,296,218 | (56,664) | 10,241,810 |

Notes to the Financial Statements

| | Accumulated Depreciation | | | Balance at 30.6.2006 RM |
|-------------------------------------|------------------------------|------------------------------|-----------------|-------------------------------|
| | Balance at 1.7.2005 RM | Charge for the year RM | Disposals RM | |
| Computer infrastructure & equipment | 4,095,449 | 948,098 | (1,512) | 5,042,035 |
| Furniture, fixtures & equipment | 68,524 | 32,043 | – | 100,567 |
| Motor vehicles | 285,308 | 197,469 | (49,879) | 432,898 |
| Telecommunication equipment | 710,705 | 200,696 | (782) | 910,619 |
| Office renovation & fittings | 277,821 | 94,079 | – | 371,900 |
| Musical instrument | 340 | 170 | – | 510 |
| | 5,438,147 | 1,472,555 | (52,173) | 6,858,529 |

| | Net Book Value | | Depreciation for the year ended |
|-------------------------------------|--------------------|--------------------|------------------------------------|
| | at 30.6.2006 RM | at 30.6.2005 RM | 30.6.2005 RM |
| Computer infrastructure & equipment | 1,668,714 | 2,282,475 | 1,275,911 |
| Furniture, fixtures & equipment | 139,360 | 146,141 | 27,160 |
| Motor vehicles | 752,246 | 88,620 | 74,782 |
| Telecommunication equipment | 253,731 | 386,644 | 218,235 |
| Office renovation & fittings | 568,890 | 659,719 | 93,754 |
| Musical instrument | 340 | 510 | 170 |
| | 3,383,281 | 3,564,109 | 1,690,012 |

Included in property, plant & equipment of the Group are computer equipment held under finance lease arrangements with net book value of RM236,000 (2005: RM494,000).

Included in property, plant & equipment of the Group are motor vehicles with net book value of RM752,243 (2005: RM87,096) held under hire purchase arrangement.

Company

| | Cost | | | Balance at 30.6.2006 RM |
|-------------------------------------|------------------------------|-----------------|-----------------|-------------------------------|
| | Balance at 1.7.2005 RM | Additions RM | Disposals RM | |
| Computer infrastructure & equipment | 2,034,298 | 164,633 | (3,979) | 2,194,952 |
| Furniture & fittings | 156,285 | 690 | – | 156,975 |
| Motor vehicles | 247,300 | 592,920 | (49,500) | 790,720 |
| Office renovation & fittings | 937,540 | 3,250 | – | 940,790 |
| Telecommunication equipment | 20,420 | 8,574 | (352) | 28,642 |
| | 3,395,843 | 770,067 | (53,831) | 4,112,079 |

Notes to the Financial Statements

| | Accumulated Depreciation | | | Balance at 30.6.2006 RM |
|-------------------------------------|------------------------------|------------------------------|-----------------|-------------------------------|
| | Balance at 1.7.2005 RM | Charge for the year RM | Disposals RM | |
| Computer infrastructure & equipment | 1,705,406 | 177,431 | (1,512) | 1,881,325 |
| Furniture & fittings | 51,648 | 15,697 | – | 67,345 |
| Motor vehicles | 247,296 | 118,584 | (49,499) | 316,381 |
| Office renovation & fittings | 277,821 | 94,079 | – | 371,900 |
| Telecommunications equipment | 4,256 | 2,864 | (46) | 7,074 |
| | 2,286,427 | 408,655 | (51,057) | 2,644,025 |

| | Net Book Value | | Depreciation for the year ended |
|-------------------------------------|--------------------|--------------------|------------------------------------|
| | at 30.6.2006 RM | at 30.6.2005 RM | 30.6.2005 RM |
| Computer infrastructure & equipment | 313,627 | 328,892 | 407,236 |
| Furniture & fittings | 89,630 | 104,637 | 15,629 |
| Motor vehicles | 474,339 | 4 | 49,456 |
| Office renovation & fittings | 568,890 | 659,719 | 93,754 |
| Telecommunications equipment | 21,568 | 16,164 | 2,042 |
| | 1,468,054 | 1,109,416 | 568,117 |

Included in property, plant & equipment of the Company are motor vehicles with net book value of RM474,336 (2005: Nil) held under hire purchase arrangement.

11 SUBSIDIARIES

| a | Company | |
|--------------------------|------------|------------|
| | 2006 RM | 2005 RM |
| Unquoted shares, at cost | 1,726,004 | 1,726,004 |
| Quoted shares, at cost | 21,451,164 | 21,451,164 |
| | 23,177,168 | 23,177,168 |

| | Company | |
|-----------------|------------|------------|
| | 2006 RM | 2005 RM |
| Market value | | |
| - Quoted shares | 75,602,620 | 77,098,913 |

Notes to the Financial Statements

The shares of all subsidiaries except for YTL Info Screen Sdn. Bhd. and Hipmobile Singapore Pte. Ltd. are held directly by the Company. Details of the subsidiaries are as follows:

| Name of Company | Place of Incorporation | Principal Activities | Effective Equity Interest | |
|--------------------------------------|------------------------|--|---------------------------|--------|
| | | | 2006 % | 2005 % |
| Extiva Communications Sdn. Bhd. | Malaysia | Developing and marketing of VoIP telephony services | 70 | 70 |
| PropertyNetAsia (Malaysia) Sdn. Bhd. | Malaysia | Developing and operating a property portal known as PropertyNetAsia.com.my and the provision of related services | 60 | 60 |
| *Infoscreen Networks Plc | United Kingdom | Investment holding | 99.78 | 99.78 |
| YTL Info Screen Sdn. Bhd. | Malaysia | Creating, providing and advertising content, media, web media, and up to date information via electronic media | 99.78 | 99.78 |
| Intellectual Learning Sdn. Bhd. | Malaysia | Education and training using advanced technology | 100 | 100 |
| Hipmobile (M) Sdn. Bhd. | Malaysia | Telecommunication services and consultancy and the creation, aggregation and sale of wireless content, multimedia works and applications | 70 | 70 |
| *Hipmobile Singapore Pte. Ltd. | Singapore | Telecommunication services and consultancy and the creation, aggregation and sale of wireless content, multimedia works and applications | 70 | 70 |

*Subsidiaries not audited by HLB Ler Lum

Notes to the Financial Statements

b Summary of the effects of the acquisition of subsidiary

In the previous financial year, the Group completed the acquisition of a subsidiary, namely Infoscreen Networks Plc. This acquisition was accounted for using the acquisition method of accounting.

i The effect of the acquisition of the subsidiary on the financial results of the Group in the previous financial year was as follows:

| | 2006 RM | 2005 RM |
|---------------------------------|------------|------------|
| Other operating income | – | 69,103 |
| Administration expenses | – | (108,886) |
| Loss from operations | – | (39,783) |
| Loss before taxation | – | (39,783) |
| Taxation | – | (10,964) |
| Loss after taxation | – | (50,747) |
| Decrease in Group's net profits | – | (50,747) |

ii The effect of the acquisition of the subsidiary on the previous year's financial position of the Group was as follows:

| | 2006 RM | 2005 RM |
|--------------------------------|------------|------------|
| Debtors | – | 73,607 |
| Inter-company balances | – | (65,856) |
| Fixed deposits | – | 20,266,747 |
| Creditors | – | (101,527) |
| Provision for taxation | – | (10,964) |
| Increase in Group's net assets | – | 20,162,007 |

c Amount due from/(to) subsidiaries

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

Notes to the Financial Statements

12 DEVELOPMENT EXPENDITURE

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

| | Group | | Company | |
|---|------------|------------|------------|------------|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| At beginning of the year | 1,461,203 | 1,613,198 | 453,355 | 605,350 |
| Capitalised during the year | – | 73,267 | – | 73,267 |
| Less : | | | | |
| - Charged to Income Statement | (212,913) | – | (212,913) | – |
| - Amortisation of development expenditure | (224,072) | (225,262) | (224,072) | (225,262) |
| At end of the year | 1,024,218 | 1,461,203 | 16,370 | 453,355 |

| | Group | | Company | |
|---------------------------------|-------------|------------|-------------|------------|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| Cost | 2,149,338 | 2,362,251 | 1,141,490 | 1,354,403 |
| Less : Accumulated amortisation | (1,125,120) | (901,048) | (1,125,120) | (901,048) |
| Net book value | 1,024,218 | 1,461,203 | 16,370 | 453,355 |

13 UNQUOTED INVESTMENT

| | Group/Company | |
|--------------------------|---------------|------------|
| | 2006 RM | 2005 RM |
| Unquoted shares, at cost | 331,200 | 331,200 |

It is not practical to estimate the fair value of the unquoted shares because of the inability to estimate fair value without incurring excessive costs.

14 GOODWILL ON CONSOLIDATION

| | Group | |
|--|------------|------------|
| | 2006 RM | 2005 RM |
| At beginning of the year | 811,386 | 46,289 |
| Arising from the acquisition of a subsidiary | – | 765,097 |
| At end of the year | 811,386 | 811,386 |

Notes to the Financial Statements

15 INVENTORIES

| | Group | | Company | |
|---------------------------|------------|------------|------------|------------|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| Finished goods | | | | |
| - at cost | 87,866 | 113,101 | 17,785 | 33,100 |
| - at net realisable value | 33,600 | – | 33,600 | – |
| | 121,466 | 113,101 | 51,385 | 33,100 |

16 TRADE DEBTORS

| | Group | | Company | |
|-------------------------------------|------------|------------|------------|------------|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| Trade debtors | 4,034,633 | 4,766,886 | 605,929 | 447,043 |
| Less : Allowance for doubtful debts | – | (316,215) | – | – |
| | 4,034,633 | 4,450,671 | 605,929 | 447,043 |

The normal credit terms of the Group and of the Company granted to the trade debtors ranged from 7 days to 30 days (2005: 7 days to 30 days). Other credit terms are assessed and approved on a case-by-case basis.

Concentrations of credit risk with respect to trade debtors are limited due to the Group's and the Company's large number of customers. The Group's and the Company's historical experience in collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts written off is inherent in the Group's and Company's trade debtors.

17 OTHER DEBTORS, DEPOSITS & PREPAYMENTS

| | Group | | Company | |
|---------------|------------|------------|------------|------------|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| Other debtors | 66,659 | 466,670 | 41,100 | 424,535 |
| Deposits | 286,290 | 402,466 | 280,060 | 389,736 |
| Prepayments | 429,120 | 411,030 | 2,545 | 20,704 |
| | 782,069 | 1,280,166 | 323,705 | 834,975 |

18 HOLDING COMPANIES

The Company is a 74.07% (2005: 74.07%) 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 respective holding companies pertain mainly to trade receivables and payments on behalf. The outstanding amounts are unsecured, interest free and have no fixed terms of repayment.

Notes to the Financial Statements

19 AMOUNT DUE FROM/TO RELATED COMPANIES

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

20 CASH & CASH EQUIVALENTS

| | Group | | Company | |
|------------------------------|-------------|-------------|-------------|-------------|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| Fixed deposits | | | | |
| - Licensed banks | 141,281,706 | 157,333,620 | 118,718,623 | 117,999,803 |
| - Licensed finance companies | – | 1,112,264 | – | – |
| - Other corporation | 23,554,388 | 3,053,792 | 939,377 | 1,085,494 |
| | 164,836,094 | 161,499,676 | 119,658,000 | 119,085,297 |
| Cash & bank balances | 681,054 | 537,181 | 298,251 | 204,435 |
| | 165,517,148 | 162,036,857 | 119,956,251 | 119,289,732 |

The weighted average interest rates of deposits that were effective at the balance sheet date were as follows:

| | Group | | Company | |
|----------------------------|-----------|-----------|-----------|-----------|
| | 2006 % | 2005 % | 2006 % | 2005 % |
| Fixed deposits | | | | |
| - Licensed banks | 3.72 | 2.95 | 3.60 | 2.70 |
| - Licensed finance company | – | 3.00 | – | – |
| - Other corporation | 3.54 | 2.67 | 3.55 | 2.66 |

Deposits of the Group and of the Company have maturities ranging from 5 to 36 days and 5 to 35 days (2005: 9 to 38 days and 9 to 30 days) respectively. Bank balances are deposits held at call with banks.

21 TRADE CREDITORS

The normal credit terms of trade creditors granted to the Group and the Company vary from 30 days to 60 days (2005: 30 days to 60 days).

Notes to the Financial Statements

22 OTHER CREDITORS & ACCRUALS

| | Group | | Company | |
|------------------|------------------|------------------|----------------|------------------|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| Other creditors | 627,385 | 1,369,931 | 270,071 | 621,996 |
| Accruals | 1,838,338 | 2,200,251 | 159,056 | 753,516 |
| Deferred revenue | 480,571 | 543,623 | – | – |
| Deferred credit | 40,327 | – | – | – |
| | 2,986,621 | 4,113,805 | 429,127 | 1,375,512 |

23 FINANCE LEASE LIABILITIES

| | Group | |
|--|---------------|----------------|
| | 2006 RM | 2005 RM |
| Minimum lease payments: | | |
| Repayable not later than one year | 62,783 | 238,554 |
| Repayable later than one year and not later than two years | – | 62,783 |
| | 62,783 | 301,337 |
| Less : Financing charges | (808) | (11,866) |
| Present value of finance lease liabilities | 61,975 | 289,471 |
| Present value of finance lease liabilities: | | |
| Repayable not later than one year | 61,975 | 227,496 |
| Repayable later than one year and not later than two years | – | 61,975 |
| | 61,975 | 289,471 |
| Represented by finance lease liabilities: | | |
| Current | 61,975 | 227,496 |
| Non-current | – | 61,975 |
| | 61,975 | 289,471 |

The finance lease liabilities of the Group carry interest at the balance sheet date ranging from 3.4% to 3.9% (2005: 3.4% to 3.9%) per annum.

Notes to the Financial Statements

24 HIRE PURCHASE CREDITORS

| | Group | | Company | |
|--|------------|------------|------------|------------|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| Minimum hire purchase payments: | | | | |
| Repayable not later than one year | 310,618 | 40,968 | 194,184 | – |
| Repayable later than one year and not later than two years | 288,622 | 27,034 | 194,184 | – |
| Repayable later than two years and not later than five years | 223,140 | 5,038 | 151,533 | – |
| | 822,380 | 73,040 | 539,901 | – |
| Less : Financing charges | (60,811) | (4,145) | (39,610) | – |
| Present value of hire purchase creditors | 761,569 | 68,895 | 500,291 | – |
| Present value of hire purchase creditors: | | | | |
| Repayable not later than one year | 274,805 | 37,859 | 171,074 | – |
| Repayable later than one year and not later than two years | 268,726 | 26,045 | 181,035 | – |
| Repayable later than two years and not later than five years | 218,038 | 4,991 | 148,182 | – |
| | 761,569 | 68,895 | 500,291 | – |

| | Group | | Company | |
|---|------------|------------|------------|------------|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| Represented by hire purchase creditors: | | | | |
| Current | 274,805 | 37,859 | 171,074 | – |
| Non-current | 486,764 | 31,036 | 329,217 | – |
| | 761,569 | 68,895 | 500,291 | – |

The hire purchase creditors of the Group and of the Company carry interest rates at the balance sheet date ranging from 2.6% to 3.9% (2005: 3.2% to 3.29%) per annum.

25 POST-EMPLOYMENT DEFINED CONTRIBUTION OBLIGATIONS

| | Group | | Company | |
|-----------------------------|------------|------------|------------|------------|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| Charged to income statement | 491,979 | 454,703 | 229,472 | 177,302 |
| Payments | (384,132) | (379,358) | (174,785) | (132,959) |
| | 107,847 | 75,345 | 54,687 | 44,343 |

Notes to the Financial Statements

26 SHARE CAPITAL

| | Group/Company | |
|---|---------------|---------------|
| | 2006 RM | 2005 RM |
| Authorised: | | |
| 10,000,000,000 ordinary shares of RM0.10 each | 1,000,000,000 | 1,000,000,000 |
| Issued and fully paid: | | |
| 1,350,000,000 ordinary shares of RM0.10 each | 135,000,000 | 135,000,000 |

27 DEFERRED TAXATION

| | Group | | Company | |
|---------------------------------------|------------|------------|------------|------------|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| At beginning of the year | 534,000 | 534,000 | 219,000 | 219,000 |
| Credited to Income Statement (Note 7) | (217,520) | – | – | – |
| At end of the year | 316,480 | 534,000 | 219,000 | 219,000 |

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts determined after appropriate offsetting are shown in the Balance Sheet:

| | Group | | Company | |
|---------------------------------------|------------|------------|------------|------------|
| | 2006 RM | 2005 RM | 2006 RM | 2005 RM |
| Subject to income tax | | | | |
| Deferred tax liabilities | | | | |
| - property, plant & equipment | 453,520 | 512,112 | 219,000 | 219,000 |
| - others | 229 | 174,879 | – | – |
| Deferred tax asset | | | | |
| - deferred revenue | (137,269) | (152,991) | – | – |
| At end of the year (after offsetting) | 316,480 | 534,000 | 219,000 | 219,000 |

Notes to the Financial Statements

The estimated potential tax benefits of temporary differences not dealt with in the financial statements are as follows:

| | Group | |
|--|------------------|------------------|
| | 2006 | 2005 |
| | RM | RM |
| Property, plant & equipment | | |
| - capital allowances in excess of depreciation | (80,771) | (94,358) |
| Unabsorbed tax losses | 1,415,198 | 1,247,531 |
| Unutilised capital allowances | 227,972 | 190,780 |
| | 1,562,399 | 1,343,953 |
| Potential tax benefits calculated at a tax rate of 20% (2005: 20%) | 312,480 | 268,791 |

28 DEFERRED REVENUE

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

29 DIVIDEND

Dividend proposed in respect of the financial year ended 30 June, 2006 is as follows:

| | Company | |
|-----------------------------------|------------------|------------------|
| | 2006 | 2005 |
| | RM | RM |
| Proposed first and final dividend | 1,944,000 | 1,944,000 |

At the forthcoming Annual General Meeting, a first and final gross dividend in respect of the financial year ended 30 June, 2006 of 2% less 28% tax (2005: 2% less 28% tax) amounting to RM1,944,000 (2005: RM1,944,000) will be proposed for shareholders' approval. These financial statements do not reflect this final dividend which will be accrued as a liability in the year ending 30 June, 2007 when approved by shareholders.

Notes to the Financial Statements

30 SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions. The significant related party transactions described below have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

| Entity | Relationship | Type of transaction | Group | |
|---|---------------------------------------|------------------------------|-------------|------------|
| | | | 2006 RM | 2005 RM |
| Autodome Sdn. Bhd. | Subsidiary of holding company | * Sale of computer equipment | 448,083 | 257,881 |
| Express Rail Link Sdn. Bhd. | Associated company of holding company | * Sale of computer equipment | 300,117 | 733,600 |
| | | * Sale of services rendered | 2,492,488 | 342,992 |
| | | ^ Charges for media rights | (1,666,666) | – |
| Star Hill Hotel Sdn. Bhd. | Subsidiary of holding company | * Sale of services rendered | 434,689 | 321,024 |
| Syarikat Pembinaan Yeoh Tiong Lay Sdn. Bhd. | Subsidiary of holding company | * Sale of computer equipment | 292,786 | 332,794 |
| | | * Sale of services rendered | 234,972 | 747,246 |
| YTL Corporation Berhad | Holding company | * Sale of services rendered | 550,732 | 778,955 |
| YTL Land Sdn. Bhd. | Subsidiary of holding company | * Sale of computer equipment | 531,357 | 162,793 |
| | | * Sale of services rendered | 1,014,821 | 875,255 |
| | | # Rental of premises | (394,590) | (564,425) |

* Sale of computer equipment and sale of services rendered by the YTL e-Solutions Berhad Group.

Rental of premises charged to the YTL e-Solutions Berhad Group.

^ Charges for media rights charged to YTL e-Solutions Berhad Group.

31 CONTINGENT LIABILITY - Unsecured

The Company has given a corporate guarantee to a financial institution for facilities granted to subsidiaries as follows:

| | Total amount guaranteed | | Amount utilised | |
|----------------|-------------------------|---------|-----------------|---------|
| | 2006 | 2005 | 2006 | 2005 |
| | RM | RM | RM | RM |
| Bank guarantee | 2,000,000 | 500,000 | 742,559 | 500,000 |

Notes to the Financial Statements

32 SEGMENTAL INFORMATION

No segmental information is prepared as the Group's activities are predominantly in one industry segment, namely the Information, Technology and Communications ("ICT") industry, and occur predominantly in Malaysia.

33 COMPARATIVE INFORMATION

Certain comparative figures have been adjusted to conform with current financial year's presentation.

The effects on the financial statements of the Group and of the Company as at 30 June, 2005 are as follows:

| | As previously reported RM | Reclassification RM | As re-presented RM |
|--|---------------------------------|------------------------|--------------------------|
| Group | | | |
| Current liabilities | | | |
| Other creditors and accruals | 4,189,150 | (75,345) | 4,113,805 |
| Post-employment defined contribution obligations | – | 75,345 | 75,345 |

| | As previously reported RM | Reclassification RM | As re-presented RM |
|--|---------------------------------|------------------------|--------------------------|
| Company | | | |
| Current liabilities | | | |
| Other creditors and accruals | 1,419,855 | (44,343) | 1,375,512 |
| Post-employment defined contribution obligations | – | 44,343 | 44,343 |

34 FINANCIAL INSTRUMENTS

The carrying amounts of financial assets and liabilities of the Group and of the Company at the balance sheet date approximate their fair values.

35 AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements have been authorised for issue by the Board of Directors in accordance with the Directors' Resolution dated 19 October 2006.

Form of Proxy



I/We (full name as per NRIC/company name in block capitals)

NRIC/Company No. (new and old NRIC Nos.)

CDS Account No. (for nominee companies only)

of (full address)

being a member of **YTL e-Solutions Berhad** hereby appoint (full name as per NRIC in block capitals)

NRIC No. (new and old NRIC Nos.)

of (full address)

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the 14th Annual General Meeting of the Company to be held at Starhill 2, Level 4, JW Marriott Hotel Kuala Lumpur, 183, Jalan Bukit Bintang, 55100 Kuala Lumpur on 7 December 2006 at 12.00 noon and at any adjournment thereof.

My/Our proxy is to vote as indicated below:

| NO. | RESOLUTIONS | FOR | AGAINST |
|-----|---|-----|---------|
| 1. | Receipt of Reports and Audited Financial Statements | | |
| 2. | Declaration of First and Final Dividend | | |
| 3. | Re-election of Tan Sri Dato' (Dr) Francis Yeoh Sock Ping | | |
| 4. | Re-election of Dato' Michael Yeoh Sock Siong | | |
| 5. | Re-election of Mohamad Zaid Bin Dato' Hj Mohd Zainal Abidin | | |
| 6. | Approval of the payment of Directors' fees | | |
| 7. | Re-appointment of Messrs HLB Ler Lum as Company Auditors | | |
| 8. | Authorisation for Directors to Allot and Issue Shares | | |
| 9. | Proposed Renewal of Shareholders' Mandate and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature | | |
| 10. | Proposed Amendments to the Articles of Association of the Company | | |

Dated this _____ day of _____ 2006

Signature of shareholder _____

No. of shares held _____

Notes:

- 1 A member entitled to attend and vote at the meeting may appoint a proxy to vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. Where a member appoints more than one proxy, he shall specify the proportions of his shareholdings to be represented by each proxy.
- 2 This form of proxy and the Power of Attorney or other authority (if any) under which it is signed or notarily certified copy thereof must be lodged at the Registered Office, 11th Floor, Yeoh Tiong Lay Plaza, 55 Jalan Bukit Bintang, 55100 Kuala Lumpur not less than 48 hours before the time appointed for the Meeting.
- 3 In the case of a corporation, this proxy should be executed under its Common Seal or under the hand of some officer of the corporation duly authorised in writing on its behalf.
- 4 Unless voting instructions are indicated in the spaces provided above, the proxy may vote as he thinks fit.
- 5 For the purpose of determining a member who shall be entitled to attend the Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Article 59(ii) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 30 November 2006. Only a depositor whose name appears on the General Meeting Record of Depositors as at 30 November 2006 shall be entitled to attend the said meeting or appoint proxy to attend and/or vote in his stead.

The Company Secretary

YTL E-SOLUTIONS BERHAD

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

affix stamp here



www.ytlcommunity.com

YTL E-SOLUTIONS BERHAD 236137-K

11th Floor
Yeoh Tiong Lay Plaza
55 Jalan Bukit Bintang
55100 Kuala Lumpur
Malaysia
Tel • 603 2117 0088
603 2142 6633
Fax • 603 2141 2703