

I-POWER BERHAD (596299-D)

Quarterly report on unaudited consolidated results for the financial period ended 30 September 2006

Notes:-

1. Accounting policies and methods of computation

The quarterly financial report is unaudited and has been prepared in accordance with FRS 134 "Interim Financial Reporting" and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the MESDAQ market.

The quarterly financial report should be read in conjunction with the audited financial statements of I-Power Berhad ("the Company") for the year ended 30 June 2006. The explanatory notes attached to the quarterly financial report provide an explanation on events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company since the financial year ended 30 June 2006.

The accounting policies and methods of computation adopted by the Company in the quarterly financial report are consistent with those adopted in the audited financial statements of the Company for the financial year ended 30 June 2006 except for the adoption of the new and revised Financial Reporting Standards ("FRS") as required by the Malaysian Accounting Standards Board effective for the Company for the financial period beginning 1 July 2006.

The adoption of these FRSs does not have any significant financial impact on the Company.

2. Qualification on the Auditors' Report of preceding annual financial statements

The auditors' report of the Company's Annual Financial Statements for the year ended 30 June 2006 was not subject to any qualification.

3. Seasonal or cyclical factors

The business operations within the industry are not affected by seasonal and cyclical factors.

4. Exceptional or extraordinary items

There were no exceptional or extraordinary items affecting assets, liabilities, equity, net income or cash flows in the reporting quarter and financial year-to-date.

5. Changes in estimates of amounts reported

There were no change in estimates of amounts that had been used in the preparation of the quarterly financial report of the current financial year or in prior financial year.

6. Issuance or repayment of debt and equity securities

Save as disclosed below, there were no issuance or repayment of debt or equity securities, share buy-backs, share cancellations, share held as treasury shares and resale of treasury shares in the reporting quarter and financial year-to-date other than matters mentioned in Paragraph 20 (a) (i) and (ii).

7. Dividend paid

An interim dividend of 10.0 sen per share (tax-exempted), amounting to RM6.3 million in respect of financial year ended 30 June 2005 was paid on 28 June 2005.

No dividend was however declared nor paid for the financial year ended 30 June 2006.

8. Segmental reporting

No segmental analysis is presented as the Company is primarily engaged in implementation and development of software for commercial application.

9. Valuation of property, plant and equipment

The Company has not carried out valuation on its property, plant and equipment in the reporting quarter and financial year-to-date.

10. Subsequent material events

There were no subsequent material events to be disclosed as at the date of this quarterly financial report other than matters mentioned in Paragraph 20 (a) (i) and (ii).

11. Changes in the composition of the Company

There were no changes in the composition of the Company in the reporting quarter and financial year-to-date.

12. Contingent liabilities

There were no contingent liabilities for the Company since the last audited financial statements for the year ended 30 June 2006.

13. Review of the performance of the Company

For the current reporting quarter ended 30 September 2006, the Company recorded a revenue of RM6.827 million compared to revenue of RM4.905 million for preceding quarter, and profit after tax of RM1.646 million compared to profits after tax of RM1.599 million for the preceding quarter.

For the current reporting quarter, the Company's revenue increased by 39.18% compared to the preceding quarter, whilst profits after tax for the same period increased by 2.94%.

The growth of the IT and IT related industries both locally and globally, in particular the relatively untapped market of the E-Solutions IT industry contributed generally to the stronger sales recorded for the quarter.

Specifically, a major factor contributing to the stronger sales recorded for the quarter is due to stronger and more aggressive sales and business development activities of the Company in all areas such as the Company's E-solutions products and software development services, software integration and related services, and better collaboration with System Integration ("SI") partners. All these have resulted in growing awareness and acceptance of the Company's brand name which has been on the rise in the past 12 months.

Going forward, the Company maintains a healthy pipeline of potential orders that are pending and of which we have been short-listed. The Company has been invited to participate and continues to participate in many government and corporate tenders in collaboration with IBM, established Bumiputra companies and/or leading IT players in the market. The Company also plan to expand its sales team to include proven professionals who will be trained to specifically target the GLCs and government sector. The Company will also be scouting for acquisition opportunities particularly in the financial services sector.

Therefore, the Directors of the Company have good reasons to be optimistic for the financial year ending 30 June 2007.

14. Material change in profit before taxation for the current financial quarter as compared with immediate preceding financial quarter

The comparison of results between the current quarter and the immediate preceding quarter are as follows:

	Current Quarter (01.07.06 to 30.09.06) RM'000	Preceding Quarter (01.04.06 to 30.06.06) RM'000
Turnover	<u>6.827</u>	<u>4.905</u>
Profit before taxation	<u>1.646</u>	<u>1.599</u>

The Company recorded a turnover of RM6.827 million for the current quarter compared to RM4.905 million of the preceding quarter, whilst the profits after tax was RM1.646 million for current quarter in contrast to RM1.599 million previous quarter.

Compared to the previous quarter, the Company has improved its revenue by 39.18% in the current quarter due mainly to stronger revenue as a consequence of more aggressive sales and marketing activities, resulting in rising demand and acceptance of the Company's myriad products in E-Solutions and related services as well as SI works.

Notwithstanding the stronger sales, the profits for the quarter grew by a mere 2.94%, this is due to the lower margins registered from SI revenues which formed the bulk of the sales recorded for the quarter.

In addition, the lower profits were also the direct result of a change in accounting treatment of development costs. At the Board of Directors' ("Board") meeting to accept the Audited Financial Statements for the last financial year 2006, the Board decided, after consultation with the Company's auditors, that it will cease capitalizing R&D activities as development costs in its balance sheet from financial year 2007 onwards. Instead it will expense such activities, and will amortize the development costs item in the balance sheet over the next 5 years. Collectively, this amounted to approximately RM400K off the Company's profits for the present quarter.

15. Prospects for the current financial year

In the light of the growth of the IT and IT related industries both locally and globally, the Company is expected to benefit from this positive development.

In particular considering the relatively untapped market of the E-Solutions IT industry, the Directors have good reasons to maintain a bullish outlook for the Company for the current financial year ending 30 June 2007.

The Company's confidence stems from the fact that due to stronger and more aggressive sales and business development activities, the growing awareness and acceptance of the Company's E-solutions products and software development services, software integration and related services have been on the rise during the past 12 months.

This is especially in view of the fact that the Company has a healthy pipeline of potential orders that are pending and of which it has been short-listed. Moreover, the Company has been invited to participate and continues to participate in many government and corporate tenders in collaboration with established Bumiputra companies and/or leading IT players in the market.

With such a background and barring any unforeseen circumstances, the Directors of the Company are reasonably optimistic of its prospects for the foreseeable future.

16. Variance of actual profit from the forecast profit

Not applicable.

17. Taxation

The Company was granted pioneer status by Multimedia Super Corridor ("MSC") under the provisions of the Promotion of Investments (Amendment) Act, 1997. By virtue of this pioneer status, the Company's statutory income from pioneer activities during the pioneer period from 16 December 2002 to 15 December 2007 are exempted from income tax. Dividends declared out of such profits are also exempted from income tax in the hands of the shareholders.

18. Sale of unquoted investment and/or property

There was no sale of unquoted investment and /or property in the reporting quarter and financial year-to-date.

19. Purchase and disposal of quoted security

The Company does not hold any quoted security nor was there any purchase or disposal of quoted security in the reporting quarter and financial year-to-date.

20. (a) Status of corporate proposal

(i) Status of Private Placement announced

On 4 April 2006, the Company had announced a proposed private placement of up to 6,300,00 new ordinary shares of RM0.10 each in the Company (the "**Proposed Private Placement**"). The Company had by 8 May 2006 received all the relevant approvals required for the Proposed Private Placement. Kindly refer to the Company's announcements (published in the Bursa's Website) dated 4 April 2006, 20 April 2006, 5 May 2006, 8 May 2006, 4 October 2006, 18 October 2006 and 1 November 2006 for further details in relation to the Proposed Private Placement.

As at the date of release of the First Quarter results for the period ended 30 September 2006, the Company is pleased to confirm that the private placement exercise of 6,300,000 shares referred to above had been successfully completed and issued at 68 cents per share. The new shares were listed on 3 November 2006 and total proceeds raised amounted to RM4,284,000.

(ii) Announcement of Bonus Issue

On 3 November 2006, the Company announced that its Board intends to undertake a bonus issue in the ratio of three shares for every two (3:2) fully paid-up ordinary shares held. Kindly refer to the Company's announcement (published in the Bursa's Website) dated 3 November 2006 for further details in relation to the Bonus Issue exercise.

(b) Utilisation of proceeds

Utilisation of Proceeds from the IPO exercise as at 30 September 2006

Description	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance RM'000
(i) R&D Expenditure	3,500	2,652	848
(ii) Working Capital	2,740	2,740	
(iii) Listing Expenses	1,500	1,501	(1)
Total	7,740	6,893	847

21. Company borrowings and debt securities

The Company does not have any borrowings and debt securities in the reporting quarter and financial year-to-date.

22. Off balance sheet financial instruments

The Company does not have any financial instruments with off balance sheet risk in the reporting quarter and financial year-to-date.

23. Material Litigation

The Company is not engaged in any material litigation either as plaintiff or defendant and the Directors do not have any knowledge of any proceedings pending or threatened against the Company as at the date of this quarterly financial report.

24. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the net profit for the reporting quarter of RM1.646 million and the number of ordinary shares in the reporting quarter of 63,000,000 (weighted average basis).

(b) Diluted earnings per share

Not applicable.