

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE 9 MONTHS PERIOD ENDED 31 DECEMBER 2016**

	Individual Quarter 2016 quarter ended 31/12/2016	2015 quarter ended 31/12/2015	Cumulative Quarter 2016 current period to date 31/12/2016	2015 proceeding period to date 31/12/2015
	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
<b>Revenue</b>	699	160	1,207	2,404
Cost of Sales	(200)	(151)	(513)	(2,041)
<b>Gross Profit/(loss)</b>	499	9	694	363
Other income	31	1	136	17
Selling and distribution expenses	-	-	-	-
Administration expenses	(266)	(300)	(1,018)	(1,228)
<b>Profit/(Loss) from operations</b>	264	(290)	(188)	(848)
Finance cost	-	-	-	-
<b>Profit/(Loss) before taxation</b>	264	(290)	(188)	(848)
Income tax	-	-	-	-
<b>Loss after taxation</b>	264	(290)	(188)	(848)
<b>Loss attributable to :</b>				
Owners of the parent	281	(262)	(26)	(783)
Non controlling Interest	(17)	(28)	(162)	(65)
	264	(290)	(188)	(848)
<b>Total comprehensive expense attributable to :</b>				
Owners of the parent	281	(262)	(26)	(783)
Non controlling Interest	(17)	(28)	(162)	(65)
	264	(290)	(188)	(848)
<b>Basic loss per ordinary share attributable to:</b>				
Owners of the parent	0.15	(0.14)	(0.01)	(0.42)

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 31 DECEMBER 2016**

	<b>As At 31/12/2016 Unaudited RM'000</b>	<b>As At 31/03/2016 Audited RM'000</b>
<b>Non-current assets</b>		
Property, plant & equipment	673	664
Intangible assets	1,840	2,153
Other investments	67	13
<b>Total non-current assets</b>	<b>2,580</b>	<b>2,830</b>
<b>Current assets</b>		
Inventory	748	1,108
Receivables	1,598	1,156
Cash & bank balances	102	784
<b>Total current assets</b>	<b>2,448</b>	<b>3,048</b>
<b>Total assets</b>	<b>5,028</b>	<b>5,878</b>
<b>Equity</b>		
Share capital	9,343	9,343
Share premium	43	43
Accumulated losses	(4,259)	(4,233)
	<b>5,127</b>	<b>5,153</b>
Non controlling interest	(162)	11
<b>Total equity</b>	<b>4,965</b>	<b>5,164</b>
<b>Current liabilities</b>		
Payables	63	670
Hire purchase	-	36
Taxation	-	8
<b>Total current liabilities</b>	<b>63</b>	<b>714</b>
<b>Total equity and liabilities</b>	<b>5,028</b>	<b>5,878</b>
Net asset per share attributable to ordinary equity holder (Sen)	5.31	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**  
(Incorporated in Malaysia - Company No. 653227-V)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW**  
**FOR THE 9 MONTHS PERIOD ENDED 31 DECEMBER 2016**

	9 months ended 31/12/2016 UNAUDITED RM'000	15 months ended 31/03/2016 AUDITED RM'000
<b>Profit/(loss) before taxation</b>	26	(511)
Amortisaation 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
	64	(25)
Decrease/(Increase) in inventories	269	(1,078)
Decrease/(Increase) in receivables	(295)	827
Increase/(Decrease) in payables	(729)	262
Director	-	(5)
<b>Cash used in operating activities</b>	(691)	(19)
<b>Cash flow from investing activities</b>		
Interest paid		(3)
<b>Cash used in investing activities</b>	-	(3)
<b>Cash flows from financing activities</b>		
Repayment of Hire Purchase Borrowing	(22)	(43)
Purchase of Property, plant and equipment	-	(5)
Additional to intangible assets	-	(854)
Proceeds from disposal of other investment	31	1,260
<b>Cash generated from financing activities</b>	9	358
<b>Net decrease in cash &amp; cash equivalents</b>	(682)	336
<b>Cash &amp; cash equivalents brought forward</b>	784	448
<b>Cash &amp; cash equivalents carried forward</b>	102	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.

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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE 9 MONTHS PERIOD ENDED 31 DECEMBER 2016**

<b>9 Months period ended 31 DECEMBER 2016</b>	<b>Share capital RM'000</b>	<b>Share premium RM'000</b>	<b>Reserve RM'000</b>	<b>Accumulated Losses RM'000</b>	<b>Minority interest RM'000</b>	<b>Total RM'000</b>
Balance as at 1 April 2016	9,343	43	-	(4,233)	11	5,164
Issurance of shares						-
Minority Interest					(173)	(173)
Loss for the period	-	-		(26)		(26)
<b>Balance at 30 September 2016</b>	<b>9,343</b>	<b>43</b>	<b>-</b>	<b>(4,259)</b>	<b>(162)</b>	<b>4,965</b>
<b>9 Months period ended 31 DECEMBER 2015</b>	<b>Share capital RM'000</b>	<b>Share premium RM'000</b>	<b>Reserve RM'000</b>	<b>Accumulated Losses RM'000</b>	<b>Minority interest RM'000</b>	<b>Total RM'000</b>
Balance as at 1 January 2015	18,687	9,390	82	(22,485)	84	5,758
Minority Interest	-	-			1	1
Loss for the period	-	-		(783)		(783)
Acquition of subsidiary						-
<b>Balance at 30 September 2015</b>	<b>18,687</b>	<b>9,390</b>	<b>82</b>	<b>(23,268)</b>	<b>85</b>	<b>4,976</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 March 2016

**MLABS SYSTEMS BERHAD**

(Company No. 653227-V)

(Incorporated in Malaysia)

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

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

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

**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 year 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 year 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 DECEMBER 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 31 December 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 DECEMBER 2016

<b>Period to date 31 December 2016</b>	<b>Video conferencing system</b>	<b>Investment Holding</b>	<b>Trading</b>	<b>Others</b>	<b>Total</b>	<b>Elimination</b>	<b>Consolidated</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	912	-	295	-	1,207	-	1,207
<b>Result</b>							
Segment result	(561)	(287)	(521)	-	(1,369)	-	(1,369)
Finance cost	-	-		-	-	-	-
Other income	-	-	-	-	-	-	136
Profit before tax							(26)
Minority Interest							(162)
Income tax							-
Net Loss after tax							(188)
<b>Assets</b>							
Segment Assets	1,754	2,017	1,257	-	5,028	-	5,028
<b>Liabilities</b>							
Segment Liabilities	33	20	9	1	63	-	63

<b>Period to date 31 December 2015</b>	<b>Video conferencing system</b>	<b>Investment Holding</b>	<b>Trading</b>	<b>Others</b>	<b>Total</b>	<b>Elimination</b>	<b>Consolidated</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	389	-	2,015	-	2,404	-	2,404
<b>Result</b>							
Segment result	(387)	(187)	(291)	-	(865)	-	(865)



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

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

Finance cost	-	-	-	-	-	-	-
Interest Income	17	-	-	-	17	-	17
Profit before tax							(848)
Minority interest							65
Income tax							-
Net Loss after tax							(783)
<b>Assets</b>							
Segment Assets	1,491	2,110	1,888	-	5,489	-	5,489
<b>Liabilities</b>							
Segment Liabilities	139	-	360	4	503	-	503

**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 December 2016 RM '000	Preceding year corresponding quarter ended 31 December 2015 RM'000	Current year to date ended 31 December 2016 RM'000	Preceding year corresponding period ended 31 December 2015 RM'000
<b>Revenue</b>				
Malaysia	699	160	1,207	2,404
Outside Malaysia	-	-	-	-
Total	699	160	1,207	2,404

**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 DECEMBER 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 31 December 2016.

As at 16 February 2017, (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 2016.

**MLABS SYSTEMS BERHAD**

(Company No. 653227-V)

(Incorporated in Malaysia)

**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 31 DECEMBER 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 RM0.188 million on the back of revenue of approximately RM1.207 million. Revenue for the cumulative quarter ended 31 December 2016 represents a decrease 49.79% compared to RM2.404 million in the preceding year January 2015 to December 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 31 December 2016 which cumulative period is 9 months compared to 2015 cumulative quarter ended 31 December 2015 which is 12 months. Other income had increased from RM0.17 million to RM0.136 million due to recovery of impaired debt and disposal of a motor vehicle in preceding year.

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

	<b>Current Quarter ended 31 December 2016 (Unaudited) RM'000</b>	<b>Preceding Quarter ended 30 September 2016 (Unaudited) RM'000</b>	<b>% change</b>
Revenue	699	404	<99%
Profit/(Loss) before tax ("LBT")	264	(26)	>100%

The Group’s revenue for the current quarter of RM0.699 million represents an increase of approximately RM0.295 million as compared to the revenue of RM0.404 million achieved for the preceding quarter.

The Group’s PBT for current quarter of RM0.264 million represents an increase of approximately RM0.290 million as compared to the LBT of approximately RM0.026 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 been put into the market. 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 DECEMBER 2016**

---

**B4. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT**

Not applicable as no forecast was published.

**B5. TAXATION**

For the financial period ending 31 December 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**

Fund raised via corporate exercise had been fully utilised and disclosed in the previous reports.

**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 16 February 2017 (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.

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

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

**B13. REALISED AND UNREALISED LOSSES**

	As at 31.12.2016 RM	As at 31.12.2015 RM
Total accumulated losses		
- Realised	(44,302)	(43,697)
Less: Consolidation adjustment	40,088	20,429
Total accumulated losses as per Statement of Financial Position	<u>(4,214)</u>	<u>(23,268)</u>

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

	YEAR CORRESPONDING QUARTER 31/12/16 RM'000	YEAR CORRESPONDING QUARTER 31/12/15 RM'000	YEAR CORRESPONDING TO DATE 31/12/16 RM'000	YEAR CORRESPONDING PERIOD 31/12/15 RM'000
Interest income	-	1	-	17
Interest expense	-	-	-	-
Depreciation and Amorisation	(83)	(53)	(112)	(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:

	9 months period ended 31/12/2016    31/12/2015		9 months period ended 31/12/2016    31/12/2015	
Net profit/(loss) attributable to the members of the Group (RM'000)	281	(262)	(26)	(783)
Weighted average number of shares in issue ('000)	186,867	186,867	186,867	186,867
Loss per share (sen)	0.15	(0.14)	(0.01)	(0.42)