

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 3 MONTHS PERIOD ENDED 30 JUNE 2017**

	Individual Quarter		Cumulative Quarter	
	2017 quarter ended 30/06/2017	2016 quarter ended 30/06/2016	2017 current period to date 30/06/2017	2016 proceeding period to date 30/06/2016
	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
Revenue	1,066	203	1,066	203
Cost of Sales	(359)	(249)	(359)	(249)
Gross Profit/(loss)	707	(46)	707	(46)
Other income	-	105	-	105
Administration expenses	(364)	(349)	(364)	(349)
Profit/(Loss) from operations	343	(290)	343	(290)
Finance cost	-	-	-	-
Profit/(Loss) before taxation	343	(290)	343	(290)
Income tax	-	-	-	-
Loss after taxation	343	(290)	343	(290)
Loss attributable to :				
Owners of the parent	290	(231)	290	(231)
Non controlling Interest	53	(59)	53	(59)
	343	(290)	343	(290)
Total comprehensive expense attributable to :				
Owners of the parent	290	(231)	290	(231)
Non controlling Interest	53	(59)	53	(59)
	343	(290)	343	(290)
Basic loss per ordinary share attributable to:				
Owners of the parent	0.16	(0.12)	0.16	(0.12)

The condensed consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 March 2017.

MLABS SYSTEMS BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	As At 30/06/2017 Unaudited RM'000	As At 31/03/2017 Audited RM'000
Non-current assets		
Property, plant & equipment	824	869
Intangible assets	1,919	1,817
Other investments	13	13
Total non-current assets	2,756	2,699
Current assets		
Inventory	182	176
Receivables	2,418	2,237
Cash & bank balances	101	138
Total current assets	2,701	2,551
Total assets	5,457	5,250
Equity		
Share capital	9,343	9,343
Share premium	-	-
Accumulated losses	(4,105)	(4,395)
	5,238	4,948
Non controlling interest	53	(153)
Total equity	5,291	4,795
Current liabilities		
Payables	158	447
Taxation	8	8
Total current liabilities	166	455
Total equity and liabilities	5,457	5,250
Net asset per share attributable to ordinary equity holder (Sen)	5.66	5.13

NOTE:

The condensed consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 March 2017.

MLABS SYSTEMS BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE 3 MONTHS PERIOD ENDED 30 JUNE 2017

	3 months ended 30/06/2017 UNAUDITED RM'000	12 months ended 31/03/2017 AUDITED RM'000
Profit/(loss) before taxation	290	(369)
Amortisaation of intangible assets	58	233
Bad debts written off		228
Depreciation & amortisation	45	153
Impairment loss on:		
Gain on disposal of other investment		(31)
- trade receivables	-	141
- other receivables	-	140
- goodwill	-	104
Recovery of impairment of Trade debtors		(151)
Write back on trade receivables	-	(141)
Interest expenses	-	2
Interest income		-
	<u>393</u>	<u>309</u>
(Increase)/Decrease in inventories	(7)	932
(Increase)/Decrease in receivables	(342)	(1,298)
(Decrease)/Increase in payables	(112)	(224)
Director	-	-
Cash used in operating activities	<u>(68)</u>	<u>(281)</u>
Cash flow from investing activities		
Purchase of Property, plant and equipment		(358)
Proceeds from disposal of property, plant & equipment	-	31
Interest paid	-	(2)
Cash used in investing activities	<u>31</u>	<u>(329)</u>
Cash flows from financing activities		
Repayment of Hire Purchase Borrowing	-	(36)
Purchase of Property, plant and equipment Additional to intangible assets	-	-
Proceeds from disposal of property, plant and equipment	-	-
Cash generated from financing activities	<u>-</u>	<u>(36)</u>
Net decrease in cash & cash equivalents	<u>(37)</u>	<u>(646)</u>
Cash & cash equivalents brought forward	138	784
Cash & cash equivalents carried forward	<u>101</u>	<u>138</u>

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 2017.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 3 MONTHS PERIOD ENDED 30 JUNE 2017

3 Months period ended 30 JUNE 2017	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 2017	9,343	-	-	(4,395)	(153)	4,795
Issurance of shares	-	-	-	-	-	-
Minority Interest	-	-	-	-	206	206
Loss for the period	-	-	-	290	-	290
Balance at 30 JUNE 2017	9,343	-	-	(4,105)	53	5,291
3 Months period ended 30 JUNE 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	-	(4,234)	11	5,163
Par Value Reduction	-	-	-	-	-	-
Issuance of Shares	-	-	-	-	-	-
Minority Interest	-	-	-	-	(59)	(59)
Loss for the period	-	-	-	(290)	-	(290)
Balance at 30 June 2016	9,343	43	-	(4,524)	(48)	4,814

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 2017

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

**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2017**

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 2017, 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 30 JUNE 2017****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 year ended 31 March 2017 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 2017.

MLABS SYSTEMS BERHAD
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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2017**

A3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the financial year ended 31 March 2017 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 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.

MLABS SYSTEMS BERHAD

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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2017**

Period to date 30 June 2017	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	600	-	466	-	1,066	-	1,066
Result Segment result	(227)	(99)	(38)	-	(364)	-	(364)
Finance cost	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-
Profit before tax							343
Minority Interest							(53)
Income tax							-
Net Loss after tax							(290)
Assets Segment Assets	2,499	1,728	1,230	-	5,457	-	5,457
Liabilities Segment Liabilities	53	39	61	13	166	-	166
Period to date 30 June 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	-	-	203	-	203	-	203
Result Segment result	(189)	(85)	(7)	-	(349)	-	(349)

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2017

Finance cost	-	-	-	-	-	-	-
Other Income	-	-	-	-	-	-	-3
Profit before tax							(290)
Minority interest							59
Income tax							-
Net Loss after tax							(231)
Assets							
Segment Assets	1,197	1,551	1,408	-	4,916	-	4,916
Liabilities							
Segment Liabilities	29	38	29	6	123	-	123

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 June 2017 RM '000	Preceding year corresponding quarter ended 30 June 2016 RM'000	Current year to date ended 30 June 2017 RM'000	Preceding year corresponding period ended 30 June 2016 RM'000
Revenue				
Malaysia	1,066	203	1,066	203
Outside Malaysia	-	-	-	-
Total	1,066	203	1,066	203

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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(Incorporated in Malaysia)

**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2017**

A11. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE QUARTER

- i) On 17th July 2017, Mlabs Systems Berhad (“MLABS”) announced in relation to the Distribution and Technology Collaboration Memorandum of Intent (“MOI”) with E-Horizon Asia PTE LTD (“EH”) with MLABS wholly owned subsidiaries Multimedia Research Lab Sdn Bhd (“MRL”)
- ii) On 18th July 2017, The Board of Directors of MLABS announced that Multimedia Research Lab Sdn Bhd (“MRL), the wholly owned subsidiary of the Company had entered into a Collaboration Agreement with Red Dragon Media Ltd.
- iii) On 10th August 2017, The Board of Directors of MLABS announced that Multimedia Research Lab Sdn Bhd (“MRL), the wholly owned subsidiary of the Company had entered into a Collaboration Agreement with Onliner Company Limited.
- iv) On 14th August 2017, The Board of Directors of MLABS announced that Multimedia Research Lab Sdn Bhd (“MRL), the wholly owned subsidiary of the Company had entered into a Collaboration Agreement with Fortel Solutions Limited.
- v) On 18th August 2017, The Board of Directors of MLABS announced that Multimedia Research Lab Sdn Bhd (“MRL), the wholly owned subsidiary of the Company had on 17th August entered into a Memorandum of Understanding on Technology Collaboration with XOX Media Sdn Bhd.

A12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in composition of the Group during the financial quarter ended 30 June 2017.

A13. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no contingent liabilities or assets for the Group as at 30 June 2017.

As at 16 August 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 30 June 2017.

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(Incorporated in Malaysia)

**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 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 (“PAT”) of RM0.290 million on the back of revenue of approximately RM1.066 million. Revenue for the cumulative quarter ended 30 June 2017 represents an increase more than 100% compared to RM0.203 million in the preceding year corresponding year. The increase in revenue was due to sale of mobile application and kitchen supply.

B2. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current Quarter ended 30 June 2017 (Unaudited) RM'000	Preceding Quarter ended 31 March 2017 (Unaudited) RM'000	% change
Revenue	1,066	1,293	17.56%
Profit/(Loss) before tax ("PBT")	290	(237)	>100%

The Group’s revenue for the current quarter of RM1.066 million represents a decrease of approximately RM0.227 million as compared to the revenue of RM1.293 million achieved for the preceding quarter.

The Group’s PBT for current quarter of RM0.290 million represents an increase of approximately RM0.527 million as compared to the LBT of approximately RM0.237 million incurred in the preceding quarter.

B3. BUSINESS PROSPECTS

The Group video conferencing business remains 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. The Company has recently embarked on a rights issue to raise capital to further develop its mobile conferencing products and mobile application products. The Group will also explore new business opportunities that are complimentary to its existing business to create new sources of revenue.

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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2017**

B4. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

Not applicable as no forecast was published.

B5. TAXATION

For the financial period ending 30 June 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 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 August 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 30 JUNE 2017**

B13. REALISED AND UNREALISED LOSSES

	As at 30.06.2017 RM	As at 30.06.2016 RM
Total accumulated losses		
- Realised	(12,387)	(44,612)
Less: Consolidation adjustment	8,282	40,088
Total accumulated losses as per Statement of Financial Position	(4,105)	(4,524)

B14. NOTES TO CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	YEAR QUARTER 30/06/17 RM'000	CORRESPONDING QUARTER 30/06/16 RM'000	YEAR TO DATE 30/06/17 RM'000	CORRESPONDING PERIOD 30/06/17 RM'000
Interest income	-	-	-	-
Interest expense	-	-	-	-
Depreciation and Amorisation	(104)	(38)	(104)	(38)

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:

	3 months period ended		3 months period ended	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
Net profit/(loss) attributable to the members of the Group (RM'000)	290	(290)	290	(290)
Weighted average number of shares in issue ('000)	186,867	186,867	186,867	186,867
Loss per share (sen)	0.16	(0.12)	0.16	(0.12)