

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 6 MONTHS PERIOD ENDED 30 SEPTEMBER 2016**

	Individual Quarter 2016 quarter ended 30/09/2016	2015 quarter ended 30/09/2015	Cumulative Quarter 2016 current period to date 30/09/2016	2015 proceeding period to date 30/09/2015
	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
Revenue	404	267	607	2,244
Cost of Sales	(64)	(232)	(314)	(1,890)
Gross Profit/(loss)	340	35	293	354
Other income	-	2	105	16
Selling and distribution expenses	-	-	-	-
Administration expenses	(450)	(354)	(798)	(950)
Profit/(Loss) from operations	(110)	(317)	(400)	(580)
Finance cost	-	-	-	-
Profit/(Loss) before taxation	(110)	(317)	(400)	(580)
Income tax	-	-	-	-
Loss after taxation	(110)	(317)	(400)	(580)
Loss attributable to :				
Owners of the parent	(26)	(280)	(302)	(543)
Non controlling Interest	(84)	(37)	(98)	(37)
	(110)	(317)	(400)	(580)
Total comprehensive expense attributable to :				
Owners of the parent	(26)	(280)	(302)	(543)
Non controlling Interest	(84)	(37)	(98)	(37)
	(110)	(317)	(400)	(580)
Basic loss per ordinary share attributable to:				
Owners of the parent	(0.01)	(0.15)	(0.16)	(0.29)

The condensed consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 March 2016.

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016

	As At 30/09/2016 Unaudited RM'000	As At 31/03/2016 Audited RM'000
Non-current assets		
Property, plant & equipment	710	664
Intangible assets	1,885	2,153
Other investments	67	13
Total non-current assets	2,662	2,830
Current assets		
Inventory	947	1,108
Receivables	903	1,156
Cash & bank balances	340	784
Total current assets	2,190	3,048
Total assets	4,852	5,878
Equity		
Share capital	9,343	9,343
Share premium	43	43
Accumulated losses	(4,535)	(4,233)
	4,851	5,153
Non controlling interest	(98)	11
Total equity	4,753	5,164
Current liabilities		
Payables	81	670
Hire purchase	18	36
Taxation	-	8
Total current liabilities	99	714
Total equity and liabilities	4,852	5,878
Net asset per share attributable to ordinary equity holder (Sen)	5.09	5.53

NOTE:

The condensed consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 March 2016.

MLABS SYSTEMS BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE 6 MONTHS PERIOD ENDED 30 SEPTEMBER 2016

	3 months ended 30/06/2016	15 months ended 31/03/2016
	UNAUDITED	AUDITED
	RM'000	RM'000
Profit/(loss) before taxation	(400)	(511)
Amortisation of intangible assets	-	50
Bad debts written off		
- Other receivables		2
Depreciation & amortisation	38	211
Impairment loss on:		
- trade receivables		165
- inventories		150
Gain on disposal of other investment		(95)
Interest expenses	-	3
Interest income		-
	<hr/>	<hr/>
	(362)	(25)
Decrease/(Increase) in inventories	161	(1,078)
Decrease/(Increase) in receivables	280	827
Increase/(Decrease) in payables	(560)	262
Director	-	(5)
Cash used in operating activities	<hr/>	<hr/>
	(481)	(19)
Cash flow from investing activities		
Interest paid		(3)
Interest received	-	-
Cash used in investing activities	<hr/>	<hr/>
	-	(3)
Cash flows from financing activities		
Repayment of Hire Purchase Borrowing	(18)	(43)
Purchase of Property, plant and equipment	-	(5)
Additional to intangible assets		(854)
Proceeds from disposal of other investment	55	1,260
Proceeds from issuance of ordinary shares		-
Cash generated from financing activities	<hr/>	<hr/>
	37	358
Net decrease in cash & cash equivalents	(444)	336
Cash & cash equivalents brought forward	784	448
Cash & cash equivalents carried forward	<hr/> <hr/>	<hr/> <hr/>
	340	784

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 March 2016.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 6 MONTHS PERIOD ENDED 30 SEPTEMBER 2016

6 Months period ended 30 SEPTEMBER 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 April 2016	9,343	43	-	(4,233)	11	5,164
Issurance of shares						-
Minority Interest					(109)	(109)
Loss for the period	-	-		(302)		(302)
Balance at 30 September 2016	<u>9,343</u>	<u>43</u>	<u>-</u>	<u>(4,535)</u>	<u>(98)</u>	<u>4,753</u>
6 Months period ended 30 SEPTEMBER 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	18,687	9,390	82	(22,485)	84	5,758
Minority Interest	-	-			13	13
Loss for the period	-	-		(543)		(543)
Acquition of subsidiary						-
Balance at 30 September 2015	<u>18,687</u>	<u>9,390</u>	<u>82</u>	<u>(23,028)</u>	<u>97</u>	<u>5,228</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 March 2016

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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 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 March 2016, 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
FOR THE QUARTER ENDED 30 SEPTEMBER 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 March 2016 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 March 2016.

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2016

A3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the financial year ended 31 March 2016 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 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.

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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2016**

Period to date 30 September 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	400	-	4	-	404	-	404
Result Segment result	(374)	(199)	(133)	-	(706)	-	(706)
Finance cost	-	-	-	-	-	-	-
Interest received	-	-	-	-	-	-	-
Profit before tax							(302)
Minority Interest							(98)
Income tax							-
Net Loss after tax							(400)
Assets Segment Assets	1,964	1,549	1,339	-	4,852	-	4,852
Liabilities Segment Liabilities	37	28	28	6	99	-	99

Period to date 30 September 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	-	1,855	-	2,244	-	2,244
Result Segment result	(279)	(93)	(224)	-	(596)	-	(596)

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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2016**

Finance cost	-	-	-	-	-	-	-
Interest Income	16	-	-	-	16	-	16
Profit before tax							(580)
Minority interest							-
Income tax							-
Net Loss after tax							(580)
Assets							
Segment Assets	1,616	2,236	1,962	-	5,814	-	5,814
Liabilities							
Segment Liabilities	164	94	324	4	586	-	586

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 September 2016	Preceding year corresponding quarter ended 30 September 2015	Current year to date ended 30 September 2016	Preceding year corresponding period ended 30 September 2015
	RM '000	RM'000	RM'000	RM'000
Revenue				
Malaysia	404	267	607	2,244
Outside Malaysia	-	-	-	-
Total	404	267	607	2,244

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 SEPTEMBER 2016**

A12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in composition of the Group during the financial quarter ended 30 September 2016.

A13. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no contingent liabilities or assets for the Group as at 30 September 2016.

As at 22 November 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 30 September 2016.

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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 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 RM0.302 million on the back of revenue of approximately RM0.607 million. Revenue for the cumulative quarter ended 30 September 2016 represents a decrease 72.95% compared to RM2.244 million in the preceding year January 2015 to September 2015. The decrease in revenue was due to lower sale of video conferencing products and the change in accounting year end from March 2016 to 30 September 2016 which cumulative period is 6 months compared to 2015 cumulative quarter ended 30 September 2015 which is 9 months. Other income had increased from RM0.16 million to RM0.105 million due to recovery of impaired debt in preceding year.

B2. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current Quarter ended 30 September 2016 (Unaudited) RM'000	Preceding Quarter ended 30 June 2016 (Unaudited) RM'000	% change
Revenue	404	203	<99%
Profit/(Loss) before tax ("LBT")	(26)	(231)	>100%

The Group’s revenue for the current quarter of RM0.404 million represents an increase of approximately RM0.137 million as compared to the revenue of RM0.267 million achieved for the preceding quarter.

The Group’s LBT for current quarter of RM0.026 million represents a decrease of approximately RM0.205 million as compared to the LBT of approximately RM0.231 million incurred in the preceding quarter. The increase in revenue and the decrease in LBT were due to sales of multi video conferencing products achieved in the current quarter.

B3. BUSINESS PROSPECTS

The Group recognizes that the video conferencing business is highly competitive; however, the management is continuously intensifying its effort to work with its business partners to penetrate into government agencies and business conglomerates locally and internationally. 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 beta-testing. Discussion are currently underway to appoint parties and distributors to bring the product to market. A series of issues and needed features have been identified and have been fixed. The Company will also undertake new initiatives to increase revenue from its internet sales portal.

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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2016**

B4. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

Not applicable as no forecast was published.

B5. TAXATION

For the financial period ending 30 September 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

There was no corporate proposal under review.

B8. STATUS OF UTILISATION OF PROCEEDS

There was no utilisation of proceeds under review.

B9. GROUP BORROWINGS AND DEBTS SECURITIES

As at the end of the current quarter under review, the Group does not have short term interest bearing borrowings.

B10. DERIVATIVE FINANCIAL INSTRUMENTS

There were no off balance sheet financial instrument as at 14 November 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.

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(Company No. 653227-V)

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2016**B13. REALISED AND UNREALISED LOSSES**

	As at 30.09.2016 RM	As at 30.09.2015 RM
Total accumulated losses		
- Realised	(44,623)	(43,373)
Less: Consolidation adjustment	40,088	20,345
Total accumulated losses as per Statement of Financial Position	<u>(4,535)</u>	<u>(23,028)</u>

B14. NOTES TO CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	YEAR CORRESPONDING QUARTER 30/09/16 RM'000	CORRESPONDING QUARTER 30/09/15 RM'000	YEAR CORRESPONDING TO DATE 30/09/16 RM'000	PERIOD 30/09/15 RM'000
Interest income	-	2	-	16
Interest expense	-	-	-	-
Depreciation and Amorisation	(38)	(53)	(75)	(160)

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 30/09/2016 30/09/2015		6 months period ended 30/09/2016 30/09/2015	
Net loss attributable to the members of the Group (RM'000)	(26)	(280)	(302)	(543)
Weighted average number of shares in issue ('000)	186,867	186,867	186,867	186,867
Loss per share (sen)	(0.01)	(0.15)	(0.16)	(0.29)