

I-POWER BERHAD (596299-D)

NOTES TO THE QUARTERLY REPORT

PART A: EXPLANATORY NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARDS (“FRS”) 134: INTERIM FINANCIAL REPORTING

A1. Accounting policies and methods of computation

The interim financial statements are unaudited and have been prepared in accordance with Financial Reporting Standards (“FRS”) 134 : Interim Financial Reporting and Appendix 9B of the ACE Market Listing Requirements of Bursa Securities.

The condensed consolidated interim financial report should be read in conjunction with the audited financial statements of the Company for the year ended 30 June 2010. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant for understanding the changes in the financial position and performance of the Company since the year ended 30 June 2010.

The accounting policies and methods of computation adopted by the Company for these interim financial statements are in compliance with the new and revised FRSs issued by the Malaysian Accounting Standards Board.

A2. Adoption of new and revised accounting policies

The accounting policies and methods of computation adopted by the Company in these condensed consolidated financial statements are consistent with those adopted in the audited financial statements for the year ended 30 June 2010, except for the adoption of new and revised Financial Reporting Standards (“FRSs”), Amendments to FRSs, Interpretations and Technical Releases which were effective for the financial periods beginning on or after 1 July 2010.

Unless otherwise described below, the new FRSs, Amendments to FRSs, Interpretations and Technical Releases are expected to have no significant impact on the financial statements of the Company upon their initial application except for the changes in presentation and disclosures of financial information :

a. FRS 101: Presentation of Financial Statements (Revised 2009)

The revised FRS 101 separates owner and non-owner changes in equity. Therefore, the consolidated statement of changes in equity will now include only details of transactions with owners. All non-owner changes in equity are presented as a single line labelled as total comprehensive income. The Standard also introduces the statement of comprehensive income: presenting all items of income and expense recognised in the income statement, together with all other items of recognised income and expense, either in one single statement, or in two linked statements of comprehensive income.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error

or the reclassification of items in the financial statements. This revised FRS does not have any impact on the financial position and results of the Company.

b. FRS 3: Business Combination (Revised 2010) and FRS 127: Consolidated and Separate Financial Statements (Revised)

FRS 3 (Revised 2010) introduces a number of changes to the accounting for business combinations occurring on or after 1 July 2010. These include changes that affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combination achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

FRS 127 (Revised) requires that a change in the ownerships interest of a subsidiary company (without loss of control) is accounted for as a transaction with owner in his capacity as owner and to be recorded in equity. Therefore, such transaction will no longer give rise to goodwill, nor will it give rise to be a gain or loss. Furthermore, the amended Standard changes the accounting for losses incurred by the subsidiary company as well as loss of control of a subsidiary company.

The changes by FRS 3 (Revised) and FRS 127 (Revised) will be applied prospectively and only affect future acquisitions or losses of control of subsidiary companies and transactions with non-controlling interests.

A3. Qualification on the Auditors' Report of preceding annual financial statements

There was no audit qualification to the annual audited financial statements of the Company for the financial year ended 30 June 2010.

A4. Seasonal or cyclical factors

The business operations within the industry are not affected by seasonal and cyclical factors.

A5. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current financial quarter under review and financial year-to-date.

A6. Changes in estimates of amounts reported

There were no changes in estimates that have had a material effect on the current financial quarter under review and financial year-to-date.

A7. 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 :-

(i) Treasury shares

During the current quarter, the Company did not repurchase any of its issued ordinary shares. As at 31 December 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.

A8. Dividend paid

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

A9. Segmental information

No segmental analysis is presented as the Company is primarily engaged in implementation and development of software for commercial application.

A10. Valuation of property, plant and equipment

The Company has not carried out valuation on its property, plant and equipment in the current financial quarter under review and financial year-to-date.

A11. Capital commitments

There are no material capital commitments in respect of property, plant and equipment as at 31 December 2010.

A12. Capital Expenditure

There was no major addition or disposal of the property, plant and equipment during the current financial quarter and financial year-to-date.

A13. Changes in the composition of the Group

There were no changes in the composition of the Company for the current financial quarter under review.

A14. Contingent liabilities and contingent assets

There were no contingent liabilities for the Company since the last audited financial statements for the financial year ended 30 June 2010.

A15. Subsequent material events

There were no subsequent material events to be disclosed as at the date of this quarterly financial report.

A16. Significant related party transactions

There were no related party transactions during the current financial quarter under review.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE ACE MARKET LISTING REQUIREMENTS OF BURSA SECURITIES

B1. Review of the performance of the Group

For the current financial quarter ended 31 December 2010, the Company recorded revenues of RM1.107 million and profit after tax of RM0.057 million. The net profit recorded was mainly attributable to the higher gross profit recorded, driven by the revenues from software and services.

In addition, better revenue mix with higher profit margin and lower overheads have enabled the Company to post a second successive profitable quarter, with cumulative profit after tax for the 6 months financial period ended 31 December 2010 standing at RM0.282 million.

B2. Comparison to the results of the preceding quarter

	Current Quarter 31 December 2010 RM'000	Preceding Quarter 30 September 2010 RM'000
Revenue	1,107	1,155
Profit/(Loss) before tax	57	228

For the current financial quarter ended 31 December 2010, the Company recorded revenues of RM1.107 million and profit after tax of RM0.057 million. The net profit recorded was mainly attributable to the higher gross profit recorded, driven by the revenues from software and services.

In addition, better revenue mix with higher profit margin and lower overheads have enabled the Company to post a second successive profitable quarter, with cumulative profit after tax for the 6 months financial period ended 31 December 2010 standing at RM0.282 million. Notwithstanding that, profit after tax decreased marginally by RM0.171 million compared to the preceding quarter due to the different combination of projects completed and their respective profit margins quarter to quarter.

B3. Prospects for the current financial year

Notwithstanding the Company's return to profitability, the Board believes that the industry is still in a state of flux. 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 global financial crisis, the visibility of earnings going forward is still difficult to gauge.

Going forward, the Company's Directors and management team will continue to work steadfastly to achieve an improved performance and better results for the current financial year ending June 2011.

B4. Profit forecast and profit estimate

The Company has not issued any profit forecast or profit estimate for the current financial quarter under review or in any public documents.

B5. Taxation

	Current Quarter Ended 31 December 2010 RM'000	Cumulative Year-to-Date 31 December 2010 RM'000
Current tax	-	3
	<hr/>	<hr/>
	-	3

The current taxation comprised of tax payable on interests received, with the effective tax rate for the current financial quarter and cumulative year-to-date is Nil and 1.05% compared to the statutory tax rate of 25%.

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.

B6. Sale of unquoted investment and/ or property

There was no sale of unquoted investment and/ or property in the current financial quarter under review and financial year-to-date.

B7. Purchase and disposal of quoted security

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 A7 above.

B8. Status of corporate proposals

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

B9. Status of utilisation of proceeds

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

B10. Realised and Unrealised Profits

On 25 March 2010, Bursa Malaysia Securities Berhad (“Bursa Malaysia”) issued a directive to all listed issuers which required all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period into realised and unrealized profits or losses.

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

The breakdown of retained profits of the Economic Entity and the Company as at the reporting date, into realised and unrealised profits, pursuant to the directive, is as follows :-

	Economic Entity Quarter Ended 31 December 2010 RM'000	Economic Entity Quarter Ended 30 September 2010 RM'000
Total retained profits of I-Power Berhad (Economic Entity) :		
- Realised	(64,845)	(64,897)
- Unrealised	-	-
	<hr style="border-top: 1px solid black;"/> (64,845)	<hr style="border-top: 1px solid black;"/> (64,897)
Total share of retained profits from associated company :		
- Realised	103	98
- Unrealised	-	-
	<hr style="border-top: 1px solid black;"/> (64,742)	<hr style="border-top: 1px solid black;"/> (64,799)
Less : Consolidation adjustments	-	-
Total Economic Entity accumulated losses as per consolidated accounts	<hr style="border-top: 1px solid black;"/> (64,742)	<hr style="border-top: 1px solid black;"/> (64,799)
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	Company Quarter Ended 31 December 2010 RM'000	Company Quarter Ended 30 September 2010 RM'000
Total retained profits of the Company :		
- Realised	(64,845)	(64,897)
- Unrealised	-	-
Total Company's retained profits as per accounts	<hr style="border-top: 1px solid black;"/> (64,845)	<hr style="border-top: 1px solid black;"/> (64,897)

B11. Group borrowings and debt securities

The Company does not have any borrowings and debt securities in the reporting quarter and financial year-to-date.

B12. 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.

B13. Material Litigation

There was no material litigation as at the date of issuance of this announcement.

B14. Dividends

No interim dividends have been declared during the current financial quarter under review.

B15. Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of shares in issue for the period.

	Individual Quarter		Cumulative Quarter	
	Current Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Period
Basic Earnings Per Share	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Profit/(Loss) attributable to the equity holders of the Company (RM'000)	57	(674)	282	(1,643)
Weighted average number of shares in issue ('000)	402,623	408,173	402,623	408,173
Basic earnings/(loss) per share (sen)	0.01	(0.17)	0.07	(0.40)

(b) Diluted earnings per share – Not Applicable

By Order of the Board

Laang Jhe How (MIA 25193)
(Company Secretary)

Date: 25 February 2011