

I-POWER BERHAD (596299-D)

Unaudited quarterly report for the financial period ended 31 December 2008.

Notes:

1. Accounting policies and methods of computation

The 2nd quarterly financial report ended 31 December 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 27,932,400 of its issued ordinary shares from open market at an average price of RM0.14 per share. The total consideration paid for the repurchase including transaction costs was RM3,834,784 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. As at 31 December 2008, 31,698,400 ordinary shares have been purchased for RM4,526,897 including the transaction costs.

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 31 December 2008, the Company recorded revenues of RM7.988 million compared to RM9.418 million for preceding quarter, and profit after tax of RM0.459 million compared to RM2.024 million for the preceding quarter.

Revenues for the current reporting quarter declined by 15.18% compared to the preceding quarter, whilst the Company's profits after tax for the current reporting quarter has declined by 77.22%.

The decline in the Company's revenues for the current quarter when compared to the preceding quarter reflects the prevailing economic conditions in the market presently, whereby due to deteriorating economic outlook globally, much IT spending has been put on hold. Hence, for the foreseeable future, the visibility of revenues and earnings will be difficult to gauge.

Nonetheless, I-Power's lean and frugal overheads and costs structure, aggressive 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"), will serve the Company well through-out this challenging period. The management team at the Company has also stepped up efforts to become more disciplined and vigilant at all times to ensure that the Company sails through the current trying economic times.

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 (01.10.08 to 31.12.08) M'000	Preceding Quarter (01.07.08 to 30.09.08) RM'000
Turnover	<u>7,988</u>	<u>9,418</u>
Profit before taxation	<u>461</u>	<u>2,024</u>

The Company recorded a turnover of RM7.988 million for the current quarter compared to RM9.418 million of the preceding quarter, whilst the profits after tax was RM0.461 million for current quarter in contrast to RM2.024 million for the previous quarter.

Revenues for the current reporting quarter declined by 15.18% compared to the preceding quarter, whilst the Company's profits after tax for the current reporting quarter has declined by 77.22%.

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.

Considering the relatively untapped market of the E-Solutions IT industry and the stellar performance for the financial year ended 30 June 2008, the Directors have good reasons to maintain a cautious yet bullish outlook for the Company for the new financial year ending 30 June 2009.

The Company's confidence stems from the fact that the Company's higher revenues 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.

Nonetheless, the decline in the Company's revenues for the current quarter when compared to the preceding quarter reflects the prevailing economic conditions in the market presently, whereby due to deteriorating economic outlook globally, much IT spending has been put on hold. Hence, for the foreseeable future, the visibility of revenues and earnings will be difficult to gauge.

Notwithstanding the weak market conditions, I-Power's lean and frugal overheads and costs structure, aggressive 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"), will serve the Company well through-out this challenging period.

Barring any unforeseen circumstances, the Directors of the Company ("Board") maintains a reasonably optimistic yet cautious outlook of its prospects for the foreseeable future given the current economic conditions.

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 securities

The Company does not hold any quoted securities nor was there any purchase or disposal of quoted securities in the reporting quarter and financial year-to-date except as disclosed in Note 6(i) above.

20. (a) Status of corporate proposals

(i) Investment in Izzinet Sdn Bhd

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 (“IZZIN”), representing 25% equity interest in IZZIN 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 IZZIN 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 31 December 2008 and the details are set out as follows:

Description	Proposed	Actual	Balance
	Utilisation	Utilisation	
	RM'000	RM'000	RM'000
(i) Future Viable Investments & Business Expansion	38,000	27,000	11,000
(ii) Working Capital	20,725	20,725	NIL
(iii) Rights Issue Expenses	2,623	2,623	NIL
Total	61,348	50,348	11,000

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.

	Three (3) Months Period Ended	
	31.12.08	31.12.07
	RM'000	RM'000
Profit attributable Ordinary Equity holders of the Company	461	3,896
Weighted average number of Ordinary Shares in issue ('000)	406,498	339,015
Basis earnings per share (sen)	0.11	1.15

(b) Diluted earnings per share -Not applicable.

25. Employee Share Options Scheme

As at 31 December 2008, 8,720,000 options remain to be granted to eligible employees.

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