(Incorporated in Malaysia - Company No. 653227-V)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE 12 MONTHS PERIOD ENDED 31 DECEMBER 2015

	Individual	Quarter	Cumulative Quarter		
	2015 quarter ended 31/12/2015 Unaudited RM'000	2014 quarter ended 31/12/2014 Unaudited RM'000	2015 current period to date 31/12/2015 Unaudited RM'000	2014 proceeding period to date 31/12/2014 Audited RM'000	
Revenue	160	535	2,404	1,988	
Cost of Sales	(151)	(500)	(2,041)	(1,874)	
Gross Profit/(loss)	9	35	363	114	
Other income	1	14	17	84	
Selling and distribution expenses	-	-	-	(48)	
Administration expenses	(300)	(460)	(1,228)	(1,335)	
Profit/(Loss) from operations	(290)	(411)	(848)	(1,185)	
Finance cost	-	-	-	(4)	
Profit/(Loss) before taxation	(290)	(411)	(848)	(1,189)	
Income tax	-	-	-	(6)	
Loss after taxation	(290)	(411)	(848)	(1,195)	
Loss attributable to :					
Owners of the parent	(262)	(403)	(783)	(1,187)	
Non controling Interest	(28)	(8)	(65)	(8)	
	(290)	(411)	(848)	(1,195)	
Total comprehensive expense attributable to :					
Owners of the parent	(262)	(403)	(783)	(1,187)	
Non controlling Interest	(28)	(8)	(65)	(8)	
	(290)	(411)	(848)	(1,195)	
Basic loss per ordinary share attributable to:					
Owners of the parent	(0.14)	(0.22)	(0.42)	(0.64)	

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

(Incorporated in Malaysia - Company No. 653227-V)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

AS AT 31 DECEMBER 2015	As At 31/12/2015 Unaudited RM'000	As At 31/12/2014 Audited RM'000
Non-current assets		
Property, plant & equipment	832	870
Intangible assets	1,716	1,350
Other investments	49	1,259
Total non-current assets	2,597	3,479
Current assets		
Inventory	1,023	180
Receivables	1,576	2,151
Cash & bank balances	293	449
Total current assets	2,892	2,780
Total assets	5,489	6,259
Equity		
Share capital	18,687	18,687
Share premium	9,390	9,390
Fair value adjustment reserve	82	82
Accumulated losses	(23,268)	(22,485)
	4,891	5,674
Non controlling interest	85	84
Total equity	4,976	5,758
Non-Current Liability		
Hire purchase	10	47
Current liabilities		
Payables	457	414
Hire purchase	32	33
Taxation	14	7
Total current liabilities	503	454
Total equity and liabilities	5,489	6,259
Net asset per share attributable to ordinary equity holder (Sen)	2.66	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 (Incorporated in Malaysia - Company No. 653227-V)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE 12 MONTHS PERIOD ENDED 31 DECEMBER 2015

Profit/(loss) before taxation (783) (1,188) Amortisaation of intangible assets - 20 Depreciation & amortisation 213 215 Impairment loss on: - trade receivables - 148 Interest expenses - 4 Interest income (17) - Interest income (587) (801) Increase in inventories (843) (180) Decrease/(Increase) in receivables 953 (866) Increase/(Increase) in payables 324 28 Director - (71) Cash used in operating activities (153) (1,890) Cash flow from investing activities (153) (1,890) Cash flows from financing activities 17 - Interest received 17 - Cash lows from financing activities 20 (33) Repayment of Hire Purchase Borrowing (20) (33) Acquition of Subsidiary - (1,076) Purchase of Property, plant and equipment - - (1,		12 months ended 31/12/2015 UNAUDITED RM'000	12 months ended 31/12/2014 AUDITED RM'000
Amortisaation of intangible assets - 20	Profit/(loss) before taxation	(783)	(1,188)
Depreciation & amortisation 213 215 Impairment loss on:		· ,	20
- trade receivables Interest expenses Interest income (17) - (587) (801) Increase in inventories (843) (180) Decrease/(Increase) in receivables Decrease/(Decrease) in payables Director Cash used in operating activities Interest paid Interest received Interest rec	Depreciation & amortisation	213	215
Interest expenses - 4 Interest income (17)	Impairment loss on:		
Interest income	- trade receivables	-	148
Increase in inventories	Interest expenses	-	4
Increase in inventories	Interest income	(17)	-
Decrease/(Increase) in receivables 953 (866) Increase/(Decrease) in payables 324 28 Director		(587)	(801)
Increase/(Decrease) in payables 324 28 Director	Increase in inventories	(843)	(180)
Director - (71) Cash used in operating activities (153) (1,890) Cash flow from investing activities Interest paid (4) Interest received 17 Cash used in investing activities 17 (4) Cash flows from financing activities Repayment of Hire Purchase Borrowing (20) (33) Acqusition of Subsidiary Purchase of Property, plant and equipment Addition to other investment Addition on development cost Acqusition of Subsidiary Purchase of Property, plant and equipment Cash generated from financing activities (20) Cash generated from financing activities (20) Cash generated from financing activities (20) Cash & cash equivalents brought forward 449 3,347	Decrease/(Increase) in receivables	953	(866)
Cash used in operating activities(153)(1,890)Cash flow from investing activities(4)Interest paid17-Cash used in investing activities17-Cash used in investing activities17(4)Cash flows from financing activities8-Repayment of Hire Purchase Borrowing(20)(33)Acqusition of SubsidiaryPurchase of Property, plant and equipmentAddition to other investment-(1,178)Additional to intangible assets-(1,076)Addition on development costAcqusition of Subsidiary-(196)Purchase of Property, plant and equipment-(220)Proceeds from issuance of ordinary shares1,699Cash generated from financing activities(20)(1,004)Net decrease in cash & cash equivalents(156)(2,898)Cash & cash equivalents brought forward4493,347	Increase/(Decrease) in payables	324	28
Cash flow from investing activities Interest paid (4) Interest received 17 - Cash used in investing activities 17 (4) Cash flows from financing activities Repayment of Hire Purchase Borrowing (20) (33) Acqusition of Subsidiary - Purchase of Property, plant and equipment - Addition to other investment - Additional to intangible assets - Acqusition of Subsidiary - Purchase of Property, plant and equipment - Cath investment	Director		(71)
Interest paid (4) Interest received 17 Cash used in investing activities 17 (4) Cash flows from financing activities Repayment of Hire Purchase Borrowing (20) (33) Acqusition of Subsidiary Purchase of Property, plant and equipment - (1,178) Addition to other investment - (1,178) Additional to intangible assets - (1,076) Addition on development cost (196) Purchase of Property, plant and equipment - (220) Proceeds from issuance of ordinary shares Cash generated from financing activities (20) (1,004) Net decrease in cash & cash equivalents (156) (2,898) Cash & cash equivalents brought forward 449 3,347	Cash used in operating activities	(153)	(1,890)
Interest received 17 - Cash used in investing activities 17 (4) Cash flows from financing activities Repayment of Hire Purchase Borrowing (20) (33) Acqusition of Subsidiary Purchase of Property, plant and equipment - Cash ddition to other investment - Cash dditional to intangible assets - Cash generated from financing activities (20) Purchase of Property, plant and equipment - Cash generated from financing activities (20) Net decrease in cash & cash equivalents brought forward 449 3,347	Cash flow from investing activities		
Cash used in investing activities17(4)Cash flows from financing activities2Repayment of Hire Purchase Borrowing(20)(33)Acqusition of Subsidiary-Purchase of Property, plant and equipmentAddition to other investment-(1,178)Additional to intangible assets-(1,076)Addition on development costAcqusition of Subsidiary-(196)Purchase of Property, plant and equipment-(220)Proceeds from issuance of ordinary shares1,699Cash generated from financing activities(20)(1,004)Net decrease in cash & cash equivalents(156)(2,898)Cash & cash equivalents brought forward4493,347	Interest paid		(4)
Cash flows from financing activities Repayment of Hire Purchase Borrowing (20) (33) Acqusition of Subsidiary Purchase of Property, plant and equipment - (1,178) Addition to other investment - (1,076) Addition on development cost - (1,076) Acqusition of Subsidiary - (196) Purchase of Property, plant and equipment - (220) Proceeds from issuance of ordinary shares Cash generated from financing activities (20) (1,004) Net decrease in cash & cash equivalents (156) (2,898) Cash & cash equivalents brought forward 449 3,347	Interest received		_
Repayment of Hire Purchase Borrowing Acqusition of Subsidiary Purchase of Property, plant and equipment	Cash used in investing activities	17	(4)
Acqusition of Subsidiary Purchase of Property, plant and equipment Addition to other investment Additional to intangible assets Addition on development cost Acqusition of Subsidiary Purchase of Property, plant and equipment Proceeds from issuance of ordinary shares Cash generated from financing activities Cash & cash equivalents Cash & cash equivalents brought forward	Cash flows from financing activities		
Purchase of Property, plant and equipment Addition to other investment Additional to intangible assets Addition on development cost Acquisition of Subsidiary Purchase of Property, plant and equipment Proceeds from issuance of ordinary shares Cash generated from financing activities Cash & cash equivalents Cash & cash equivalents brought forward - (1,076) - (1,076) - (1,076) - (196) - (220) - (220) (1,004) Net decrease in cash & cash equivalents (156) Cash & 3,347	Repayment of Hire Purchase Borrowing	(20)	(33)
Addition to other investment - (1,178) Additional to intangible assets - (1,076) Addition on development cost Acquisition of Subsidiary - (196) Purchase of Property, plant and equipment - (220) Proceeds from issuance of ordinary shares 1,699 Cash generated from financing activities (20) (1,004) Net decrease in cash & cash equivalents (156) (2,898) Cash & cash equivalents brought forward 449 3,347	Acqusition of Subsidiary	-	
Additional to intangible assets - (1,076) Addition on development cost Acqusition of Subsidiary - (196) Purchase of Property, plant and equipment - (220) Proceeds from issuance of ordinary shares 1,699 Cash generated from financing activities (20) (1,004) Net decrease in cash & cash equivalents (156) (2,898) Cash & cash equivalents brought forward 449 3,347	Purchase of Property, plant and equipment	-	-
Addition on development cost Acqusition of Subsidiary Purchase of Property, plant and equipment Proceeds from issuance of ordinary shares Cash generated from financing activities Cash & cash equivalents	Addition to other investment	-	(1,178)
Acquisition of Subsidiary - (196) Purchase of Property, plant and equipment - (220) Proceeds from issuance of ordinary shares 1,699 Cash generated from financing activities (20) (1,004) Net decrease in cash & cash equivalents (156) (2,898) Cash & cash equivalents brought forward 449 3,347	Additional to intangible assets	-	(1,076)
Purchase of Property, plant and equipment Proceeds from issuance of ordinary shares Cash generated from financing activities (20) Net decrease in cash & cash equivalents (156) (2,898) Cash & cash equivalents brought forward	Addition on development cost	-	-
Proceeds from issuance of ordinary shares Cash generated from financing activities (20) (1,004) Net decrease in cash & cash equivalents (156) (2,898) Cash & cash equivalents brought forward 449 3,347	Acqusition of Subsidiary	-	(196)
Cash generated from financing activities (20) (1,004) Net decrease in cash & cash equivalents (156) (2,898) Cash & cash equivalents brought forward 449 3,347	Purchase of Property, plant and equipment	-	` ,
Net decrease in cash & cash equivalents (156) (2,898) Cash & cash equivalents brought forward 449 3,347	Proceeds from issuance of ordinary shares		
Cash & cash equivalents brought forward 449 3,347	Cash generated from financing activities	(20)	(1,004)
	Net decrease in cash & cash equivalents	(156)	(2,898)
Cash & cash equivalents carried forward 293 449	Cash & cash equivalents brought forward	449	3,347
	Cash & cash equivalents carried forward	293	449

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.

(Incorporated in Malaysia - Company No. 653227-V)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 12 MONTHS PERIOD ENDED 31 DECEMBER 2015

12 Months period ended 31 December 2015	Share capital RM'000	Share premium RM'000	Reserve RM'000	Accumulated Losses RM'000	Minority interest RM'000	Total RM'000
Balance as at 1 January 2015 Issurance of shares	18,687	9,390	82	(22,485)	84	5,758 -
Minority Interest					1	1
Loss for the period	-	-		(783)		(783)
Balance at 31 December 2015	18,687	9,390	82	(23,268)	85	4,976
12 Months period ended 31 December 2014	Share capital RM'000	Share premium RM'000	Reserve RM'000	Accumulated Losses RM'000	Minority interest RM'000	Total RM'000
12 Months period ended 31 December 2014 Balance as at 1 January 2014	capital	premium		Losses	interest	
·	capital RM'000	premium RM'000		Losses RM'000	interest	RM'000
Balance as at 1 January 2014	capital RM'000	premium RM'000		Losses RM'000 (21,298)	interest RM'000	RM'000 5,080
Balance as at 1 January 2014 Minority Interest Loss for the period Private share placement	capital RM'000	premium RM'000	RM'000 -	Losses RM'000 (21,298)	interest RM'000	5,080 (1,195) 82 1,699
Balance as at 1 January 2014 Minority Interest Loss for the period	capital RM'000 16,988 - -	premium RM'000 9,390 - -	RM'000 -	Losses RM'000 (21,298)	interest RM'000	5,080 (1,195) 82

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.

(Company No. 653227-V) (Incorporated in Malaysia)

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 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	1 July 2014
Plan: Employee Contributions	
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

(Company No. 653227-V) (Incorporated in Malaysia)

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2015

A1. BASIS OF PREPARATION – CONT'D

MFRSs / Amendments to MFRSs	Effective for annual periods beginning on or after
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.

(Company No. 653227-V) (Incorporated in Malaysia)

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS FOR THE OUARTER ENDED 31 DECEMBER 2015

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 31 December 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.

(Company No. 653227-V) (Incorporated in Malaysia)

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2015

Period to date 31 December 2015	confere	Video ncing vstem	Investm Hold		rading	Others	Total	Elimiı	nation Con	solidated
2010	RM	1'000	RM'	000 R	M'000	RM'000	RM'000	RM	000'	RM'000
Revenue		389		-	2,015	-	2,404		_	2,404
Result Segment result		(387)	(1	87)	(291)	-	(865))	-	(865)
Finance co	st	-		-		-	-		-	-
Interest received		17		-	-	-	17	,	-	17
Profit before tax	re									(848)
Minority Interest										65
Income tax										•
Net Loss after tax										(783)
Assets Segment Assets		1,491	2,	110	1,888	-	5,489)	-	5,489
Liabilities Segment Liabilities		139		-	360	4	503	3	-	503
od ate 31 ember 2014	Video conferencing system	Investm Holding	ent	Trading			otal E	Climination	Consolidated	ì
	RM'000	RM	['000	RM'000	RM'0	000 RM'	000	RM'000	RM'00	0 =
enue	1,471	-		517	<u>-</u>	1,9	988	-	1,98	8
ult			9,000,000						_, +	- .

(53)

(708)

Segment result

(512)

(6)

(1,279)

(1,279)

(Company No. 653227-V) (Incorporated in Malaysia)

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2015

Finance cost	-	-	_	-	-	-	-
Interest Income	84	-	-	-		-	84
Profit before tax							(1,195)
Minority interest							8
Income tax							-
Net Loss after tax							(1,187)
Assets Segment Assets	3,450	1,516	1,293	-	6,259	-	6,259
Liabilities Segment Liabilities	207	279	11	4	501	-	501

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:-

	Individua	d Quarter	Cumulative Quarter		
	Current year quarter ended 31 December 2015	Preceding year corresponding quarter ended 31 December 2014	Current year to date ended 31 December 2015	Preceding year corresponding period ended 31 December 2014	
	RM '000	RM'000	RM'000	RM'000	
Revenue Malaysia Outside Malaysia	160	535	2,404	1,988	
Total	160	535	2,404	1,988	

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.

(Company No. 653227-V) (Incorporated in Malaysia)

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2015

A12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in composition of the Group during the financial quarter ended 31 December 2015.

A13. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no contingent liabilities or assets for the Group as at 31 December 2015.

As at 23 February 2016, (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 2015.

(Company No. 653227-V) (Incorporated in Malaysia)

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS FOR THE OUARTER ENDED 31 DECEMBER 2015

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 RM0.783 million on the back of revenue of approximately RM2.404 million. Revenue for the cumulative quarter ended 31 December 2015 represents an increase of 20.93% compared to RM1.988 million in the preceding year corresponding year. The increase in revenue was due to increase in sales through IT portal (pacifica2u.com). Other income had decreased from RM0.140 million to RM0.017 million due to recovery of impairment debt in preceding year.

B2. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current Quarter ended 31 December 2015 (Unaudited) RM'000	Preceding Quarter ended 30 September 2015 (Unaudited) RM'000	% change
Revenue	160	267	(40%)
(Loss) before tax ("LBT")	(262)	(317)	(17%)

The Group's revenue for the current quarter of RM0.160 million represents a decrease of approximately RM0.107 million as compared to the revenue of RM0.267 million achieved for the preceding quarter. The decrease in revenue was due to less demand in sales of video conferencing.

The Group's LBT for current quarter of RM0.262 million represents an decrease of approximately RM0.055 million as compared to the LBT of approximately RM0.317 million incurred in the preceding quarter. The decrease in LBT mainly due to decrease in administrative expenses and staffs cost.

B3. BUSINESS PROSPECTS

that the video conferencing business highly The Group recognizes is continuously intensifying however, the management is its effort to work with its business partners to penetrate into government agencies and business conglomerates locally and internationally. This includes possible support for mobile conferencing technologies to work with its current suite of product offerings. The Company's new product, which uses mobile data networks to make calls, has completed initial beta-testing. A series of issues and needed features have been identified and are currently being fixed.

(Company No. 653227-V) (Incorporated in Malaysia)

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS FOR THE OUARTER ENDED 31 DECEMBER 2015

B4. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

Not applicable as no forecast was published.

B5. TAXATION

For the financial period ending 31 December 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

On 11 November 2015, the Group had announced the following:-

- i) the reduction of RM0.05 of the par value of each existing ordinary share of RM0.10 each in Mlabs pursuant to Section 64 of the Companies Act, 1965.
- ii) the reduction of the share premium account pursuant to Section 60 and 64 of the Act.

The Proposed Par Value Reduction referred as the Proposal. The Proposal has received the approval of the shareholders at the extraordinary general meeting held on 21 December 2015.

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 30/12/15	Intended timeframe for utilisation	Balance u	nutilised
	RM'000	RM'000	RM'000		RM'000	%
Working capital	1,454	1,520	1,243	Within 12 months	277	18.22
* Estimated expenses in relation to the proposed private placement	90	24	24	Within 1 month	-	-

(Company No. 653227-V) (Incorporated in Malaysia)

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS FOR THE OUARTER ENDED 31 DECEMBER 2015

Total 1,544 1,544 1,267 277 17.

^{*} The unutilised portion of the proceeds from the private placement 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

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

On 30 November 2015, the Board had approved for the extension of time for working capital for up to 30 June 2016

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

Purposed	Proposed utilisation	Revised utilisation	Actual utilisation as at 31/12/15	Intended timeframe for utilisation	Balance unutilised	
	RM'000	RM'000	RM'000		RM'000	%
Developme nt of mobile application	1,300	1,300	1,300	Within 12 months	-	-
Working capital	298	358	328	Within 12 months	30	8.38
* Estimated expenses in relation to the proposed private placement	100	40	40	Within 1 month	-	-
Total	1,698	1,698	1,668		30	1.77

(Company No. 653227-V) (Incorporated in Malaysia)

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS FOR THE OUARTER ENDED 31 DECEMBER 2015

On 30 November 2015, the Board had approved for the extension of time for working capital for up to 31 December 2016

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 RM0.010 million.

B10. DERIVATIVE FINANCIAL INSTRUMENTS

There were no off balance sheet financial instrument as at 23 February 2016 (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.

B12. DIVIDENDS

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

B13. REALISED AND UNREALISED LOSSES

	As at 31.12.2015	As at 31.12.2014
	RM	RM
Total accumulated losses		
- Realised	(43,697)	(42,743)
Less: Consolidation adjustment	20,429	20,357
Total accumulated losses as per		
Statement of Financial		
Position	(23,268)	(22,386)

^{*} The unutilised portion of the proceeds from the private placement public issue estimated expenses in relation to proposed right issue which amounts to RM60,000, has been transferred to working capital as this amount is an excess over the actual listing expenses incurred.

(Company No. 653227-V) (Incorporated in Malaysia)

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2015

B14. NOTES TO CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	YEAR CORRESPONDING		YEAR	CORRESPONDING	
	QUARTER 31/12/15 RM'000	QUARTER 31/12/14 RM'000	TO DATE 31/12/15 RM'000	PERIOD 31/12/14 RM'000	
Interest income	1	14	17	84	
Interest expense Depreciation and	-	-	-	-	
Amorisation	(53)	(53)	(213)	(213)	

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:

	12 months p	eriod ended	12 months period ended		
	31/12/2015	31/12/2014	31/12/2015	31/12/2014	
Net loss attributable to the members of the Group (RM'000)	(262)	(403)	(783)	(1,187)	
Weighted average number of shares in issue ('000)	186,867	186,867	186,867	186,867	
Loss per share (sen)	(0.14)	(0.22)	(0.42)	(0.64)	