

CYBERTOWERS BERHAD (385635-V)
QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 31 MAY 2013

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 Malaysian Financial Reporting Standards ("MFRS") 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 2012. For the periods up to and including the year ended 31 August 2012, the Group prepared its financial statements in accordance with Financial Reporting Standards ("FRS").

This Condensed Report is the Group's first MFRS compliant Condensed Report for the six months ended 28 February 2013 and in which MFRS 1: *First-Time Adoption of Malaysian Financial Standards* has been applied.

The MFRS are effective for the Group from 1 September 2012 and the date of transition to the MFRS framework for the purpose of the first MFRS compliant Condensed Report is 1 September 2011. The Group reviewed its accounting policies and considered transitional opportunities under MFRS on this date. The impact of the transition to MFRS is described in Note A2 below.

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 2012.

A2 **Changes in Accounting Policies**

The audited financial statements of the Group for the financial year ended 31 August 2012 were prepared in accordance with FRS. With the exception of certain differences, the requirements under FRS and MFRS are similar. The accounting policies adopted in preparing this interim report with MFRS is consistent with those used in the Audited Financial Statements of the Group for the financial year ended 31 August 2012.

The adoption of new MFRS has had no significant financial effect on this interim report.

A2 Changes in Accounting Policies (Continued)

The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments) that have been issued by the Malaysian Accounting Standards Board (MASB) but not yet effective:

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)	1 January 2015
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2013
MFRS 128	Investments in Associate and Joint Ventures	1 January 2013
Amendments to MFRS 1	Government loans	1 January 2013
Amendments to MFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 132	Offsetting Financial Assets and Liabilities	1 January 2014
IC Interpretation 20	Stripping Costs in Production Phase of a Surface Mine	1 January 2013

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

Segment information is presented in respect of the Group's business segments, which reflect the Group's internal reporting structure that are regularly reviewed by the Group's chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance.

For management purposes, the Group is organised into the following operating divisions:

Tracking Solution: developing and operating an internet based automatic vehicle locating system using satellite and wireless telecommunication solutions.

Hosting services: provision of internet hosting services to internet content providers.

Segmental Revenue and Results

Segment information for the nine months ended 31 May 2013 was as follows:

	Three months ended 31 May 2013			Nine months ended 31 May 2013		
	Tracking RM'000	Hosting RM'000	Total RM'000	Tracking RM'000	Hosting RM'000	Total RM'000
Segment revenue						
Sale to external customers	<u>13</u>	<u>647</u>	<u>660</u>	<u>1,047</u>	<u>2,668</u>	<u>3,708</u>
Segment results	(729)	(1,108)	(1,837)	(1,114)	(2,197)	(3,311)
Interest income			<u>1</u>			<u>9</u>
			<u>(1,836)</u>			<u>(3,302)</u>

Segment information for the nine months ended 31 May 2012 was as follows:

	Three months ended 31 May 2012			Nine months ended 31 May 2012		
	Tracking RM'000	Hosting RM'000	Total RM'000	Tracking RM'000	Hosting RM'000	Total RM'000
Segment revenue						
Sale to external customers	<u>1,581</u>	<u>2,639</u>	<u>4,220</u>	<u>5,141</u>	<u>4,684</u>	<u>9,825</u>
Segment results	660	730	1,390	2,482	(243)	2,239
Interest income			<u>1</u>			<u>3</u>
Interest expense			<u>-</u>			<u>(1)</u>
			<u>1,391</u>			<u>2,241</u>

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 31 May 2013 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

There were no changes in the composition of the Group during the current quarter

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

The Group recorded revenue of RM0.660 million and a pre-tax loss of RM1.836 million in the current quarter ended 31 May 2013 as compared to revenue of RM4.220 million and a pre-tax profit of RM1.391 million reported in the preceding year corresponding quarter.

The decrease in revenue was mainly due to the reduction in sales to some existing customers as a result of bad market condition in the current quarter.

The pre-tax loss recorded was mainly due to the significant decrease in revenue mentioned above, whereas the Group's revenue earned could not fully cover the operating fixed costs incurred in the current quarter.

B2 Prospects

The Board expected the performance of the Group for the coming quarters to be challenging in view of the current global economic conditions. 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. The Board hopes that the next financial quarter's prospect would improve.

B3 Variance from profit forecast and profit guarantee

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

B4 Taxation

During this quarter, no provision for taxation was needed to be provided as the Group had no chargeable income arising from the business source income.

B5 Unquoted investments and properties

There were no acquisition or disposal of unquoted investments and properties during the financial quarter ended 31 May 2013.

B6 Quoted securities

There was no acquisition or disposal of quoted securities for the financial quarter ended 31 May 2013.

B7 Status of corporate proposals

There was no corporate proposal proposed during the quarter ended 31 May 2013.

B8 Group's borrowings and debt securities

The other borrowing is interest-free, unsecured and the repayable schedule is as follows:

- RM1,417,000 is repayable on demand
- RM3,000,000 is agreed not to be repaid within one year

Other than the other borrowing, the Group did not have any borrowings and debt security.

B9 Off balance sheet financial instruments

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

B10 Material litigation

There was no material litigation in this quarter.

B11 Dividends

No dividends have been declared or paid in this quarter.

B12 Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Qtr 31/05/2013	Preceding Year Qtr 31/05/2012	Current Year to date 31/05/2013	Preceding Year Period 31/05/2012
(a) Basic earnings per share				
Net Profit/(loss) for the period (RM'000)	(1,836)	1,391	(3,302)	2,241
Weighted average number of ordinary shares issued	100,000,000	100,000,000	100,000,000	100,000,000
Basic earnings per share (sen)	(1.84)	1.39	(3.30)	2.24
(b) Diluted earnings per share	N/A	N/A	N/A	N/A