

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 2011. 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 2011.

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 2011, 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 2011.

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.

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 2011.

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 30 September 2011, 35,572,600 ordinary shares repurchased amounting to RM5,160,145 including the transaction costs, 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 30 September 2011.

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 2011.

A15. Subsequent material events

Save as disclosed in Note B8 below, there are no material events subsequent to the financial period ended 30 September 2011 that has not been reflected in this interim 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 30 September 2011, the Company recorded revenues of RM0.656 million and profit after tax of RM0.086 million. The revenue recorded was derived mainly from software and services, which has low external cost of sales as most of the work are performed internally.

B2. Comparison to the results of the preceding quarter

	Current Quarter 30 September 2011 RM'000	Preceding Quarter 30 June 2011 RM'000
Revenue	656	419
Profit/(Loss) before tax	86	(8,431)

For the current financial quarter ended 30 September 2011, the Company recorded revenue of RM0.656 million and profit after tax of RM0.086 million. The revenue recorded was derived mainly from software and services, which has low external cost of sales as most of the work are performed internally. Operating expenditure for the current financial quarter amounted to RM0.564 million, which comprised mainly of staff costs and monthly recurring overheads.

B3. Prospects for the current financial year

The local ICT industry has yet to stabilize and the recent adverse developments in the United States of America and Europe have made recovery even much harder.

In the light of this, the Company has proposed a restructuring exercise comprising amongst others, capital reduction, consolidation of shares, reduction of capital redemption reserve and share premium account, and culminating with the proposed acquisition of Instacom Engineering Sdn Bhd for a consideration of RM102 million, to be satisfied entirely by the issuance of 1,020,000,000 new consolidated shares at an issue price of RM0.10 each.

The rationale for the proposed capital reduction, consolidation of shares, reduction of capital redemption reserve and share premium account is to rationalise the balance sheet by writing off part of the share capital that is not represented by available assets and to improve the Company's capital structure,

whilst the proposed acquisition will allow the Company to diversify its business in the telecommunication industry.

The outlook for the telecommunications network services market in Malaysia remains positive and steady growth is projected throughout the forecast period of 2011 to 2015. The positive outlook for the telecommunications network services market in Malaysia stems mainly from the growing prominence of the broadband market in Malaysia, advancement in technology for ICT products, inherent needs for capital expenditure by telecommunications carriers or operators to sustain or grow their businesses, increasing population and young demographic profile in Malaysia, an improving local economic condition, increasing importance of ICT in business activities, replacement of physical functions with virtual possibilities as well as development and improvement in the interconnection of telecommunications networks between countries.

The expected implementation of strategic ICT related plans under 10MP such as the formulation of a National Creative Industry Policy and the roll-out of the National Digital Terrestrial Television Broadcasting ("DTTB") project as well as the High Speed Broadband ("HSBB") and Broadband to General Population ("BBGP") under the on-going National Broadband initiatives is anticipated to propel the industry closer to the target. The selection of communications content and infrastructure sector as one of the NKEAs under the ETP has also boosted the outlook for the local telecommunications network services market. Given that the telecommunications network services market as well as its end-users belongs to the ICT industry, the continued proliferation and expansion projected for the ICT industry is expected to drive demand for telecommunications network services market.

Further details of the proposals are disclosed in Note B8 below.

Barring any unforeseen circumstances and assuming that the abovementioned corporate exercise is approved, the proposed acquisition is expected to contribute positively to the Company and the Board is optimistic of achieving a satisfactory performance for the current financial year ending 30 June 2012.

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 30 September 2011 RM'000	Cumulative Year-to-Date 30 September 2011 RM'000
Current tax	-	-
	-	-

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

Save as disclosed below, there were no corporate proposals announced but not completed as at the date of issuance of this announcement :-

On 11 August 2011, OSK had, on behalf of the Board, announced that the Company had on even date entered into a conditional Share Sale Agreement ("SSA") with Chan Chuck Yan, Anne Kung Soo Ching, Ngu Sing Hieng and Wong Say Khim (collectively referred to as "Vendors") for the proposed acquisition by I-Power of the entire issued and paid-up share capital of Instacom Engineering Sdn Bhd ("Instacom") comprising 4,500,000 ordinary shares of RM1.00 each ("Instacom Share(s)") for a total purchase consideration of RM102,000,000 ("Purchase Consideration") to be satisfied entirely by the

issuance of 1,020,000,000 new Consolidated Shares (as defined hereinafter) ("Consideration Shares") at an issue price of RM0.10 per Consolidated Share ("Proposed Acquisition").

In conjunction with the Proposed Acquisition, the Board has also resolved to undertake the following:-

- I. Proposed share capital reduction by the cancellation of RM0.09 of the par value of every existing ordinary share of RM0.10 each in I-Power ("I-Power Share(s)") and the credit arising therefrom to be offset against the accumulated losses at I-Power ("Proposed Capital Reduction");
- II. Proposed reduction of the capital redemption reserve of I-Power arising from the Proposed Treasury Shares Cancellation (as defined hereinafter) ("Proposed CRR Reduction");
- III. Proposed reduction of the share premium account ("Proposed Share Premium Reduction");
- IV. Proposed share consolidation of ten (10) ordinary shares of RM0.01 each into one (1) ordinary share of RM0.10 each in I-Power ("Consolidated Share(s)") after the Proposed Capital Reduction ("Proposed Share Consolidation");
- V. Proposed exemption to Chan Chuck Yan, Anne Kung Soo Ching, Ngu Sing Hieng and Wong Say Khim (collectively referred to as the "Vendors") and the parties acting in concert with them, if any, from the obligation to undertake a mandatory general offer for all the remaining Consolidated Shares not already held by them and all Consolidated Shares that may be allotted and issued arising from the exercise of I-Power's warrants ("Proposed Exemption");
- VI. Proposed offer for sale of up to 153,000,000 Consideration Shares held by the Vendors ("Offer Shares") to eligible investors to be identified later ("Proposed Offer for Sale");
- VII. Proposed private placement of up to 15% of the enlarged issued and paid-up share capital of I-Power upon completion of the Proposed Acquisition ("Proposed Private Placement");
- VIII. Proposed increase in the authorised share capital of I-Power from RM10,000,000 comprising 100,000,000 Consolidated Shares after the completion of the Proposed Share Consolidation to RM200,000,000 comprising 2,000,000,000 Consolidated Shares ("Proposed Increase in Authorised Share Capital");

- IX. Proposed change of name of the Company from I-Power Berhad to Instacom Holdings Berhad ("Proposed Change of Name"); and
- X. Proposed amendments to the Memorandum and Articles of Association of I-Power ("Proposed Amendments")

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

The breakdown of accumulated loss of the Company for the financial quarter ended 30 September 2011 and 30 June 2011, is as follows :-

	Quarter Ended 30 September 2011 RM'000	Quarter Ended 31 June 2011 RM'000
Total accumulated loss of the Company :		
- Realised	(73,392)	(73,478)
- Unrealised	-	-
Total Company's accumulated loss as per accounts	(73,392)	(73,478)

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	30 September 2011	30 September 2010	30 September 2011	30 September 2010
Profit attributable to the equity holders of the Company (RM'000)	86	225	86	225
Weighted average number of shares in issue ('000)	402,623	402,623	402,623	402,623
Basic earnings per share (sen)	0.02	0.06	0.02	0.06

(b) Diluted earnings per share – Not Applicable

By Order of the Board

Laang Jhe How (MIA 25193)
(Company Secretary)

Date: 25 November 2011