

I-POWER BERHAD (596299-D)

Unaudited quarterly report for the financial period ended 31 March 2007.

Notes:-**1. Accounting policies and methods of computation**

The 3rd quarterly financial report ended 31 March 2007 is unaudited and has been prepared in accordance with Financial Reporting Standards (“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 report should be read in conjunction with the audited financial statements of 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 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).

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, to all shareholders whose name appear on the register of members and record of Depositors on 22 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).

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 31 March 2007, the Company recorded a revenue of RM16.824 million compared to revenue of RM5.991 million for preceding quarter, and profit after tax of RM3.697 million compared to profits after tax of RM1.971 million for the preceding quarter.

Sales revenues for the current reporting quarter increased by 181% compared to the preceding quarter, whilst the Company's profits after tax for the current reporting quarter has increased by 87.57%. Compared to the same quarter of the preceding year 2006's revenues of RM5.586 million, the current quarter revenues of RM16.824 million represents an increase of 201%.

In respect of the current financial year to date ended 31 March 2007, the Company recorded a revenue of RM29.642 million, representing an increase of 121.32% from the preceding year corresponding period ended 31 March 2006 of RM13.393 million.

In line with the increase in revenue, the profit after tax of RM7.314 million for the current financial year to date ended 31 March 2007 has increased by 30.65% from the preceding year corresponding period ended 31 March 2006 of RM5.598 million.

I-Power's higher sales and business development activities in overall areas such as the Company's E-solutions products and software development services, software integration and related services, and better collaboration with System Integration partners, have resulted in the strong set of financial results for the nine (9) months ended 31 March 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 (01.01.07 to 31.03.07) RM'000	Preceding Quarter (01.10.06 to 31.12.06) RM'000
Turnover	<u>16,824</u>	<u>5,991</u>
Profit before taxation	<u>3,697</u>	<u>1,971</u>

The Company recorded a turnover of RM16.824 million for the current quarter compared to RM5.991 million of the preceding quarter, whilst the profits before tax was RM3.697 million for current quarter in contrast to RM1.971 million previous quarter.

Sales revenues for the current reporting quarter increased by 181% compared to the preceding quarter, whilst the Company's profits before tax for the current reporting quarter has increased by 87.57%. Compared to the same quarter of the preceding year 2006's revenues of RM5.586 million, the current quarter revenues of RM16.824 million represents an increase of 201%.

The current quarter strong financial performance was the direct result of the Company having secured a large system integration job plus its ongoing aggressive sales and marketing activities, resulting in increasing demand and acceptance of the Company's myriad products in E-Solutions and related services.

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 the Company's higher 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 which have been on the rise during the past twelve (12) months.

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

Barring any unforeseen circumstances, the Directors of the Company (“Board”) 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 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) Announcement of employees’ share option scheme (“ESOS”)

On 13 March 2007 and 22 March 2007, Kenanga Investment Bank Berhad (formerly known as K & N Kenanga Berhad), on behalf of the Board, announced that I-Power proposed to establish an employees’ share option scheme of up to twenty percent (20%) of the issued and paid-up share capital of I-Power at any point of time (“Proposed ESOS”).

Bursa Malaysia Securities Berhad had, vide its letter dated 13 April 2007, approved in principle the listing and quotation of the new ordinary shares in I-Power that may be issued pursuant to the Proposed ESOS.

On 19 April 2007, the shareholders of I-Power had passed the resolutions to approve the Proposed ESOS.

(b) Utilisation of proceeds

1. Utilisation of Proceeds from the IPO exercise as at 31 March 2007

Description	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance RM'000	%	Intended Timeframe for utilisation
(i) R&D Expenditure	3,500	3,250	250	7.14	30 June 2007
(ii) Working Capital	2,740	2,740	-	-	-
(iii) Listing Expenses	1,500	1,501	(1)	-	-
Total	<u>7,740</u>	<u>7,491</u>	<u>249</u>		

2. Utilisation of Proceeds from Private Placement of 6.3 million shares listed on 3 November 2006

Description	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance RM'000	%	Intended Timeframe For utilisation
(i) Working Capital	4,184	4,184	-	-	-
(ii) Private Placement expenses	100	100	-	-	-
Total	<u>4,284</u>	<u>4,284</u>	<u>-</u>	<u>-</u>	<u>-</u>

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 is calculated by dividing the net profit for the period by the weighted average number of ordinary shares in issue during the period.

	3 Months Period Ended	
	31.03.07	31.03.06
	RM'000	RM'000
Profit attributable Ordinary Equity holders of the Company	3,697	2,774
Weighted average number of Ordinary Shares in issue ('000)	173,250	63,000
Basis earnings per share (sen)	2.13	4.40

- (b) Diluted earnings per share

Not applicable.

BY ORDER OF THE BOARD

Chin Kim Fung (LS00234)

Company Secretary