

CYBERTOWERS BERHAD (385635-V)
QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 30 NOVEMBER 2011

A **NOTES TO THE INTERIM FINANCIAL REPORT**

A1 **Basis of preparation**

The interim financial report is unaudited and has been prepared in accordance with the requirements of Financial Reporting Standards ("FRS") 134 "Interim Financial Reporting" and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the ACE Market ("ACE"), and should be read in conjunction with the Group's audited financial statements for the financial year ended 31 August 2011.

These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 August 2011.

A2 **Changes in Accounting Policies**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 August 2011 except for the adoption of the following amendments to FRSs, and IC interpretations (IC) that are effective for the financial period beginning on or after 1 January 2011 and 1 July 2011:

i) Amendments to FRSs and Interpretations

- Amendments to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for first-time Adopters
- Amendments to FRS 1: Additional Exemptions for first-time Adopters
- Amendments to FRS 1: First-time Adoption of Financing Reporting Standards [Improvements to FRS (2010)]
- Amendments to FRS 2: Group Cash-settled Share-based Payment Transactions
- Amendments to FRS 3: Business Combinations [Improvements to FRS (2010)]
- Amendments to FRS 7: Improving Disclosures about Financial Instruments
- Amendments to FRS 7: Financial Instruments: Disclosures [Improvements to FRS (2010)]
- Amendments to FRS 101: Presentation of Financial Statements [Improvements to FRS (2010)]
- Amendments to FRS 121: The Effects of Changes in Foreign Exchange Rates [Improvements to FRS (2010)]
- Amendments to FRS 128: Investments in Associates [Improvements to FRS (2010)]
- Amendments to FRS 131: Interests in Joint Ventures [Improvements to FRS (2010)]
- Amendments to FRS 132: Financial Instruments: Presentation [Improvements to FRS (2010)]
- Amendments to FRS 134: Interim Financial Reporting [Improvements to FRS (2010)]
- Amendments to FRS 139: Financial Instruments: Recognition and Measurement [Improvements to FRS (2010)]

A2 Changes in Accounting Policies (continued)

i) Amendments to FRSs and Interpretations (continued)

IC Interpretation 4: Determining whether an Arrangement contains a Lease

Amendments to IC Interpretation 13: Customer Loyalty Programmes

[Improvements to FRS (2010)]

IC Interpretation 18: Transfer of Assets from Customers

Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement

IC Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments

The adoption of the above Amendments to FRSs and IC Interpretations do not have any material impact on the financial statements of the Group.

ii) IC Interpretations and Amendments to FRS issued but not yet effective for the Group

IC Interpretation 15: Agreements for the Construction of Real Estate

Amendments to FRS 124: Related Party Disclosure

The Group plan to adopt the above pronouncements when they become effective in the respective financial period. These pronouncements are expected to have no significant impact to the financial statements of the Group upon their initial application.

A3 Audit report of preceding annual financial statements

The preceding year annual audited financial statements were not subject to any qualification.

A4 Seasonal or cyclical factors

The Group's operations were not subject to any seasonal or cyclical changes.

A5 Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group since the last annual audited financial statements.

A6 Material changes in estimates

There were no changes in estimates of amounts reported in prior financial years, which have a material effect in the current financial quarter.

A7 Debt and equity securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial quarter.

A8 Dividend paid

No dividends have been declared or paid in this quarter.

A9 Segment information

There is no segment information to be disclosed as the principal activity of the Group is in a single industry and located solely in Malaysia, during this quarter.

A10 Valuation of property, plant and equipment

There were no changes in the valuation of the property, plant and equipment reported in the previous audited financial statements that will have effect in the current financial quarter under review.

A11 Material events subsequent to the end of the quarter

There were no material events subsequent to the current financial quarter ended 30 November 2011 up to the date of this report, which is likely to substantially affect the results of the operations of the Group.

A12 Changes in the composition of the Group

On 29 August 2011, the Company had incorporated a new wholly-owned subsidiary company in Hong Kong, namely Starvista Limited (“Starvista”), with an initial and paid-up share capital of 1 ordinary share of HKD1.00.

On 6 September 2011, the Company had incorporated 2 new wholly-owned subsidiary companies in Malaysia, namely, Imagine Data Sdn Bhd (“IDSB”) and Nautical Angle Sdn Bhd (“NASB”), with an initial and paid-up capital of RM2 comprising 2 ordinary shares of RM1.00 each, for each of these two companies.

Starvista and NASB were incorporated to undertake the provision of hosting and cloud computing related services contemplated under the proposed diversification, which were subjected to be approval. IDSB is still dormant at this stage. Further details of the proposed diversification are set out in the Company’s announcement dated on 17 November 2011.

A13 Contingent liabilities and Capital commitments

There were no material contingent liabilities and capital commitments as at the date of this announcement.

A14 Significant Related Party Transaction

There were no significant related party transactions as at the date of this announcement.

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LISTING REQUIREMENTS

B1 Review of performance

For the current quarter ended 30 November 2011, the Group recorded revenue of RM1.004 million and a loss before tax of RM0.130 million compared to RM0.850 million in revenue and a loss before tax of RM0.118 million for the preceding year corresponding quarter ended 30 November 2010. The slightly increase in revenue was due to increase in sales of devices, while the slightly increase in loss before tax was due to the operation costs incurred in the Group's newly setup subsidiaries. Further details of the Group's new subsidiaries are set out in the Group's announcements dated on 8 September 2011.

B2 Material variation of results against preceding quarter

For the quarter ended 30 November 2011, the Group recorded a loss before tax of RM0.130 million compared to a loss before tax of RM0.118 million for the preceding quarter ended 30 November 2010. This is mainly due to the operation costs incurred in the Group's newly setup subsidiaries in the current quarter.

B3 Prospects

Barring unforeseen circumstances, the Board would continue to focus on improving processes for efficiencies gains and costs containments, effective deployment of financial resources to optimise returns, increase market share and undertake other measures. In addition, the Group would also diversify its business into provision of hosting services and cloud computing services business to improve the future earnings of the Group, which were subject to be approval. As a result of this, the Board hopes that the next financial quarter's prospect would improve further compared to the current quarter. Further details of the proposed diversification are set out in the Group's announcement dated on 17 November 2011.

B4 Variance from profit forecast and profit guarantee

The Group did not announce any profit forecast and profit guarantee during the financial first quarter.

B5 Taxation

There is no taxation on the principal activities as the Company was granted pioneer status, which exempts its income from its tracking business. The exemption period is 5 years commencing from 5 January 2001. The Company has submitted an application for an extension of the pioneer status on 10 December 2005 and approval has been obtained in May 2006. As such the exemption period is extended for a further 5 years until May 2011. Provision of taxation is provided for interest income and it is subject to agreement with the Inland Revenue Board. In addition, those new subsidiaries did not generate any revenue during the first quarter ended 30 November 2011.

As a result, no taxation was incurred for the Group during this quarter.

B6 Unquoted investments and properties

There were no acquisition or disposal of unquoted investments and properties during the financial quarter ended 30 November 2011.

B7 Quoted securities

There was no acquisition or disposal of quoted securities for the financial quarter ended 30 November 2011.

B8 Status of corporate proposals

The following proposals were announced on 17 November 2011 and 21 December 2011:

- (i) proposed reduction of the share premium account of the Company by up to approximately RM2.03 million pursuant to section 60(2) and section 64(1) of the Companies Act, 1965 ("Proposed Share Premium Reduction");
- (ii) proposed reduction of the issued and paid-up share capital of the Company involving the cancellation of RM0.08 of the par value of each existing ordinary share of RM0.10 each in the Company pursuant to section 64 of the Act ("Proposed Par Value Reduction");
- (iii) proposed increase in the authorised share capital of the Company from RM10,000,000 comprising 100,000,000 ordinary shares of RM0.10 each to RM100,000,000 comprising 5,000,000,000 ordinary shares of RM0.02 each after the Proposed Par Value Reduction ("Proposed Increase in Authorised Share Capital");
- (iv) proposed amendments to the memorandum and articles of association of the Company to facilitate the Proposed Par Value Reduction and Proposed Increase in Authorised Share Capital;
- (v) proposed private placement of up to 10,000,000 new shares of the Company of RM0.02 each, representing up to 10% of the issued and paid-up capital of the Company, after the Proposed Share Premium Reduction and Proposed Par Value Reduction, to be placed to investor(s) to be identified at an issue price to be determined and announced later ("Proposed Private Placement");
- (vi) proposed renounceable rights issue of up to RM11,000,000 nominal value of 2-year, 0% irredeemable convertible unsecured loan stocks ("ICULS" or "RIGHTS ICULS") at 100% of its nominal value of RM0.02 each on the basis of RM0.10 nominal value of the RIGHTS ICULS for every 1 ordinary share of RM0.02 each held in the Company after the Proposed Share Premium Reduction, the Proposed Par Value Reduction and the Proposed Private Placement (assuming the Proposed Private Placement is implemented prior to the Proposed right issue of ICULS), based on a minimum subscription level of RM3,600,000 nominal value of RIGHTS ICULS on an entitlement date to be determined and announced later; and
- (vii) proposed diversification of the business of the Company and its subsidiary companies to include the provision of hosting services and cloud computing related services business (collectively refer to the "Proposals").

B8 Status of corporate proposals (continued)

The Proposals are subject to and conditional upon approvals being obtained from the following:

- (i) the shareholders of Cybertowers for the Proposals at the forthcoming extraordinary general meeting;
- (ii) the Security Commission Malaysia (“SC”) for the issuance of the ICULS pursuant to the Proposed Rights Issue of ICULS, which was obtained vide its letter dated 20 January 2012, subject to, *inter alia*, the following conditions:

	Conditions imposed	Status of compliance
(a)	Prior to the issuance of the ICULS, Public Investment Bank Berhad (“PIVB”), the advisor, is required to submit a checklist of compliance with the standard approval conditions and continuing obligations as stipulated in the PDS Guidelines, and any other conditions imposed in any other letter issued in connection with the Proposals.	To be met
(b)	The provisions under the Capital Markets and Services Act, 2007 (“CMSA”), guidelines, notices and circulars issued or administered by the SC are an integral part of our approval and must be complied with. PIVB and Cybertowers are reminded that any contravention or non-compliance is an offence and will be subject to enforcement actions by the SC as provided under the CMSA.	Noted

- (iii) the confirmation of the High Court of Malaya pursuant to Section 60(2) and Section 64(1) of the Act for the Proposed Share Premium Reduction and the Proposed Par Value Reduction;
- (iv) Approval needed to be obtained from Bursa Securities for the following:
 - (a) the listing of and quotation for the Placement Shares to be issued pursuant to the Proposed Private Placement; and
 - (b) the admission of the ICULS to the Official List of Bursa Securities, the listing of and quotation for the ICULS to be issued pursuant to the Proposed Rights Issue of ICULS and the new Cybertowers Shares to be issued upon the full conversion of the ICULS on the ACE Market of Bursa Securities;
- (v) any other persons/relevant authorities, if required.

B9 Group's borrowings and debt securities

The company's secured borrowings as at end of the reporting quarter are as follows:-

	Short-Term RM '000	Long Term RM'000
Hire Purchase	2	0

Also, the amount due to a substantial shareholder is interest-free, unsecured and repayable on demand.

B10 Off balance sheet financial instruments

There was no financial instrument with off-balance sheet risk as at the date of this announcement.

B11 Material litigation

There was no material litigation in this quarter.

B12 Dividends

No dividends have been declared or paid in this quarter.

B13 Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Qtr 30/11/2011	Preceding Year Qtr 30/11/2010	Current Year to date 30/11/2011	Preceding Year Period 30/11/2010
(a) Basic earnings per share				
Net Profit/(loss) for the period (RM'000)	(130)	(118)	(130)	(118)
Weighted average number of ordinary shares issued	100,000,000	100,000,000	100,000,000	100,000,000
Basic earnings per share (sen)	(0.08)	(0.12)	(0.08)	(0.12)
(b) Diluted earnings per share	N/A	N/A	N/A	N/A