

## **I-POWER BERHAD (596299-D)**

Unaudited quarterly report for the financial period ended 30 September 2008.

### **Notes:**

#### **1. Accounting policies and methods of computation**

The 1st quarterly financial report ended 30 September 2008 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 financial year ended 30 June 2008. 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 2008.

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 2008 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 2008. 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 financial year ended 30 June 2008 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 current 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) :-

(i) Treasury shares

During the current quarter, the Company repurchased 3,766,000 of its issued ordinary shares from open market at an average price of RM0.18 per share. The total consideration paid for the repurchase including transaction costs was RM692,113.30 and this was financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965.

**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 financial year ended 30 June 2008.

## **13. Review of the performance of the Company**

For the current reporting quarter ended 30 September 2008, the Company recorded revenues of RM9.418 million compared to RM9.668 million for preceding quarter, and profit after tax of RM2.024 million compared to RM2.283 million for the preceding quarter.

Revenues for the current reporting quarter declined by 2.58% compared to the preceding quarter, whilst the Company's profits after tax for the current reporting quarter has declined by 13.54%. The decline in the Company's revenue and profit after tax quarter on quarter is only marginal and is merely a quarter to quarter fluctuation, not an underlying trend.

Compared with the preceding year corresponding period, revenue for the reporting quarter declined by 64.45% i.e. from RM27.259 million to RM9.418 million for the current reporting quarter. Notwithstanding the lower revenues, the net profit after tax margin for the current reporting quarter is actually higher at 21.5% as compared to 8.0% for the same period in the preceding year. This is due to higher margins registered from E-solutions revenues which formed the bulk of sales registered for this quarter.

More importantly, I-Power's aggressive sales and business development activities in all areas such as turnkey software development services, software integration and related services and particularly in the Company's E-solutions products, and better collaboration with System Integration partners ("SI") are expected to further mitigate the effect of the softening of the domestic and world economy.

**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 (01.07.08 to 30.09.08) M'000	Preceding Quarter (01.04.08 to 30.06.08) RM'000
Turnover	<u>9,418</u>	<u>9,668</u>
Profit before taxation	<u>2,024</u>	<u>2,341</u>

The Company recorded a turnover of RM9.418 million for the current quarter compared to RM9.668 million of the preceding quarter, whilst the profits after tax was RM2.024 million for current quarter in contrast to RM2.341 million for the previous quarter.

Revenues for the current reporting quarter declined by 2.58% compared to the preceding quarter, whilst the Company's profits after tax for the current reporting quarter has declined by 13.54%. The decline in the Company's revenue and profit after tax quarter on quarter is only marginal and is merely a quarter to quarter fluctuation, not an underlying trend.

Compared with the preceding year corresponding period, revenue for the reporting quarter declined by 64.45% i.e. from RM27.259 million to RM9.418 million for the current reporting quarter. Notwithstanding the lower revenues, the net profit after tax margin for the current reporting quarter is actually higher at 21.5% as compared to 8.0% for the same period in the preceding year. This is due to higher margins registered from E-solutions revenues which formed the bulk of sales registered for this quarter.

**15. Prospects for the current financial year**

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

With the domestic and world economy expecting to soften considerably over the next 12 months, the Company remains cautious yet maintains an optimistic outlook of the Company's prospects and anticipates another year of growth and healthy financial performance albeit at a slower pace.

The Company's confidence stems from the fact that the Company's 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 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 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. The Company's tax exemption status was extended for another 5 years from 16 December 2007 to 15 December 2012.

**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 proposals**

**(i) Proposed Share Buy-Back**

On 4 June 2008, on behalf of the Board of Directors of I-Power, OSK Investment Bank Berhad announced that the Company intends to seek the approval of its shareholders to purchase up to ten percent (10%) of its issued and paid-up share capital (“Proposed Share Buy-Back”) pursuant to Section 67A of the Companies Act, 1965, Part IIIA of the Companies Regulations 1966 and Chapter 12 of the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market at a general meeting to be convened.

On 2 September 2008, the Company announced that the Proposed Share Buy-Back was duly approved at the Extraordinary General Meeting convened on 2 September 2008.

**(ii) Disposal of Investment**

On 30 April 2008, the Board announced that the proposed disposal by I-Power of 2,777,750 ordinary shares of RM1.00 each in Izzinet Sdn Bhd (“IZZI”), representing 25% equity interest in IZZI to KZEN Solutions Berhad (“KZEN”) for a total purchase consideration of RM37,500,000 to be satisfied by the issuance of 300,000,000 ordinary shares of RM0.10 in KZEN at the issue price of RM0.10 per KZEN share and cash consideration of RM7.5 million.

Subsequently on 19 September 2008, OSK Investment Bank Berhad (OSK) announced that the Securities Commission (SC) has not approved the Proposed Disposal of IZZI to KZEN.

On 13 October 2008, on behalf of the Board of Directors of KZEN, OSK announced that the Company had on even date submitted an appeal to the SC on the decision in respect of the Proposals.

**(b) Utilisation of proceeds**

The proceeds from the Rights Issue has yet to be fully utilised as at 30 September 2008 and the details are set out as follows:

<b>Description</b>	<b>Proposed</b>	<b>Actual</b>	<b>Balance</b>
	<b>Utilisation</b>	<b>Utilisation</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
(i) Future Viable Investments & Business Expansion	45,000	27,000	18,000
(ii) Working Capital	13,725	13,725	NIL
(iii) Rights Issue Expenses	2,623	2,623	NIL
<b>Total</b>	<b>61,348</b>	<b>43,348</b>	<b>18,000</b>

**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.

	<b>Three (3) Months Period Ended</b>	
	<b>30.09.08</b>	<b>30.09.07</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit attributable Ordinary Equity holders of the Company	2,024	2,171
Weighted average number of Ordinary Shares in issue ('000)	434,430	212,798
Basis earnings per share (sen)	0.47	1.02

(b) Diluted earnings per share -Not applicable.

**25. Employee Share Options Scheme**

As at 30 September 2008, 8,720,000 options remain to be granted to eligible employees.

BY ORDER OF THE BOARD  
Laang Jhe How (MIA 25193)  
(Secretary)