**PART A: REQUIREMENTS PERSUANT TO FINANCIAL REPORTING STANDARD 134**

**(“FRS134”) – INTERIM FINANCIAL REPORTING**

**A1. BASIS OF PREPARATION**

This quarterly financial report is unaudited and has been prepared in accordance with MFRS 134 and the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad. This interim financial report also complies with IAS 34: Interim Financial Reporting issued by the International Accounting Standards Board (“IASB”). For the periods up to and including the period ended 31 December 2011, the Group prepared its financial statements in accordance with the Financial Reporting Standards (FRSs”).

This interim financial report is the Group’s first MFRS compliant interim financial report and hence MFRS 1: First-Time Adoption of Malaysia Financial Reporting Standards (“MFRS 1) has been applied.

The adoptions of these standards, amendments and interpretations have no material impact to these interim financial statements of the Group.

**A2. SIGNIFICANT ACCOUNTING POLICIES**

The audited financial statements for the financial period ended 31 December 2011 were prepared in accordance with FRS. As the requirement under FRS and MFRS are similar, the significant accounting policies adopted in preparing this interim financial report are consistent with those of the audited financial statements for the financial period ended 31 December 2011.

**A3. AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

The auditors’ report on the financial statements for the financial year ended 31 December 2011 was not subject to any qualification.

**A4. SEASONAL OR CYCLICAL FACTORS OF INTERIM OPERATION**

The Group’s operations were not materially affected by any seasonal and cyclical factors.

**A5. Unusual items affecting assets, liabilities, equity, net income**

**or cash flows**

There were no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because their nature, size or incidence.

**A6. Material changes in estimates**

There were no materials changes in estimates of amounts reported in the prior financial period which may have a material effect on the current quarter under review.

**A7. Issuance and repayment of debt and equity securities**

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the quarter under review.

**A8. DIVIDEND DECLARED**

No dividend was declared or paid during the current quarter ended 31 December 2012.

**A9. SEGMENT INFORMATION**

Segmental information is presented in respect of the Group’s business and geographical segments. The primary format of business segments, are based on the Group’s management and internal reporting structure.

**Business segments**

The Group is principally engaged in the business of research and development in multimedia video conferencing systems as well as assembling and trading of multimedia video conferencing systems and equipment. Business segment information has therefore not been prepared as the Group’s revenue, operating profit, assets employed, capital expenditure, depreciation and amortisation and non cash expenses are mainly confined to one business segment.

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | **🡨--------------------- Results for 9 months ended 31 Dec 2012 --------------------🡪** | | | | | | | |
|  | |  | | | | | | | |
| **Period to date 31 Dec 2012** | **Video conferencing system** | | **Components** | **Maintenance** | **Investment Holding** | **Others** | **Total** | **Elimination** | **Consolidated** | |
|  | **RM'000** | | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | |
| Revenue | 121 | | - | 1,033 | - | - | 1,154 | - | 1,154 | |
| **Result** |  | |  |  |  |  |  |  |  | |
| Segment result | 8 | | - | (828) | (1,832) | - | (2,652) | - | (2,652) | |
| Finance cost | - | | - | - | - | - | - | - | - | |
| Interest received | - | | - | - | - | - | - | - | 55 | |
| Profit before tax | - | | - | - | - | - | - | - | (2,597) | |
| Income tax | - | | - | - | - | - | - | - | (2)  \_\_\_\_\_\_\_\_\_\_\_\_ | |
| Net Loss after tax |  | |  |  |  |  |  |  | (2,599) | |

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Period**  **to date 31 Dec 2011** |  |  | **Video conferencing system** | **Components** | **Maintenance** | **Investment Holding** |  | **Total** | **Elimination** | **Consolidated** |
|  |  |  | **RM'000** | **RM'000** | **RM'000** | **RM'000** |  | **RM'000** | **RM'000** | **RM'000** |
| Revenue |  |  | - | 1,189 | - | - |  | 1,189 | - | 1,189 |
| **Result** |  |  |  |  |  |  |  |  |  |  |
| Segment result |  |  | (1,488) | (2,259) | - | (294) |  | (4,041) | - | (4,041) |
| Finance cost |  |  | - | - | - | - |  | - |  | (10) |
| Interest received |  |  | - | - | - | - |  | - |  | 73 |
| Profit before tax |  |  | - | - | - | - |  | - |  | (3,978) |
| Income tax |  |  |  |  |  |  |  |  |  | - |
| Net Loss after tax |  |  | - | - | - | - |  | - |  | (3,978) |

**Geographical segments**

The business segment is managed in one principal location namely Malaysia. In presenting information on the basis of geographical segments, segmental information on assets is not presented, as all assets are located in Malaysia. Segmental revenue is presented based on the geographical location of customers.

The geographical segmental information on the Group is as follows:-

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Individual Quarter** | | **Cumulative Quarter** | |
|  | **Current year quarter ended 31 Dec 2012**  **RM ‘000** | **Preceding year corresponding quarter ended 31 Dec 2011**  **RM’000** | **Current year to date ended 31 Dec 2012**  **RM’000** | **Preceding year corresponding period ended 31 Dec 2011**  **RM’000** |
|  |  |  |  |  |
| **Revenue** |  |  |  |  |
| Malaysia | 203 | 840 | 1,154 | 1,189 |
| Outside Malaysia | - | - | - | - |
| Total | 203 | 840 | 1,154 | 1,189 |

**A10. Valuation of property, plant and equipment**

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

**A11. Material events subsequent to the end of the quarter**

Save as disclosed in Section B8, there were no other material events that have not been reflected in the financial statements for the current period.

**A12. Changes in the composition of the Group**

There were no changes in the composition of the Group during the financial quarter ended 31 December 2012.

**A13. Contingent liabilities or contingent assets**

There were no contingent liabilities or assets for the Group as at 31 December 2012.

As at 18 February 2013, (being the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly financial statements), no material contingent assets or liabilities have arisen since the end of the financial period.

**A14. Capital Commitments**

There was no capital commitments during the current quarter.

**A15. Significant related party transactions**

The Directors of MLABS are of the opinion that there is no related party transactions to-date which would have material impact on the financial position and the business of the Group during the current financial quarter and period ended 31 December 2012.

**PART B: REQUIREMENTS PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD FOR THE ACEMARKET**

**B1. Review of the performance of the group**

During the cumulative quarter under review, the Group recorded a loss after taxation (“LAT”) of RM2.599 million on the back of revenue of approximately RM1.154 million. Revenue for the cumulative quarter ended 31 December 2012 represents an decrease of 2.94% compared to RM1.189 million in the preceding year corresponding year. The decrease in revenue was due to decrease in sales of video conference components devices. The administrative expenses has decreased from RM2.753 million to RM2.674 million by RM0.079 million. The selling and Distribution expenses had been decreased from RM0.748 to RM Nil due to decrease in marketing expenses in current year compared to the preceding year cumulative quarter.

**B2. Variation of results against preceding quarter**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Current Quarter ended**  **31 Dec 2012**  **(unaudited)** | **Preceding Quarter ended**  **31 Dec 2011**  **(audited)** | **%**  **change** |
|  | **RM'000** | **RM'000** |  |
| Revenue | 203 | 840 | (75.83%) |
| Loss before tax  (“LBT”) | (2,390) | (3,596) | 33.54% |

The Group’s revenue for the current quarter of RM0.203 million represents a decrease of approximately RM0.637 million as compared to the revenue of RM0.840 million achieved for the preceding quarter due to decrease in sales of video conference components devices.

The Group’s LBT for current quarter of RM2.390 million represents a decrease of approximately RM1.206 million as compared to the LBT of approximately RM3.596 million incurred in the preceding quarter. The decrease in LBT mainly due to decrease in marketing cost and depreciation and amortisation during the quarter.

**B3. Business prospects**

The Group recognizes that the video conferencing business is highly competitive; however, the management is continuously intensifying its effort to work with its business partners to penetrate into government agencies and business conglomerates locally and internationally and to work with Universiti Sains Malaysia to upgrade its range of products to remain competitive. Currently, most of the resellers in Middle East, Africa, India and South East Asia have developed successful business network in their respective countries. The new product range which was launch in March 2012 and has numerous innovative features including cutting edge technology.

**B4. Variance of actual profit from forecast profit**

Not applicable as no forecast was published.

**B5. Taxation**

For the financial period ended 31 December 2012, there is RM2,120 tax liability.

**B6. Purchase or disposal of quoted securities**

The Group did not purchase or dispose any quoted securities during the financial period under review.

**B7. Status of corporate proposals**

There was no new corporate proposal made for the quarter under review.

**B8. Status of utilisation of proceeds**

The proceeds from the Private Placement issue of RM5.148 million are to be utilised as follows:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Purposed** | | **Proposed utilisation** | |  | **Actual utilisation as at 31/12/12** |  | **Balance unutilised** | |
|  | **Intended timeframe for utilisation** |
| **RM’000** | |  | **RM’000** |  | **RM’000** | **%** |
| Sales & Marketing Expenditure | | 1,500 |  |  | 1,044 | 31/12/12 | 456 | 30.40 |
| Purchase of raw material, components and accessories | | 2,500 |  |  | 1,504 | 31/12/12 | 996 | 39.84 |
| Expansion of human resources |  | 748 |  |  | 421 | 31/12/12 | 327 | 43.72 |
| Expenses for the proposed right issue |  | 400 |  |  | 394 |  | 6 | 1.50 |
| TOTAL |  | 5,148 |  |  | 3,363 |  | 1,785 | 34.67 |

*On 25 February 2013, the Board had approved the extension of time for working capital for up to 30 June 2013.*

The proceeds from the Private placement of RM1.544 million are to be utilised as follows:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Purposed** | | **Proposed utilisation** | |  | **Actual utilisation as at 31/12/12** |  | **Balance unutilised** | |
|  | **Intended timeframe for utilisation** |
| **RM’000** | |  | **RM’000** |  | **RM’000** | **%** |
| Working capital | | 1,454 |  |  | 1,454 | Within 12 months | \_ | \_ |
| Estimated expenses in relation to the proposed private placement | | 90 |  |  | 24 | Within 1 month | 66 | 73.33 |
| TOTAL |  | 1,544 |  |  | 1,478 |  | 66 | 4.27 |

**B9. Group borrowings and debts securities**

As at the end of the current quarter under review, the Group has a short term interest bearing borrowings of RM0.135 million only.

**B10. Derivative financial instruments**

There were no off balance sheet financial instrument as at 25 February 2013 (being the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly financial statements).

**B11. Material litigation**

Save as disclosed below, as at 23 November 2011 (being the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly financial statements), the Group is not engaged in any material litigation, claims or arbitration either as plaintiff or defendant, and the Board is not aware of any proceedings pending or threatened against the Mlabs Group or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business operations of the Group:

Mlabs Systems Berhad has commenced legal proceedings against the vendors of Grand Inizio Sdn Bhd for the recovery of RM2.5 million pertaining to the proposed acquisition of Grand Inizio Sdn Bhd which was aborted on 21st November 2011.

**B12. Dividends**

No dividend has been declared or paid during the current quarter under review.

**B13. Realised and Unrealised Losses**

|  |  |  |  |
| --- | --- | --- | --- |
|  | As at 31.12.2012 |  | As at 31.12.2011 |
|  | RM |  | RM |
| Total accumulated losses |  |  |  |
| - Realised | (41,054) |  | (32,069) |
| Less: Consolidation adjustment | 20,181 |  | 13,345 |
| Total accumulated losses as per  Statement of Financial Position | (20,873) |  | (18,724) |
|  |  |  |  |

Note: As per Bursa Malaysia’s directive dated 20 December 2011, prior year comparatives are not required in the first year of complying with the Realised and Unrealised Profits/Loss Disclosure.

**B14. Notes to Consolidated Statement of Comprehensive Income**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | **YEAR** | **CORRESPONDING** | **YEAR** | **CORRESPONDING** |
|  |  | **QUARTER** | **QUARTER** | **TO DATE** | **PERIOD** |
|  |  | **31/12/12** | **31/12/11** | **31/12/12** | **31/12/11** |
|  |  | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
|  |  |  |  |  |  |
| Interest income |  | 23 | - | 55 | 73 |
| Interest expense |  | - | - | - | - |
| Depreciation and  Amorisation |  | (295) | (293) | (725) | (1,195) |

**B15. Earnings per share**

The basic earnings per share is computed by dividing the Group’s net loss attributable to members of the Group with the weighted average number of ordinary shares in issue as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **3 months period ended** | | **12 months period ended** | |
|  | **31/12/2012** | **31/12/2011** | **31/12/2012** | **31/12/2011** |
|  |  |  |  |  |
| Net (loss) attributable to the members of the Group (RM'000) | (2,390) | (3,596) | (2,599) | (3,978) |
|  |  |  |  |  |
| Weighted average number of shares in issue ('000) | 169,879 | 154,435 | 169,879 | 154,435 |
|  |  |  |  |  |
| (Loss) per share (sen) | (1.41) | (2.33) | (1.53) | (2.57) |