

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2015**

	Individual Quarter		Cumulative Quarter	
	2015 quarter ended 30/06/2015 Unaudited RM'000	2014 quarter ended 30/06/2014 Unaudited RM'000	2015 current period to date 30/06/2015 Unaudited RM'000	2014 proceeding period to date 30/06/2014 Unaudited RM'000
<b>Revenue</b>	548	516	1,951	956
Cost of Sales	(488)	(501)	(1,567)	(901)
<b>Gross Profit/(loss)</b>	60	15	384	55
Other income	4	27	14	72
Selling and distribution expenses	-	(5)	-	(5)
Administration expenses	(325)	(332)	(621)	(565)
<b>Profit/(Loss) from operations</b>	(261)	(295)	(223)	(443)
Finance cost	-	-	-	-
<b>Profit/(Loss) before taxation</b>	(261)	(295)	(223)	(443)
Income tax (expenses)/refund	-	-	-	-
<b>Profit/(Loss) after taxation</b>	(261)	(295)	(223)	(443)
<b>Loss attributable to :</b>				
Owners of the parent	(229)	(295)	(234)	(443)
Non controlling Interest	(32)	-	11	-
	(261)	(295)	(223)	(443)
<b>Total comprehensive expense attributable to :</b>				
Owners of the parent	(229)	(295)	(234)	(443)
Non controlling Interest	(32)	-	11	-
	(261)	(295)	(223)	(443)
<b>Basic loss per ordinary share attributable to:</b>				
Owners of the parent	(0.14)	(0.17)	(0.12)	(0.26)

The condensed consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2014.

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2015**

	As At 30/06/2015 Unaudited RM'000	As At 31/12/2014 Audited RM'000
<b>Non-current assets</b>		
Property, plant & equipment	939	870
Intangible assets	1,716	1,350
Other investments	349	1,259
<b>Total non-current assets</b>	<b>3,004</b>	<b>3,479</b>
<b>Current assets</b>		
Inventory	1,261	180
Receivables	1,752	2,151
Cash & bank balances	578	449
<b>Total current assets</b>	<b>3,591</b>	<b>2,780</b>
<b>Total assets</b>	<b>6,595</b>	<b>6,259</b>
<b>Equity</b>		
Share capital	18,687	18,687
Share premium	9,390	9,390
Fair value adjustment reserve	82	82
Accumulated losses	(22,708)	(22,485)
	<b>5,451</b>	<b>5,674</b>
Non controlling interest	<b>61</b>	<b>84</b>
<b>Total equity</b>	<b>5,512</b>	<b>5,758</b>
<b>Non-Current Liability</b>		
Hire purchase	31	47
<b>Current liabilities</b>		
Payables	1,021	414
Hire purchase	16	33
Taxation	15	7
<b>Total current liabilities</b>	<b>1,052</b>	<b>454</b>
<b>Total equity and liabilities</b>	<b>6,595</b>	<b>6,259</b>
Net asset per share attributable to ordinary equity holder (Sen)	2.95	3.08

**NOTE:**

The condensed consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2014.

**MLABS SYSTEMS BERHAD**  
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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW**  
**FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2015**

	6 months ended 30/06/2015 UNAUDITED RM'000	6 months ended 30/06/2014 UNAUDITED RM'000
Profit/(loss) before taxation	(223)	(393)
Depreciation & amortisation	107	107
Interest income	(14)	(72)
	<u>(130)</u>	<u>(358)</u>
(Increase)/Decrease in inventories	(747)	-
Decrease/(Increase) in receivables	400	(108)
Increase/(Decrease) in payables	608	101
<b>Cash used in operating activities</b>	<u>131</u>	<u>(365)</u>
<b>Cash flow from investing activities</b>		
Interest received	14	72
<b>Cash used in investing activities</b>	<u>14</u>	<u>72</u>
<b>Cash flows from financing activities</b>		
Repayment of Hire Purchase Borrowing	(16)	(17)
<b>Cash generated from financing activities</b>	<u>(16)</u>	<u>(17)</u>
<b>Net decrease in cash &amp; cash equivalents</b>	129	(310)
<b>Cash &amp; cash equivalents brought forward</b>	449	3,347
<b>Cash &amp; cash equivalents carried forward</b>	<u><u>578</u></u>	<u><u>3,037</u></u>

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 2014.

**MLABS SYSTEMS BERHAD**  
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2015**

<b>6 Months period ended 30 June 2015</b>	<b>Share capital RM'000</b>	<b>Share premium RM'000</b>	<b>Reserve RM'000</b>	<b>Minority interest RM'000</b>	<b>Accumulated Losses RM'000</b>	<b>Total RM'000</b>
Balance as at 1 January 2015	18,687	9,390	82	84	(22,485)	5,758
Issuance of shares	-	-	-	-	-	-
Minority Interest	-	-	-	(23)	-	(23)
Loss for the period	-	-	-	-	(223)	(223)
<b>Balance at 30 June 2015</b>	<b>18,687</b>	<b>9,390</b>	<b>82</b>	<b>61</b>	<b>(22,708)</b>	<b>5,512</b>
<b>6 Months period ended 30 June 2014</b>	<b>Share capital RM'000</b>	<b>Share premium RM'000</b>	<b>Reserve RM'000</b>	<b>Minority interest RM'000</b>	<b>Accumulated Losses RM'000</b>	<b>Total RM'000</b>
Balance as at 1 January 2014	16,988	9,390	-	-	(21,298)	5,080
Issuance of Shares	-	-	-	-	(393)	(393)
Loss for the period	-	-	-	-	-	-
<b>Balance at 30 June 2014</b>	<b>16,988</b>	<b>9,390</b>	<b>82</b>	<b>-</b>	<b>(21,691)</b>	<b>4,667</b>

**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 2014.

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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 30 JUNE 2015**

**PART A: EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD 134 (“MFRS 134”) INTERIM FINANCIAL REPORTING**

**A1. BASIS OF PREPARATION**

The accounting policies adopted in the preparation of the Condensed Report are consistent with those followed in the preparation of the Group's audited financial statements for the financial year ended 31 December 2014, except for the adoption of Amendments to Standards effective as of 1 January 2015.

**Adoption of Amendments to Standards**

The Group has adopted the following Amendments to Standards, with a date of initial application of 1 January 2015.

MFRSs / Amendments to MFRSs	Effective for annual periods beginning on or after
Amendments to MFRS 119 Employee Benefits - Defined Benefit Plan : Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010-2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011-2013 Cycle	1 July 2014

The adoption of the above pronouncements did not have any impact on the financial statements of the Group.

**Standards issued but not yet effective**

At the date of authorisation of the Condensed Report, the following Standards were issued but not yet effective and have not been adopted by the Group:

MFRSs / Amendments to MFRSs	Effective for annual periods beginning on or after
MFRS 14 - Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 10 Consolidated Financial Statements - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to MFRS 10 Consolidated Financial Statements - Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 11 Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations	1 January 2016

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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS  
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**A1. BASIS OF PREPARATION – CONT'D**

<b>MFRSs / Amendments to MFRSs</b>	<b>Effective for annual periods beginning on or after</b>
Amendments to MFRS 12 Disclosure of Interests in Other Entities - Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 101 Presentation of Financial Statements - Disclosure Initiative	1 January 2016
Amendments to MFRS 116 Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 Property, Plant and Equipment - Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 127 Consolidated and Separate Financial Statements - Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 128 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate and Joint Venture	1 January 2016
Amendments to MFRS 128 Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 138 Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 141 Agriculture - Agriculture: Bearer plants	1 January 2016
Annual Improvements to MFRSs 2012-2014 Cycle	1 January 2016
MFRS 15 - Revenue from Contracts with Customers	1 January 2017
MFRS 9 - Financial Instruments	1 January 2018

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Group upon their initial application, other than for MFRS 9 Financial Instruments. The Group will assess the financial implications of MFRS 9 Financial Instruments when the full standard is issued.

**A2. SIGNIFICANT ACCOUNTING POLICIES**

The audited financial statements for the financial period ended 31 December 2014 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 2014.

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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 30 JUNE 2015**

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

The auditors' report on the financial statements for the financial year ended 31 December 2014 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 30 June 2015.

**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 electrical 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.

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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 30 JUNE 2015**

Period to date 30 June 2015	Video conferencing system	Investment Holding	Trading	Others	Total	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	389	-	1,562	-	1,951	-	1,951
<b>Result</b>							
Segment result	(323)	(141)	(157)	-	(237)	-	(237)
Finance cost	-	-		-	-	-	-
Interest received	14	-	-	-	14	-	14
Profit before tax							(223)
Income tax							-
Net Loss after tax							(223)
<b>Assets</b>							
Segment Assets	2,783	2,236	1,576	-	6,595	-	6,595
<b>Liabilities</b>							
Segment Liabilities	508	94	446	4	1,052	-	1,052

Period to date 30 June 2014	Video conferencing system	Investment Holding	Trading	Others	Total	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	956	-	-	-	956	-	956
<b>Result</b>							
Segment result	(515)	-	-	-	(515)	-	(515)
Finance cost	-	-		-	-	-	-



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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS  
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Interest Income	-	-	-	-	-	72
Profit before tax						(443)
Income tax						-
Net Loss after tax						(443)
<b>Assets</b>						
Segment Assets	4,678	998	-	5,676	-	5,676
<b>Liabilities</b>						
Segment Liabilities	396	593	-	989	-	989

**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 30 June 2015  RM '000	Preceding year corresponding quarter ended 30 June 2014  RM'000	Current year to date ended 30 June 2015  RM'000	Preceding year corresponding period ended 30 June 2014  RM'000
<b>Revenue</b>				
Malaysia	548	516	1,951	956
Outside Malaysia	-	-	-	-
<b>Total</b>	548	516	1,951	956

**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.

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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 30 JUNE 2015**

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**A12. CHANGES IN THE COMPOSITION OF THE GROUP**

There were no changes in composition of the Group during the financial quarter ended 30 June 2015.

**A13. CONTINGENT LIABILITIES OR CONTINGENT ASSETS**

There were no contingent liabilities or assets for the Group as at 30 June 2015.

As at 15 Aug 2015, (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 30 June 2015.

**MLABS SYSTEMS BERHAD**

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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS  
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**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 RM0.223 million on the back of revenue of approximately RM1.951 million. Revenue for the cumulative quarter ended 30 June 2015 represents an increase of 51% compared to RM0.956 million in the preceding year corresponding year. The increase in revenue was due to increase in sales of video conference devices and trading. Other income had decreased from RM0.072 million to RM0.014 million due to recovery of impairment debt in preceding year. The administrative expenses has increased from RM0.565 million to RM0.621 million by RM0.056 million due to increase in depreciation and administration fees compared to the preceding year.

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

	<b>Current Quarter ended 30 June 2015 (Unaudited) RM'000</b>	<b>Preceding Quarter ended 31 March 2015 (Unaudited) RM'000</b>	<b>% change</b>
Revenue	548	1,346	<100%
(Loss) before tax ("LBT")	(261)	27	<100%

The Group’s revenue for the current quarter of RM0.548 million represents a decrease of approximately RM0.798 million as compared to the revenue of RM1.346 million achieved for the preceding quarter.

The Group’s LBT for current quarter of RM0.261 million represents a decrease of approximately RM0.288 million as compared to the PBT of approximately RM0.027 million incurred in the preceding quarter. The decrease in PBT mainly due to decrease in sales of video conference devices and trading.

**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.

The Group's online portal business ([pacifica2u.com](http://pacifica2u.com)), continues to be encouraging. The Group believes this business will continue to provide recurring income for the Group for the foreseeable future.

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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS  
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**B4. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT**

Not applicable as no forecast was published.

**B5. TAXATION**

For the financial period ending 30 June 2015, 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 of RM1.544 million are to be utilised as follows:

Purposed	Proposed utilisation	Revised utilisation	Actual utilisation as at 30/06/15	Intended timeframe for utilisation	Balance unutilised	
	RM'000	RM'000	RM'000		RM'000	%
Working capital	1,454	1,520	648	Within 12 months	872	57.37
* Estimated expenses in relation to the proposed private placement	90	24	24	Within 1 month	-	-
Total	1,544	1,544	672		872	57.37

*\* 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*

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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS  
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*On 24 February 2014, the Board had approved for the extension of time for working capital for up to 31 December 2014*

*On 24 February 2015, the Board had approved for the extension of time for working capital for up to 31 December 2015*

The proceeds from the Private placement of RM1.698 million are to be utilised as follows:

Purposed	Proposed utilisation	Actual utilisation as at 30/06/15	Intended timeframe for utilisation	Balance unutilised	
	RM'000	RM'000		RM'000	%
Development of mobile application	1,300	1,300	Within 12 months	-	-
Working capital	298	183	Within 12 months	115	38.59
* Estimated expenses in relation to the proposed private placement	100	40	Within 1 month	60	60
Total	1,698	1,523		175	10.31

**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 RM0.019 million.

**B10. DERIVATIVE FINANCIAL INSTRUMENTS**

There were no off balance sheet financial instrument as at 15 Aug 2015 (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**

There were no other material events that have not been reflected in the financial statements for the current period.

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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS  
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**B12. DIVIDENDS**

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

**B13. REALISED AND UNREALISED LOSSES**

	As at 30.06.2015 RM	As at 30.06.2014 RM
Total accumulated losses		
- Realised	(43,053)	(42,306)
Less: Consolidation adjustment	20,345	20,345
Total accumulated losses as per Statement of Financial Position	<u>(22,708)</u>	<u>(21,691)</u>

**B14. NOTES TO CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	YEAR QUARTER 30/06/15 RM'000	CORRESPONDING QUARTER 30/06/14 RM'000	YEAR TO DATE 30/06/15 RM'000	CORRESPONDING PERIOD 30/06/14 RM'000
Interest income	4	27	14	72
Interest expense	-	-	-	-
Depreciation and Amorisation	(59)	(53)	(107)	(107)

**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:

	6 months period ended 30/06/2015    30/06/2014		6 months period ended 30/06/2015    30/06/2014	
Net loss attributable to the members of the Group (RM'000)	(261)	(295)	(223)	(443)
Weighted average number of shares in issue ('000)	186,867	169,879	186,867	169,879
Loss per share (sen)	(0.14)	(0.17)	(0.12)	(0.26)