

**CYBERTOWERS BERHAD (385635-V)
QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 31 MAY 2014**

A NOTES TO THE INTERIM FINANCIAL REPORT

A1 Basis of preparation

The interim financial reports have been prepared in accordance with the Malaysian Financial Reporting Standards (“MFRS”) 134, Interim Financial Reporting and rule 9.22 of Bursa Malaysia Securities Berhad (“Bursa Malaysia”)s Listing Requirements for the ACE Market. The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended (“FYE”) 31 August 2013.

The explanatory note attached to the interim financial statements provides an explanation of events and transaction that are significant to an understanding of the changes in the financial position and performance of the Group since the FYE 31 August 2013.

The accounting policies and methods of computation adopted in these interim financial statements of the Company and its subsidiaries (“The Group”) are consistent with those adopted for the annual audited financial statements for the FYE 31 August 2013.

A2 Changes in Accounting Policies

The significant accounting policies and computation methods are consistent with those adopted for the year ended 31 August 2013 except for the adoption of the following new and revised MFRSs, amendments to MFRSs and IC interpretation by the Group with the effective from 1 January 2013.

MFRS 10 Consolidated Financial Statements

MFRS 11 Joint Arrangements

MFRS 12 Disclosure of Interests in Other Entities

MFRS 13 Fair Value Measurement

MFRS 119 Employee Benefits (2011)

MFRS 127 Separate Financial Statements (2011)

MFRS 128 Investment in Associates and Joint Ventures (2011)

IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

Amendments to MFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities

Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards – Government Loans

Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)

Amendments to MFRS 101 Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)

A2 Changes in Accounting Policies (Continued)

Amendments to MFRS 116 Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)

Amendments to MFRS 132 Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)

Amendments to MFRS 134 Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)

Amendments to MFRS 10 Consolidated Financial Statements: Transition Guidance

Amendments to MFRS 11 Joint Arrangements: Transition Guidance

Amendments to MFRS 12 Disclosure of Interests in Other Entities: Transition Guidance

The adoption of the abovementioned MFRSs, Amendments to MFRSs and IC Interpretations will have no impact on the financial statements of the Group.

At the date of authorization of these interim financial statements, the Group has not early adopted the following accounting standards that have been issued by the Malaysian Accounting Standards Board:

Amendments to MFRSs effective 1 January 2014

MFRS 10, 12 and 127 Consolidated Financial Statements, Disclosure of Interests in Other Entities and Separate Financial Statements: Investment Entities

MFRS 132 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities

MFRS 136 Recoverable Amount Disclosure for Non-Financial Assets

MFRS 139 Novation of Derivatives and Continuation of Hedging

IC Interpretation effective 1 January 2014

IC Interpretation 21 Levies

MFRSs issued but the effective date to be confirmed subsequently

MFRS 9 (IFRS 9 (2009)) Financial Instruments (IFRS 9 issued by IASB in November 2009)

MFRS 9 (IFRS 9 (2010)) Financial Instruments (IFRS 9 issued by IASB in October 2010)

Amendment to MFRSs issued but the effective date to be confirmed subsequently

MFRS 7 Financial Instruments: Disclosures - Mandatory Date of MFRS 9 and Transition Disclosures

A3 Audit report of preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 August 2013 contains a qualified opinion by the external auditors.

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 year, 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 quarter ended 31 May 2014 was as follows:

	Three months ended 31 May 2014			Nine months ended 31 May 2014		
	Tracking RM'000	Hosting RM'000	Total RM'000	Tracking RM'000	Hosting RM'000	Total RM'000
Segment Revenue						
Sale to external customers	20	-	20	75	96	171
Segment Results	(157)	(469)	(626)	(629)	(2,425)	(3,054)
Interest income			-			1
Unallocated gains			-			38
			(626)			(3,015)

A9 Segment information (Cont'd)**Segmental Revenue and Results (Cont'd)**

Segment information for the quarter 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	13	647	660	1,047	2,661	3,708
Segment Results	(729)	(1,108)	(1,837)	(1,114)	(2,197)	(3,311)
Interest income			1			9
			<u>(1,836)</u>			<u>(3,302)</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 2014 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

For the current quarter ended 31 May 2014, the Group recorded revenue of RM0.020 million and a pre-tax loss of RM0.626 million compared to RM0.660 million in revenue and a pre-tax loss of RM1.836 million for the preceding year corresponding quarter ended 31 May 2013. The cumulative revenue and pre-tax loss for the three quarters ended 31 May 2014 read as RM0.171 million and RM3.015 million respectively as compared to the cumulative revenue and pre-tax loss for the preceding year corresponding three quarters ended 31 May 2013 of RM3.708 million and RM3.302 million respectively. The significant decrease in revenue and in turn losses was mainly attributable to decrease in sales to existing customers in the current quarter and period as a result of the decreased level of operations.

For the current quarter ended 31 May 2014, the Group reported a loss before tax of RM0.626 million compared to the immediate preceding quarter ended 28 February 2014 loss before tax of RM0.520 million. This higher loss was mainly due to lower revenue generated to defray the expenses incurred.

B2 Prospects

During the current quarter, there is no improvement in operating results for the financial period ended 31 May 2014. Immediate emphasis is on the need for the Group to seek new revenue streams whilst improving the existing businesses.

The Board is mindful of the challenges facing by the Group and is working diligently to improve its performance.

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 adequate unabsorbed tax losses brought forward from previous years to offset any taxable income in the current quarter.

B5 Unquoted investments and properties

There were no acquisition or disposal of unquoted investments and properties during the financial quarter ended 31 May 2014.

B6 Quoted securities

There was no acquisition or disposal of quoted securities for the financial quarter ended 31 May 2014.

B7 Status of corporate proposals

There was no corporate proposal proposed during the quarter ended 31 May 2014.

B8 Group's borrowings and debt securities

Amount owing to a former shareholder amounting to RM4,605,114. The amount owing is unsecured, interest free and repayable on demand.

Other than the amount owing to a former shareholder, 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 31/5/2014	Preceding Year Qtr 31/5/2013	Current Year to date 31/5/2014	Preceding Year Period 31/5/2013
(a) Basic earnings per share				
Net loss for the period (RM'000)	(626)	(1,836)	(3,015)	(3,302)
Weighted average number of ordinary shares issued	100,000,000	100,000,000	100,000,000	100,000,000
Basic loss per share (sen)	(0.63)	(1.84)	(3.02)	(3.30)
(b) Diluted earnings per share	N/A	N/A	N/A	N/A