

YTL POWER INTERNATIONAL BERHAD

Company No. 406684-H

Incorporated in Malaysia

Interim Financial Report
31 December 2010

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**Interim Financial Report
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INTERIM FINANCIAL REPORT

Interim financial report on consolidated results for the quarter ended 31 December 2010.

The figures have not been audited.

CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER PRECEDING		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	YEAR CORRESPONDING QUARTER	6 MONTHS ENDED	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
REVENUE	3,576,605	3,134,702	7,060,884	6,338,424
COST OF SALES	(2,991,076)	(2,592,776)	(5,882,582)	(5,227,239)
GROSS PROFIT	585,529	541,926	1,178,302	1,111,185
OTHER OPERATING EXPENSES	(99,480)	(68,970)	(206,982)	(174,937)
OTHER OPERATING INCOME	11,254	27,440	59,298	71,288
PROFIT FROM OPERATIONS	497,303	500,396	1,030,618	1,007,536
FINANCE COSTS	(195,993)	(214,014)	(396,963)	(455,978)
SHARE OF RESULTS OF ASSOCIATED COMPANIES	55,512	58,167	105,078	111,915
PROFIT BEFORE TAXATION	356,822	344,549	738,733	663,473
TAXATION	(106,512)	(94,212)	(218,663)	(182,165)
PROFIT FOR THE PERIOD	250,310	250,337	520,070	481,308
PROFIT ATTRIBUTABLE TO:				
Owners of the Parent	259,215	250,337	532,123	481,434
Non-Controlling Interests	(8,905)	-	(12,053)	(126)
	250,310	250,337	520,070	481,308
EARNINGS PER 50 SEN SHARE				
Basic (Sen)	3.60	4.03	7.39	7.96
Diluted (Sen)	3.32	3.56	6.80	7.04

The Condensed Consolidated Income Statement should be read in conjunction with the audited annual financial statements for the year ended 30 June 2010 and the accompanying explanatory notes attached to the interim financial statements.

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER PRECEDING		CUMULATIVE QUARTER	
	CURRENT YEAR CORRESPONDING	YEAR CORRESPONDING		
	QUARTER	QUARTER	6 MONTHS ENDED	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
PROFIT FOR THE PERIOD	250,310	250,337	520,070	481,308
OTHER COMPREHENSIVE INCOME:				
AVAILABLE-FOR-SALE FINANCIAL ASSETS	19,140	-	35,784	-
CASH FLOW HEDGE	57,441	-	71,144	-
CURRENCY TRANSLATION DIFFERENCES	80,513	(86,132)	231,552	(144,004)
	-----	-----	-----	-----
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	157,094	(86,132)	338,480	(144,004)
	-----	-----	-----	-----
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	407,404	164,205	858,550	337,304
	=====	=====	=====	=====
TOTAL COMPREHENSIVE INCOME				
ATTRIBUTABLE TO:				
Owners of the Parent	416,307	164,205	870,600	337,430
Non-Controlling Interests	(8,903)	-	(12,050)	(126)
	-----	-----	-----	-----
	407,404	164,205	858,550	337,304
	=====	=====	=====	=====

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited annual financial statements for the year ended 30 June 2010 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED	AUDITED
	As at	As at
	31.12.2010	30.06.2010
	RM'000	RM'000
		RESTATED
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	16,243,916	16,018,630
Intangible Assets	6,301,179	6,148,646
Investment in Associated Companies	1,011,454	992,907
Investments	-	694,300
Available-for-Sale Financial Assets	900,508	-
Prepayments and Others	49,081	60,066
	-----	-----
	24,506,138	23,914,549
	-----	-----
Current Assets		
Inventories	746,309	593,041
Receivables, Deposits and Prepayments	1,939,300	1,989,459
Derivative Financial Instruments	60,839	1,949
Short Term Investments	49,059	48,393
Deposits, Cash and Bank Balances	8,016,562	7,371,542
	-----	-----
	10,812,069	10,004,384
	-----	-----
TOTAL ASSETS	35,318,207	33,918,933
	=====	=====
EQUITY AND LIABILITIES		
Share Capital	3,634,938	3,623,273
Reserves	4,447,044	3,706,760
Treasury Shares, at cost	(119,969)	(119,967)
	-----	-----
Equity attributable to Owners of the Parent	7,962,013	7,210,066
Non-Controlling Interests	(12,050)	-*
	-----	-----
TOTAL EQUITY	7,949,963	7,210,066
	-----	-----

* Non-Controlling Interests denotes RM2.

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited annual financial statements for the year ended 30 June 2010 and the accompanying explanatory notes attached to the financial statements.

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – Continued

	UNAUDITED	AUDITED
	As at	As at
	31.12.2010	30.06.2010
	RM'000	RM'000
		RESTATED
LIABILITIES		
Non-Current Liabilities		
Deferred Taxation	2,594,250	2,633,592
Bonds	7,637,443	7,740,168
Borrowings	11,925,592	11,041,891
Deferred Income	231,930	218,140
Provision for Liabilities and Charges	193,063	185,866
Payables	5,174	5,932
	-----	-----
	22,587,452	21,825,589
	-----	-----
Current Liabilities		
Payables and Accrued Expenses	2,318,576	2,296,270
Provision for Liabilities and Charges	18,506	20,660
Derivative Financial Instruments	99,788	23,749
Taxation	210,008	142,299
Bonds	-	813,470
Borrowings	2,133,914	1,586,830
	-----	-----
	4,780,792	4,883,278
	-----	-----
TOTAL LIABILITIES	27,368,244	26,708,867
	-----	-----
TOTAL EQUITY AND LIABILITIES	35,318,207	33,918,933
	=====	=====
 Net Assets Per 50 Sen Share (RM)	 1.10	 1.00
	===	===

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited annual financial statements for the year ended 30 June 2010 and the accompanying explanatory notes attached to the financial statements

YTL POWER INTERNATIONAL BERHAD (Company No. 406684-H)
(Incorporated in Malaysia)

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2010**

	----- Attributable to Owners of the Parent -----							
	Share Capital RM'000	Share Premium RM'000	Merger & Other Reserves RM'000	Treasury Shares RM'000	Retained Earnings RM'000	Total RM'000	Non- Controlling Interest RM'000	Total Equity RM'000
At 1 July 2010								
As previously reported	3,623,273	2,942,668	(3,694,109)	(119,967)	4,458,201	7,210,066	-	7,210,066
Effects of adoption of FRS 139	-	-	(22,059)	-	4,042	(18,017)	-	(18,017)
At 1 July 2010, as restated	3,623,273	2,942,668	(3,716,168)	(119,967)	4,462,243	7,192,049	-	7,192,049
Profit/(loss) for the period	-	-	-	-	532,123	532,123	(12,053)	520,070
Other comprehensive income	-	-	338,477	-	-	338,477	3	338,480
Total comprehensive income/(loss) for the period	-	-	338,477	-	532,123	870,600	(12,050)	858,550
Shares repurchased	-	-	-	(2)	-	(2)	-	(2)
Issue of share capital	11,665	22,035	-	-	-	33,700	-	33,700
Dividend paid – For the year ended 30 June 2010	-	-	-	-	(135,238)	(135,238)	-	(135,238)
Provision for share options	-	-	2,643	-	-	2,643	-	2,643
Warrant reserve	-	-	(1,739)	-	-	(1,739)	-	(1,739)
At 31 December 2010	3,634,938	2,964,703	(3,376,787)	(119,969)	4,859,128	7,962,013	(12,050)	7,949,963

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited annual financial statements for the year ended 30 June 2010 and the accompanying explanatory notes attached to the interim financial statements.

YTL POWER INTERNATIONAL BERHAD (Company No. 406684-H)
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2009**

	----- Attributable to Owners of the Parent -----							
	Share Capital RM'000	Share Premium RM'000	Merger & Other Reserves RM'000	Treasury Shares RM'000	Retained Earnings RM'000	Total RM'000	Non- Controlling Interest RM'000	Total Equity RM'000
At 1 July 2009	2,955,140	1,774,815	(2,663,078)	(119,810)	4,154,857	6,101,924	126	6,102,050
Profit/(loss) for the period	-	-	-	-	481,434	481,434	(126)	481,308
Other comprehensive loss	-	-	(144,004)	-	-	(144,004)	-	(144,004)
Total comprehensive income/(loss) for the period	-	-	(144,004)	-	481,434	337,430	(126)	337,304
Shares repurchased	-	-	-	(45)	-	(45)	-	(45)
Issue of share capital	423,844	612,252	-	-	-	1,036,096	-	1,036,096
Dividend paid – For the year ended 30 June 2009	-	-	-	-	(125,240)	(125,240)	-	(125,240)
Equity components of exchangeable bond	-	-	(1,765)	-	-	(1,765)	-	(1,765)
Provision for share options	-	-	3,839	-	-	3,839	-	3,839
Warrant reserve	-	-	(3,292)	-	-	(3,292)	-	(3,292)
At 31 December 2009	3,378,984	2,387,067	(2,808,300)	(119,855)	4,511,051	7,348,947	-*	7,348,947

* Non-Controlling Interest denotes RM2.

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited annual financial statements for the year ended 30 June 2010 and the accompanying explanatory notes attached to the interim financial statements.

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2010**

	CURRENT YEAR-TO-DATE 31.12.2010	PRECEDING YEAR CORRESPONDING PERIOD 31.12.2009
	RM'000	RM'000
Net cash generated from operating activities	1,242,159 =====	1,218,131 =====
Net cash used in investing activities	(855,876) =====	(462,693) =====
Net cash generated from financing activities	274,564 =====	1,308,059 =====
Net changes in cash and cash equivalents	660,847	2,063,497
Cash and cash equivalents at beginning of the period	7,326,721 -----	5,906,751 -----
Cash and cash equivalents at end of the period <i>[Note a]</i>	7,987,568 =====	7,970,248 =====

[Note a]

Cash and cash equivalents at the end of the period comprise:

	RM'000	RM'000
Fixed deposits	7,569,515	7,600,897
Cash and bank balances	447,047	402,072
Bank overdrafts (included within short term borrowings in [Note B10])	(28,994) -----	(32,721) -----
	7,987,568 =====	7,970,248 =====

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited annual financial statements for the year ended 30 June 2010 and the accompanying explanatory notes attached to the interim financial statements.

INTERIM FINANCIAL REPORT

PART A – EXPLANATORY NOTES PURSUANT TO FRS 134

The interim financial report should be read in conjunction with the audited annual financial statements of the Group for the year ended 30 June 2010.

A1. Accounting Policies and Methods of Computation

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

The explanatory notes contained herein provide an explanation of the events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2010.

The accounting policies and methods of computation adopted by the Group in the interim financial statements are consistent with those adopted in the latest audited annual financial statements except for the adoption of new and revised FRSs, amendments to FRSs and Interpretation Committee (“IC”) interpretations which were effective for financial period beginning 1 July 2010.

The adoption of the new and revised FRSs, amendments to FRSs and ICs do not have significant financial impact on the Group other than the effects of the following FRSs:

FRS 101(revised): Presentation of Financial Statements

The revised FRS 101 requires all non-owner changes in equity to be presented either in a single statement of comprehensive income or in two statements which comprise a separate income statement and statement of comprehensive income. The Group has elected to present the statement of comprehensive income in two statements if there is any comprehensive income being recognized in the period.

There is no impact on the financial position of the Group since these changes affect only the presentation of items of income and expenses. The Group has adopted the standard retrospectively.

FRS 7 Financial Instruments: Disclosures

FRS 7 requires extensive disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments. Such information will be disclosed in the audited annual financial statements of the Group.

Amendment to FRS 117 Leases

With the adoption of the Amendment to FRS 117, the classification of a leasehold land as a finance lease or an operating lease is based on the extent to which risks and rewards incidental to ownership lies. Accordingly, the Group has reclassified its leasehold land to property, plant and equipment. This change in classification has no effect on the financial position of the Group. The reclassification has been accounted for retrospectively in accordance with the transitional provision and comparative balances have been restated.

INTERIM FINANCIAL REPORT

Notes – continued

FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 sets out the new requirements for the recognition and measurement of the Group's financial instruments. It also sets out the requirements for the application of hedge accounting.

Financial instruments are recorded initially at fair value. Subsequent measurement of those instruments at end of each reporting period reflects the designation of the financial instrument. The Group determines the classification at initial recognition and re-evaluates this designation at each year end except for those financial instruments measured at fair value through profit or loss.

Financial Assets

a) Loans and Receivables

Prior to 1 July 2010, loans and receivables were stated at gross proceeds receivables less allowance for doubtful debts. Under FRS 139, loans and receivables are initially measured at fair value and subsequently at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated income statement when the loans and receivables are derecognised, impaired or through the amortisation process.

b) Available-for-sale

Prior to 1 July 2010, available-for-sale financial assets such as other investments were accounted for at cost less impairment losses. Under FRS 139, available-for-sale financial asset is measured (a) at fair value initially and subsequently with unrealized gains or losses recognised directly in equity until the investment is derecognised or impaired or (b) at cost if the unquoted equity instrument is not carried at fair value because its fair value cannot be reliably measured.

c) Held-to-maturity

Prior to 1 July 2010, held-to-maturity financial assets such as negotiable instruments of deposits were accounted for at cost less impairment losses. Under FRS 139, held-to-maturity financial asset is initially measured at fair value and subsequently at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated income statement when the investments are derecognised, impaired or through the amortisation process.

Financial Liabilities

a) Borrowings

Prior to 1 July 2010, borrowings were stated at the proceeds received less directly attributable transaction costs. Under FRS 139, borrowings are initially measured at fair value plus directly attributable transaction costs and subsequently at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised or through the amortisation process.

INTERIM FINANCIAL REPORT

Notes – continued

b) Derivative Financial Instruments

Prior to 1 July 2010, derivatives were not recognised in the financial statements. Under FRS 139, derivatives are required to be initially recognised at fair value on the date the derivative contract is entered into and subsequently at fair value at each of the reporting period. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are recognised in the income statement.

However, where derivatives qualify for hedge accounting, recognition of any changes in fair value will depend on the nature of items being hedged as explained below:

Cash flow hedge

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while an ineffective portion is recognised immediately in the income statement. Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

In accordance with the transitional provisions of FRS 139, the above changes are applied prospectively and the comparatives as at 30 June 2010 are not restated. Instead, the changes have been accounted for by restating the following opening balances in the statement of financial position as at 1 July 2010.

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INTERIM FINANCIAL REPORT

Notes – continued

The effects arising from the adoption of the new standard as described above, other than those disclosed in the statement of changes in equity are as follows:

	As previously reported	Effect on adoption of amendment to FRS 117	Effect on adoption of FRS 139	As Restated
	RM'000	RM'000	RM'000	RM'000
<u>Non-current Assets</u>				
Property, plant & equipment	15,955,022	63,608	-	16,018,630
Prepaid lease payment	63,608	(63,608)	-	-
Available-for-sale financial assets	-	-	740,911	740,911
Investments	694,300	-	(694,300)	-
Derivative financial instruments	-	-	1,684	1,684
<u>Current Assets</u>				
Derivative financial instruments	1,949	-	35,117	37,066
Receivables, deposits and prepayments	698,746	-	(11,952)	686,794
<u>Non-current liabilities</u>				
Bonds	7,740,168	-	(4,387)	7,735,781
Derivative financial instruments	-	-	16,806	16,806
<u>Current liabilities</u>				
Payables and accrued expenses	1,837,199	-	(876)	1,836,323
Derivative financial instruments	23,749	-	77,934	101,683
Bonds	813,470	-	-	813,470
<u>Reserves</u>				
Merger & other reserves	(3,694,109)	-	(22,059)	(3,716,168)
Retained earnings	4,458,206	-	4,042	4,462,248

A2. Seasonality or Cyclicity of Operations

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

A3. Exceptional or Unusual Items

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

A4. Changes in Estimates of Amounts Reported

There was no significant change to estimate of amount reported in prior interim periods or prior financial years.

INTERIM FINANCIAL REPORT

Notes – continued

A5. Changes in Debt and Equity Securities

The numbers of ordinary shares of RM0.50 each issued during the current financial quarter and financial year to date pursuant to the exercise of Warrants 2008/2018 were 13,122,504 and 17,385,424 respectively at a weighted average exercise price of RM1.21 per share.

During the current financial quarter and financial year to date, 4,634,850 ordinary shares of RM0.50 each and 5,945,350 ordinary shares of RM0.50 each was issued pursuant to the exercise of employees' share options granted under the Company's Employees Share Option Scheme (ESOS) at a weighted average exercise price of RM1.87 per share and RM1.79 per share respectively.

A total of 1,000 ordinary shares of RM0.50 each were repurchased from the open market for a total consideration of RM2,334 for the financial year to date. The share buy-back transactions were financed by internally generated funds. The shares purchased are being held as treasury shares. As at 31 December 2010, the number of treasury shares held were 56,723,745 ordinary shares of RM0.50 each.

On 30 September 2010, the Group had fully settled a SGD350 million 3.97% unsecured Bonds.

The outstanding debts are as disclosed in Note B10.

A6. Dividends Paid

A third interim single tier dividend of 7.5% or 3.75 sen per ordinary share of 50 sen each amounting to RM269,610,359 in respect of the financial year ended 30 June 2010 was paid on 15 July 2010.

A final single tier dividend of 3.75% or 1.875 sen per ordinary share of 50 sen each amounting to RM135,238,224 in respect of the financial year ended 30 June 2010 was paid on 23 December 2010.

A7. Segment Information

The Group has five reportable segments as described below:

- a) Power generation (Contracted)
- b) Multi utilities business (Merchant)
- c) Water & sewerage
- d) Mobile broadband network
- e) Investment holding and other businesses

Management monitors the operating results of business segments separately for the purpose of making decisions about resources to be allocated and of assessing performance.

INTERIM FINANCIAL REPORT

Notes – continued

Segment information for the period ended 31 December 2010:

31 Dec 2010	Power generation (Contracted) RM'000	Multi utilities business (Merchant) RM'000	Water & Sewerage RM'000	Mobile broadband network RM'000	Investment holding & other businesses RM'000	Group RM'000
External Revenue	561,461	5,321,779	1,120,804	4,678	52,162	7,060,884
Inter-segment Revenue	-	-	-	-	297,534	297,534
Segment profit / (loss) before tax	<u>134,077</u>	<u>361,398</u>	<u>303,096</u>	<u>(27,656)</u>	<u>(32,182)</u>	<u>738,733</u>

Segment information for the period ended 31 December 2009:

31 Dec 2009	Power generation (Contracted) RM'000	Multi utilities business (Merchant) RM'000	Water & Sewerage RM'000	Mobile broadband network RM'000	Investment holding & other businesses RM'000	Group RM'000
External Revenue	566,183	4,454,513	1,266,728	-	51,000	6,338,424
Inter-segment Revenue	-	-	-	-	305,943	305,943
Segment profit / (loss) before tax	<u>176,636</u>	<u>188,163</u>	<u>300,849</u>	<u>-</u>	<u>(2,175)</u>	<u>663,473</u>

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

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

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INTERIM FINANCIAL REPORT

Notes – continued

A9. Changes in the Composition of the Group

There were no changes in the composition of the Group for the current financial period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations except for the followings:

- (i) On 16 November 2010, YTL Utilities Limited (“YTL Utilities”), a wholly-owned subsidiary of the Company, acquired 1 ordinary share of par value USD1.00 in YTL Jordan Energy Limited at par value (“the Acquisition”). As a result of the Acquisition, YTL Jordan Energy Limited has become a wholly-owned subsidiary of YTL Utilities and an indirect subsidiary of YTL Power.

YTL Jordan Energy Limited was incorporated in the Cayman Islands on 16 November 2010 with an authorised share capital of USD50,000.00 comprising 50,000 shares of USD1.00 each. YTL Jordan Energy Limited will be principally involved in investment holding.

- (ii) On 10 November 2010, YTL Communication Sdn Bhd (‘YTL Comm’), a subsidiary of the Company entered into a Sale and Purchase Agreement with YTL e-Solutions Berhad, a related company for the acquisition of 450,000 ordinary shares of RM1.00 each representing 90% of the issued and paid-up share capital of Extiva Communications Sdn Bhd (‘Extiva Communications’) for a consideration of RM18,000,000 in cash. On 14 January 2011, YTL Comm entered into an agreement with Mr Kok Kee Chon and Extiva Communications for the acquisition of 50,000 ordinary shares of RM1.00 each representing 10% of the issued and paid-up share capital of Extiva Communications for a consideration of RM2,000,000 in cash. Both acquisitions were completed on 16 February 2011 and Extiva Communications has become a wholly-owned subsidiary of YTL Comm and an indirect subsidiary of YTL Power.

Extiva Communications was incorporated on 14 April 1998 and presently has an authorised share capital of RM1,000,000.00 comprising 1,000,000 ordinary shares of RM1.00 each of which 500,000 ordinary shares have been issued and fully paid-up. Extiva Communications is principally involved in developing and marketing VoIP telephony and other advanced network media appliances for the service provider and enterprise telephony markets.

A10. Changes in Contingent Liabilities

There were no material changes in the contingent liabilities or the contingent assets of the Group since the last financial year ended 30 June 2010 except for the reduction of corporate guarantee to a financial institution for letter of credit facilities utilised by its subsidiary. The corporate guarantee was reduced from USD41,125,000 to USD33,600,000.

INTERIM FINANCIAL REPORT

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING
REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

B1. Review of the Results

Group revenue was RM3,576.6 million for the current quarter ended 31 December 2010 as compared to RM3,134.7 million recorded in the preceding year corresponding quarter ended 31 December 2009. This represents an increase of RM441.9 million or 14.1% over the preceding year corresponding quarter ended 31 December 2009. The Group profit before taxation for the current quarter ended 31 December 2010 was RM356.8 million, an increase of RM12.3 million or 3.6% as compared to the preceding year corresponding quarter ended 31 December 2009. This increase was principally attributable to better performance recorded by the foreign subsidiaries. The strengthening of the Ringgit against the functional currencies in which the foreign subsidiaries are denominated resulted in the moderate increase in profit before taxation for the period under review.

B2. Comparison with Preceding Quarter

	Current Quarter 31.12.2010 RM'000	Preceding Quarter 30.09.2010 RM'000
Revenue	3,576,605	3,484,279
Consolidated profit before taxation	356,822	381,911
Consolidated profit after taxation	250,310	269,760

B3. Prospects

The Group is expected to perform satisfactorily for the financial year ending 30 June 2011.

B4. Profit Forecast

The Group did not issue any profit forecast during the financial period.

B5. Audit Report of the preceding financial year ended 30 June 2010

The Auditors' Report on the financial statements of the financial year ended 30 June 2010 did not contain any qualification.

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INTERIM FINANCIAL REPORT

Notes – continued

B6. Taxation

	Current Year Quarter 31.12.2010 RM'000	Current Year To Date 31.12.2010 RM'000
In respect of current period/year		
- Income Tax	108,974	203,371
- Deferred Tax	(2,462)	15,292
	-----	-----
	106,512	218,663
	=====	=====

The provision for taxation for the current quarter and current year to date reflects an effective rate higher than the average Statutory Income Tax Rate primarily due to certain expenses which are not tax deductible.

B7. Sale of Unquoted Investments and/or Properties

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

B8. Quoted Investments

- a) There was no disposal of quoted investment during the current financial quarter and financial year to date.
- b) There was no purchase of quoted investments during the current financial quarter and financial year to date.
- c) The cost, carrying value and the market value of the quoted investments of the Group as at end of the current reporting quarter are:

	RM'000
Cost	103,285
Carrying value	185,668
Market/Fair value	185,668
	=====

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INTERIM FINANCIAL REPORT

Notes – continued

B9. Corporate Proposals

Save for the following, there are no corporate proposals announced and pending completion as at the date of this report:-

On 15 October 2010, the Company announced the proposed establishment and implementation of a new employees share option scheme ('ESOS') for the eligible employees and directors of the Company and/or its subsidiaries ('Proposed 2010 ESOS') in place of the existing ESOS scheme of the companies which will be expiring on 30 November 2011. The Proposed 2010 ESOS has been approved by the shareholders of the Company at the Extraordinary General Meeting held on 30 November 2010 and is now pending implementation.

B10. Group Borrowings and Debt Securities

The Group's borrowings from financial institutions as at 31 December 2010 are as follows:

	Short term RM'000	Long term RM'000	Total RM'000
Secured	-	4,484,989	4,484,989
Unsecured	2,133,914	15,078,046	17,211,960
	-----	-----	-----
	2,133,914	19,563,035	21,696,949
	=====	=====	=====

The borrowings which are denominated in foreign currency are as follows:

In US Dollar ('000)	586,561
	=====
In Sterling Pound ('000)	1,602,125
	=====
In Singapore Dollar ('000)	2,679,789
	=====

All borrowings of subsidiary companies are on a non-recourse basis to the Company save and except for the following which is guaranteed by the Company:

- a) USD190 million term loan due on 29 January 2011.
- b) USD200 million term loan due on 17 December 2012.
- c) USD 200 million term loan due on 30 June 2015.

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B11. Derivative Financial Instruments, Fair Value Changes of Financial Liabilities and Retained Earnings

(a) Derivative Financial Instruments

As at 31 December 2010, the Group's outstanding derivatives are as follows:

Type of Derivatives	Contract/Notional Value RM'000	Fair Value RM'000
<u>Fuel oil swaps</u>		
- Less than 1 year	837,924	895,823
- 1 year to 3 years	17,264	18,012
<u>Currency forwards</u>		
- Less than 1 year	2,004,977	1,956,695
- 1 year to 3 years	30,535	29,317
<u>Interest rate swaps</u>		
- More than 3 years	596,475	567,195

The Group entered into fuel oil swaps to hedge highly probable forecast physical fuel oil and natural gas purchases that are expected to occur at various dates in the future. The fuel oil swaps have maturity dates that match the expected occurrence of these transactions.

The Group entered into currency forwards to hedge highly probable forecast transactions denominated in foreign currency expected to occur in the future. The currency forwards have maturity dates that match the expected occurrence of these transactions.

Interest rate swaps are entered to hedge floating rate interest payments on bank borrowings which were obtained to finance acquisition of subsidiaries and for the construction of property, plant and equipment.

All derivative financial instruments are executed with creditworthy counter parties with a view to limit the credit risk exposure of the Group.

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INTERIM FINANCIAL REPORT

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(b) Fair Value Changes of Financial Liabilities

The gains/losses arising from fair value changes of financial liabilities for the current financial period ended 31 December 2010 are as follows:

Type of financial liabilities	Basis of fair value measurement	Reason for the gain/(loss)	Fair value gain/(loss)	
			Current year quarter 3 months to 31.12.2010	Current year to date 6 months to 31.12.2010
			RM'000	RM'000
Forward foreign currency exchange contracts	Foreign exchange differential between the contracted rate and the market forward rate	Foreign exchange rates differential between the contracted rate and the market forward rate which have moved in favour / (unfavourably) against the Group	(24)	(1,323)
Fuel oil swap	Fuel oil price differential between the contracted price and the market forward price	Fuel oil price differential between the contracted price and the market forward price which have moved in favour / (unfavourably) against the Group	(760)	1,079
Total			(784)	(244)

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INTERIM FINANCIAL REPORT

Notes – continued

(c) Retained Earnings

	As at 31.12.2010 RM'000	As at 30.09.2010 RM'000
Retained earnings/ (accumulated losses) of YTL Power and its subsidiaries		
- Realised	5,858,707	5,781,421
- Unrealised	(1,482,029)	(1,468,444)
	-----	-----
	4,376,678	4,312,977
Retained earnings/ (accumulated losses) from associated companies		
- Realised	531,833	477,670
- Unrealised	(61,574)	(58,782)
	-----	-----
	4,846,937	4,731,865
Less: consolidated adjustments	12,191	3,286
	-----	-----
Total Group retained earnings as per consolidated accounts	4,859,128	4,735,151
	=====	=====

B12. Pending Material Litigation

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

B13. Dividend

The Board of Directors is pleased to declare a second interim tax exempt dividend of 3.75% or 1.875 sen per ordinary share of 50 sen each for the financial year ending 30 June 2011.

The book closure and payment dates in respect of the aforesaid dividend are 16 March 2011 and 31 March 2011 respectively.

INTERIM FINANCIAL REPORT

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B14. Earnings Per Share

i) Basic Earnings Per Share

The basic earnings per share of the Group has been computed by dividing the profit attributable to Owners of the Parent for the financial quarter by the weighted average number of ordinary shares in issue during the financial quarter as set out below:

	Current Year Quarter 31.12.2010	Preceding Year Corresponding Quarter 31.12.2009
Profit attributable to Owners of the Parent (RM'000)	259,215 =====	250,337 =====
Weighted average number of ordinary shares ('000)	7,201,990 =====	6,217,620 =====
Basic earnings per share (Sen)	3.60 =====	4.03 =====

ii) Diluted Earnings Per Share

The diluted earnings per share of the Group has been computed by dividing the profit attributable to Owners of the Parent for the financial quarter by the weighted average number of ordinary shares in issue during the financial quarter. For the preceding year corresponding quarter, the diluted earnings per share of the Group has been computed by dividing the adjusted profit attributable to Owners of the Parent for the financial quarter by the weighted average number of ordinary shares in issue during the financial quarter after assuming exchange of USD170.4 million Zero Coupon Guaranteed Exchangeable Bonds as set out below:

	Current Year Quarter 31.12.2010	Preceding Year Corresponding Quarter 31.12.2009
Profit/Adjusted Profit attributable to Owners of the Parents (RM'000)	259,215 =====	255,552 =====

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<i>Weighted average number of ordinary shares ('000) – diluted</i>		
Weighted average number of ordinary shares ('000) – basic	7,201,990	6,217,620
Effect of unexercised warrants 2000/2010	-	26,236
Effect of unexercised warrants 2008/2018	580,051	566,074
Effect of unexercised ESOS	35,617	29,110
Assumed exchange of Zero Coupon Bonds	-	333,773
	-----	-----
	7,817,658	7,172,813
	=====	=====
Diluted earnings per share (Sen)	3.32	3.56
	=====	=====

* *Total cash expected to be received in the event of an exercise of all outstanding warrants and ESOS options is RM1,688.6 million. Accordingly, the Net Asset (NA) on a pro forma basis will increase by RM1,688.6 million resulting in an increase in NA per share of RM0.03. In arriving at the Diluted earnings per share, NA and NA per share, no income has been accrued for the cash proceeds.*

By Order of the Board
HO SAY KENG
Secretary

Kuala Lumpur
Dated: 24 February 2011