

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 12 MONTHS PERIOD ENDED 31 MARCH 2017**

	Individual Quarter 2017 quarter ended 31/03/2017	2016 quarter ended 31/03/2016	Cumulative Quarter 2017 current period to date 31/03/2017	2016 proceeding period to date 31/03/2016
	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Audited RM'000
Revenue	1,305	1,081	2,512	3,485
Cost of Sales	(500)	(97)	(1,013)	(1,949)
Gross Profit	805	984	1,499	1,536
Other income	96	90	232	193
Selling and distribution expenses	(29)	-	(29)	(25)
Administration expenses	(1,057)	(967)	(2,075)	(2,211)
(Loss)/Profit from operations	(185)	107	(373)	(507)
Finance cost	(2)	-	(2)	(4)
(Loss)/Profit before taxation	(187)	107	(375)	(511)
Income tax	-	-	-	-
(Loss)/Profit after taxation	(187)	107	(375)	(511)
Other comprehensive loss				
Items that are or may be reclassified subsequently to profit or loss				
Available-for-sale financial assets				
- disposal of available-for-sale investment	-	-	-	(81)
Total comprehensive loss	(187)	107	(375)	(592)
(Loss)/Profit attributable to :				
Owners of the parent	(191)	279	(217)	(438)
Non controlling Interest	4	(172)	(158)	(73)
	(187)	107	(375)	(511)
Total comprehensive (loss)/income attributable to :				
Owners of the parent	(191)	279	(217)	(519)
Non controlling Interest	4	(172)	(158)	(73)
	(187)	107	(375)	(592)
Basic (loss)/profit per ordinary share attributable to:				
Owners of the parent	(0.10)	0.15	(0.12)	(0.23)

financial statements for the financial period ended 31 March 2016 and the accompanying explanatory notes to the interim financial statements.

MLABS SYSTEMS BERHAD

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017**

	As At 31/03/2017 Unaudited RM'000	As At 31/03/2016 Audited RM'000
Non-current assets		
Property, plant & equipment	869	664
Intangible assets	1,817	2,154
Other investments	13	13
Total non-current assets	2,699	2,831
Current assets		
Inventory	176	1,108
Receivables	2,250	1,156
Cash & bank balances	118	784
Total current assets	2,544	3,048
Total assets	5,243	5,879
Equity		
Share capital	9,386	9,343
Share premium	-	43
Fair value adjustment reserve	1	1
Accumulated losses	(4,450)	(4,233)
	4,937	5,154
Non controlling interest	(147)	11
Total equity	4,790	5,165
Current liabilities		
Payables	445	670
Hire purchase	-	36
Taxation	8	8
Total current liabilities	453	714
Total equity and liabilities	5,243	5,879
Net asset per share attributable to ordinary equity holder (Sen)	5.10	5.53

NOTE:

The condensed consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial period ended 31 March 2016 and the accompanying explanatory notes to the interim financial statements.

MLABS SYSTEMS BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE 12 MONTHS PERIOD ENDED 31 MARCH 2017

	12 months ended 31/03/2017 UNAUDITED RM'000	15 months ended 31/03/2016 AUDITED RM'000
Loss before taxation	(375)	(511)
Amortisation of intangible assets	233	50
Bad debts written off	228	2
Depreciation of property, plant and equipment	153	211
Impairment loss on:		
- trade receivables	140	165
- goodwill	104	-
Recovery of impairment of Trade debtors		-
Gain on disposal of other investment	-	(95)
Gain on property, plant and equipment	(31)	-
Interest expenses	2	4
Interest income		-
Inventories written off	-	150
	454	(24)
Decrease/(Increase) in inventories	932	(1,078)
(Increase)/Decrease in receivables	(1,463)	827
(Decrease)/Increase in payables	(225)	262
Director	-	(5)
Cash used in operating activities	(302)	(18)
Cash flows from investing activities		
Proceeds from disposal of property, plant & equipment	31	-
Proceeds from disposal of other investment	-	1,260
Purchase of Property, plant and equipment	(358)	(5)
Additions of intangible assets	-	(854)
Cash used in investing activities	(327)	401
Cash flows from financing activities		
Interest paid	(2)	(4)
Repayment of Hire Purchase Borrowing	(36)	(43)
Cash used in financing activities	(38)	(47)
Net (decrease)/increase in cash & cash equivalents	(667)	336
Cash & cash equivalents brought forward	784	448
Cash & cash equivalents carried forward	117	784

NOTE:

The condensed consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the financial period ended 31 March 2016 and the accompanying explanatory notes to the interim financial statements.

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 12 MONTHS PERIOD ENDED 31 MARCH 2017**

12 Months period ended 31 MARCH 2017	Share capital RM'000	Share premium RM'000	Fair value adjustment reserve RM'000	Accumulated Losses RM'000	Minority interest RM'000	Total RM'000
Balance as at 1 April 2016	9,343	43	1	(4,233)	11	5,165
Transfer pursuant to Companies Act 2016 (Note a)	43	(43)	-	-	-	-
Minority Interest	-	-	-	-	(158)	(158)
Loss for the period	-	-	-	(217)	-	(217)
Balance at 31 March 2017	<u>9,386</u>	<u>-</u>	<u>1</u>	<u>(4,450)</u>	<u>(147)</u>	<u>4,790</u>

15 Months period ended 31 March 2016	Share capital RM'000	Share premium RM'000	Fair value adjustment 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)
Minority Interest	-	-	(81)	-	(73)	(154)
Loss for the period	-	-	-	(438)	-	(438)
Balance at 31 March 2016	<u>9,343</u>	<u>43</u>	<u>1</u>	<u>(4,233)</u>	<u>11</u>	<u>5,165</u>

Note (a):

With the Companies Act 2016 ("New Act") coming into effect on 31 January 2017, the credit standing in the share premium account of RM43,000 has been transferred to the share capital account. Pursuant to subsection 618(3) of the New Act, the Group may exercise its right to use the credit amount being transferred from share premium account within 24 months after the commencement of the New Act.

NOTE:

The condensed consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial period ended 31 March 2016 and the accompanying explanatory notes to the interim financial statements. .

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 MARCH 2017

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

A1. BASIS OF PREPARATION

The interim financial report is unaudited and has been prepared in accordance with the requirements of MFRS134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The interim financial report should be read in conjunction with the audited financial statements of the Company for the financial period ended 31 March 2016.

A2. SIGNIFICANT ACCOUNTING POLICIES

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 April 2016.

Adoption of Amendments to Standards

The Group has adopted the following Amendments to Standards, with a date of initial application of 1 April 2016.

MFRSs / Amendments to MFRSs	Effective for annual periods beginning on or after
MFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
Amendments to MFRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to MFRS 101 <i>Disclosure Initiative</i>	1 January 2016
Amendments to MFRS 116 and MFRS 138 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to MFRS 116 and MFRS 141 <i>Agriculture: Bearer Plants</i>	1 January 2016
Amendments to MFRS 127 <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to MFRSs <i>Annual Improvements to MFRSs 2012 - 2014 Cycle</i>	1 January 2016

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

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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 MARCH 2017****A2. SIGNIFICANT ACCOUNTING POLICIES – CONT'D**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
Amendments to MFRS 12 <i>Annual Improvements to MFRS Standards 2014 – 2016 Cycle</i>	1 January 2017
Amendments to MFRS 107 <i>Disclosure Initiative</i>	1 January 2017
Amendments to MFRS 112 <i>Recognition of Deferred Tax Assets for Unrealised losses</i>	1 January 2017
Amendments to MFRS 1 <i>Annual Improvements to MFRS Standards 2014 – 2016 Cycle</i>	1 January 2018
MFRS 9 <i>Financial Instruments (IFRS as issued by IASB in July 2014)</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
Clarification to MFRS 15	1 January 2018
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 128 <i>Annual Improvements to MFRS Standards 2014 – 2016 Cycle</i>	1 January 2018
Amendments to MFRS 140 <i>Transfers of Investment Property</i>	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	See MFRS 4 Paragraphs 46 and 48
MFRS 16 <i>Leases</i>	1 January 2019
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associates or Joint Venture</i>	Deferred

The Group is in the process of assessing the impact of implementing these Standards, since the effects would only be observable for the future financial years.

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.

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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 MARCH 2017**

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 2017.

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 31 MARCH 2017**

Period to date 31 March 2017	Video conferencing system	Investment Holding	Trading	Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	1,500	-	1,012	-	2,512
Result					
Segment result	(884)	(833)	(374)	(13)	(2,104)
Finance cost	(2)	-	-	-	(2)
Other income	232	-	-	-	232
Profit before tax					(375)
Minority Interest					(158)
Income tax					-
Net Loss after tax					(217)
Assets					
Segment Assets	2,153	1,745	1,345	-	5,243
Liabilities					
Segment Liabilities	214	139	86	14	453

Period to date 31 March 2016	Video conferencing system	Investment Holding	Trading	Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	1,188	200	2,096	-	3,485
Result					
Segment result	(536)	(897)	(778)	-	(2,211)

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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 MARCH 2017**

Finance cost	(4)	-	-	-	(4)
Other Income	193	-	-	-	193
Profit before tax					(511)
Minority interest					73
Income tax					-
Net Loss after tax					(438)
Assets					
Segment Assets	2,157	2,140	1,575	6	5,878
Liabilities					
Segment Liabilities	164	139	405	6	714

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 2017 RM '000	Preceding year corresponding quarter ended 31 March 2016 RM'000	Current year to date ended 31 March 2017 RM'000	Preceding year corresponding period ended 31 March 2016 RM'000
Revenue				
Malaysia	1,305	1,081	2,512	3,485
Outside Malaysia	-	-	-	-
Total	1,305	1,081	2,512	3,485

A10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 MARCH 2017**

A11. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE QUARTER

On 19 May 2017, the Company had made an announcement on the Proposed Renounceable Rights Issue of up to 528,169,300 new ordinary shares in Mlabs together with up to 264,084,650 free detachable warrants in Mlabs on the basis of 2 Rights Shares together with 1 free warrant B for every 1 existing Mlabs share held by entitled shareholders of Mlabs on an entitlement date to be determined later; and Proposed establishment of an Employees' Share Option scheme ("ESOS") or ("SCHEME").

A12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in composition of the Group during the financial quarter ended 31 March 2017.

A13. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no contingent liabilities or assets for the Group as at 31 March 2017.

As at 24 May 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 commitment 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 2017.

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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 MARCH 2017**

**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 RM0.375 million on the back of revenue of approximately RM2.512 million. Revenue for the cumulative quarter ended 31 March 2017 represents a decrease 27.92% compared to RM3.485 million in the preceding 15-month financial period January 2015 to March 2016. The decrease in revenue was due to lower sale of video conferencing products and also changes in accounting year ended from April 2016 to 31 March 2017 which cumulative period is 12 months compared to 2016 cumulative year ended 31 March 2016 which is 15 months. Other income had increased from RM0.193 million to RM0.232 million due to recovery of impaired debt and disposal of a motor vehicle in current year.

B2. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current Quarter ended 31 March 2017 (Unaudited) RM'000	Preceding Quarter ended 31 December 2016 (Unaudited) RM'000	% change
Revenue	1,305	699	86.70%
(Loss)/Profit before tax ("LBT")	(187)	264	>100%

The Group’s revenue for the current quarter of RM1.305 million represents an increase of approximately RM0.606 million as compared to the revenue of RM0.699 million achieved for the preceding quarter.

The Group’s LBT for current quarter of RM0.187 million represents a decrease of approximately RM0.451 million as compared to the PBT of approximately RM0.264 million incurred in the preceding quarter. The increase in revenue was due to increased sales of the Standard Mobile Application 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 has recently embarked on a rights issue to raise capital to further develop its mobile conferencing products.

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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 MARCH 2017**

B4. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

Not applicable as no forecast was published.

B5. TAXATION

For the financial year ending 31 March 2017, 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 year 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 24 May 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.

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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 MARCH 2017****B13. REALISED AND UNREALISED LOSSES**

	As at 31.03.2017 RM	As at 31.03.2016 RM
Total accumulated losses		
- Realised	(28,169)	(25,922)
Less: Consolidation adjustment	23,719	21,689
Total accumulated losses as per Statement of Financial Position	(4,450)	(4,233)

B14. NOTES TO CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months period ended 31/03/17 RM'000	3 months period ended 31/03/16 RM'000	12 months period ended 31/03/17 RM'000	15 months period ended 31/03/16 RM'000
Interest income	-	1	-	-
Interest expense	(2)	-	(2)	(4)
Depreciation and amortisation	(262)	(44)	(374)	(261)

B15. EARNINGS PER SHARE

The basic earnings per share is computed by dividing the Group's net (loss)/profit 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	
	31/03/2017	31/03/2016	31/03/2017	31/03/2016
Net (loss)/profit attributable to the members of the Group (RM'000)	(191)	279	(217)	(438)
Weighted average number of shares in issue ('000)	186,867	186,867	186,867	186,867
(Loss)/profit per share (sen)	(0.10)	0.15	(0.12)	(0.23)