

**MLABS SYSTEMS BERHAD**  
(Incorporated in Malaysia - Company No. 653227-V)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2014**

	Individual	Quarter	Cumulative	Quarter
	2014 quarter ended 31/03/2014 RM'000	2013 quarter ended 31/03/2013 RM'000	2014 period to date 31/03/2014 RM'000	2013 period to date 31/03/2013 RM'000
Revenue	440	194	440	194
Cost of Sales	(400)	(109)	(400)	(109)
<b>Gross Profit/(loss)</b>	<b>40</b>	<b>85</b>	<b>40</b>	<b>85</b>
Other income	95	21	95	21
Selling and distribution expenses	(10)	(3)	(10)	(3)
Administration expenses	(224)	(233)	(224)	(233)
<b>Loss from operations</b>	<b>(99)</b>	<b>(130)</b>	<b>(99)</b>	<b>(130)</b>
Finance cost	-	-	-	-
<b>Loss before taxation</b>	<b>(99)</b>	<b>(130)</b>	<b>(99)</b>	<b>(130)</b>
Taxation	-	-	-	-
<b>Loss after taxation</b>	<b>(99)</b>	<b>(130)</b>	<b>(99)</b>	<b>(130)</b>
<b>Loss attributable to :</b>				
Owners of the parent	(99)	(130)	(99)	(130)
<b>Total comprehensive expense attributable to :</b>				
Owners of the parent	(99)	(130)	(99)	(130)
<b>Basic loss per ordinary share attributable to:</b>				
Owners of the parent	(0.06)	(0.12)	(0.06)	(0.12)

The condensed consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2013.

**MLABS SYSTEMS BERHAD**  
(Incorporated in Malaysia - Company No. 653227-V)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2014**

	As At 31/03/2014 Unaudited RM'000	As At 31/12/2013 Audited RM'000
<b>Non-current assets</b>		
Property, plant & equipment	1,151	865
<b>Total non-current assets</b>	<u>1,151</u>	<u>865</u>
<b>Current assets</b>		
Receivables	1,730	1,432
Cash & bank balances	3,054	3,347
<b>Total current assets</b>	<u>4,784</u>	<u>4,779</u>
<b>Total assets</b>	<u><u>5,935</u></u>	<u><u>5,644</u></u>
<b>Equity</b>		
Share capital	16,988	16,988
Share premium	9,390	9,390
Retained earnings	(21,398)	(21,299)
<b>Total equity</b>	<u>4,980</u>	<u>5,079</u>
<b>Non-Current Liability</b>	79	80
Hire purchase		
<b>Current liabilities</b>		
Payables	853	452
Hire purchase	23	33
Tax payables	-	-
<b>Total current liabilities</b>	<u>876</u>	<u>485</u>
<b>Total equity and liabilities</b>	<u><u>5,935</u></u>	<u><u>5,644</u></u>
Net asset per share attributable to ordinary equity holder (Sen)	2.93	2.99

**NOTE:**

The condensed consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2013.

**MLABS SYSTEMS BERHAD**  
(Incorporated in Malaysia - Company No. 653227-V)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW**  
**FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2014**

	(UNAUDITED) 2014 to date ended 31/03/2014 RM'000	(UNAUDITED) 2013 to date ended 31/03/2013 RM'000
<b>Profit/(loss) before taxation</b>	<b>(99)</b>	<b>(130)</b>
Depreciation & amortisation	53	21
Reversal of impairment of trade receivable	-	-
Interest income	(95)	(21)
Property, plant and equipment written off	(362)	-
Gain on disposal of fixed assets	8	-
	<u>(495)</u>	<u>(130)</u>
Decrease in inventories	12	12
Decrease in receivables	57	830
Increase/ (Decrease) in payables	400	(233)
<b>Cash (used in)/from operating activities</b>	<b>(26)</b>	<b>479</b>
Interest received	95	21
<b>Cash used in operating activities</b>	<b>69</b>	<b>500</b>
<b>Cash flow from investing activities</b>		
Additions of property, plant & equipment	(209)	-
Addition in development cost	(130)	-
<b>Cash used in investing activities</b>	<b>(339)</b>	<b>-</b>
<b>Cash flows from financing activities</b>		
Repayment of Hire Purchase Borrowing	(23)	(10)
<b>Cash generated from financing activities</b>	<b>(23)</b>	<b>(10)</b>
<b>Net decrease in cash &amp; cash equivalents</b>	<b>(293)</b>	<b>490</b>
<b>Cash &amp; cash equivalents brought forward</b>	<b>3,347</b>	<b>3,739</b>
<b>Cash &amp; cash equivalents carried forward</b>	<b>3,054</b>	<b>4,229</b>

**Cash and cash equivalents at end of the financial year**  
**comprises:**

**NOTE:**

The condensed consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the year ended 31 December 2013.

**MLABS SYSTEMS BERHAD**  
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2014**

<b>3 Months period ended 31 March 2014</b>	<b>Share capital RM'000</b>	<b>Share premium RM'000</b>	<b>Retained Losses RM'000</b>	<b>Total RM'000</b>
Balance as at 1 January 2014	16,988	9,390	(21,299)	5,079
Loss for the period	-	-	(99)	(99)
Balance at 31 March 2014	<u>16,988</u>	<u>9,390</u>	<u>(21,398)</u>	<u>4,980</u>

<b>3 Months period ended 31 March 2013</b>	<b>Share capital RM'000</b>	<b>Share premium RM'000</b>	<b>Retained Losses RM'000</b>	<b>Total RM'000</b>
Balance as at 1 January 2013	16,988	9,390	(20,648)	5,730
Loss for the period	-	-	(130)	(130)
Balance at 31 March 2013	<u>15,444</u>	<u>9,390</u>	<u>(20,778)</u>	<u>5,600</u>

**NOTE:**

The condensed consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2013.

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 31 MARCH 2014

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**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 2013. 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 2013.

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 2013 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

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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 2013 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 2013.

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

The auditors' report on the financial statements for the financial year ended 31 December 2013 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.

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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 31 MARCH 2014****A8. DIVIDEND DECLARED**

No dividend was declared or paid during the current quarter ended 31 March 2014.

**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.

<b>Period to date 31 March 2014</b>	<b>Video conferencing system</b>	<b>Investment Holding</b>	<b>Others</b>	<b>Total</b>	<b>Elimination</b>	<b>Consolidated</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	440	-	-	440	-	440
<b>Result Segment result</b>	(634)	-	-	(634)	-	(634)
Finance cost	-	-	-	-	-	-
Interest received	-	-	-	-	-	95
Profit before tax	-	-	-	-	-	(99)
Income tax	-	-	-	-	-	-
Net Loss after tax						(99)
<b>Assets Segment Assets</b>	4,300	486		4,786		4,786
<b>Liabilities Segment Liabilities</b>	369	492	15	876		876

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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS  
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Period to date 31 March 2013	Video conferencing system	Investment Holding	Total	Elimination	Consolidated.
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	194	-	194	-	194
<b>Result</b>					
Segment result	(82)	(69)	(151)	-	(151)
Finance cost	-	-	-	-	-
Interest received	-	-	-	-	21
Profit before tax	-	-	-	-	(130)
Income tax	-	-	-	-	-
Net Loss after tax	-	-	-	-	(130)
<b>Assets</b>					
Segment Assets	4,560	1,243	5,803	-	5,803
<b>Liabilities</b>					
Segment Liabilities	173	13	186	2	188

**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 2014	Preceding year corresponding quarter ended 31 March 2013	Current year to date ended 31 March 2014	Preceding year corresponding period ended 31 March 2013
	RM '000	RM'000	RM'000	RM'000
<b>Revenue</b>				
Malaysia	440	194	440	194
Outside Malaysia	-	-	-	-
<b>Total</b>	<b>440</b>	<b>194</b>	<b>440</b>	<b>194</b>



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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS  
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**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 2014.

**A13. CONTINGENT LIABILITIES OR CONTINGENT ASSETS**

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

As at 20 May 2014, (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 2014.

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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 31 MARCH 2014**

**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 RM0.99 million on the back of revenue of approximately RM0.440 million. Revenue for the cumulative quarter ended 31 March 2014 represents an increase of 55.90% compared to RM0.194 million in the preceding year corresponding year. The increase in revenue was due to increase in sales of video conference devices maintenance. Other income increased from RM0.210 to RM0.095 due to higher recovery of impaired debts compared to the preceding period. The administrative expenses has decreased from RM0.233 million to RM0.224 million by RM0.009 million. Selling and Distribution expenses increased from RM 0.003 million to RM0.010million in the quarter under review

**B2. VARIATION OF RESULTS AGAINST PRECEDING QUARTER**

	<b>Current Quarter ended 31 March 2014 (Unaudited) RM'000</b>	<b>Preceding Quarter ended 31 March 2013 (Unaudited) RM'000</b>	<b>% change</b>
Revenue	440	194	55.90%
Loss before tax ("LBT")	(99)	(130)	(31.31%)

The Group’s revenue for the current quarter of RM0.440 million represents an increase of approximately RM.246 million as compared to the revenue of RM0.194 million achieved for the preceding quarter due to increase in sales of video conference products.

The Group’s LBT for current quarter of RM0.99 million represents a decrease of approximately RM0.009 million as compared to the LBT of approximately RM0.130 million incurred in the preceding quarter. The decrease in LBT mainly due to decrease in administration expenses.

**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. The Group is also currently engaged in market studies to potentially reengineer and reposition its product line to be in synch with current market demands. This includes possible support for mobile conferencing technologies to work with its current suite of product offerings.

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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 31 MARCH 2014****B4. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT**

Not applicable as no forecast was published.

**B5. TAXATION**

For the financial period ending 31 March 2014, there is no 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 31/03/14	Intended timeframe for utilisation	Balance unutilised	
	RM'000				RM'000	
Sales & Marketing Expenditure	1,500		1,049	31/12/14	451	30.07
Purchase of raw material, components and accessories	2,500		1,504	31/12/14	996	39.84
Expansion of human resources	748		421	31/12/14	305	40.78

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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS  
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Expenses for the proposed right issue	400		394	31/12/14	6	1.50
<b>TOTAL</b>	<b>5,148</b>		<b>3,572</b>		<b>1,576</b>	<b>30.61</b>

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

*On 25 November 2013, the Board had approved for the extension of time for working capital for up to 31 December 2013*

*On 24 February 2014, the Board had approved for the extension of time for working capital for up to 31 December 2014*

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

Purposed	Proposed utilisation	Revised utilisation	Actual utilisation as at 31/03/14	Intended timeframe for utilisation	Balance unutilised	
	RM'000	RM'000	RM'000		RM'000	%
Working capital	1,454	1,520	315	31/12/14	1,205	79.28
* Estimated expenses in relation to the proposed private placement	90	24	24	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.*

*On 25 November 2013, the Board had approved for the extension of time for working capital for up to 31 December 2013*

*On 24 February 2014, the Board had approved for the extension of time for working capital for up to 31 December 2014*

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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS  
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**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.

**B10. DERIVATIVE FINANCIAL INSTRUMENTS**

There were no off balance sheet financial instrument as at 20 May 2014 (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:

On 15 February 2014, the Company entered into a settlement agreement with the vendors of Grand Inizio Sdn Bhd in respect of a legal claim for RM2.50 million due to the Company. In total, the Company has recovered todate RM1,050,000 from the vendors of Grand Inizio Sdn Bhd. Under the settlement agreement neither party shall have any further claims against each other.

**B12. DIVIDENDS**

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

**B13. REALISED AND UNREALISED LOSSES**

	As at 31.03.2014 RM	As at 31.03.2013 RM
Total accumulated losses		
- Realised	(41,743)	(41,123)
Less: Consolidation adjustment	20,345	20,345
Total accumulated losses as per Statement of Financial Position	<u>(21,398)</u>	<u>(20,778)</u>

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.

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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 31 MARCH 2014****B14. NOTES TO CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	YEAR	CORRESPONDING	YEAR	CORRESPONDING
	QUARTER	QUARTER	TO DATE	PERIOD
	31/03/14	31/03/13	31/03/14	31/03/13
	RM'000	RM'000	RM'000	RM'000
Interest income	95	21	95	21
Interest expense	-	-	-	-
Depreciation and Amorisation	(53)	(21)	(53)	(21)

**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	
	31/03/2014	31/03/2013	31/03/2014	31/03/2013
Net (loss) attributable to the members of the Group (RM'000)	(99)	(130)	(99)	(130)
Weighted average number of shares in issue ('000)	169,879	169,879	169,879	169,879
(Loss) per share (sen)	(0.06)	(0.12)	(0.06)	(0.12)