

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 15 MONTHS PERIOD ENDED 31 MARCH 2016**

	Individual Quarter		Cumulative Quarter	
	2016 quarter ended 31/03/2016 Unaudited RM'000	2015 quarter ended 31/03/2015 Unaudited RM'000	2016 current period to date 31/03/2016 15 months Unaudited RM'000	2014 proceeding period to date 31/12/2014 12 months Audited RM'000
Revenue	1,081	1,346	3,485	1,988
Cost of Sales	(97)	(1,046)	(2,000)	(1,874)
Gross Profit/(loss)	984	300	1,485	114
Other income	90	23	201	84
Selling and distribution expenses	-	-	(25)	(47)
Administration expenses	(967)	(289)	(2,300)	(1,334)
Profit/(Loss) from operations	107	34	(639)	(1,183)
Finance cost	-	-	(3)	(5)
Profit/(Loss) before taxation	107	34	(642)	(1,188)
Income tax	-	(7)	1	(7)
Loss after taxation	107	27	(641)	(1,195)
Loss attributable to :				
Owners of the parent	279	27	(413)	(1,187)
Non controlling Interest	(172)	(12)	(228)	(8)
	107	15	(641)	(1,195)
Total comprehensive expense attributable to :				
Owners of the parent	279	27	(413)	(1,187)
Non controlling Interest	(172)	(12)	(228)	(8)
	107	15	(641)	(1,195)
Basic loss per ordinary share attributable to:				
Owners of the parent	0.15	0.01	(0.22)	(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.

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016**

	As At 31/03/2016 Unaudited RM'000	As At 31/12/2014 Audited RM'000
Non-current assets		
Property, plant & equipment	665	870
Intangible assets	2,050	1,350
Goodwill on consolidation	104	-
Other investments	12	1,259
Total non-current assets	2,831	3,479
Current assets		
Inventory	1,108	180
Receivables	1,026	2,151
Cash & bank balances	804	449
Total current assets	2,938	2,780
Total assets	5,769	6,259
Equity		
Share capital	9,343	18,687
Share premium	43	9,390
Fair value adjustment reserve	1	82
Accumulated losses	(4,208)	(22,485)
	5,179	5,674
Non controlling interest	(143)	84
Total equity	5,036	5,758
Non-Current Liability		
Hire purchase	-	47
Current liabilities		
Payables	689	414
Hire purchase	36	33
Taxation	8	7
Total current liabilities	733	454
Total equity and liabilities	5,769	6,259
Net asset per share attributable to ordinary equity holder (Sen)	5.39	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 15 MONTHS PERIOD ENDED 31 MARCH 2016

	15 months ended 31/03/2016 UNAUDITED RM'000	12 months ended 31/12/2014 AUDITED RM'000
Profit/(loss) before taxation	(642)	(1,188)
Amortisaation of intangible assets	-	20
Depreciation & amortisation	216	215
Impairment loss on:		
- trade receivables	165	148
- inventories	150	
Interest expenses	-	4
Interest income	(18)	-
	(129)	(801)
Increase in inventories	(894)	(180)
Decrease/(Increase) in receivables	1,124	(866)
Increase/(Decrease) in payables	281	28
Director	-	(71)
Cash used in operating activities	382	(1,890)
Cash flow from investing activities		
Interest paid		(4)
Interest received	18	-
Cash used in investing activities	18	(4)
Cash flows from financing activities		
Repayment of Hire Purchase Borrowing	(33)	(33)
Acquisition of Subsidiary	-	
Purchase of Property, plant and equipment	-	-
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	(33)	(1,004)
Net decrease in cash & cash equivalents	367	(2,898)
Cash & cash equivalents brought forward	449	3,347
Cash & cash equivalents carried forward	816	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.

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 15 MONTHS PERIOD ENDED 31 MARCH 2016

15 Months period ended 31 March 2016	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	18,687	9,390	82	(22,485)	84	5,758
Par value reduction	(9,344)	(9,347)		18,690		(1)
Issurance of shares						-
Minority Interest			(81)		(227)	(308)
Loss for the period	-	-		(413)		(413)
Balance at 31 March 2016	9,343	43	1	(4,208)	(143)	5,036
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
Balance as at 1 January 2014	16,988	9,390	-	(21,298)		5,080
Minority Interest	-	-		(1,187)	(8)	(1,195)
Loss for the period	-	-	82	-		82
Private share placement	1,699	-		-		1,699
Acquisition of subsidiary					92	92
Balance at 31 December 2015	18,687	9,390	82	(22,485)	84	5,758

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.

MLABS SYSTEMS BERHAD

(Company No. 653227-V)

(Incorporated in Malaysia)

**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 MARCH 2016**

**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

MLABS SYSTEMS BERHAD

(Company No. 653227-V)

(Incorporated in Malaysia)

**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 MARCH 2016****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.

MLABS SYSTEMS BERHAD

(Company No. 653227-V)

(Incorporated in Malaysia)

**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 MARCH 2016**

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 March 2016.

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.

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

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 MARCH 2016

Period to date 31 March 2016	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	1,188	200	2,096	-	3,485	-	3,485
Result							
Segment result	(218)	(187)	(215)	-	(620)	-	(620)
Finance cost	-	-		-	-	-	3
Interest received	18	-	-	-	18	-	18
Profit before tax							(641)
Minority Interest							228
Income tax							-
Net Loss after tax							(413)
Assets							
Segment Assets	2,157	2,140	1,568	-	5,865	-	5,865
Liabilities							
Segment Liabilities	164	139	423	6	732	-	732

Period to date 31 March 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	285	-	1,061	-	1,346	-	1,346
Result							
Segment result	(151)	(54)	(82)	(1)	(289)	-	(289)

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

**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 MARCH 2016**

Finance cost	-	-	-	-	-	-	-
Interest Income	7	-	16	-	23	-	23
Profit before tax							34
Minority interest							-
Income tax							-
Net Loss after tax							34
Assets							
Segment Assets	3,222	1,962	1,753	-	7,033	-	7,033
Liabilities							
Segment Liabilities	366	94	844	4	1,308	-	1,308

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 2016 RM '000	Preceding year corresponding quarter ended 31 March 2015 RM'000	Current year to date ended 31 March 2016 RM'000	Preceding year corresponding period ended 31 December 2014 RM'000
Revenue				
Malaysia	1,081	1,346	3,485	1,988
Outside Malaysia	-	-	-	-
Total	1,081	1,346	3,485	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.

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

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 MARCH 2016

A12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in composition of the Group during the financial quarter ended 31 March 2016.

A13. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no contingent liabilities or assets for the Group as at 31 March 2016.

As at 23 May 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 March 2016.

MLABS SYSTEMS BERHAD

(Company No. 653227-V)

(Incorporated in Malaysia)

**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 MARCH 2016**

**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 RM0.641 million on the back of revenue of approximately RM3.485 million. Revenue for the cumulative quarter ended 31 March 2016 represents an increase 75.30% 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) and Video conferencing systems. Other income had decreased from RM0.84 million to RM0.201 million due to recovery of impairment debt in preceding year.

B2. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current Quarter ended 31 March 2016 (Unaudited) RM'000	Preceding Quarter ended 31 December 2015 (Unaudited) RM'000	% change
Revenue	1,081	160	>100%
Profit/(Loss) before tax ("LBT")	284	(290)	>100%

The Group’s revenue for the current quarter of RM1.081 million represents an increase of approximately RM0.921 million as compared to the revenue of RM0.160 million achieved for the preceding quarter. The increase in revenue was due to sales of video conferencing.

The Group’s PBT for current quarter of RM0.284 million represents an increase of approximately RM0.574 million as compared to the LBT of approximately RM0.294 million incurred in the preceding quarter. The increase in PBT mainly due to increase in sales of video conferencing.

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. 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. The Company will also undertake new initiatives to increase revenue from its internet sales portal.

MLABS SYSTEMS BERHAD

(Company No. 653227-V)

(Incorporated in Malaysia)

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 MARCH 2016**B4. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT**

Not applicable as no forecast was published.

B5. TAXATION

For the financial period ending 31 March 2016, 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 31/03/16	Intended timeframe for utilisation	Balance unutilised	
	RM'000	RM'000	RM'000		RM'000	%
Working capital	1,454	1,520	1,337	Within 12 months	183	13.69
* Estimated expenses in relation to the proposed private placement	90	24	24	Within 1 month	-	-

MLABS SYSTEMS BERHAD

(Company No. 653227-V)

(Incorporated in Malaysia)

**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 MARCH 2016**

Total	1,544	1,544	1,361		183	13.45
-------	-------	-------	-------	--	-----	-------

* 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 31/03/16	Intended timeframe for utilisation	Balance unutilised	
	RM'000	RM'000	RM'000		RM'000	%
Development 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

MLABS SYSTEMS BERHAD

(Company No. 653227-V)

(Incorporated in Malaysia)

**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 MARCH 2016**

** 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.*

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 RM0.030 million.

B10. DERIVATIVE FINANCIAL INSTRUMENTS

There were no off balance sheet financial instrument as at 23 May 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 31.03.2016 RM	As at 31.12.2014 RM
Total accumulated losses		
- Realised	(42,850)	(42,850)
Less: Consolidation adjustment	38,668	20,364
Total accumulated losses as per Statement of Financial Position	<u>(4,182)</u>	<u>(22,485)</u>

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

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 MARCH 2016

B14. NOTES TO CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	YEAR	CORRESPONDING	YEAR	CORRESPONDING
	QUARTER	QUARTER	TO DATE	PERIOD
	31/03/16	31/03/15	31/03/16	31/03/15
	RM'000	RM'000	RM'000	RM'000
Interest income	1	23	18	23
Interest expense	-	-	-	-
Depreciation and Amorisation	(44)	(48)	(216)	(48)

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 period ended		15 months period ended	
	31/03/2016	31/03/2015	31/03/2016	31/12/2014
Net profit/(loss) attributable to the members of the Group (RM'000)	279	27	(413)	1,187
Weighted average number of shares in issue ('000)	186,867	186,867	186,867	186,867
Loss per share (sen)	0.15	0.01	(0.22)	(0.64)