

# ipower

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**power**  
The e-SOLUTION Specialist

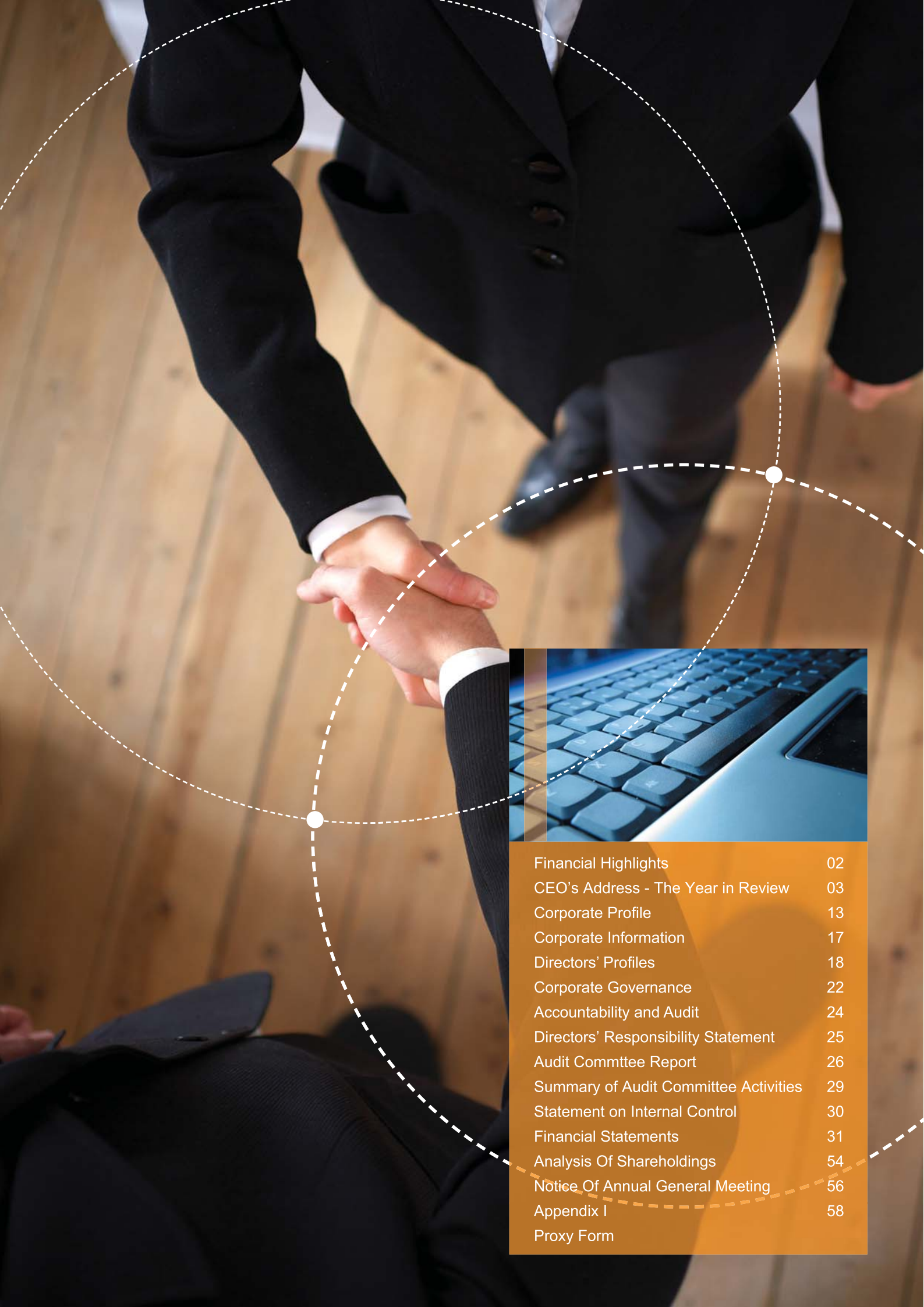


The Power of **SOLUTIONS**  
Annual Report **2006**

**MSC-Status**  
Company

**IBM**  
Premier  
Business  
Partner

**I-POWER BERHAD** (596299-D)  
(Incorporated in Malaysia under the Companies Act 1965)



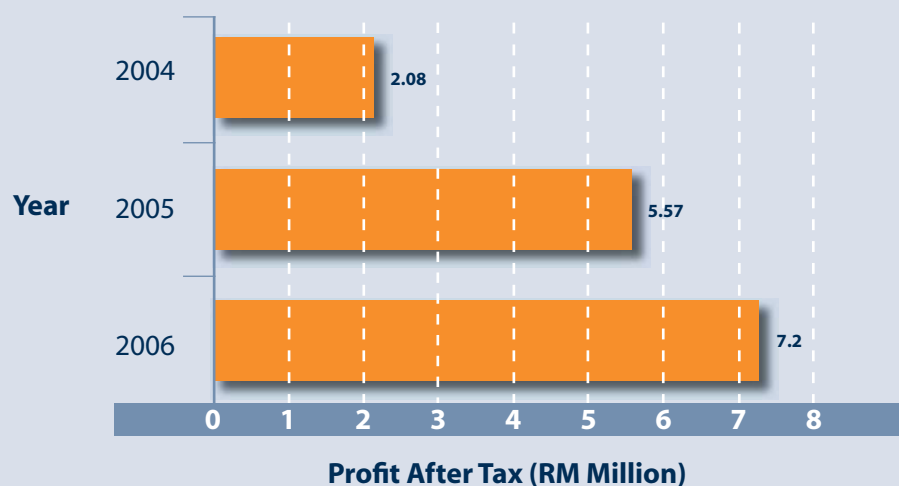
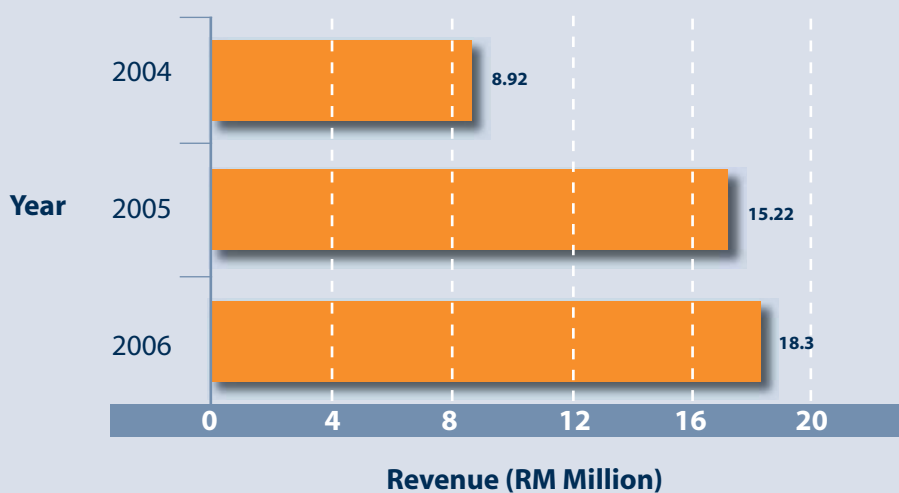
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# I-POWER BERHAD

## FINANCIAL HIGHLIGHTS

### Financial Highlights

	2004	2005	2006
<b>Statement of Income Data</b>			
Revenue	8,924,361	15,223,637	18,297,815
Income from Operations	2,084,289	5,570,621	7,197,032
<b>Balance Sheet Data</b>			
Cash, cash equivalent and short term investments	970,516	3,431,036	4,291,614
Working Capital	3,149,518	7,774,233	13,022,801
Total assets	7,999,378	13,268,379	20,581,697
Total shareholders' equity	7,393,365	12,903,348	20,100,380





# I-POWER BERHAD

## CEO'S ADDRESS-THE YEAR IN REVIEW

### Foreword

Dear Valued Shareholders,

The year 2006 sees solid progress within I-Power, ranging from the attainment of Capability Maturity Model Integration (CMMI) Maturity Level 3, and IBM On-Demand Business Partnership Certification, to a few projects secured with established blue chip clients. In spite of the tough challenges faced, the management team has worked and continues to work relentlessly for the betterment of the Company in constantly improving its market position, financial performance and the overall development of the Company on a sustainable basis.

On behalf of the Board members of I-Power Berhad, it gives me great pleasure to present to you the Annual Report and Audited Financial Statements of the Company for the financial year ended 30 June 2006 with yet another favourable result for the third consecutive year in a row since the year 2004.

### Industry Outlook

#### Outlook of the Global and Malaysian Economy

Global economic expansion is expected to remain firm at 4.3% while the growth in world trade is projected to expand at a stronger rate of 7.4% in 2006. A more balanced global growth is expected across the major economies, with the recovery in Japan and Europe. Another notable feature is the stronger investment uptrend seen in several major economies while consumption remains robust. Growth in the East Asian region is expected to be sustained at a strong pace of 7.0% to 7.2%. The growth is also supported by the recovery in the electronics sector following higher information, communication and technology ("ICT") related spending in the industrial economies and continued strength in domestic demand in the region. The latter will be driven by higher consumption of the significant young population that has high discretionary spending power and strong demand for consumer electronic products.

The Malaysian economy is expected to strengthen further in 2006 in an environment of more favourable global conditions. Real gross domestic product ("GDP") is projected to grow at a faster rate of 6%, driven by strengthening export performance and resilient domestic demand.

*(Source: Press Release, Bank Negara Malaysia Annual Report 2005)*

#### Overview and Outlook of the Information and Communication Technology ("ICT") Industry

As concerted efforts continue to be undertaken to strengthen the foundation for a knowledge-based economy, the greater adoption and usage of ICT will become strategically more important. The country will need to increasingly harness ICT to improve productivity and competitiveness as well as progress to high value added and knowledge-intensive economic activities. The Government will build upon and enhance ICT capacity for ubiquitous access, develop core competencies, narrow the digital divide and expand usage of electronic transactions as part of the overall effort to empower the populace to partake in the growing networked economy. Simultaneously, this will allow for the greater expansion of ICT-related industries and services.

The emphasis on ICT infrastructural development as well as application usage and adoption will provide the private sector with extensive investment and employment opportunities. Among the new sources of growth within the major segments of the ICT sector, include digital content development, e-commerce, shared services and outsourcing ("SSO") and bioinformatics. The aim is to increase the number of new companies as well as specialists capable of producing customized technological solutions in niche areas. Particular emphasis will also be given to the promotion and usage of local products and services.

*(Source: Ninth Malaysia Plan, 2006-2010)*

### E-Business Solutions Market Outlook

The World Information Technology and Services Alliance (WITSA) have forecasted that ICT spending will reach approximately USD\$3.4 trillion by 2007, and majority of this growth will take place in the Asia Pacific region in countries such as Malaysia, Thailand, China and India.

In particular, Malaysia's ICT market has continually demonstrated strong growth in various sectors during the past year particularly in the e-Business market, fuelled by rapid Internet penetration that has become the vehicle driving the phenomenal growth of e-Business both locally and globally. The significance of e-Business in Malaysia is remarkably overwhelming that it has been receiving considerable attention from the Government, as stated in the Ninth Malaysia Plan (9MP).

Some of the initiatives/highlights acknowledged in the 9MP include:

- Focusing on providing and encouraging the extensive use of e-commerce as an alternative way of conducting business.
- Endorsing new legislation to promote the uptake of e-commerce and resolve issues concerning consumer protection as well as data security.
- Establishing the widespread of B2B and B2C e-commerce applications that will be able to support the industry supply chain management (including agriculture, tourism, construction, manufacturing and retail).

Additionally, Malaysia is ranked ahead of Thailand, Indonesia, India and China in an e-readiness survey conducted by Economist Intelligence Unit which measures how amenable a market is to Internet-based opportunities. It is also evident that more and more people and businesses will be using the Internet to conduct commerce; the e-Business channel will deepen as more products and services come online, more industries will be formed by e-Business, and the Internet technology will continue to drive these changes as broadband telecommunications usage has been escalating on a steady momentum. All these can only augur well for I-Power, and provide exciting opportunities for continued sustainable growth.

### Milestones

#### Prestigious Certifications

With the outlook for the ICT industry and specifically for the E-Solutions market outlined, I am proud and pleased to recap some of the significant events that have occurred during the year 2006.

I am particularly proud to announce that I-Power Berhad has been appraised and awarded CMMI Level 3 certification by the Carnegie Mellon Institute from the United States of America on 10th June 2006. That the Company was successfully CMMI 3 certified was the direct outcome of the outstanding teamwork of all the staff members involved, and the highest of standards the management team has instilled into the Company's work processes, and the qualities of discipline, thoroughness and passion for excellence cultivated as ongoing core values of the Company's overall modus operandi.

This prominent appraisal is a strong testament of the Company's highly effective product and service development, acquisition, and maintenance processes that are guaranteed to provide more added values to our clients' businesses. Thus, our clients (and potential clients) can rest assured that their businesses will certainly benefit from the implementation of our products and services. In fact, many potential clients in the banking industry stipulate CMMI certification as a prerequisite for bidding for sizable jobs with them.

Apart from the CMMI certification, I-Power was also awarded as an IBM On-Demand Certified Business Partner in December 2005.

We have every reason to be very proud of this milestone as I-Power Berhad is the first company in the Asia Pacific Region to qualify for this much sought-after Certification. Globally, there are only over 40 companies to have been awarded with this distinction, which goes towards confirming I-Power's position as the Premier and leading E-Business Solutions player in the Malaysian and Asian market. Over time, such a distinction would help the Company expand its reach and gain market share as the adoption of E-Business solutions accelerates and become a much sought after business strategy in Malaysia and Asia.





On top of the IBM certification, the Company also had four of its E-Business Solutions, namely, its I-Power eCRM, I-Power eHR, I-Power ePOS and I-Power eStore, appraised by SAP AG, the global leader in ERP software applications, and subsequently endorsed as powered by SAP NetWeaver by SAP Labs in India. This recognition from SAP is crucial because it confirmed I-Power's standing as a regional pre-eminent provider of J2EE new generation Java technologies, be it SAP NetWeaver or IBM WebSphere.

## CEO'S ADDRESS (cont'd)

During the year under review, SAP also awarded I-Power as its most promising ISV (Independent Software Vendor) even though we were a relative new-comer to the SAP community.

These three esteemed certifications from internationally renowned and established world market leaders only served to confirm I-Power's technical competencies, capabilities and standing as a world class company in the E-Solutions market. With these prestigious certifications, we are proud to add that as a young company listed in the Mesdaq bourse of Bursa Malaysia Securities Berhad, I-Power is indeed laying a solid foundation to chart a sustainable growth strategy for itself in the foreseeable future. The Company will continue to constantly fine-tune its strategy to ensure that it will adapt to the ever changing business environment and maintain a management team and workforce that is at the forefront of the burgeoning E-business competitive landscape.

### Awards & Recognitions

Awards & Recognitions	Description
	Appraised for SEI-CMMI <sup>®</sup> -SW, Ver. 1.1, Staged Representation, Maturity Level 3 on 10th June 2006.
	The first IBM Business Partner in Asia Pacific to be awarded with IBM On-Demand Accreditation in November 2005.
	Malaysia's Premier e-Business Solution Specialist with the most extensive suite of e-Solutions on Java and IBM middlewares.
	IBM's e-Business Malaysian Premier Partner with One of the Largest IBM Certified Software Professionals in Malaysia.
	Four of our e-Solutions – eStore, eHR, eCRM, and ePOS – are certified by our partner, SAP NetWeaver.
	A Multimedia Super Corridor status company recognised by the Malaysian Government through MDeC that participate and undertake its ICT activities in an utmost manner.

### Contract Wins

Most importantly to follow-up on our ability to gain technical certifications and to demonstrate the Company's commercial capability, I am proud and yet humbled to add that we have also successfully secured several contract wins during the past year in review.

Not just any contract wins, but contracts secured with reputable market leaders such as:

- UMW Toyota Motor Sdn Bhd, leading automobile company in the world;
- MISC Berhad, Malaysia's largest and leading shipping and logistics company,
- InterContinental Hotels Group (Asia Pacific) Pte Ltd – established leading Hotel Group,
- Tupperware (Malaysia) Sdn Bhd – a household leader in consumers homewares and;
- SP Setia Berhad – Malaysia's top Developer and Construction company.

These are contract wins which we are most proud of as they are with established market leaders in the global arena, who have very stringent and strenuous evaluation criteria before they award a project to any vendor.

The fact that I-Power had managed to secure such contract wins even when in competition with other international brandnames such as Oracle, SAP, Siebel, IBM and Microsoft speak volumes about the high standards and quality of the Company's e-Solutions and its team technical core competencies. Notwithstanding that such wins also strengthen the Company's financial position and market share.

In addition, in collaboration with IBM Malaysia, the Company had also managed to secure a few wins in Celcom (Malaysia) Berhad, Petroliaam Nasional Berhad (Petronas), and Lembaga Hasil Dalam Negeri. These notable contracts further enhance the magnitude of the Company's earnings and subsequently propel us ahead of our peers in the E-Solution software market.

## CEO'S ADDRESS (cont'd)

In light of the above background and highlights as outlined and presented to you, our valued shareholders, I am pleased to report to you our financial performance for the year 2005/06 recently concluded:

### Financial Performance Review

For the financial year ended ("FYE") 30th June 2006, I-Power recorded a turnover of RM18.298 million, an increase of 20.2% compared to the corresponding FYE 30th June 2005 with a turnover of RM15.224 million.

For the financial year ended 30th June 2006, the Company net profits after tax increased by 29% to RM7.197 million from RM5.571 million for the FYE 30th June 2005. This translates into a healthy Earning Per Share ("EPS") of 12.27 cents, up from EPS of 10.42 cents for FYE 2005.

The stronger performance for the FYE 30 June 2006 is attributable to the growth of the IT and IT related industries both locally and globally, in particular the relatively untapped market of the E-Solutions IT industry.

Another contributing factor is as a result of stronger and 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 have been on the rise during the past 12 months.

New revenue in SAP services also contributed to the Company's total revenues as I-Power recently became a partner for SAP Netweaver, A1 and R3 SAP consultancy services.

The overall improvement in the financial results was the direct outcome of the Company's success in securing several sizable new contracts during the year such as UMW Toyota Motor Sdn Bhd, MISC Berhad, InterContinental Hotels Group (Asia Pacific) Pte Ltd, Tupperware Australia Pty Ltd and SP Setia Berhad. The Company in conjunction with IBM Malaysia also secured a few wins in Celcom (Malaysia) Berhad, Petroliam Nasional Berhad (Petronas), and Lembaga Hasil Dalam Negeri.

Specifically, the Company has successfully secured and completed a few E-Business solutions projects with established multi national companies which earned higher margins than system integration projects.

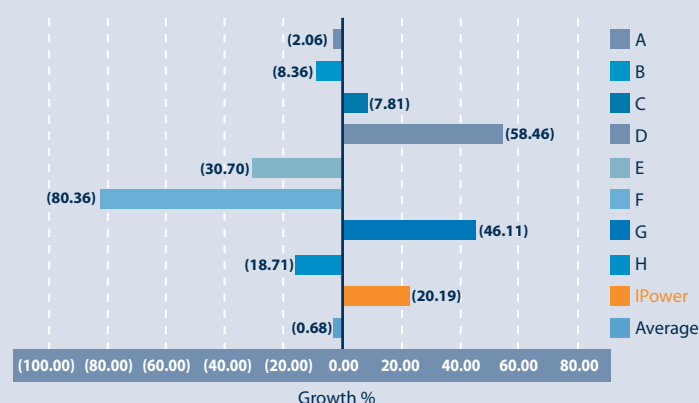
Besides higher margins, the improving profits in the Company can also be attributed to the company's flexible yet lean and low operating business infrastructure costs comprising of a young and competent professional knowledge work force, whereby world best practices have been instilled in the Company as part of its corporate culture.

In reporting to you the financial performance for the year 2005/06, I would also like to take this opportunity to present to you, our valued equity-holders, I-Power's sound fundamentals and key financial indicators benchmarked against eight of our peers in the software sector of the Mesdaq market. Out of respect, the names of our peers will not be disclosed, nonetheless the figures quoted in the comparison tables are all readily available from the web-site of Bursa Malaysia Berhad. The figures include:

### Percentage of Sales Growth

Company	Sales (The Year Prior)	Sales (Current Year)	% Growth
A	27,438,158	26,872,748	(2.06)
B	3,457,132	3,168,098	(8.36)
C	11,839,135	12,763,425	7.81
D	8,276,026	13,197,120	59.46
E	15,855,076	10,986,999	(30.70)
F	6,171,179	1,211,788	(80.36)
G	3,672,914	5,366,505	46.11
H	7,361,537	6,024,005	(18.17)
I-Power	15,223,637	18,297,815	20.19
Average	11,032,755	10,876,500	(0.68)

### Percentage of Sales Growth



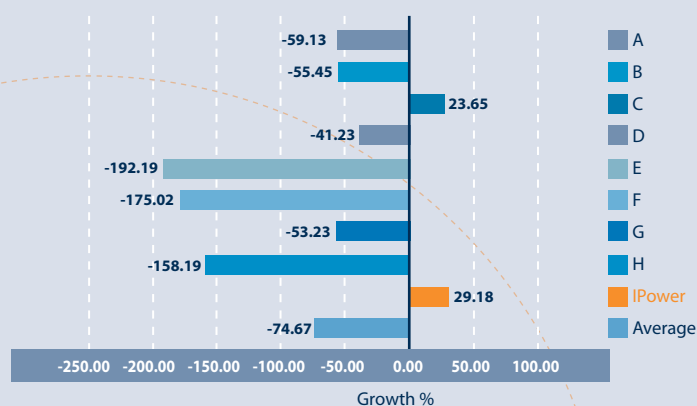
In terms of % of revenues growth, I-Power ranks third as compared to its peers.

# CEO'S ADDRESS (cont'd)

## Percentage of Profit Growth

Company	Sales (The Year Prior)	Sales (Current Year)	% Growth
A	7,933,586	3,242,439	(59.13)
B	(1,807,621)	(2,809,923)	(55.45)
C	3,865,273	4,779,323	23.65
D	4,115,997	2,419,028	(41.23)
E	2,232,196	(2,057,772)	(192.19)
F	(3,930,384)	(10,809,451)	(175.02)
G	(2,150,026)	(3,294,559)	(53.23)
H	2,278,210	(1,325,726)	(158.19)
I-Power	5,570,621	7,197,032	29.18
Average	2,011,984	(236,415)	(74.67)

## Percentage of Profit Growth

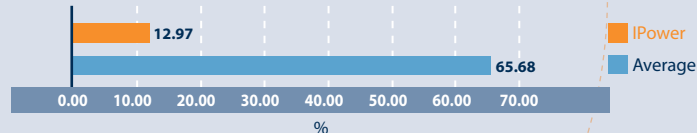


I-Power has the highest profitability growth compared to its peers in the IT software sector. It's interesting to note save for Company C and I-Power, the majority of IT companies in the software showed declining profitability.

## Expenses To Sales Ratio

Company	Total Expenses	Sales	% Expenses to Sales
I-Power	2,372,606	18,297,815	12.97
Average	7,143,249	10,876,500	65.68

## Expenses To Sales Ratio

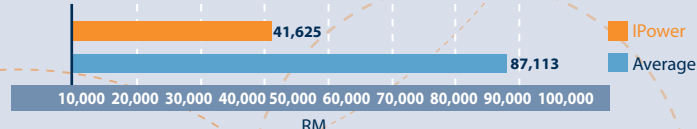


I-Power continues to maintain a lean and frugal operating business infrastructure, with its expenses to sales ratio as being the lowest in the ICT software industry.

## Costs Per Employee

Company	Total Expenses	Staff Numbers	% Costs Per Employee
I-Power	2,372,606	57	41,625
Average	7,143,249	82	87,113

## Costs Per Employee



Consistent with the expenses to sales ratio, I-Power also maintained the lowest cost per employee ratio compared to its peers in the industry. The Company has a prudent no-frills management philosophy which is very costs conscious and profits driven.

## Sales Productivity

Company	Sales	Staff Numbers	S Sales Productivity
I-Power	18,297,815	57	321,014
Average	10,876,500	82	132,640

## Sales Productivity

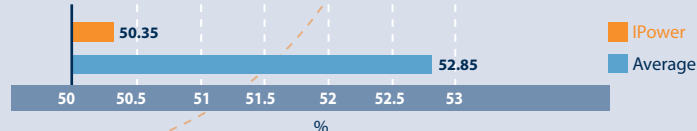


I-Power continues to maintain the highest sales productivity per employee compared to its peers.

## AR To Sales

Company	Sales	Trade Debtors	Percentage AR To Sales
I-Power	18,297,815	9,212,504	50.35
Average	10,876,500	5,747,983	52.85

## AR To Sales



Even though the Company AR ratio is below the industry average by two percentage points, the Company's management has nonetheless set a goal of improving its AR position over the next 12 months and on an ongoing basis. The Company's target is to bring down to 35%.



## CEO'S ADDRESS (cont'd)

In the final analysis, even though the Company fares favourably in comparison to its peers in the ICT software industry, the Management team would like to do better overall and, will constantly strive to improve on its sound fundamentals and profitability over time in order to attract and earn the investing public interests and continued confidence in the Company's ability to sustain its earnings and growth record.

### Healthy Cash Position And Sales Prospects

As at 30th June 2006, I-Power maintains a cash balance of RM4.1 million with zero borrowings, an improvement of RM700,000 from the last financial year 2005 where the cash balance was RM3.4 million. This meant that even with the strong sales growth and increase in staff force, the Company has managed to improve on its cash position from last year by prudent management of its lean costs infrastructure and effective turnover of existing funds with no external debts.

In addition, the sales prospects for the Company remains bullish with potential pipeline orders exceeding RM60 millions for various corporate and government tenders which are still pending. Barring unforeseen circumstances, the Management is optimistic of securing some of the contracts to be awarded over the next 12 months.

The Company is mindful of the long gestation period of sales cycle for new projects involving E-Solutions, and is thus constantly seeking for new business opportunities to expand its pipeline orders in order to build its future revenues base, as well as exploring and pursuing entirely new businesses and product lines that have a synergistic fit with its existing business in order to generate a continuous stream of recurring incomes in the foreseeable future.

Going forward, the Company expects its healthy cash position to be maintained as illustrated in Table A:

Cash Position as at June 2006	4,292
Trade Receivables	9,213
Proceeds from Private Placement	est 4,100
Total Cash Reserves Available	17,605

Table A shows the Company with total cash reserves of RM17.605 million, which should suffice for the Company to grow its business organically going forward. Nonetheless, the Company will continue to scout for opportunities to grow inorganically and abroad, and at the opportune time may accelerate its fund raising activities to capitalise on such opportunities.

### Healthy Shareholders Spread

As the CEO and major founding shareholder of I-Power, I take great pride in tracking the level of shareholding spread in the Company as a sign of growing public confidence in the Company, notwithstanding the volatile share price and the negative perceptions of Mesdaq companies by the investing public in general.

In that regard, I am proud to share the following information:

January	2005	327 shareholders
March	2006	1,402 shareholders
July	2006	1,686 shareholders
Early Oct	2006	1,837 shareholders
As at 8 Nov	2006	2,045 shareholders

The increasing number of shareholders in I-Power is a most welcome and telling sign indeed, especially when the second major shareholder is a major and renowned foreign institution. For one, it reflects the emergent confidence of the investing public in the Company's ability to maintain a sustainable and profitable business model. Secondly, it also reflects the fact that the Company has consistently delivered strong financial performance for the past 3 years.

### Corporate Exercise to reward shareholders with 3:2 bonus shares issue

On behalf of the Board of Directors, I am pleased and proud to share with you the Company's latest corporate exercise of undertaking a bonus issue in the ratio of three shares for every two (3:2) fully paid-up ordinary shares held as a reward to you, our esteemed and loyal shareholders.

On the basis of the Company's existing equity securities on issue and fully paid up of 69.3 million ordinary shares, after the completion of a private placement exercise, a maximum of 103,950,000 new ordinary shares would be granted to fully paid up ordinary shareholders. The Board will convene an extra ordinary general meeting at the earliest opportunity to seek shareholders' approval for the bonus issue.

This corporate exercise of bonus shares issue reflects I-Power's balance sheet health and focus on strong returns to you, our shareholders. This initiation of bonus shares will make I-Power stock more attractive to a broad range of investors as we continue to build value for our customers, employees and shareholders. This declaration of bonus shares is another way for I-Power to deliver value to you, our shareholders.

In the past 20 months our business has generated solid revenues, built a strong market position, and a sustainable business model. We are quietly confident about our continued potential for growth. This bonus shares issue is the first step in our efforts to return value to our shareholders without impacting our ability to pursue opportunities that will drive our growth strategies.

The Company has been delivering consistently solid financial results, and we have undistributed retained earnings in our book totaling RM9.4 million, and share premium reserves amounting to RM8 million based on the latest audited financial results and enlarged paid-up capital from the private placement exercise recently completed.

With its strong fundamentals built over the last few years, going forward we will aggressively focus on building a trusted and differentiated brand-name in our constant endeavours to consolidate our position as the premier E-solutions specialist in the E-solutions market domestically and internationally in the next three to five years.

In the longer term, we aim to build I-Power into a well-known, self-sustainable, respected and trusted brand-name in the global market. A brand-name that delivers on its promises of reliability, practicability, affordability and quality; superior E-products that work exactly to its clients' business needs.

There is still tremendous growth in the Malaysian E-solutions market as e-business penetration is still relatively low. We will be looking at building stronger smart partnerships in the Asean market in conjunction with IBM, SAP and Sun Micro System.

We are always seeking to maximize our marketing dollars by focusing on profitable growth, expanding our market share, and ultimately creating wealth in the longer term for you, the Company's loyal and valued shareholders.

### Looking Forward - R&D, New Products and Services

With the Company's combined wealth of expertise, knowledge and experience in best practices, we are constantly conducting R&D to add new products to our existing range or to enhance existing products' features, functionalities and performance.

We have added several functionalities to two of our existing E-Solutions, namely I-Power eProcure and eHR, as well as revamping the look and feel as part of the enhancement process of these two powerful solutions, which were implemented in the leading automotive company in the world, and Malaysia premier shipping and logistics company respectively.

With the Government instructing its Government Linked Corporations to improve its procurement processes by implementing integrated and transparent Procurement systems, we envisage much opportunity to arise for I-Power eProcure.

To illustrate, several functionalities has been added to eProcure, namely the Rule Base Workflow Engine, Hibernate, SAP integration, Revise Transaction, Supplier Relationship Management and User Definable Supplier Evaluation Template. All these features serve to further improve the procurement efficiency, reap the benefits of aggregated buying and increase cost savings for our clients' businesses.

## CEO'S ADDRESS (cont'd)

There have also been many enquiries recently from the more established organisations and government linked institutions for I-Power's newly revamped eHR, of which ESS or Employees Self Service modules form a major component.

Additionally, we have developed another customised solution, namely eMSEExport that will be able to provide a web-based front-end system which can be easily integrated with an organisation's existing procurement system. This solution also offers the ability to exchange information about orders, fulfilments and shipments as well as publishing the order information to inform the user to login and access the relevant information, consequently enhancing work-flow collaboration and providing quicker response time, thereby improving productivity and efficiency.

The Company is also in the midst of developing a new product, Case Management System (CMS), which is a web-based system that will assist in managing alleged fraud cases that are reported within a company. This server-centric solution also meant that information can be disseminated immediately across different departments, allowing decisions to be made quickly and helps speed up the investigation of each reported case.

CMS is a server-centric, web-based front-end system that assists in managing reported fraud cases within a company, and is aimed to help speed up case investigations by enabling all relevant information, files and data to be shared in one system. The key enhancements will centre on providing functionalities such as improved search capabilities, secure web access interface coupled with Workflow and Document Management that can be linked to your company's existing systems.

An overview of the system functionalities is outlined below:

- Link case information and front-to-back (Mainframe to Collection) case management office processes (you will be able to trace every process in the management of each case).
- Enable all relevant departments and divisions to track, manage and securely share case-related information.
- Provide integration points to other divisions within your company.
- Provide KPI functionality for the head of department to track the performance of the Officers handling each case.

On the other hand, the conferment of CMMI Maturity Level 3 by the prominent Carnegie Mellon University, USA is yet another R&D attainment which I-Power is proud of delivering this year. This international recognition proves that the Company

Company is indeed highly efficient in the creation of our solutions and services, utilising CMMI's best practices to perform the following:

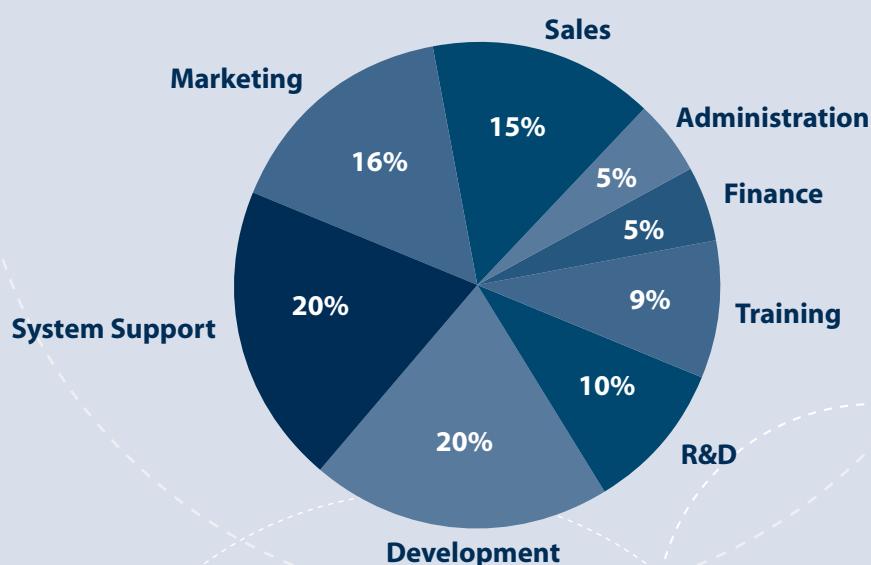
- More explicitly link management and engineering activities to their business objectives.
- Expand the scope of and visibility into the product lifecycle and engineering activities to ensure that the product or service meets customer expectations.
- Incorporate lessons learned from additional areas of best practice (e.g., measurement, risk management, and supplier management).
- Implement more robust high-maturity practices.
- Address additional organizational functions critical to their products and services.
- More fully comply with relevant ISO standards.

## Loyal, Disciplined and Dedicated Staff-force

I-Power's loyal, disciplined and dedicated staff-force of highly competent professionals and technically sound knowledge workers continues to be the Company's most treasured and invaluable resource. The cumulative wealth of experience, knowledge, expertise and qualities such as integrity, honesty, initiative, versatility, walking the extra mile, diligence, a strong sense of urgency, passion, pride in one's work, etc. have combined together to propel the Company to become a respected and leading provider of e-Solutions in Malaysia.

At I-Power, we recognise that our staff-force are both a crucial asset and key contributor to our rapid expansion and thus emphasises on retaining a stable yet competent workforce with very low turnover rate. We go to great length to foster a harmonious work environment that encourages creativity, collaboration and innovation amongst our enterprising employees, all of whom are utterly resolute and devoted to the Company's best interests.

As of 30th June 2006, we have a solid workforce of 57 permanent staff, with more than 59% of them dedicated to training, support, research and development, and consultancy. This reflects the Company's commitment to providing its clients with state-of-the-art solutions and excellent support services.



## Training Development

In line with our expansion plans, we will continuously invest in the development of our human capital by providing extensive training to them to ensure that their competencies are further enhanced and remain relevant to our industry. The list below shows the number of certified employees whom have undergone various pertinent training programmes throughout the Company's development:

IBM Certification	No. Of Employees	Technical Skills	No. Of Employees
eBusiness Advisor	3	Java, J2EE	28
eBusiness Designer	3	Websphere Application Developer Studio	28
WAS	6	Rational Clear Case	33
MQ Series	4	Rational Clear Quest	34
DB2	14	Rational Performance Tester	5
MQ Workflow	4	Microsoft .Net	12
Lotus CLP	3	Microsoft Sharepoint	6
Business Intelligence	4	SAP Net Weaver	6
		CMMI Processes	37

## CEO'S ADDRESS (cont'd)

### Closing

In closing my CEO address, I would like to highlight a paragraph from one of my favourite surfsite, an excellently written, credible and widely respected blog - [www.malaysia-finance.blogspot.com](http://www.malaysia-finance.blogspot.com). Quote unquote:

*"The owners and senior management have come to the conclusion that to run a good business is actually quite simple. Have a good strategy, have a good team with good execution skills, keep paying down debts, have positive cash flows always, don't over – commit, don't do projects that tie up funds for too long, don't mistreat minority shareholders, pay good dividends, don't hoard funds if you don't need it, always measure cost of capital before jumping into projects, payback rates must be fair and swift, keep a healthy balance sheet, always manage costs and budgetary items well, ..."*

We are proud to say that when we benchmarked I-Power against the above criteria of what makes a well run company, we are certainly on the right track. This is notwithstanding the fact that we are constantly refining our strategies, business model and operational infrastructure in order to become world class if not world best in the long run.

Going by the criteria, we believe we have a *good strategy* – for instance, our business is in a relatively new e-Solutions industry which still has tremendous growth potential, we are constantly aligning with the best-of-breed world class business partners such as IBM and SAP, to name only two. We leverage their international networks and presence as well as their world beating products and technologies.

We definitely have a *good team with good execution skills* – for instance, we are the only IBM On-Demand certified Business Partner in Asia Pacific, SAP's only NetWeaver partner in SEA to have four of our solutions certified by their lab in India, our financial performance track record have been consistently strong for the past three years. Of course, our team will grow stronger over time as we expand and we are very careful and prudent in our staff selection.

*Keep paying down debts* – the Company has zero debts we are proud to add and will stay gearing free in the foreseeable future as we make it a point to self finance by having positive cash flow always. Of course, this may not always be possible, but we will always be prudent and maintain tight fiscal discipline and run a lean, frugal business.

*Don't over – commit, don't do projects that tie up funds for too long* – so far so good on this score as we are always mindful of not over- stretching ourselves or over reaching.

*Don't mistreat minority shareholders, pay good dividends, don't hoard funds if you don't need it* – we take pride in being open, transparent, accountable and upholding good corporate governance at all times, so the issue of mistreating minority shareholders do not arise. Last year we *paid 100% dividends*, unprecedented for a Mesdaq company and this speaks for the fact that we *do not believe in hoarding funds which we do not need*.

*Always measure cost of capital before jumping into projects, payback rates must be fair and swift, keep a healthy balance sheet, always manage costs and budgetary items well*, - we maintain tight fiscal discipline in all our endeavors at all times, so as a matter of everyday practice, we always look at ROI to ensure our cost of capital is low, payback short and reasonable and of course always scrutinizing our costs structure. In doing so, it is no surprise that we do have a most healthy balance sheet.

### Acknowledgment & Appreciation

I would like to take this opportune time to reiterate again on behalf of the Board of Directors, the management team and staff members of I-Power Berhad our sincerest appreciation to you – our valued shareholders, for investing your confidence in us. Each of your vote of confidence is a constant reminder to us to always reach for the unlimited skies and still yet keep our feet firmly planted on the ground. In closing, we promise you we will strive and walk the extra mile relentlessly to maximize your wealth by your investment in I-Power! Thank you.

#### Chia Kok Chin

Chief Executive Officer,  
I-Power Berhad

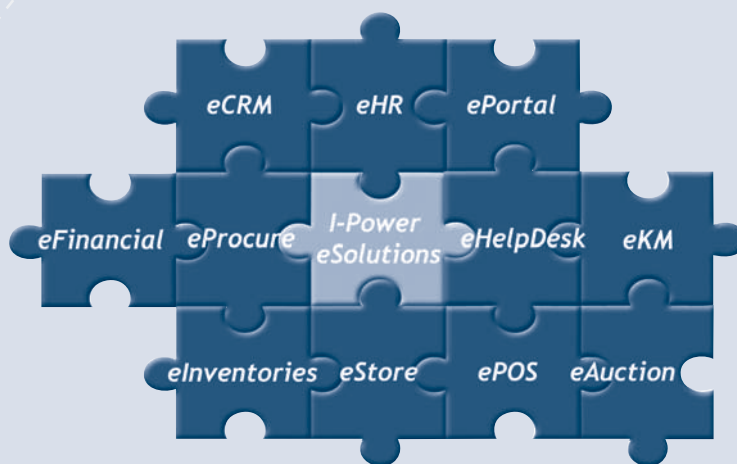
# CORPORATE PROFILE

## Overview

Established in October 2002, I-Power Berhad is a locally nurtured e-business solutions specialist and system integrator with a wide range of dominant e-Solutions products that caters for the business needs of both medium and large-sized organizations.

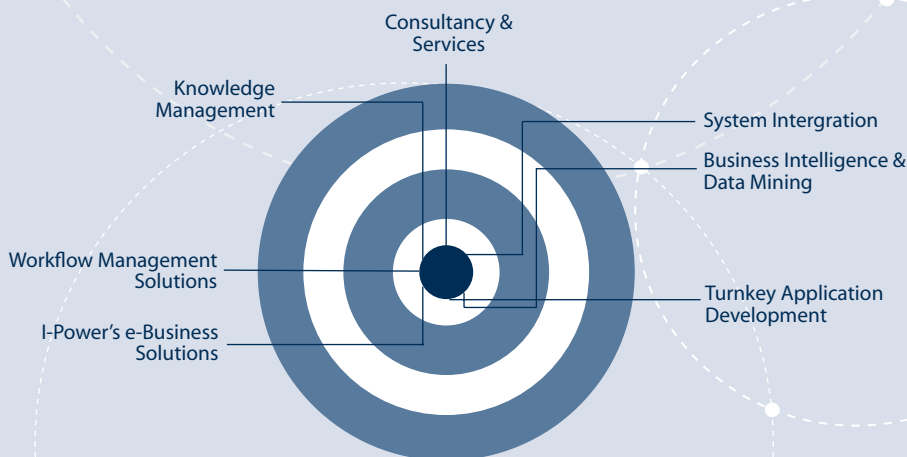
I-Power is headquartered in Technology Park Malaysia (TPM) Bukit Jalil, Kuala Lumpur and has a solid workforce of approximately 57 employees. I-Power has been listed in Malaysian Exchange of Securities Dealing and Automated Quotation Bhd (MESDAQ) since 18th January 2005.

## Our Core Solutions



**The most extensive suite of e-Solutions in Malaysia deployed in latest Java and IBM middleware technologies.**

## Our Focus



## Our Technology

ICT will ultimately become the vital enabler in supporting the services, retail, manufacturing and financial areas so as to boost efficiency, productivity and value in an increasingly competitive global environment. This in turn will increase the complexity of the IT system used and entails a more demanding solution to meet these intricate requirements.

Hence, we believe that technology could actually help create those solutions to assist organisations in increasing their efficiency and productivity, and we only adopt the best of technologies available and continuously keep abreast of the latest technology in the industry. The technologies we have employed will enable us to consistently deliver state-of-the-art solutions to our clients, allowing them a faster time to market and flexibility in deploying the solutions.

## CORPORATE PROFILE (cont'd)

### Open Java Standard

Our solutions are 100% Java based and J2EE compliant, supporting various platforms and operating systems as well as providing seamless integration with rapid deployment speed and customisation flexibility.

### SQL ANSI Standard

Fulfils the International SQL ANSI Standard requirements.

### IBM e-business Framework

The IBM e-business framework allows a diverse set of devices to connect via open network standards to enterprise data and applications anytime and anywhere.

### Struts Application Framework

Struts is an open source framework used to build Web applications and our solutions employs Struts Model 2 of Model-View-Controller. The Struts framework is built upon standard technologies like Java Servlets, JavaBeans, ResourceBundles, and XML, and it provides flexible and extensible components.

### Server-centric

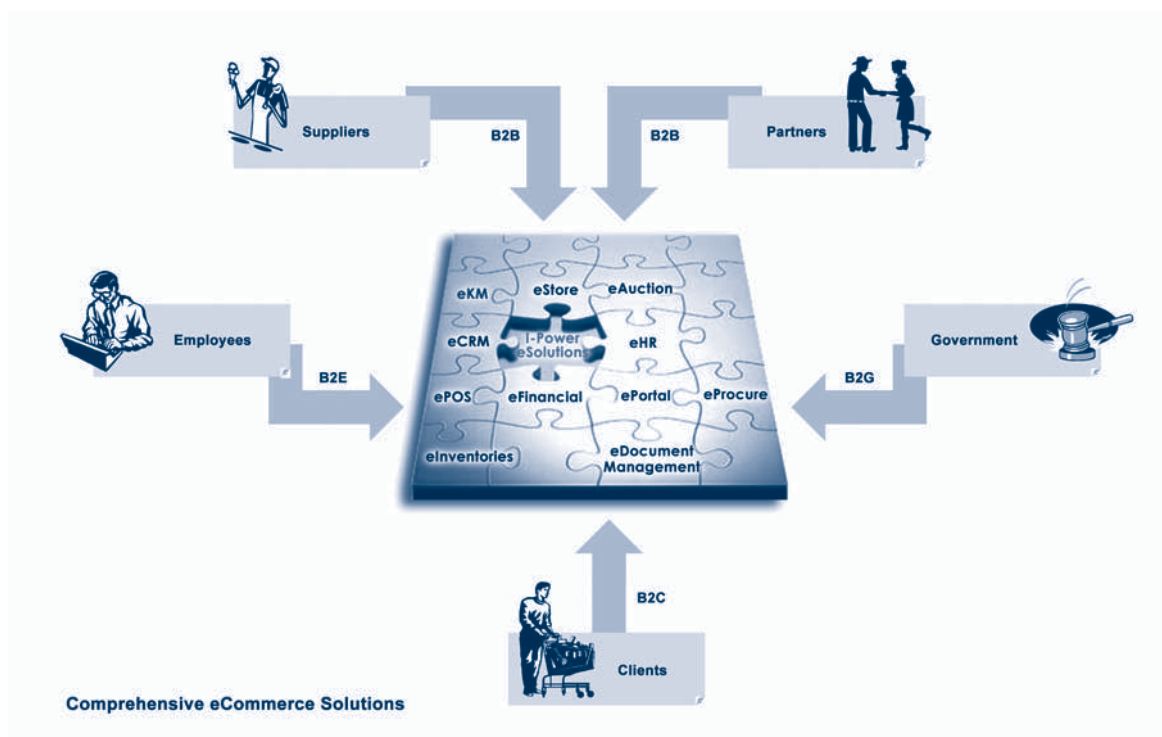
Ensures quick development and deployment of the solutions.

### Other Supporting Technologies

All of our solutions support various established technologies such as IBM DB2 Universal Database, Oracle, MQSeries, Tomcat and Microsoft MS SQL. These supporting technologies facilitate in quick deployment of the solutions and reduce the complexity of the installation.

### Solid Customisable e-Solutions

Not only I-Power's range of e-Solutions is robust, server-centric and highly efficient but also customisable that caters well to our clients' business needs. Our powerful set of solutions will enable our clients' organisations to rapidly align around key corporate goals and help their employees to collaborate more effectively.



### • **eAgency Management – The Ultimate Weapon For Managing Your Agent**

A comprehensive web-based solution that provides your agents of channel partners real-time centralised processing capability to streamline your agency or channel management. It enables you to deliver superior service to end customers, improve response time, reduce operation cost and run ahead of competition. By empowering all levels of your agency to share information online, you can enhance integration, collaboration, communication across your agents and provide clear directions for your sales force.

### • **eAuction – Giving You The Competitive Edge In Today's Dynamic Global Market**

Brings buyers and sellers together where online transaction can be executed quickly, easily and cost effectively. Electronic commerce has rapidly transformed business processes. In this changing market trend towards Internet economy and to meet today's global challenges, it is no longer sufficient to run businesses based on traditional method, and I-Power's eAuction revolutionizes the way traditional auction are being conducted by allowing business enterprises to reap the benefit of the Internet technologies.

### • **eCRM – Connecting With Your Customers At Your Fingertips**

Offers the most comprehensive web-based integrated solution. It covers the entire customer interaction cycle, from attracting a potential customer to retaining your profitable client, through which your marketing, sales and customer service departments can work in hand as a team. It aims to give an integrated view of customers by supplying identical and consistent information to all personnel so that you can easily meet your customers' needs.

### • **eFinancials – An Efficient Way To Streamline Your Financial Management**

A comprehensive web-based accounting solution that provides your organization real-time centralized accounting processing capability to streamline financial management. I-Power's eFinancials is built and designed to the exact way based on your business requirements, with rapid deployment, customization flexibility and seamless integration to your legacy system. Our system can be implemented in incremental phases and has the design flexibility to cope with any future changes.

### • **eHelpdesk – Maximise Your Staff Performance**

I-Power's eHelpDesk is a robust, server centric and highly scalable portal that offers a powerful solution that enables your organization to rapidly align around key corporate goals and helps your employees to collaborate more effectively. It provides you with dynamic information and delivers employee self-service capabilities that provide convenient access to the critical information, services and applications that will maximize staff performance.

### • **eHR – Shaping The Future Of Human Resource Management**

A web-based Human Resource Management Solution that provides you with a dynamic tool to facilitate in managing your human resources and payroll for your organization. I-Power's eHR provides you with dynamic HR information and delivers employee self-service capabilities that provide convenient access to critical information, services and applications that will maximize staff performance.

### • **eInventories – Shaping The Future Of Inventories System**

One of I-Power's latest solutions of which I-Power built after judging the tremendous need for inventory system to complement business processes and activities such as procurement and point-of-sales for retailing, distribution and manufacturing industries. It allows you to keep track of your entire inventory, whether it is sold or received in shipment. When inventory is sold, the system decrements it from the inventory database after every transaction so you don't have to do it manually.



- **eKnowledge Management – Shaping The Future Of Knowledge Management**

A central repository for you to keep valuable information such as company profile, products/services information and any information that relates to customer relationship. The information can be classified into various user-defined categories such as product and services, customer support, package, promotion, marketing event and others. Knowledge Base allows information sharing among customer services, sales and marketing personnel.

- **ePortal – Comprehensive Corporate Portal For Today's On Demand World**

I-Power ePortal harnesses the human intellectual capacity to give you the competitive edge in today's K-economy and enables your employees to leverage on the best practices of your organization. I-Power ePortal empowers all levels of your organization to share knowledge and experiences online and brings about better integration, collaboration and communication across your entire organization.

- **ePOS – Cashing Your Way To The Future Of Business With I-Power Web-based POS**

One of the core software that I-Power specialises is the web-based point-of-sales (POS) software for retail management solutions used for most general retail categories including food, cellular/wireless, electronics, furniture, appliance, gifts, pharmacy front store, music stores and more. It is highly scalable and designed for single stores up to large multinational chains.

- **eProcure – Leveraging Internet Technologies To Enhance Your Purchasing Power**

A web-based e-Procurement solution that provides business enterprises with the ability to automate the entire procurement cycle with the objectives to streamline procurement processes. By automating the procurement process, department users can browse online product catalogs, create requisitions and obtain approval.

- **eStore – Revolutionize Your eBusiness In Today's Global Market**

A web-based e-storefront solution that provides business enterprises with the ability to showcase and sell their products and services globally over the Internet. It is designed to facilitate businesses in achieving their business objectives and empower them to run ahead of competition.

- **eDocument Management – Powerful Tool to Share Your Knowledge**

A web-based document management system which allows you to store and share your documents for organization-wide usage be it locally or globally. Sharing collaterals, templates, assignments, etc has never been easier. We do not just have a run-of-the-mill document management system, but a solution which enables you and your organization staff to store, retrieve and share valuable information on demand.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Tan Sri Dato' Wan Sidek Bin Haji Wan Abd Rahman  
(Chairman)  
Independent, Non-Executive Director

Chia Kok Chin  
Chief Executive Officer/Chief Technology Officer

Tan Chuek Hooi  
Executive Director

Hoh Chee Kuan  
Executive Director

Leou Thiam Lai  
Independent, Non-Executive Director

## AUDIT COMMITTEE

Tan Sri Dato' Wan Sidek Bin Haji Wan Abd Rahman  
(Chairman)

Leou Thiam Lai

Tan Chuek Hooi

## NOMINATION COMMITTEE

Tan Sri Dato' Wan Sidek Bin Haji Wan Abd Rahman  
(Chairman)

Leou Thiam Lai

## REMUNERATION COMMITTEE

Tan Sri Dato' Wan Sidek Bin Haji Wan Abd Rahman  
(Chairman)

Leou Thiam Lai

## AUDITORS

Russell Bedford LC & Company (formerly known as  
Lean Chin & Co), Chartered Accountants

## COMPANY SECRETARY

Chin Kim Fung (LS:00234)

## STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad  
(Mesdaq Market)

## PRINCIPAL BANKER

Hong Leong Bank Berhad

## REGISTERED OFFICE

149A, Jalan Aminuddin Baki  
Taman Tun Dr Ismail  
60000 Kuala Lumpur  
Tel: 03-7727 3873  
Fax: 03-7728 5948  
Email: edzone@po.jaring.my

## REGISTRAR

Insurban Corporate Services Sdn Bhd  
149, Jalan Aminuddin Baki  
Taman Tun Dr Ismail  
60000 Kuala Lumpur  
Tel: 03-7729 5529  
Fax: 03-7726 6686

## PRINCIPAL PLACE OF BUSINESS

L4-E-11, Enterprise 4  
Technology Park Malaysia  
Bukit Jalil  
57000 Kuala Lumpur  
Tel: 03-8996 8080  
Fax: 03-8996 6880

## SPONSOR

Aseambankers Malaysia Berhad  
33rd Floor, Menara Maybank,  
100, Jalan Tun Perak,  
50050 Kuala Lumpur

# DIRECTORS' PROFILES

## Board of Directors

Name Of Members	Designation	Nationality
Tan Sri Dato' Wan Sidek Bin Haji Wan Abd Rahman	Independent Non-Executive Chairman	Malaysian
Chia Kok Chin	CEO / CTO	Malaysian
Tan Chuek Hooi	Executive Director	Malaysian
Hoh Chee Kuan	Executive Director	Malaysian
Leou Thiam Lai	Independent Non-Executive Director	Malaysian

### TAN SRI DATO' WAN SIDEK BIN HAJI WAN ABD RAHMAN

A Malaysian and aged 70, Tan Sri Dato' Wan Sidek is the Independent Non-Executive Chairman of I-Power Berhad. He was appointed to the Board on 1 September, 2004. He is the Chairman of the Audit Committee, the Nomination Committee and the Remuneration Committee.

He graduated from University Malaya in 1959 with a Bachelor of Economics (Honours). Upon graduation, he joined the Malaysian Administrative and Diplomatic Service.

During his tenure in the civil service, he served in several senior positions at the District, State and Federal level. Prominent among these were as the District Officer of Dindings and Kinta in Perak; as Federal Secretary of Sarawak (1970-1974) and as State Secretary of Pahang (1974-1977). At the Federal level, he served as Secretary-General in the Ministry of Science, Technology and Environment (1981-1982), Ministry of Information (1982-1985) and Deputy Secretary-General in the Prime Minister's Department (1985-1988) and as Secretary-General, Ministry of Home Affairs (1988-1990).

His last posting in the civil service before he retired was as the Malaysian High Commissioner to the United Kingdom and concurrently as Malaysian Ambassador to the Republic of Ireland from 1990-1993.

During the course of this career and in recognition of his contributions to the civil service and the country, he was bestowed with Honours and Awards, namely PSM (Federal), SIMP (Kelantan), DSAP (Pahang), PNBS (Sarawak), JMN, KMN and PJK.

In 1992, he was made Chairman of Kuala Lumpur Industries Holdings Berhad. He was later appointed as Chairman of Shangri-La Hotels (M) Berhad (1992) and Rahman Hydraulic Tin Berhad (1998). He currently serves as a board member of Eng Teknologi Holdings Berhad (1996), Resorts World Bhd (1997) and Olympia Industries Berhad (2001).

As at 30 June, 2006, he does not hold any ordinary shares in I-Power Berhad. He has no family relationship with any directors or substantial shareholder of the Company.

Tan Sri Dato' Wan Sidek Bin Haji Wan Abd Rahman attended all the Board meetings held during his tenure in office in the year ended 30 June, 2006.

Tan Sri Dato' Wan Sidek Bin Haji Wan Abd Rahman has no conflict of interest with the Company and has no conviction for offences within the past 10 years other than traffic offences or a negative statement.

## DIRECTORS' PROFILES (cont'd)

### MR. CHIA KOK CHIN

A Malaysian and aged 38, Chia Kok Chin is the Chief Executive Officer / Chief Technology Officer of I-Power Berhad. He was appointed to the Board on 21 October, 2002. He graduated from Deakin University, Melbourne, Australia in 1990 with a Bachelor of Business majoring in Computing.

He started his career as an analyst programmer with Glaxo (Malaysia) Sdn Bhd in 1991. His main function was to ensure the development and maintenance of key accounting, marketing and sales system. He later joined Focus Technology Sdn Bhd in 1993 as a system analyst, where some of his main responsibilities were systems development and user requirement study.

In 1994, he joined Phileo Allied Bank Sdn Bhd where among the posts he held was as System Architect, Business Analyst and Project Manager. During his stint there, he was involved in certain main information system projects such as PalDirect, which is an Internet share trading system, and PalWorld, which is an Internet banking system.

After six years with Phileo Allied Bank Sdn Bhd, he then accepted the post of CTO with PowerSys in 2000, where he was also a major shareholder. He was the key figure in the R&D of several commercial e-Solutions projects which were implemented by PowerSys and he also held the IPR to PowerSys key technology competencies. Some of the projects in which he played a key role were turnkey solutions developed for e-Cosway and Deutsche Bank (Malaysia) Bhd. With the forming of I-Power, he later sold the market-proven IPR of his e-Solutions to I-Power.

As at 30 June, 2006, he held 20,237,500 ordinary shares in I-Power Berhad. He is deemed interested in 932,000 of ordinary shares held by his spouse, Ha Mun Keet.

Mr. Chia Kok Chin attended all the Board meetings held during his tenure in office in the year ended 30 June, 2006.

Mr. Chia Kok Chin has no conflict of interest with the Company and has no conviction for offences within the past 10 years other than traffic offences or a negative statement.

## DIRECTORS' PROFILES (cont'd)

### MR. TAN CHUEK HOOI

A Malaysian and aged 46, Tan Chuek Hooi is the Executive Director of I-Power Berhad. He was first appointed to the Board on 16 June, 2003. He is a member of the Audit Committee.

He graduated from University of Windsor, Ontario, Canada in 1983 with a Bachelor of Commerce (Honours) in Business Administration majoring in Accounting and minoring in Business Statistics.

He started his career as an accountant with United Computers Sdn Bhd in 1984. In 1986, he joined Imagineering Sdn Bhd as its Finance Manager, where he was responsible for the implementation of the company's operation procedure.

In 1987, he accepted an appointment from Tech Pacific NZ Ltd in Auckland New Zealand, where he acted as its Finance Manager. During his stay, he was in charge of, among others, the company system administration, credit control and financial accounting.

After seven years working in New Zealand, he then returned to Malaysia and later joined Tele Dynamics Sdn Bhd as its Financial Controller. He was mainly responsible for maintaining the company's whole financial system which included, among others, treasury function, financial accounting, corporate planning and cash flow management.

As at 30 June, 2006, he held 200,000 ordinary shares in I-Power Berhad. Tan Chuek Hooi attended all Board meetings held during his tenure in office in the year ended 30 June, 2006. He has no family relationship with any directors or substantial shareholder of the Company.

Mr. Tan Chuek Hooi has no conflict of interest with the Company and has no conviction for offences within the past 10 years other than traffic offences or a negative statement.

### MR. HOH CHEE KUAN

A Malaysian and aged 37, Hoh Chee Kuan is an Executive Director of I-Power Berhad. He was appointed to the Board on 5 September, 2003.

He graduated from Federal Institute of Technology, Kuala Lumpur, in 2001 with a Diploma in Electrical Engineering.

He started his career as Technical Supervisor with Hitechniaga Sdn Bhd in 1992. There he was given the responsibility to oversee technical support for line printer division. In 1995, he further advanced his career by accepting an appointment as Sales Manager with LEO Computer Distribution Sdn Bhd. During his three-year tenure, he managed the sales and marketing division and was also involved in developing the company's business strategies.

He later joined Fujitsu PC Asia Pte Ltd as Channel Manager. There he was mainly involved in channel marketing planning and helping the development of the company's business partner.

Prior to joining I-Power, he joined Nineten Media (M) Sdn Bhd in 2001, where he acted as its General Manager. Again, he was deeply involved in the development of the company's business strategy apart from managing the sales and marketing division.

As at 30 June, 2006, he did not hold ordinary shares in I-Power Berhad. Hoh Chee Kuan attended all the Board meetings held during his tenure in the year ended 30 June, 2006. He has no family relationship with any directors or substantial shareholder of the Company.

Mr. Hoh Chee Kuan has no conflict of interest with the Company and has no conviction for offences within the past 10 years other than traffic offences or a negative statement.

## DIRECTORS' PROFILES (cont'd)

### MR. LEOU THIAM LAI

A Malaysian and aged 50, Leou Thiam Lai is an Independent Non-Executive Director. He is the Member of the Audit Committee, the Nomination Committee and the Remuneration Committee. He was appointed to the Board on 1 September, 2004.

He studied at the Tunku Abdul Rahman College, Kuala Lumpur, and upon graduation in June 1980, he began his career in a Chartered Accountants firm. He left the profession to accept an appointment as the Group Accountant of a public-listed company.

Subsequently, in 1987, he started a risk management agency and in 1998, upon the approval of his Audit Licence by the Treasury, he started his own accounting firm, Leou & Associates, a Chartered Accountants Firm.

He is a Chartered Accountant of the Malaysian Institute of Accountants and a Fellow of the Chartered Association of Certified Accountants (UK) and an Associate member of the Malaysian Institute of Taxation.

He is also in the board of Degem Berhad, United Bintang Berhad, Ramunia Holdings Berhad and Berjaya Holdings (HK) Limited. He too, serves as Chairman of the audit committee for Degem Berhad.

As at 30 June, 2006, he did not hold ordinary shares in I-Power Berhad. Leou Thiam Lai attended all the Board meetings held during his tenure in office in the year ended 30 June, 2006. He has no family relationship with any directors or substantial shareholder of the Company.

Mr. Leou Thiam Lai has no conflict of interest with the Company and has no conviction for offences within the past 10 years other than traffic offences or a negative statement.

# CORPORATE GOVERNANCE

Good corporate governance surpasses mere common sense. In fact, it is a pivotal part of the contract that underpins economic growth in a market economy and public faith in that system. Hence, it is the Board of Directors' profound belief that adhering to the present-day standards of governance will assist in escalating the performance of the Company. We fully appreciate the magnitude of adopting the best principles and practices that have vastly contributed to the Company's soaring accomplishments.

Good corporate governance also ensures transparency, fairness and accountability. By building confidence and trust, good governance rewards the Company with abundant benefits, set to guarantee continuous, sustainable growth in the interests of our valuable shareholders, customers, partners and employees. With regards to the standards outlined in the Malaysian Code on Corporate Governance ("Code"), the following sections indicate how the Company has applied and complied with the best practices in the Code.

## Board of Directors

### Roles And Principal Responsibilities

The Independent Non-Executive Chairman leads strategic planning at the Board level while the CEO and Executive Directors are responsible for the implementation of policies, executive and investment decisions. The Independent Non-Executive Director provides judgement on issues of strategy, performance and standards.

### Meetings

The Board of Directors has met five (5) times during the financial year to drive the focus of the Company.

No.	Name Of Members	Designation	Attendance	Percentage Of Attendance
1	Tan Sri Dato' Wan Sidek Bin Haji Wan Abd Rahman	Independent Non-Executive Chairman	5/5	100%
2	Chia Kok Chin	CEO / CTO	5/5	100%
3	Tan Chuek Hooi	Executive Director	5/5	100%
4	Hoh Chee Kuan	Executive Director	5/5	100%
5	Leou Thiam Lai	Independent Non-Executive Director	5/5	100%

### Board Composition and Balance

The Board consists of five (5) members. At present, the Board consist of one (1) Independent Non-Executive Chairman, three (3) Executive Directors and one (1) Independent Non-Executive Director.

The profiles of the Board members can be found in pages 18 to 21 in the Annual Report.

The Board is satisfied that the Board composition is balanced to ensure long term interest of all shareholders.

## Directors' Remuneration

Remuneration Band	<-----No. of Directors----->	
	Financial Year Ended 30 June 2006	Financial Year Ended 30 June 2005
Below RM50,000	3	3
RM50,001 to RM 100,000	1	1
RM150,001 to RM200,000	1	1

## Supply of Information

All Board members appointed on independent dates. Please refer to Directors' Profiles in pages 18 to 21. The Board called for meetings five (5) times during the financial year ended 30 June 2006.

Members of the Board will be supplied with all papers pertaining to financial performance, investments, strategic direction and such prior to the Board meeting to provide sufficient time for them to deliberate on the issues.

## Appointments to the Board

The Board is appointed in a formal and transparent practice as endorsed by the Code. The Nomination Committee will make recommendations to the Board and the Board upon review and deliberation, approve the appointment. The Company Secretary will ensure that all appointments are properly made and that all legal and regulatory obligations are made.

## Directors' Training

All Directors as pursued in Guidance Note 10, have gone through Continuing Education Program training to help them to dispense their responsibilities and duties.

## Re-election

One third of the Board, excluding the Managing Director shall retire from office and eligible for re-election at each Annual General Meeting and all directors except the Managing Director shall retire from office once in every three (3) years but shall be eligible for re-election.

Directors appointed by the Board during the financial year shall be subject to retirement and re-election by shareholders in the next Annual General Meeting held following their appointments.

## Relationship with Shareholders and Investors

The Board of Directors holds with utmost importance the act of keeping all shareholders and investors informed of the company's business and corporate developments. Such information is disseminated through the company's quarterly results and through various disclosure via the Bursa Malaysia Securities Berhad website.

The forthcoming Annual General Meeting will be a great avenue of meeting between the Board of Directors and the shareholders and investors.

## Annual General Meeting

The Annual General Meeting (AGM) is the primary gathering for all shareholders to raise questions or to inquire more information on the Company's development and financial performance. The CEO and Board members are present to address all shareholders' queries on issues relevant to the Company. However, if the queries raised are not immediately answerable during the AGM, the CEO will send a written letter containing the explanation after the AGM is over. Notice of the AGM is released to shareholders at least 21 days before the date of the meeting.

The shareholders have direct access to the Board and are encouraged to participate in the open question and answer session.



# ACCOUNTABILITY AND AUDIT

## Accountability And Audit

The Board of Directors aims to present a balanced and true view of the Company's corporate and financial states of affairs.

## Audit Committee

The Committee was set to assist the Board of Directors with added focus in discharging its responsibilities and duties.

## Financial Reporting

The Board of Directors is satisfied that appropriate accounting policies have been consistently applied and supported by reasonable judgements and estimates.

A balanced and understandable assessment of the Company's position and prospects is released through annual financial statements and quarterly financial results.

Quarterly financial results are by the Audit Committee and approved by the Board of Directors before being released to Bursa Malaysia Berhad.

## Internal Control

The Board of Directors takes into seriousness a system of internal controls covering not only financial controls but also operations and compliance controls as well as risk management.

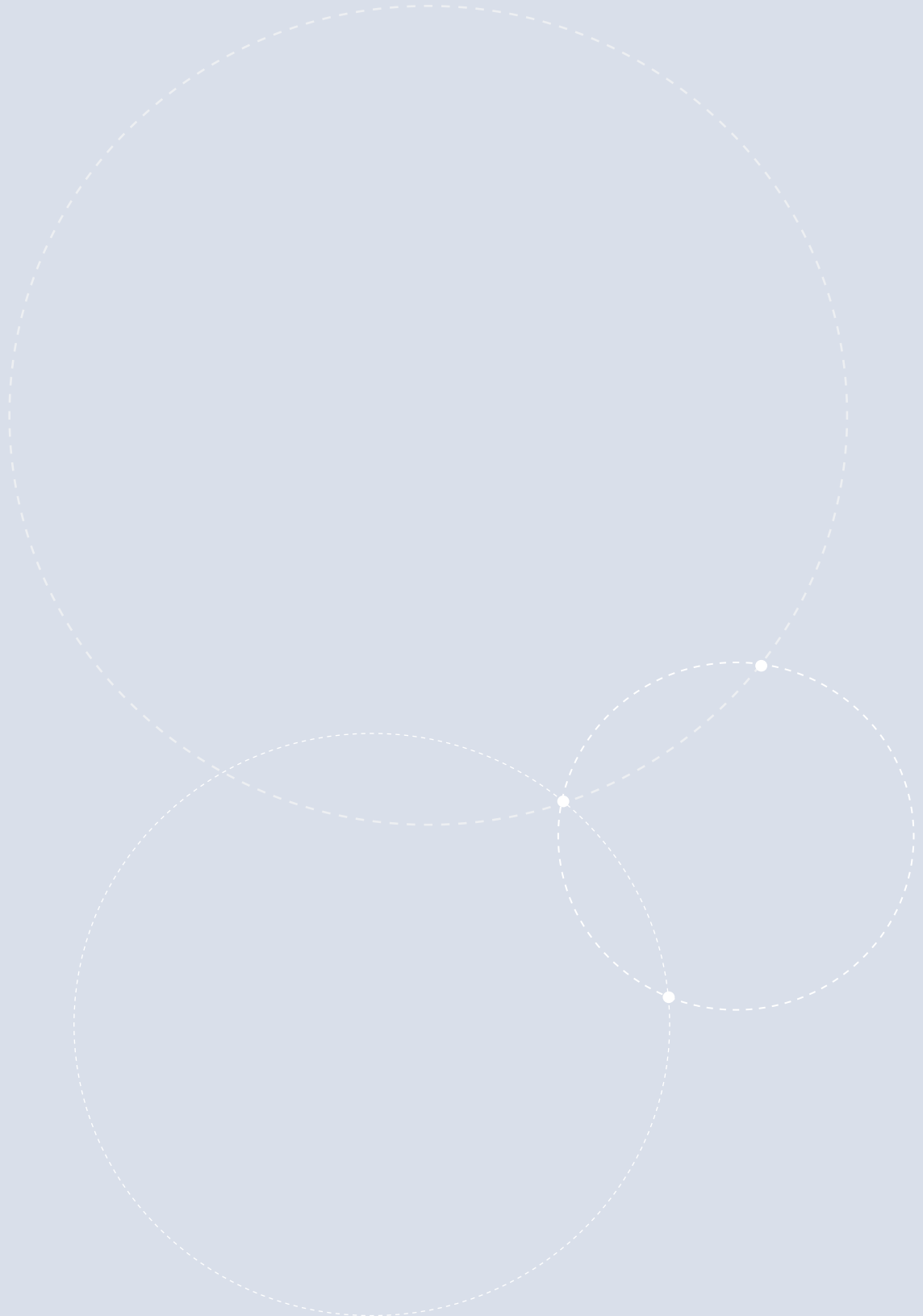
## Relationship With Auditors

The Company forges a transparent and professional relationship with the Company's auditors.

## DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors takes it upon themselves to ensure each financial statement for each financial year are properly drawn up in accordance with applicable financial policies and standards in Malaysia so as to give a true and fair view of the Company's state of affairs as at the financial year and of the results and cash flows of the Company for that period.

The Board of Directors takes the responsibilities of safeguarding assets of the Company, prevent and detect fraud and other irregularities seriously.



# AUDIT COMMITTEE REPORT

## Audit Committee Members

<b>Chairman</b>	Tan Sri Dato'Wan Sidek Bin Haji Wan Abd Rahman (Independent Non-Executive Director)
<b>Members</b>	Leou Thiam Lai (Independent Non-Executive Director) Tan Chuek Hooi (Executive Director)
<b>Secretary</b>	Chin Kim Fung (Company Secretary)

## Audit Committee Terms Of Reference

### 1. Composition

- a. The Board shall elect an Audit Committee from amongst themselves (pursuant to a resolution of the Board of Directors) comprising not less than three (3) members where the majority of them shall be composed of independent non-executive members of the Board.
- b. The term of office of the Audit Committee is two (2) years and may be re-nominated and appointed by the Board.
- c. The members of the Audit Committee shall elect a Chairman from amongst themselves who shall be an independent director. The Chairman of the Audit Committee shall be approved by the Board.
- d. All members of the Audit Committee, including the Chairman, will hold office only so long as they serve as Directors of the Company. Should any member of the Audit Committee cease to be a Director of the Company, his membership in the Audit Committee would cease forthwith.
- e. No Alternate Director of the Board shall be appointed as a member of the Audit Committee.
- f. If the number of members of the Audit Committee for any reason be reduced to below three (3), the Board of Directors shall within three (3) months of the event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

### 2. Objectives

- a. The primary objectives of the Audit Committee are:
  - b. to provide assistance to the Board in fulfilling its fiduciary responsibilities particularly relating to business ethics, policies and practices and financial management and control.
  - c. to provide greater emphasis on the audit functions by increasing the objectivity and independence of external and internal auditors and providing a forum for discussion that is independent of the management.
  - d. to maintain through regularly scheduled meetings a direct line of communication between the Board and the external auditors, internal auditors and financial management.

## 3. Duties and Responsibilities

The duties and responsibilities of the Audit Committee shall be to review the following and report the same to the Board:

- a. The appointment of the external auditors, the audit fee, and any questions of resignation or dismissal.
- b. The nature and scope of the audit including the co-operation of auditors where more than one audit firm is involved.
- c. The quarterly and annual financial statements, focusing particular on:
  - i. changes in accounting policies and practices
  - ii. major judgement areas
  - iii. significant adjustments resulting from the audit
  - iv. the going concern assumption.
  - v. compliance with accounting standards
  - vi. compliance with Bursa Malaysia Securities Berhad rules and other legal requirements.
- d. to discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary).
- e. to review the internal audit programmes, consider the major findings of internal audit programmes and management's response, and ensure co-ordination between the internal and external auditors.
- f. to keep under review the effectiveness of internal control systems, and in particular review the external auditors' management letter and management's response.
- g. to discuss the related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedures or conduct that give rise to questions of management integrity.
- h. to give assistance given by the employees of the Company and the Group to the auditors.
- i. to carry other duties and responsibility as may be agreed to by the Audit Committee and the Board.

## 4. Authority

The Audit Committee shall, in accordance with a procedure to be determined by the Board and at the expense of the Company.

- a. have authority to investigate any matters within its terms of reference and to seek any information it requires from any employees.
- b. have right to retain persons having special competence as necessary to assist the Committee in fulfilling its responsibilities.
- c. have adequate resources to perform its duties.
- d. have full and unrestricted access to any information pertaining to the Company.
- e. have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity (if any).
- f. be able to convene meetings with the External Auditors, excluding the attendance of the executive members of the Committee, whenever deemed necessary.

### 5. Meetings and Minutes

The Audit Committee shall hold not less than four (4) meetings a year to review the quarterly results and year end financial statements. In order to form the quorum for each meeting, a minimum of two (2) members present shall be Independent Directors.

In addition to the Committee members, the head of internal audit shall normally attend the meetings. Representatives of the external auditors shall attend meetings where matters relating to the audit of the statutory accounts and/or the external auditors are to be discussed.

Minutes of each meeting shall be kept and distributed to each member of the Committee and also to the other members of the Board. The Committee Chairman shall report on each meeting to the Board.

The Secretary to the Audit Committee shall be the Company Secretary.

# SUMMARY OF AUDIT COMMITTEE ACTIVITIES

## Summary Of Activities

During the financial year ended 30 June 2006, in line with the terms of reference, the Committee carried out the following activities in discharge of its functions and duties:

1. Reviewed the audit reports of the Company and the Group prepared by the external auditors and considered the major findings by the auditors and management's responses thereto;
2. Reviewed the quarterly and annual reports of the Company and the Group prior to submission to the Board for consideration and approval.
3. Reviewed the disclosure of related party transactions entered into by the Company and the Group in the annual report of the Group;
4. Met with the external auditors to review the audited financial statements for the financial ended 30 June 2006.

Deliberations are ongoing to engage an external professional firm to undertake the internal audit function. Pending the establishment of this outsourced internal audit function, the Committee took into cognizance the existence of key elements of internal control at the management and operational levels and the contribution to internal control by the existing internal quality system established under the ISO 9002 regulations, which covers a significant section of the overall internal control objectives and which are regularly audited by internal as well as external quality auditors.

## Meeting Attendance

The Committee held six (6) meetings during the year ended 30 June 2006. The details of the attendance are as follows:

Directors	No. of meetings attended out of total no. of meetings held during tenure of office
Tan Sri Dato' Wan Sidek Bin Haji Wan Abd Rahman	6/6
Tan Chuek Hooi	5/6
Leou Thiam Lai	6/6

# STATEMENT ON INTERNAL CONTROL

## Statement On Internal Control

### Introduction

The Board of Directors believes that with good governance comes a sound system of internal control to safeguard our shareholders investment and the company's assets.

### Board Responsibilities

Maintain the Company's system of internal controls and ensure the adequacy and integrity of the Company's state of affairs.

The key processes include:

- Regular and comprehensive information is provided to the management, covering financial performance and key business indicators.
- Approve audited quarterly and full year financial results.
- Make performance analysis on financial performance and business objectives.
- Review the adequacy and effectiveness of the system of internal control in an on-going process.

### Internal Audit

The Board of Directors trusts that the system of internal control is adequate judging from the size of the company.

### Audit Committee

The Committee was set up to assist the Board of Directors with added focus in discharging its responsibilities and duties.

# FINANCIAL STATEMENTS

A decorative graphic consisting of several overlapping dashed circles in a light blue color. The circles are arranged in a way that they overlap each other, creating a sense of depth and movement. The largest circle is at the top, with several smaller ones below it, some overlapping the larger one and others overlapping each other.

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# DIRECTORS' REPORT

The directors submit their report and the audited financial statements of the Company for the financial year ended 30 June 2006.

## Principal activities

The Company is principally involved in the provision of e-business software application development, software integration and related services and the sale of related products.

There have been no significant changes in the nature of these activities during the financial year.

## Financial results

	RM
<b>Net profit for the year</b>	<b>7,197,032</b>

In the opinion of the directors, the results of the operations of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

## Dividends

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors also do not recommend any dividend payment in respect of the current financial year.

## Reserves and provisions

There were no material transfers to and from reserves or provisions during the financial year other than those disclosed in the financial statements.

## Issue of shares and debentures

The Company has not issued any shares and debentures during the financial year.

## Share options

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options.

## Directors

The directors of the Company in office since the date of the last report are:

Tan Sri Dato' Wan Sidek Bin Haji Wan Abd Rahman  
Chia Kok Chin  
Tan Chuek Hooi  
Hoh Chee Kuan  
Leou Thiam Lai

## DIRECTORS' REPORT (cont'd)

### Directors' interests in shares

The shareholdings in the Company of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept under Section 134 of the Companies Act, 1965, are as follows:

	Number of ordinary shares of RM0.10 each			Balance as at 30.6.2006
	Balance as at 1.7.2005	Bought	Sold	
Shareholdings registered in the name of directors:				
<b>In the Company</b>				
Tan Sri Dato' Wan Sidek Bin Haji Wan Abd Rahman	190,000	-	190,000	-
Chia Kok Chin	33,237,500	-	13,000,000	20,237,500
Tan Chuek Hooi	200,000	-	-	200,000
Hoh Chee Kuan	55,000	-	55,000	-
Leou Thiam Lai	300,000	-	300,000	-
<b>Other shareholdings in which a director is deemed to have an interest</b>				
Chia Kok Chin	6,750,000	8,200	5,826,200	932,000

### Directors' benefits

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

There were no arrangements during or at the end of the financial year, which had the object of enabling directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### Other statutory information

Before the financial statements of the Company were made out, the directors took reasonable steps:

- to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
- to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their expected realisable values.

At the date of this report, the directors are not aware of any circumstances:

- which would render the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Company inadequate to any substantial extent;
- which would render the values attributed to current assets in the financial statements of the Company misleading; and
- which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

## Other statutory information (continued)

In the interval between the end of the financial year and the date of this report:

- (a) no item, transaction or event of a material and unusual nature has arisen which, in the opinion of the directors, would substantially affect the results of the operations of the Company for the financial year in which this report is made; and
- (b) no charge has arisen on the assets of the Company which secures the liability of any other person nor have any contingent liabilities arisen in the Company.

No contingent or other liability of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the Company to meet its obligations when they fall due.

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements, which would render any amount stated in the financial statements misleading.

## Auditors

The auditors, Messrs Russell Bedford LC & Company (formerly known as Lean Chin & Co.), have indicated their willingness to continue in office.

Signed on behalf of the Board  
in accordance with a resolution of the directors,



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CHIA KOK CHIN



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TAN CHUEK HOOI

Kuala Lumpur

Dated: 17 October 2006

# STATEMENT BY DIRECTORS

## STATEMENT BY DIRECTORS

The directors of I-POWER BERHAD state that, in the opinion of the directors, the accompanying financial statements are drawn up in accordance with the applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Company as at 30 June 2006 and of the results and the cash flows of the Company for the year ended on that date.

Signed on behalf of the Board  
in accordance with a resolution of the directors,



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CHIA KOK CHIN



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TAN CHUEK HOOI

Kuala Lumpur

Dated: 17 October 2006

# STATUTORY DECLARATION


I, CHIA KOK CHIN, being the director primarily responsible for the financial management of I-POWER BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements are correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by )  
the above named CHIA KOK CHIN at )  
Kuala Lumpur in Wilayah Persekutuan )  
on 17 October 2006 )




CHIA KOK CHIN

Before me,



COMMISSIONER FOR OATHS



PESURUHJAYA SUMPAH  
No. W. 354  
S. MASOHOOD OMAR  
BIN. PKT. PHK. PJM  
MALAYSIA

No. 66 Jalan Tun Perak  
50060 Kuala Lumpur

# REPORT OF THE AUDITORS

## TO THE MEMBERS OF I-POWER BERHAD (Incorporated in Malaysia)

We have audited the accompanying financial statements of I-POWER BERHAD. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the directors, as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of:
  - (i) the state of affairs of the Company as at 30 June 2006 and of the results and the cash flows of the Company for the year ended on that date; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.



RUSSELL BEDFORD LC & COMPANY  
AF 1237  
CHARTERED ACCOUNTANTS



LOH KOK LEONG  
1965/06/07 (J)  
PARTNER

Kuala Lumpur

Dated: 17 October 2006

# INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 RM	2005 RM
Revenue	4	18,297,815	15,223,637
Other operating income		54,755	877,224
Purchases		(8,251,055)	(9,008,522)
Staff costs	5	(1,083,021)	(830,250)
Depreciation		(258,135)	(95,770)
Amortisation of intellectual property rights		(200,000)	(200,000)
Other operating expenses		(1,363,327)	(395,698)
<b>Profit before tax</b>	7	7,197,032	5,570,621
Income tax expense	8	-	-
<b>Net profit for the year</b>		7,197,032	5,570,621
<b>Basic earnings per ordinary share</b>	9	11.42 sen	10.42 sen

The accompanying notes form an integral part of the financial statements.

# BALANCE SHEET

AS AT 30 JUNE 2006

	Note	2006 RM	2005 RM
<b>Non current assets</b>			
Plant and equipment	10	1,505,297	710,206
Intellectual property rights	11	3,300,000	3,500,000
Development expenditure	12	2,272,282	918,909
<b>Current assets</b>			
Trade receivables	13	9,212,504	4,409,335
Other receivables, deposits and prepayments	14	143,981	298,893
Cash at bank		4,147,633	3,431,036
		13,504,118	8,139,264
<b>Current liabilities</b>			
Trade payable	15	431,317	284,667
Other payables and accruals		50,000	80,364
		481,317	365,031
<b>Net current assets</b>		13,022,801	7,774,233
		20,100,380	12,903,348
<b>Represented by:</b>			
Share capital	16	6,300,000	6,300,000
Share premium	17	4,439,362	4,439,362
Retained profits	18	9,361,018	2,163,986
<b>Shareholders' fund</b>		20,100,380	12,903,348

The accompanying notes form an integral part of the financial statements.



# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2006

	Share capital RM	Share Premium RM	Retained profits RM	Total RM
At 1 July 2004	4,500,000	-	2,893,365	2,893,365
Public issue (Note 16)	1,800,000	5,940,000	-	-
Listing expenses	-	(1,500,638)	-	-
Net profit for the year	-	-	5,570,621	5,570,621
Dividend (Note 19)	-	-	(6,300,000)	(6,300,000)
At 30 June 2005	6,300,000	4,439,362	2,163,986	2,163,986
Net profit for the year	-	-	7,197,032	7,197,032
At 30 June 2006	6,300,000	4,439,362	9,361,018	9,361,018

The accompanying notes form an integral part of the financial statements.

# CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2006

	2006 RM	2005 RM
<b>Cash flows from/(used in) operating activities</b>		
Profit before tax	7,197,032	5,570,621
Adjustments for:		
Amortisation of intellectual property rights	200,000	200,000
Bad debts written off	531,876	-
Depreciation	258,135	95,770
Government grants recognised	(48,332)	(877,224)
Interest income	(6,423)	-
<b>Operating profit before working capital changes</b>	8,132,288	4,989,167
Increase in trade and other receivables	(5,370,342)	(1,897,409)
Increase in trade and other payables	116,286	257,325
<b>Net cash from operating activities</b>	2,878,232	3,349,083
<b>Cash flows from/(used in) investing activities</b>		
Development expenditure paid	(1,466,690)	(1,356,515)
Government grants received	351,858	1,088,558
Interest received	6,423	-
Purchase of plant and equipment	(1,053,226)	(559,968)
<b>Net cash used in investing activities</b>	(2,161,635)	(827,925)
<b>Cash flows from/(used in) financing activities</b>		
Proceeds from issue of shares	-	7,740,000
Listing expenses paid	-	(1,500,638)
Dividends paid	-	(6,300,000)
<b>Net cash used in financing activities</b>	-	(60,638)
<b>Net increase in cash and cash equivalents</b>	716,597	2,460,520
<b>Cash and cash equivalents at beginning of year</b>	3,431,036	970,516
<b>Cash and cash equivalents at end of year</b>	4,147,633	3,431,036
<b>Cash and cash equivalents are represented by cash at bank</b>	4,147,633	3,431,036

The accompanying notes form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006

## 1. General information

The Company is principally involved in the provision of e-business software application development, software integration and related services and the sale of related products.

There have been no significant changes in the nature of these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the MESDAQ Market of Bursa Malaysia Securities Berhad.

The principal place of business is located at L4-E-11, Enterprise 4, Technology Park Malaysia, Bukit Jalil, 57000 Kuala Lumpur. The registered office is located at 149A, Jalan Aminuddin Baki, Taman Tun Dr. Ismail, 60000 Kuala Lumpur.

The total number of employees, inclusive of executive directors, of the Company at the end of the financial year is 57 (2005: 44).

The financial statements were approved and authorised for issue by the board of directors on 17 October 2006.

## 2. Basis of preparation of the financial statements

The financial statements of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards issued by the Malaysian Accounting Standards Board.

## 3. Significant accounting policies

### Basis of accounting

The financial statements of the Company have been prepared under the historical cost convention and any other bases described in the significant accounting policies as summarised below.

### Revenue recognition

Revenue from services rendered is recognised in the income statement when the services are rendered.

Revenue on maintenance contracts is recognised when the services are rendered.

Interest income is recognised as it accrues (taking into account the effective yield on the asset) unless collectibility is in doubt.

### Grants

Grants represent monetary grants awarded by Multimedia Development Corporation ("MDC") under the Multimedia Super Corridor Research and Development Grant Scheme, for the purposes of supporting the Company's research and development activities in information technology. Grants are not recognised until there is reasonable assurance that all conditions attaching to them will be complied with and that the grants will be received.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 JUNE 2006

## 3. Significant accounting policies (continued)

### Grants (continued)

Grants related to income are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis, and are presented as a credit under other operating income in the income statement. Grants related to assets are presented in the balance sheet by deducting the grants in arriving at the carrying amount of the assets.

### Foreign currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at rates of exchange ruling at that date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. All foreign exchange differences are taken up in the income statement.

The principal exchange rates for every unit of foreign currency ruling at balance sheet date used are as follows:

	2006 RM	2005 RM
United States Dollar	3.675	N/A

### Employee benefits

#### (i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non accumulating compensated absences such as sick leave are recognised when the absences occur.

#### (ii) Defined contribution plans

Obligations for contributions to defined contribution plans such as Employees Provident Fund are recognised as an expense in the income statement as incurred.

### Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the 'liability' method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 JUNE 2006

## 3. Significant accounting policies (continued)

### Impairment of assets

The carrying amounts of assets subject to accounting for impairment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised in the income statement immediately whenever the recoverable amount is less than the carrying amount of the asset. All reversals of an impairment loss are recognised as income immediately.

### Plant and equipment and depreciation

Plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Gain and loss arising from the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the income statement.

Depreciation on plant and equipment is calculated on a straight line basis at the following annual rates based on their estimated useful lives:

Computers	20%
Office equipment, furniture and fittings	20%
Renovations	20%

### Intellectual property rights

Intellectual property rights are stated at cost less accumulated amortisation and impairment losses, if any. Intellectual property rights are amortised from the commencement of the income recognition to which they relate on the straight line basis over the period of expected benefit of twenty years.

### Research and development expenditure

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is expensed to the income statement as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Company has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is expensed in the income statement as incurred.

Capitalised development expenditure is stated at cost net of grants less accumulated amortisation and impairment losses, if any. Capitalised development expenditure is amortised from the commencement of the income recognition to which it relate on the straight line basis over the period of expected benefit of five years.

### Financial instruments

Financial instruments are recognised in the balance sheet when the Company has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 JUNE 2006

## 3. Significant accounting policies (continued)

### Financial instruments (continued)

Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has legal enforceable right to offset and intends to settle either on a net basis or realise the asset and settle the liability simultaneously.

#### (i) Receivables

Receivables are carried at anticipated realisable value. All known bad debts are written off and specific provisions are made for debts that are considered to be doubtful with regards to collection. In addition, general provisions are made to cover possible debts which are not specifically identified.

#### (ii) Payables

Payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

#### (iii) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are approved for payment.

### Cash flow statement

Cash flow statement is prepared using the indirect method.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amount of cash and which are subject to insignificant risk of changes in value.

## 4. Revenue

	2006 RM	2005 RM
e-business software application development and maintenance services	10,350,652	5,410,285
Software integration services	7,947,163	9,813,352
	18,297,815	15,223,637

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 JUNE 2006

## 5. Staff costs

	2006 RM	2005 RM
Directors' remuneration (Note 6)	321,360	297,360
Salaries	1,902,464	1,686,211
Defined contribution plans	252,685	199,461
Other employee related expenses	73,202	3,733
	2,549,711	2,186,765
Staff costs capitalised under development expenditure (Note 12)	(1,466,690)	(1,356,515)
	1,083,021	830,250

## 6. Directors' remuneration

The aggregate amount of emoluments received and receivable by the directors of the Company during the financial year are as follows:

	2006 RM	2005 RM
Executive directors:		
Basic salaries and other emoluments included in:		
- Income statement	174,720	174,720
- Development expenditure	80,640	80,640
Fees included in income statement	18,000	12,000
	273,360	267,360
Non executive directors:		
Fees included in income statement	48,000	30,000
	48,000	30,000
Total	321,360	297,360

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed as follows:

	2006	2005
Executive directors:		
Below RM50,000	1	1
RM50,001 - RM100,000	1	1
RM150,001 - RM200,000	1	1
Non executive directors:		
Below RM50,000	2	2
Total	5	5

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 JUNE 2006

## 7. Profit before tax

	2006 RM	2005 RM
Profit before tax is arrived at after charging:		
Amortisation of intellectual property rights	200,000	200,000
Auditors' remuneration	17,000	15,000
Bad debts written off	531,876	-
Depreciation	258,135	95,770
Directors' remuneration		
- fees	66,000	42,000
- others	174,720	174,720
Office rental	176,245	161,309
And crediting:		
Interest income on foreign currency deposit	6,423	-
MDC grants recognised	48,332	877,224



# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 JUNE 2006

## 8. Income tax expense

	2006 RM	2005 RM
Current estimated income tax payable	-	-

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate is as follows:

	2006 RM	2005 RM
Profit before tax	7,197,032	5,570,621
Taxation at statutory tax rate of 28% (2005: 28%)	2,015,200	1,559,800
Expenses not deductible for tax purposes	252,100	61,600
Deferred tax asset not recognised during the year	31,700	59,200
Deferred tax liabilities not recognised during the year	(574,000)	(451,200)
Income exempted from tax	(1,725,000)	(1,229,400)
Income tax expense for the year	-	-

The Company was granted pioneer status by Multimedia Development Corporation Sdn Bhd 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.

Deferred tax asset has not been recognised in respect of the following item:

	2006 RM	2005 RM
Government grants received but not credited to income statement	300,300	268,600

Deferred tax liabilities have not been recognised in respect of the following items:

	2006 RM	2005 RM
Development expenditure incurred but not charged to income statement	989,800	579,100
Excess of capital allowances over related depreciation of plant and equipment	279,600	116,300
	1,269,400	695,400

The deferred tax asset and liabilities are not recognised as the initial recognition of the related asset and liabilities at the time of the transactions, affects neither accounting profit nor taxable profit.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 JUNE 2006

## 9. Basic earnings per ordinary share

The basic earnings per ordinary share has been calculated by dividing the Company's net profit for the financial year of RM7,197,032 (2005:RM5,570,621) by the weighted average number of ordinary shares in issue of 63,000,000 (2005: 53,482,192). The weighted average number of ordinary shares in issue is calculated as follows:

	2006 RM	2005 RM
Number of ordinary shares at beginning of the year	63,000,000	4,500,000
Effects of shares issued pursuant to		
- Subdivision of every existing one ordinary share of RM1.00 par value each into 10 new ordinary shares of RM0.10 par value each	-	40,500,000
- Public issue of 18,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.43 per share	-	8,482,192
<b>Weighted average number of ordinary shares</b>	<b>63,000,000</b>	<b>53,482,192</b>

## 10. Plant and equipment

	Computers RM	Office equipment, furniture and fittings RM	Renovations RM	Total RM
<b>Cost</b>				
At beginning of year	729,135	122,131	30,133	881,399
Additions	1,011,031	42,195	-	1,053,226
<b>At end of year</b>	<b>1,740,166</b>	<b>164,326</b>	<b>30,133</b>	<b>1,934,625</b>
<b>Accumulated depreciation</b>				
At beginning of year	134,730	28,930	7,533	171,193
Charge for the year	223,860	28,249	6,026	258,135
<b>At end of year</b>	<b>358,590</b>	<b>57,179</b>	<b>13,559</b>	<b>429,328</b>
<b>Net book value</b>				
At 30 June 2006	1,381,576	107,147	16,574	1,505,297
At 30 June 2005	594,405	93,201	22,600	710,206
Depreciation charge for the year ended 30 June 2005	72,398	17,346	6,026	95,770

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 JUNE 2006

## 11. Intellectual property rights

	2006 RM	2005 RM
<b>Cost</b>		
At beginning of year/end of year	4,000,000	4,000,000
<b>Accumulated amortisation</b>		
At beginning of year	500,000	300,000
Charge for the year	200,000	200,000
At end of year	700,000	500,000
<b>Net book value</b>		
At end of year	3,300,000	3,500,000

The Intellectual Property Rights ("IPR") were acquired from a director on a willing buyer, willing seller arrangement. Pursuant to the agreement, the assignor, the director of the Company, being the proprietor of the IPR, assigns the IPR to the Company in the work, including all associated product designs, proprietary processes, human capital, customer maintenance contracts, development rights and know how processes.

## 12. Development expenditure

	2006 RM	2005 RM
<b>Cost</b>		
At beginning of year	918,909	297,839
Additions	1,466,690	1,356,515
Grants recognised	(113,317)	(735,445)
At end of year	2,272,282	918,909
<b>Accumulated amortisation</b>		
At beginning of year	-	-
Charge for the year	-	-
At end of year	-	-
<b>Net book value</b>		
At end of year	2,272,282	918,909
The development expenditure is arrived at after charging:		
Directors' remuneration other than fees	80,640	80,640
Other staff costs	1,386,050	1,275,875
	1,466,690	1,356,515

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 JUNE 2006

## 13. Trade receivables

The Company's normal trade credit terms range from 90 to 120 days (2005: 60 to 120 days). Other credit terms are assessed and approved on a case by case basis.

## 14. Other receivables, deposits and prepayments

Included under other receivables, deposits and prepayments of the Company are grants receivable from MDC amounting to RM Nil (2005: RM190,209).

## 15. Trade payable

The normal trade credit terms granted to the Company range from 60 to 90 days (2005: 30 to 60 days).

## 16. Share capital

	2006 No. of ordinary shares	2005 No. of ordinary shares	2006 RM	2005 RM
Authorised:				
At beginning of year	100,000,000	10,000,000	10,000,000	10,000,000
Subdivision of every existing one ordinary share of RM1.00 par value each into 10 new ordinary shares of RM0.10 par value each	-	90,000,000	-	-
At end of year	100,000,000	100,000,000	10,000,000	10,000,000
Issued and fully paid:				
At beginning of year	63,000,000	4,500,000	6,300,000	4,500,000
Subdivision of every existing one ordinary share of RM1.00 par value each into 10 new ordinary shares of RM0.10 par value each	-	40,500,000	-	-
Public issue of 18,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.43 per share	-	18,000,000	-	1,800,000
At end of year	63,000,000	63,000,000	6,300,000	6,300,000

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 JUNE 2006

## 17. Share premium

	2006 RM	2005 RM
At beginning of year	4,439,362	-
Public issue of 18,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.43 per share	-	5,940,000
Less: Listing expenses	-	(1,500,638)
At end of year	4,439,362	4,439,362

The share premium is not distributable by way of cash dividends and may be utilised only in the manner set out in Section 60(3) of the Companies Act, 1965.

## 18. Retained profits

Based on the estimated tax exempt income available and the prevailing tax rate applicable to dividends, the Company will be liable to incur additional income tax of about RM515,000 (2005: RM225,000) if all of its retained profits at 30 June 2006 are to be distributed by way of cash dividends.

The Company has tax exempt income account of approximately RM7,521,000 (2005: RM1,360,000) available for distribution as tax exempt dividend.

## 19. Dividend

	Gross dividend per share		Amount of dividend net of tax	
	2006 sen	2005 sen	2006 RM	2005 RM
Interim tax exempt dividend of Nil (2005: 100%) paid on 28 June 2005	-	10	-	6,300,000

## 20. Commitment

	2006 RM	2005 RM
The future minimum rental payments under non cancellable tenancy agreement are as follows:		
Not later than 1 year	179,232	116,501
Later than 1 year and not later than 2 years	119,488	-
	298,720	116,501

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30 JUNE 2006

## 21. Financial instruments

### Financial risk management objectives and policies

The Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Company's business whilst managing its liquidity, foreign exchange and credit risks. The Company operates within guidelines that are approved by the Board and the Company's policy is not to engage in speculative transactions.

### Liquidity risk

The Company actively monitors its debt maturity profile, operating cash flows and the availability of funding so as to best ensure that all funding needs are met. As part of its overall liquidity management, the Company endeavours to maintain sufficient levels of cash or cash convertible investments to best meet its working capital requirements.

### Foreign exchange risk

The Company has exposure to foreign currency risk as a result of its trade sales and purchases. Foreign exchange exposures in transactional currencies other than functional currencies of the Company are kept to an acceptable level.

The net unhedged financial assets and financial liabilities of the Company that are not denominated in their functional currencies are as follows:

Functional currency of the Company	2006 RM	2005 RM
Cash and bank balances United States Dollar	86,250	-
Trade receivables United States Dollar	180,000	-

### Credit risk

Credit risks are managed by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Company's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via the Company's management reporting procedures. At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

### Fair values

The fair values of all financial assets and liabilities of the Company as at balance sheet date are not materially different from their carrying values.

## 22. Segmental formation

No segmental information by business activity is presented as the Company's operations are primarily within the information, communication and technology sector.

No segmental information by geographical location is provided as the Company operates predominantly in Malaysia.

# ANALYSIS OF SHAREHOLDINGS

## Shareholdings Structure as at 8 November 2006

### Share Capital

Authorised Share Capital	RM10,000,000
Issued and fully paid-up capital	RM6,930,000
Class of shares	Ordinary Shares of RM0.10 each
Voting rights	One vote per share

## Distribution of Shareholdings

Size of Holdings	No. of Holders	%	No. of Shares	%
Less Than 100	2	0.10	100	0.00
100 - 1000	201	9.83	183,500	0.26
1001 - 10000	1,212	59.27	6,433,200	9.28
10001 - 100000	550	26.89	18,214,600	26.28
100001 and below 5%	79	3.86	25,299,100	36.51
5% and above	1	0.05	19,169,500	27.66
<b>TOTAL</b>	<b>2,045</b>	<b>100.00</b>	<b>69,300,00</b>	<b>100.00</b>

## Substantial Shareholders as at 8 November 2006

Name	Direct Interest	% of Issued Capital	Deemed Interest	% of Issued Capital
Chia Kok Chin	19,169,500	27.66	0	0

## Directors' Shareholdings as at 8 November 2006

Name	No of shares held		Total	% of Issued Capital
	Direct	Indirect		
1. Tan Sri Dato' Wan Sidek Bin Haji Wan Abd Rahman	0	0	0	0
2. Chia Kok Chin	19,169,500	0	19,169,500	27.66
3. Hoh Chee Kuan	0	0	0	0
4. Tan Chuek Hooi	0	200,000 (a)	200,000	0.29
5. Leou Thiam Lai	0	0	0	

Notes:

(a) By virtue of his spouse, Sia Ah Kiow (200,000 shares)

# ANALYSIS OF SHAREHOLDINGS (cont'd)

## List of Top 30 Shareholders

Item No.	Name & Address	Shareholdings	%
1	CHIA KOK CHIN	19,169,500	27.66
2	HSBC NOMINEES (ASING) SDN BHD BENEFICIARY : MORGAN STANLEY AND CO INTERNATIONAL LONDON	2,520,000	3.64
3	RAZIF BIN ABDULLAH	1,980,100	2.86
4	LEOW MEI YEE	1,250,000	1.80
5	AMARJIT SINGH A/L SARBAN SINGH	1,200,000	1.73
6	WONG MOI MOOI @ WONG CHING HAN	1,058,000	1.53
7	LOO OI KHUAN @ LOO OI KWAN	997,000	1.44
8	DEVAN LINUS RAJADURAI	917,000	1.32
9	FAN RUEY YIN	842,400	1.22
10	OSK NOMINEES (TEMPATAN) SDN BERHAD BENEFICIARY : OSK CAPITAL SDN BHD FOR WONG SENG HUAT	650,000	0.94
11	CHONG MUI FUN	584,900	0.84
12	OW PUNG HOCK	510,000	0.74
13	MAYBAN NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR LOW YEW HWA	491,000	0.71
14	SUNITA SUBHASHINI G.P. ZECHARIAH	470,000	0.68
15	CHEW CHEE CHEK	400,000	0.58
16	KENANGA NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR TIONG THAI KING	400,000	0.58
17	LEE MEE LIN	385,000	0.56
18	HLG NOMINEE (ASING) SDN BHD BENEFICIARY : EXEMPT AN FOR UOB KAY HIAN PTE LTD	350,000	0.51
19	TA NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR ONG AH HO @ ONG YOKE HONG	300,000	0.43
20	LEE SIEW CHENG	285,300	0.41
21	TONY KOH KOK BENG	283,000	0.41
22	NIK AMELIA BINTI NIK OTHMAN	250,000	0.36
23	NG YEN LEONG	240,000	0.35
24	MOHAMAD NAZER BIN IDRIS	225,000	0.32
25	ONG LAY LI	223,600	0.32
26	LIM BAN KWAN	220,000	0.32
27	CHEW HUI LENG	213,900	0.31
28	CHAM HAK LIM	210,000	0.30
29	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD BENEFICIARY : EXEMPT AN FOR KENANGA INVESTMENT MANAGEMENT SDN BHD)	201,000	0.29
30	AFFIN NOMINEES (TEMPATAN) SDN BHD BENEFICIARY : PLEDGED SECURITIES ACCOUNT FOR CHENG MUN LEONG	200,000	0.29
		<b>37,026,700</b>	<b>53.43</b>



# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fourth Annual General Meeting of the Company will be held at the Tioman Room, Bukit Jalil Golf & Country Resort, Jalan 3/1558, Bukit Jalil, 57000 Kuala Lumpur on Thursday, 28 December 2006 at 10.00 a.m. to transact the following business:

## Agenda

### AS ORDINARY BUSINESS

- |    |   |              |
|----|---|--------------|
| 1. | To receive and adopt the audited Financial Statements for the financial year ended 30 June 2006 and the Reports of Directors and Auditors thereon.  | Resolution 1 |
| 2. | To approve the payment of Directors' fees amounting to RM66,000.00 for the financial year ended 30 June 2006.   | Resolution 2 |
| 3. | To re-elect Chia Kok Chin, the Director who retires in accordance with Article 116 of the Company's Articles of Association:  | Resolution 3 |
| 4. | To re-appoint Tan Sri Dato' Wan Sidek Bin Hj Wan Abd Rahman as a Director of the Company and to hold office until the conclusion of the next Annual General Meeting of the Company pursuant to Section 129(6) of the Companies Act, 1965. | Resolution 4 |
| 5. | To re-appoint Messrs. Russell Bedford LC & Company as auditors of the Company and to authorize the Directors to fix their remuneration.   | Resolution 5 |

### AS SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolutions:

- |    |   |              |
|----|---|--------------|
| 6. | <b>ORDINARY RESOLUTION</b><br><br><b>Authority to allot shares pursuant to Section 132D of the Companies Act, 1965.</b><br><br>"THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorized to issue shares in the Company, at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued does not exceed 10% of the issued capital of the Company for the time being, subject always to the approval of all relevant regulatory bodies being obtained for such allotments and issues." | Resolution 6 |
| 7. | <b>SPECIAL RESOLUTION</b><br><br><b>Proposed Amendments to the Articles of Association of the Company</b><br><br>"THAT, pursuant to the issuance by Bursa Malaysia Securities Berhad of the revamped Listing Requirements of Bursa Malaysia Securities Berhad for MESDAQ Market dated 8 May 2006, amendments be made to the Articles of Association of the Company as contained in Appendix I attached to the Annual Report 2006."  | Resolution 7 |
| 8. | To transact any other business for which due notice shall have been given in accordance with the Articles of Association of the Company and the Companies Act, 1965.  |              |

By Order of the Board,

CHIN KIM FUNG (LS:00234)  
Secretary

Kuala Lumpur  
5 December 2006

# NOTICE OF ANNUAL GENERAL MEETING (cont'd)

## Notes:

1. A member of the Company who is entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a member of the Company.
2. The instrument appointing a proxy must be deposited at the Company's Registered Office, situated at No. 149A, Jalan Aminuddin Baki, Taman Tun Dr. Ismail, 60000 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for holding the meeting or at any adjournment thereof.
3. In the case of a corporate member, the instrument appointing a proxy shall be under its Common Seal or under the hand of its attorney.
4. In the case of joint holdings, the vote of the first-named in the Register of Members will be accepted to the exclusion of other joint holders of the shares.

## Explanatory notes on Special Business

### a) Resolution pursuant to Section 132D of the Companies Act, 1965.

The proposed Ordinary Resolution No. 6 if passed, will give the Directors of the Company, from the date of the above General Meeting, the authority to allot and issue ordinary shares from the unissued capital of the Company being for such purposes as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied by the Company in General Meeting, expire at the next Annual General Meeting.

### b) Resolution pursuant to Proposed Amendments to the Articles of Association of the Company

The proposed Special Resolution No. 7 if passed, would ensure that the Articles of Association of the Company are in compliance with the revamped Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market. The details of the Proposed Amendments are contained in Appendix I attached to the Annual Report 2006.

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

The Directors who are standing for re-election at the Fourth Annual General Meeting are as follows:

1. Chia Kok Chin (retiring pursuant to Article 116 of the Company's Articles of Association)
2. Tan Sri Dato' Wan Sidek Bin Hj Wan Abd Rahman (retiring pursuant to Section 129(6) of the Company's Act, 1965)

Further details of the Directors who are standing for re-election and their attendance at each Board Meeting held during the financial year are set out in page 18, page 19 and page 22 of the Annual Report.

The Fourth Annual General Meeting of the Company will be held at the Tioman Room, Bukit Jalil Golf & Country Resort, Jalan 3/1558, Bukit Jalil, 57000 Kuala Lumpur on Thursday, 28 December 2006 at 10.00am.

## 1. Article 2

- i. **THAT** the existing definition of "Approved Market Place" in Article 2 which reads as follows:

"Approved Market Place means a stock exchange which is specified to be an approved market place in the Securities Industry (Central Depositories) (Exemption) (No 2) Order 1998."

be amended by deleting the definition of "Approved Market Place" in its entirety and substituting with the following:

**"Approved Market Place means stock exchange which is specified to be an approved market place pursuant to an exemption order made under Section 62A of the Central Depositories Act."**

## 2. Article 2A

**THAT** the following new Heading and Article 2A be inserted immediately after Article 2:

**"EFFECT OF THE LISTING REQUIREMENTS"**

- 2A.i) **Notwithstanding anything contained in these Articles, if the Listing Requirements prohibit an act being done, the act shall not be done.**
- ii) **Nothing contained in these Articles prevents an act being done that the Listing Requirements require to be done.**
- iii) **If the Listing Requirements require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be).**
- iv) **If the Listing Requirements require these Articles to contain a provision and they do not contain such a provision, these Articles are deemed to contain that provision.**
- v) **If the Listing Requirements require these Articles not to contain a provision and they contain such a provision, these Articles are deemed not to contain that provision.**
- vi) **If the provision of these Articles is or becomes inconsistent with the Listing Requirements, these Articles are deemed not to contain that provision to the extent of the inconsistency.**

### 3. Article 7

**THAT** Article 7 which reads as follows:

The Company shall have power to issue preference shares carrying a right to redemption out of profits or liable to be redeemed at the option of the Company or to issue further preference capital ranking equally with or in priority to preference shares already issued and the Directors may, subject to the provisions of the Act, these Articles, the Listing Requirements and any other relevant rules, regulations and guidelines for the time being in force including modifications, amendments and reenactments in relation thereto, to redeem such shares on such terms and in such manner and whether at par or at a premium as may be provided for in these Articles PROVIDED THAT the total nominal value of issued preference shares shall not exceed the total nominal value of the issued ordinary shares at any time."

be amended by deleting the words **"PROVIDED THAT the total nominal value of the issued preference shares shall not exceed the total nominal value of the issued ordinary shares at any time"** in the last sentence of Article 7 and the amended Article 7 shall read as follows:

"7. The Company shall have power to issue preference shares carrying a right to redemption out of profits or liable to be redeemed at the option of the Company or to issue further preference capital ranking equally with or in priority to preference shares already issued and the Directors may, subject to the provisions of the Act, these Articles, the Listing Requirements and any other relevant rules, regulations and guidelines for the time being in force including modifications, amendments and reenactments in relation thereto, to redeem such shares on such terms and in such manner and whether at par or at a premium as may be provided for in these Articles."

### 4. Article 44(2)

**THAT** the existing Article 44(2) which reads as follows:

"The transfer of any listed security or class of listed security of the Company that is a deposited security shall be by way of book entry by the Depository in accordance with the Rules and notwithstanding Sections 103 and 104 of the Act and any exemption that may be made from compliance with Section 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of such listed securities."

be amended by inserting the words **"but subject to subsection 107(2) of the Act"** after the words ".....section 103 and 104 of the Act," in the fourth line;

and the amended Article 44(2) shall read as follows:

"44(2). The transfer of any listed security or class of listed security of the Company, shall be by way of book entry by the Central Depository in accordance with the Rules and, notwithstanding Sections 103 and 104 of the Act, **but subject to subsection 107(2) of the Act** and any exemption that may be made from compliance with subsection 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the listed securities."

### 5. Article 68(1)

**THAT** the existing Article 68(1) which reads as follows:

“Subject to the provisions of the Act every notice convening meetings shall specify the place, day and hour of the meeting and shall be given to all members at least fourteen (14) clear days before the meeting or at least twenty one (21) clear days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. Any of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolutions in respect of any special business. At least fourteen (14) days’ notice, or twenty one (21) days’ notice in the case where any special resolution is to be proposed or where it is the annual general meeting, of every such meeting and shall be given to such persons as are entitled to receive these notices from the Company, as provided for in these Articles and the provisions of the Central Depositories Act and the Rules, by advertisement in the daily press and in writing to Bursa Securities upon which the Company is listed.”

be amended by deleting the words **“the daily press”** at the end of the last sentence and inserting the words **“at least one nationally circulated Bahasa Malaysia or English daily newspaper”** and the amended Article 68(1) shall read as follows:

“68(1). “Subject to the provisions of the Act every notice convening meetings shall specify the place, day and hour of the meeting and shall be given to all members at least fourteen (14) clear days before the meeting or at least twenty one (21) clear days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. Any of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolutions in respect of any special business. At least fourteen (14) days’ notice, or twenty one (21) days’ notice in the case where any special resolution is to be proposed or where it is the annual general meeting, of every such meeting shall be given to such persons as are entitled to receive these notices from the Company, as provided for in these Articles and the provisions of the Central Depositories Act and the Rules, by advertisement in **at least one nationally circulated Bahasa Malaysia or English daily newspaper** and in writing to Bursa Securities upon which the Company is listed.”

### 6. Article 99(2)

**THAT** the existing Article 99(2) which reads as follows:

“Any such appointment shall be for a period not exceeding five (5) years subject to reappointment and on such terms as the Board think fit, and may vest in such Managing Director such powers vested in the Directors as they may think fit. A Managing Director shall not while he continues to hold that office be subject to retirement by rotation and he shall not be taken into account in determining the rotation or retirement of Directors.”

be amended by deleting the words **“for a period not exceeding five (5) years”** and **last sentence of clause 99(2) “A Managing Director shall not while he continues to hold that office be subject to retirement by rotation and he shall not be taken into account in determining the rotation or retirement of Directors”** and the amended Article shall read as follows:

“99(2). Any such appointment shall be subject to reappointment and on such terms as the Board think fit, and may vest in such Managing Director such powers vested in the Directors as they may think fit.

### 7. Article 116

**THAT** the existing Article 116 which reads as follows:

"An election of Directors shall take place each year. At the first annual general meeting of the Company, all the Directors shall retire from office and at the annual general meeting in every subsequent year, at least one-third of the Directors for the time being shall retire from office and an election of Directors shall be held every year. Provided that all Directors except a Managing Director shall retire once at least each three (3) years but shall be eligible for re-election.

be amended by deleting the words "**except a Managing Director**" and the amended Article shall read as follows:

"116. An election of Directors shall take place each year. At the first annual general meeting of the Company, all the Directors shall retire from office and at the annual general meeting in every subsequent year, at least one-third of the Directors for the time being shall retire from office and an election of Directors shall be held every year. Provided that **all Directors** shall retire once at least each three (3) years but shall be eligible for re-election."

### 8. Article 138(3)

**THAT** the existing Article 138(3) which reads as follows:

"The interval between the close of a financial year of the Company and the issue of annual report relating to it, shall not exceed six (6) months or such period as may be prescribed by the Listing Requirements. A copy of each such document shall not less than twenty-one (21) days before the date of the meeting be sent to every member and to every holder of debentures of the Company under the provisions of the Act or of this Article. The requisite number of copies of each such document as may be required by Bursa Securities shall at the same time be likewise sent to Bursa Securities."

be amended by:

- i) deleting the word "**report**" in the second sentence and replacing it with the word "**audited accounts**" and
- ii) deleting the words "**six (6) months**" in the second sentence and replacing it with the words "**four (4) months**"; and the amended Article shall read as follows:

"138(3). The interval between the close of a financial year of the Company and the issue of annual **audited accounts** relating to it, shall not exceed **four (4) months** or such period as may be prescribed by the Listing Requirements. A copy of each such document shall not less than twenty-one (21) days before the date of the meeting be sent to every member and to every holder of debentures of the Company under the provisions of the Act or of this Article. The requisite number of copies of each such document as may be required by Bursa Securities shall at the same time be likewise sent to Bursa Securities."

### 9. Article 142 (1)

**THAT** the existing Article 142(1) which reads as follows:

“Subject to the provisions of the written law, a notice may be given by the Company to any member either personally or by sending it by post to him or in a prepaid letter addressed to him at his registered address in Malaysia as appearing in the Register or the Record of Depositors or Register of Members (if he has no registered address within Malaysia) to the address if any within Malaysia supplied by him to the Company for the giving of notices to him or by advertisement in the daily press. Any member described in the Record of Depositors or Register of Members by an address not within Malaysia who shall from time to time give (in the case of holders of deposited securities) the Depository or (in the case of holders of non-deposited securities) the Company an address within Malaysia at which notices may be served upon him shall be entitled to have notices served upon him at such address.”

be amended by deleting the words **“by advertisement in the daily press.”** at the seventh sentence and insert the words **“by advertisement in at least one nationally circulated Bahasa Malaysia or English daily newspaper”** and the amended Article shall read as follows:

“142(1). Subject to the provisions of the written law, a notice may be given by the Company to any member either personally or by sending it by post to him or in a prepaid letter addressed to him at his registered address in Malaysia as appearing in the Register or the Record of Depositors or Register of Members (if he has no registered address within Malaysia) to the address if any within Malaysia supplied by him to the Company for the giving of notices to him or **by advertisement in at least one nationally circulated Bahasa Malaysia or English daily newspaper**. Any member described in the Record of Depositors or Register of Members by an address not within Malaysia who shall from time to time give (in the case of holders of deposited securities) the Depository or (in the case of holders of non-deposited securities) the Company an address within Malaysia at which notices may be served upon him shall be entitled to have notices served upon him at such address.



The e-Solution Specialist

I-POWER BERHAD (company No. 596299-D)  
(Incorporated in Malaysia under the Companies Act. 1965.)

# PROXY FORM FOR ANNUAL GENERAL MEETING

I/We \_\_\_\_\_  
(BLOCK LETTERS)

of \_\_\_\_\_

being a member (s) of I-POWER BERHAD hereby appoint \_\_\_\_\_

of \_\_\_\_\_

or failing him/her \_\_\_\_\_

of \_\_\_\_\_

or failing him/her, the Chairman of the Meeting, as my/our proxy to vote for me/us on my/our behalf at the Fourth Annual General Meeting of the Company to be held at the Tioman Room, Bukit Jalil Golf & Contry Resort, Jalan 3/1558, Bukit Jalil, 57000 Kuala Lumpur on Thursday, 28 December 2006 at 10.00 a.m. and at any adjournment thereof.

	FOR	AGAINST
<b>ORDINARY RESOLUTIONS</b>		
1. To receive and adopt the Audited Financial Statements for the financial year ended 30 June 2006 and the Reports of Directors and Auditors thereon.		
2. To approve the Directors' fees of RM66,000 for the financial year ended 30 June 2006.		
3. To re-elect the Director who retires pursuant to Article 116 of the Company's Articles of Association, namely Chia Kok Chin.		
4. To re-appoint the Director who retires pursuant to Section 129(6) of the Companies Act, 1965, namely Tan Sri Dato' Wan Sidek Bin Hj Wan Abd Rahman		
5. To re-appoint Messrs. Russell Bedford LC & Company as auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.		
<b>SPECIAL BUSINESS</b>		
6. To approve the ordinary resolution pursuant to Section 132D of the Companies Act, 1965.		
7. To approve the proposed amendments to the Articles of Association of the Company.		

As witness my hand this \_\_\_\_\_ day of \_\_\_\_\_ 2006

No. of Shares held

\_\_\_\_\_  
Signature

**Notes:**

- 1) A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company and the provision of Section 149(1) (b) of the Companies Act, 1965 shall not apply.
- 2) Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
- 3) The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or, if the appointer is a corporation, either under Seal or under the hand of an officer or attorney duly authorised.
- 4) The instrument appointing a proxy/proxies must be deposited at the Company's Registered Office, situated at No. 149A, Jalan Aminuddin Baki, Taman Tun Dr. Ismail, 60000 Kuala Lumpur, not less than forty-eight (48) hours before the time appointed for the holding of the meeting.



THE COMPANY SECRETARY  
**I-POWER BERHAD**

(Company No. 596299-D)

No. 149A, Jalan Aminuddin Baki,  
Taman Tun Dr. Ismail, 60000 Kuala Lumpur

AFFIX  
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