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

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

**A1. BASIS OF PREPARATION**

The interim financial statements are unaudited and have been prepared in accordance with the requirements outlined in the Malaysian Financial Reporting Standards ("MFRS") No. 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB"), and Paragraph 9.22 of the Bursa Malaysia Securities Berhad (“Bursa Securities”) ACE Market Listing Requirements ("ACE Listing Requirements") and should be read in conjunction with the audited financial statements of the Company and its subsidiaries ("Group") for the financial year ended 31 December 2012. 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 December 2012.

The accounting policies and methods of computation adopted by the Group in this interim financial statements are consistent with those adopted in the financial statements for the financial year ended 31 December 2012 except for the newly-issued accounting framework - MFRS and IC Interpretations ("IC Int.") to be applied by all Entities Other Than Private Entities for the:

Financial periods beginning on or after 1 July 2012

Amendments to MFRS 101, Presentation of Items of Other Comprehensive Income

Financial periods beginning on or after 1 January 2013

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

MFRS 2, Share-based Payment

MFRS 3, Business Combinations

MFRS 5, Non-current Assets Held for Sale and Discontinued Operations

MFRS 7, Financial Instruments: Disclosures

MFRS 8, Operating Segments

MFRS 101, Presentation of Financial Statements MFRS 107, Statement of Cash Flows

MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors

MFRS 110, Events after the Reporting Period

MFRS 112, Income Taxes

MFRS 116, Property, Plant and Equipment MFRS 118, Revenue

MFRS 119, Employee Benefits

MFRS 121, The Effects of Changes in Foreign Exchange Rates

MFRS 124, Related Party Disclosures

MFRS 127, Consolidated and Separate Financial Statements MFRS 128, Investment in Associates

MFRS 132, Financial Instruments: Presentation MFRS 133, Earnings Per Share

MFRS 134, Interim Financial Reporting MFRS 136, Impairment of Assets

MFRS 137, Provisions, Contingent Liabilities and Contingent Assets MFRS 138, Intangible Assets

MFRS 139, Financial Instruments: Recognition and Measurement Improvements to

MFRSs.

The adoption of the above did not have any significant effects on the interim financial statements upon their initial application.

**A2. SIGNIFICANT ACCOUNTING POLICIES**

The audited financial statements for the financial period ended 31 December 2012 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 2012.

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

The auditors’ report on the financial statements for the financial year ended 31 December 2012 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 March 2013.

**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.

|  |  |
| --- | --- |
|  | |
|  | |
| **Period to date 31 March 2013** | **Video conferencing system** | | **Investment Holding** | **Others** | **Total** | **Elimination** | **Consolidated** |
|  | **RM'000** | | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Revenue | 194 | | - | - | 194 | - | 194 |
| **Result** |  | |  |  |  |  |  |
| Segment result | (82) | | (69) | - | (151) | - | (151) |
| Finance cost | - | | - | - | - | - | - |
| Interest received | - | | - | - | - | - | 21 |
| Profit before tax | - | | - | - | - | - | (130) |
| Income tax | - | | - | - | - | - | -  \_\_\_\_\_\_\_\_\_\_\_\_ |
| Net Loss after tax |  | |  |  |  |  | (130) |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Period**  **to date 31 March 2012** |  |  | **Video conferencing system** | **Investment Holding** |  | **Total** | **Elimination** | **Consolidated** |
|  |  |  | **RM'000** | **RM'000** |  | **RM'000** | **RM'000** | **RM'000** |
| Revenue |  |  | 135 | - |  | 135 | - | 135 |
| **Result** |  |  |  |  |  |  |  |  |
| Segment result |  |  | (119) | (71) |  | (190) | - | (190) |
| Finance cost |  |  | - | - |  | - |  | - |
| Interest received |  |  | - | - |  | - |  | - |
| Profit before tax |  |  | - | - |  | - |  | (190) |
| Income tax |  |  |  |  |  |  |  | - |
| Net Loss after tax |  |  | - | - |  | - |  | (190) |

**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 March 2013**  **RM ‘000** | **Preceding year corresponding quarter ended 31 March 2012**  **RM’000** | **Current year to date ended 31 March 2013**  **RM’000** | **Preceding year corresponding period ended 31 March 2012**  **RM’000** |
|  |  |  |  |  |
| **Revenue** |  |  |  |  |
| Malaysia | 194 | 135 | 194 | 135 |
| Outside Malaysia | - | - | - | - |
| Total | 194 | 135 | 194 | 135 |

**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 March 2013.

**A13. Contingent liabilities or contingent assets**

There were no contingent liabilities or assets for the Group as at 31 March 2013.

As at 22 May 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 March 2013.

**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 RM0.130 million on the back of revenue of approximately RM0.194 million. Revenue for the cumulative quarter ended 31 March 2013 represents an increase of 43.70% compared to RM0.135 million in the preceding year corresponding year. The increase in revenue was due to increase in sales of video conference devices maintenance. Other income had decreased from RM0.210 to RM0.021 due to higher recovery of impairment debt in preceeding period. The administrative expenses has decreased from RM0.479 million to RM0.233 million by RM0.246 million. The selling and Distribution expenses had been increased from RM Nil to RM0.003.

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

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Current Quarter ended**  **31 March 2013**  **(Unaudited)** | **Preceding Quarter ended**  **31 March 2012**  **(Unaudited)** | **%**  **change** |
|  | **RM'000** | **RM'000** |  |
| Revenue | 194 | 135 | 43.70% |
| Loss before tax  (“LBT”) | (130) | (190) | (31.78%) |

The Group’s revenue for the current quarter of RM0.194 million represents a increase of approximately RM0.059 million as compared to the revenue of RM0.135 million achieved for the preceding quarter due to increase in sales of video conference devices maintenance.

The Group’s LBT for current quarter of RM0.130 million represents a decrease of approximately RM0.060 million as compared to the LBT of approximately RM0.190 million incurred in the preceding quarter. The decrease in LBT mainly due to decrease in amortisation in intangible assets 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 ending 31 March 2013, there is none 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 corporate proposal 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 31/03/13** |  | **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 | 305 | 40.78 |
| Expenses for the proposed right issue |  | 400 |  |  | 394 |  | 6 | 1.50 |
| TOTAL |  | 5,148 |  |  | 3,363 |  | 1,763 | 34.25 |

*On 25 February 2013, the Board had approved for 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** |  | | **Revised utilisation** | **Actual utilisation as at 31/03/13** | **Intended timeframe for utilisation** | **Balance unutilised** | |
|  | |
|  | |
| **Proposed utilisation** | |
|  | |
|  | |  |  |  |  |  |
| **RM’000** | | **RM’000** | **RM’000** | **RM’000** | **%** |
|  |  |  |  |  |  |  |  |
| Working capital | 1,454 | 1,520 | 1,520 | Within 12 months | - | - |
|  |  |  | 24 | 24 |  | - | - |
| \* Estimated expenses in relation to the proposed private placement | 90 | Within 1 month |

*\* The unutilised portion of the proceeds from the right issue public issue estimated expenses in relation to proposed right issue which amounts to RM66,000, has been transferred to working capital as this amount is an excess over the actual listing expenses incurred.*

**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 RM0.021 million only.

**B10. Derivative financial instruments**

There were no off balance sheet financial instrument as at 22 May 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 31.03.2013 |  | As at 31.03.2012 |
|  | RM |  | RM |
| Total accumulated losses |  |  |  |
| - Realised | (41,123) |  | (38,809) |
| Less: Consolidation adjustment | 20,345 |  | (20,345) |
| Total accumulated losses as per  Statement of Financial Position | (20,778) |  | (18,464) |
|  |  |  |  |

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** |
|  |  | **31/03/13** | **31/03/12** | **31/03/13** | **31/03/12** |
|  |  | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
|  |  |  |  |  |  |
| Interest income |  | 21 | - | 21 | - |
| Interest expense |  | - | - | - | - |
| Depreciation and  Amorisation |  | (21) | (277) | (21) | (277) |

**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** | | **3 months period ended** | |
|  | **31/03/2013** | **31/03/2012** | **31/03/2013** | **31/03/2012** |
|  |  |  |  |  |
| Net (loss) attributable to the members of the Group (RM'000) | (130) | (190) | (130) | (190) |
|  |  |  |  |  |
| Weighted average number of shares in issue ('000) | 169,879 | 154,435 | 169,879 | 154,435 |
|  |  |  |  |  |
| (Loss) per share (sen) | (0.08) | (0.12) | (0.08) | (0.12) |