

I-POWER BERHAD (596299-D)

Unaudited quarterly report for the financial period ended 30 June 2007.

Notes:

1. Accounting policies and methods of computation

The 4th quarterly financial report ended 30 June 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.

Save for the FRS on Employees Shares Option Scheme, 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 was 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

There was no dividend paid nor declared for the current quarter under review.

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 30 June 2007, the Company recorded revenues of RM28.198 million compared to RM16.824 million for preceding quarter, and profit after tax of RM3.275 million compared to RM3.697 million for the preceding quarter.

Sales revenues for the current reporting quarter increased by 67.61% compared to the preceding quarter, whilst the Company's profits after tax for the current reporting quarter has decreased by 11.41%. When compared to the same quarter of the preceding year 2006's revenues of RM4.905 million, the current quarter revenues of RM28.198 million represents an increase of 475%.

For the current financial year to date ended 30 June 2007, the Company recorded revenues of RM57.840 million, representing an increase of 216.10% when compared to the prior year ended 30 June 2006 of RM18.298 million.

The Company's profit after tax generated from operating activities was a solid RM11.663 million, however, after adjusting for Employees Share Option Scheme charges of RM1.073 million, the profit after tax for the year ended 30 June 2007 still showed a healthy RM10.589 million, an increase of 47.13% from the preceding year, 30 June 2006 of RM7.197 million.

For the 12 months ended 30th June 2007, the Company generated net cash from operating activities of RM11.494 million, and whilst its sales revenues registered an increase of 216.10% over the preceding year's revenues, the Company is proud to report that its account receivables as a percentage of sales of RM57.840 million stood at 49% compared to last year's of 51%, an improvement of 2% despite the hefty jump in sales of 216.10%.

I-Power's more aggressive and stronger sales and business development activities in all areas such as the Company's E-solutions products, turnkey software development services, software integration and related services, and better collaboration with System Integration partners ("SI"), have resulted in the strong set of financial results for the 12 months ended 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 (01.04.07 to 30.06.07) RM'000	Preceding Quarter (01.01.07 to 31.03.07) RM'000
Turnover	<u>28,198</u>	<u>16,824</u>
Profit before taxation	<u>3,275</u>	<u>3,697</u>

The Company recorded a turnover of RM28.198 million for the current quarter compared to RM16.824 million of the preceding quarter, whilst the profits after tax was RM3.275 million for current quarter in contrast to RM3.697 million previous quarter.

Sales revenues for the current reporting quarter increased by 67.61% compared to the preceding quarter, whilst the Company's profits after tax for the current reporting quarter has decreased by 11.41%. When compared to the same quarter of the preceding year 2006's revenues of RM4.905 million, the current quarter revenues of RM28.198 million represents an increase of 475%.

The current quarter increased sales was the direct result of the Company having secured a large system integrations job plus its stronger 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 and the stellar performance for the year ended 30 June 2007, the Directors have good reasons to maintain a bullish outlook for the Company for the new financial year ending 30 June 2008.

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 as can be ascertained from its healthy pipeline and collaborative efforts with other established SI players.

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 ("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) Announcement of Rights Issue

On 20 June 2007 the Company proposed to undertake the following:-

- (a) Proposed renounceable rights issue of up to 228,690,000 new ordinary shares of RM0.10 each in I-Power ("Rights Share(s)") with up to 76,230,000 free detachable new warrants ("Warrant(s)") on the basis of three (3) Rights Shares with one (1) free detachable warrant for every three (3) existing ordinary shares of RM0.10 each in I-Power ("I-Power Share(s)" or "Share(s)") held on an entitlement date to be determined later ("Proposed Rights Issue");
- (b) Proposed increase in the authorised share capital of I-Power from RM25,000,000 comprising 250,000,000 Shares to RM100,000,000 comprising 1,000,000,000 Shares; and
- (c) Proposed amendments to the Memorandum and Articles of Association of the Company.

(Herein referred as "Proposals")

The Securities Commission ("SC") and Bank Negara Malaysia ("BNM") had vide their letters dated 13 July 2007, approved the Proposed Rights Issue.

The Proposals are expected to be completed and implemented by the 1st quarter of 2008.

(ii) Announcement of Private Placement

On 17 May 2007, the Company announced that it proposes to implement a private placement of up to 20,790,000 new ordinary shares of RM0.10 each in I-Power ("Proposed Private Placement"), representing not more than ten percent (10%) of the issued and paid-up share capital of the Company, to investors to be identified later. The Proposed Private Placement was approved by the SC vide its letter dated 28 May 2007.

Subsequent to the approval, an additional 13,618,000 new ordinary shares of RM0.10 each issued at RM0.35 per share, being a portion of the Private Placement was granted listing and quotation on 15 June 2007.

(iii) Announcement of 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.

Further to the announcements as outlined above, the Company's additional 25,930,000 new ordinary shares of RM0.10 each issued pursuant to the scheme was granted listing and quotation on 9 May 2007.

(b) Utilisation of proceeds

Utilisation of Proceeds from the initial public offering exercise as at 30 June 2007:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance C/F RM'000	%	Intended Timeframe for utilisation
(i) R&D Expenditure	3,500	3,542	(42)		-
(ii) Working Capital	2,740	2,740	-		-
(iii) Listing Expenses	1,500	1,501	(1)		-
Total	7,740	7,783	(43)		

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 EPS is calculated by dividing the net profit for the period.

	12 Months Period Ended	
	30.06.07	30.06.06
	RM'000	RM'000
Profit attributable Ordinary Equity holders of the Company	10,589	7,197
Weighted average number of Ordinary Shares in issue ('000)	98,494	63,000
Basis earnings per share (sen)	10.75	11.42

(b) Diluted earnings per share
Not applicable.

25. Employee Share Options Scheme

Movements in the number of shares options outstanding and their related exercise price are as follows:

<u>Grant Date</u>	<u>Exercise Price</u>	<u>No. of Share Options</u>			
		<u>At 01.07.2006</u>	<u>Granted</u>	<u>Exercised</u>	<u>At 30.06.2007</u>
April 2007	RM0.39	-	25,930,000	(25,930,000)	-
		-	25,930,000	(25,930,000)	-

As at 30.06.2007, 8,720,000 options remain to be granted to eligible employees.

The fair value of share options granted during the year is computed using Black-Scholes model, taking into consideration the terms and conditions upon which the options were granted.

The fair value of share options measured at grant date and the assumptions are as follows:

	<u>2007</u>	<u>2006</u>
Fair value of shares options (RM)	0.0414	-
Weighted average share price (RM)	0.39	-
Weighted average exercise price (RM)	0.35	-
Expected volatility (%)	45.05	-
Interest rate (%)	3.50	-
Expected dividend yield (%)	0.00	-

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

BY ORDER OF THE BOARD

Chin Kim Fung (LS00234)
(Secretary)