

I-POWER BERHAD (596299-D)

Unaudited quarterly report for the financial period ended 30 June 2010.

Notes:

1. Accounting policies and methods of computation

The 4th quarterly financial report ended 30 June 2010 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 ACE market.

The report should be read in conjunction with the audited financial statements of the Company for the financial year ended 30 June 2009. 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 2009.

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 2009 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 2009. 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 2009 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 did not repurchased any of its issued ordinary shares. As at 30 June 2010, 35,572,600 ordinary shares have been purchased for RM5,160,145 including the transaction costs. 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 2009.

13. Review of the performance of the Company

For the current reporting quarter ended 30 June 2010, the Company recorded revenue of RM1.201 million compared to RM2.081 million for preceding quarter, and loss before tax of RM92.582 million compared to loss before tax of RM1.398 million for the preceding quarter.

The revenue for the current reporting quarter decreased by RM0.880 million or 42.3% compared to the preceding quarter. However, the gross profit for the quarter increased by RM0.259 million. This was due to the higher portion of revenues derived from software and services, which yielded higher profit margin.

The loss before tax for the current financial year was RM95.617 million, which were attributable to the provision of allowance for doubtful debts amounting to RM71.436 million and provision for the impairment of investment in associate amounting to RM20.381 million.

The allowance for doubtful debts was provided on prudence ground after careful deliberation by the Board, for selected long outstanding receivables which the Company had categorized as doubtful due to the current economic situation. On the same prudence basis, the Company has also provided impairment for its investment in Izzinet Sdn Bhd.

Notwithstanding the adverse results for the financial year ended 30 June 2010, the core business of the Company remains intact. These results were attributable to lower spending by the multinational companies (MNC), which formed the bulk of the Company's customer base. The Board expects that with the overall improvement of the economy, the IT spending by the MNC should increase in tandem.

Nonetheless, I-Power continues to maintain its sales and business development activities in areas such as the Company's E-solutions products, turnkey software development services, software integration and related services in order to secure as many projects as possible to navigate through this challenging period.

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 (01.04.10 to 30.06.10) RM'000	Preceding Quarter (01.01.10 to 31.03.10) RM'000
Turnover	<u>1,201</u>	<u>2,081</u>
Loss before taxation	<u>(92,582)</u>	<u>(1,398)</u>

For the current reporting quarter ended 30 June 2010, the Company recorded revenue of RM1.201 million compared to RM2.081 million for preceding quarter, and loss before tax of RM92.582 million compared to loss before tax of RM1.398 million for the preceding quarter.

The revenue for the current reporting quarter decreased by RM0.880 million or 42.3% compared to the preceding quarter. However, the gross profit for the quarter increased by RM0.259 million. This was due to the higher portion of revenues derived from software and services, which yielded higher profit margin.

The loss before tax of RM92.582 million for the current reporting quarter was attributable to the provision of allowance for doubtful debts amounting to RM71.436 million and provision for the impairment of investment in associate amounting to RM20.381 million.

15. Prospects for the current financial year

The industry is still weak, thereby resulting in much corporate IT spending being put on hold. Hence with fewer IT projects available, competition has increased leading to narrower profit margins. For the foreseeable future, whilst the outlook for corporate spending on IT is on the improve alongside the recovering economy from the effects of the 2008 global financial crisis, the visibility of earnings going forward is still difficult to gauge.

For the financial year ended 30 June 2010, the Company has provided for allowance for doubtful debts amounting to RM71.436 million, in light of the current economic climate which had rendered some debts difficult to collect. This has substantially affected the results of the Company. The Company will continue to monitor its receivables diligently and ensure that all avenues are explored to collect its receivables. On the same prudence basis, the Company has also provided impairment for its investment in Izzinet Sdn Bhd.

Notwithstanding the adverse results for the financial year ended 30 June 2010, the core business of the Company remains intact. The results were attributable to lower spending by the multinational companies (MNC), which formed the bulk of the Company's customer base. The Board expects that with the overall improvement of the economy, the IT spending by the MNC should increase in tandem.

Going forward, the Company's Directors and management team will continue to work steadfastly to improve its performance and results for the next financial year ending June 2011.

The Company remains confident of steering through the challenging period ahead by :

- 1) increasing efforts to generate higher revenues and stronger business development activities,
- 2) continuing to build on the growing awareness and acceptance of the Company's E-solutions products and software development services, software integration and related services which still look promising; and
- 3) expand on its healthy pipeline and collaborative efforts with other established SI players.

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

There is no corporate proposals announced and uncompleted as at the reporting date.

(b) Utilisation of proceeds

As at the date of this report, the Company has fully utilized the proceeds raised from all its fund raising activities.

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 (loss)/profit for the period.

	Three (3) Months Period Ended	
	30.06.10	30.06.09
	RM'000	RM'000
Loss attributable to Ordinary Equity holders of the Company	(92,584)	(1,258)
Weighted average number of Ordinary Shares in issue ('000)	405,421	415,095
Basic loss per share (sen)	(22.84)	(0.30)

(b) Diluted earnings per share - Not applicable.

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