

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

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.06.19 RM'000 (unaudited)	Preceding Year Quarter 30.06.18 RM'000 (unaudited)	Current Year To Date 30.06.19 RM'000 (unaudited)	Preceding Year To Date 30.06.18 RM'000 *
Revenue	3,158	379	7,786	N/A
Cost of sales	(1,965)	(216)	(6,230)	N/A
Gross profit	1,193	163	1,556	N/A
Other income	90	394	1,554	N/A
Selling & distribution expenses	(1,000)	-	(3,005)	N/A
Administrative expenses	(321)	(944)	(4,814)	N/A
Other expenses	(256)	(23)	(1,095)	N/A
Loss before tax	(294)	(410)	(5,804)	N/A
Tax expense	-	-	-	N/A
Loss for the financial period	(294)	(410)	(5,804)	N/A
Other comprehensive loss:- Item that will be subsequently to profit or loss				
Exchange differences on translating foreign operation, net of tax	(1)	-	(1)	N/A
Other comprehensive loss for the financial period, net of tax	(1)	-	(1)	N/A
Total comprehensive loss for the financial period	(295)	(410)	(5,805)	N/A
(Loss)/Profit for the financial period attributable to:				
- Owners of the Company	(332)	(375)	(5,674)	N/A
- Non-controlling interests	38	(35)	(130)	N/A
	(294)	(410)	(5,804)	N/A
Total comprehensive (loss)/profit attributable to:				
- Owners of the Company	(333)	(375)	(5,675)	N/A
- Non-controlling interests	38	(35)	(130)	N/A
	(295)	(410)	(5,805)	N/A
Losses per share attributable to the owner of the company				
Basic (sen)	(0.05)	(0.06)	(0.85)	N/A

* There are no comparative figures disclosed for the cumulative period-to-date results following the change in the financial year end from 31 March to 30 June.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30.06.2019 RM'000 (unaudited)	As at 31.03.2018 RM'000 (audited)
ASSETS		
Non-current assets		
Property, plant and equipment	1,083	1,331
Investment properties	8,510	-
Goodwill on consolidation	9,993	-
Intangible assets	10,000	1,158
Other receivables	2,060	300
Other investment	4,156	13
Total non-current assets	35,802	2,802
Current assets		
Inventories	440	698
Trade receivables	4,550	1,469
Other receivables	6,700	16,344
Cash, bank balances and short term fund	22,591	44,883
Total current assets	34,281	63,394
Total assets	70,083	66,196
EQUITY AND LIABILITIES		
EQUITY		
Equity attributable to owners of the company		
Share capital	30,626	30,626
Warrant reserve	43,930	43,930
Fair value adjustment reserve	1	1
Foreign translation reserve	(1)	-
Accumulated losses	(13,963)	(8,289)
	60,593	66,268
Non-controlling interests	2,211	(299)
Total equity	62,804	65,969
LIABILITIES		
Current liabilities		
Payables	7,271	219
Tax payable	8	8
Total current liabilities	7,279	227
Total equity and liabilities	70,083	66,196
Net assets per share (RM)	0.094	0.098

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	[----- Non-distributable -----]				Distributable		Non- controlling interests RM'000	Total RM'000
	Share capital RM'000	Foreign currency translation reserve RM'000	Warrants reserve RM'000	Fair value adjustment reserve RM'000	Accumulated losses RM'000	Total RM'000		
As at 1 April 2018	30,626	-	43,930	1	(8,289)	66,268	(299)	65,969
Loss for the financial period	-	-	-	-	(5,674)	(5,674)	(130)	(5,804)
Other comprehensive income for the financial period								
- Exchange translation differences, net of tax	-	(1)	-	-	-	(1)	-	(1)
Total comprehensive loss for the financial period	-	(1)	-	-	(5,674)	(5,675)	(130)	(5,805)
Transaction with owners								
Acquisition of a subsidiary	-	-	-	-	-	-	2,640	2,640
As at 30 June 2019 (unaudited)	30,626	(1)	43,930	1	(13,963)	60,593	2,211	62,804
As at 1 April 2017	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Loss for the financial period	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other comprehensive loss for the financial period								
- Exchange translation differences, net of tax	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total comprehensive loss for the financial period	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
As at 30 June 2018	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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CONSOLIDATED STATEMENT OF CASH FLOWS

	Current Year To Date 30.06.2019 RM'000 (unaudited)	Preceding Year To Date 30.06.2018 RM'000 *
Operating activities		
Loss before tax	(5,804)	N/A
Adjustments for:-		
Amortisation of intangible assets	643	N/A
Depreciation of property, plant and equipment	490	N/A
Impairment loss on trade receivables	303	N/A
Property, plant and equipment written off	780	N/A
Interest income	(160)	N/A
Income distribution from short term fund	(1,393)	N/A
Loss on foreign exchange	7	N/A
Operating loss before working capital changes	(5,134)	N/A
Changes in working capital:-		
Inventories	258	
Payables	6,736	N/A
Receivables	5,252	N/A
Net cash generated from/(used in) operating activities	7,112	N/A
Investing activities		
Acquisition of:		
- Property, plant and equipment	(360)	N/A
- Investment properties	(8,588)	N/A
- Intangible assets and software development	(10,000)	N/A
Net cash outflow on acquisition of subsidiary	(11,999)	
Repayment to amount due to Director	(2)	N/A
Income received from short term fund	1,393	N/A
Interest received	160	N/A
Loss on foreign exchange	(7)	N/A
Net cash used in investing activities	(29,403)	N/A
CASH AND CASH EQUIVALENTS		
Net changes	(22,291)	N/A
Effects of changes in foreign exchange rate	(1)	N/A
Brought forward	44,883	N/A
Carried forward	22,591	N/A
Cash and cash equivalents at the end of the financial period comprise the following:		
Cash and bank balances and short term funds	22,591	N/A

* There are no comparative figures disclosed for the cumulative period-to-date results following the change in the financial year end from 31 March to 30 June.

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the reporting requirements outlined in Malaysia Financial Reporting Standards (“MFRS”) 134 – Interim Financial Reporting and Appendix 9B of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 March 2018 and the accompanying explanatory notes attached to the interim financial statements.

These explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 March 2018.

The accounting policies and methods of computation used in the interim financial statements are consistent with those adopted in the audited financial statements of the Group for the financial year ended 31 March 2018 except for the changes in accounting policies and presentation resulting from the adoption of new and revised MFRSs and amendments to MFRSs that are effective for financial periods beginning on or after 1 January 2018.

The Group has adopted the following Amendments to Standards during the financial year.

MFRSs / Amendments to MFRSs effective 1 January 2018

Amendments to MFRS 1	<i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>
MFRS 15	<i>Revenue from Contracts with Customers</i>
MFRS 9	<i>Financial Instruments (IFRS as issued by IASB in July 2014)</i>
Amendments to MFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to MFRS 128	<i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>
IC Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration</i>
Amendments to MFRS 140	<i>Transfers of Investment Property</i>
Amendments to MFRS 4	<i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>

The adoption of the above pronouncements did not have material impact on the financial statements of the Group and of the Company.

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A1. Basis of Preparation (Cont'd)

The Group has not adopted the following new MFRSs and amendments to MFRSs issued by the Malaysian Accounting Standards Board:

MFRS effective 1 January 2019

MFRS 16	<i>Leases</i>
IC Interpretation 23	<i>Uncertainty over Income Tax Treatments</i>
Amendments to MFRS 128	<i>Long-term Interests in Associates and Joint Ventures</i>
Amendments to MFRS 9	<i>Prepayment Features with Negative Compensation</i>
Amendments to MFRS 3	<i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>
Amendments to MFRS 11	<i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>
Amendments to MFRS 112	<i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>
Amendments to MFRS 123	<i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>
Amendments to MFRS 119	<i>Plan Amendment, Curtailment or Settlement</i>

MFRS effective 1 January 2020

Amendment to MFRS 3	<i>Definition of a Business</i>
Amendment to MFRS 101 and MFRS 108	<i>Definition of material</i>

MFRS effective 1 January 2021

MFRS 17	<i>Insurance Contracts#</i>
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Amendments to MFRSs (deferred effective dates to be announced by MASB)

Amendments to MFRS 10 and MFRS 128	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture#</i>
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Not applicable to Group's existing operations

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.

A2. Change of Financial Year End

The Company has changed the financial year from 31 March to 30 June as announced on 29 May 2019. The next audited financial statements shall be for a period of fifteen (15) months from 1 April 2018 to 30 June 2019 and thereafter, the financial year end shall be 30 June for each subsequent year.

A3. Auditors' Report on the Preceding Annual Financial Statements

The auditor's report on the latest audited financial statements for the financial year ended 31 March 2018 was not subject to any audit qualification.

A4. Seasonal or Cyclical Factors of Interim Operations

The results of the Group were not materially affected by any significant seasonal or cyclical factors during the current financial quarter and period.

A5. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flow of the Group during the current financial quarter and period.

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A6. Material Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial years, which may have a material effect in the current financial quarter and period results.

A7. Issues, Repurchases, and Repayments of Debt and Equity Securities

There no issues, repurchases, and repayments of debts and equity securities of the Group during the current financial quarter and period.

A8. Dividends Paid

There were no dividends declared and paid for the current financial quarter and period.

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A9. Segmental 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 organised into business units based on their products and services, and has two reportable segments as follows:

Research and development, and assembling	:	Research and development, assembling and trading of multimedia video conferencing system, and mobile application solutions
Trading	:	Trading of kitchen equipment and related products

Period To date 30 June 2019	Research and development, and assembling	Trading	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000
Revenue	7,431	355	-	7,786
Result:				
Segment result	(7,094)	(273)	9	(7,358)
Other Income	1,547	7	-	1,554
Profit Before Tax				(5,804)
Segment Assets	116,181	1,762	(47,860)	70,083
Segment Liabilities	52,306	2,638	(47,665)	7,279

Geographical segments

The business segment is managed in few principal locations namely Malaysia, Thailand, China. 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 Quarter Ended	Preceding Year Corresponding Quarter Ended	15 months ended	
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	RM'000	RM'000	RM'000	RM'000
Revenue				
Malaysia	(222)	39	616	N/A
Outside Malaysia	3,380	340	7,170	N/A
	3,158	379	7,786	N/A

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A10. Valuation of Property, Plant and Equipment

The Group did not revalue any of its property, plant and equipment during the current financial quarter and period.

A11. Events after the End of the Quarter

There were no other material events subsequent to the end of the current financial quarter up to 23 August 2019.

A12. Changes in Composition of the Group

On 13th June 2019, Mlabs had acquired 96,748 shares representing 51% shareholdings of Inbase Partners Limited (“Inbase”) for a total cash consideration of USD3.00 million or equivalent to approximately RM12.741 million. With the acquisition of Inbase, a knowledge-based technology provider, this will further enhance Mlabs potential to expand abroad and create synergies with Inbase’s rich knowledge and expertise in the digital assets.

Save for the above, there were no other changes in the composition of the Group for the current financial quarter and period under review.

A13. Contingent Assets or Changes on Contingent Liabilities

There were no contingent assets or contingent liabilities since the last statement of financial position date.

A14. Significant Related Party Transaction

The Directors are of the opinion that there are no related party transactions which would have material impact on the financial position and the business of the Group during the current financial quarter.

A15. Capital Commitments

There were no other capital commitments for the current financial quarter.

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B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENT OF BURSA SECURITIES FOR THE ACE MARKET

B1. Review of Performance

Statement of Profit & Loss and Other Comprehensive Income

	Current Quarter Ended 30.06.2019 RM'000 (unaudited)	Preceding Year Corresponding Quarter Ended 30.06.2018 RM'000 (unaudited)	Changes (%)	Cumulative Quarter Ended 30.06.2019 RM'000 (unaudited)	Preceding Year To Date 30.06.18 RM'000 *	Changes (%)
Revenue	3,158	379	>100%	7,786	N/A	-
Gross profit	1,193	163	>100%	1,556	N/A	-
Loss before interest and tax	(319)	(410)	22%	(5,964)	N/A	-
Loss before tax	(294)	(410)	28%	(5,804)	N/A	-
Loss after tax	(294)	(410)	28%	(5,804)	N/A	-
Loss attributable to ordinary equity holders of the parent	(332)	(375)	11%	(5,674)	N/A	-

The Group registered revenue of RM3.16 million for the three (3) months ended 30 June 2019 which is higher than the preceding corresponding quarter of RM0.38 million. The revenue is contributed by the sales of “Let’s Talk” mobile application in Mlab Research. The gross profit of RM1.19 million was offset by the marketing expenses resulting in a loss of RM0.29 million.

For the financial period ended 30 June 2019 the Group recorded a revenue of RM7.79 million and gross profit of RM1.56 million. 95% of revenue are contributed by research and development segment from the sales of mobile application. Loss of RM5.8 million attributable by the operating expenses due to the depreciation expense with the change of depreciation policy of property, plant and equipment from 10 years to 5 years and higher marketing expenses.

B2. Material Changes in Loss before Tax for the Quarter Compared with Immediate Preceding Quarter

	Current Quarter Ended 30.6.2019 RM'000	Preceding Quarter Ended 31.3.2019 RM'000	Changes (%)
Group Results			
Revenue	3,158	201	>100%
Gross profit	1,193	(0)	>100%
Loss before interest and tax	(319)	(2,323)	86%
Loss before tax	(294)	(2,323)	87%
Loss after tax	(294)	(2,323)	87%
Loss attributable to ordinary equity holders of the parent	(294)	(2,240)	87%

The Group registered higher revenue of RM3.16 million in the current quarter compared to preceding quarter of RM0.20 million. The increase in revenue is contributed by the sales of mobile application in current quarter.

The loss before tax in preceding quarter of RM2.32 million is higher than the current quarter of RM0.29 million mainly due to the lower revenue and gross profit recorded in the preceding quarter and further impacted by the higher operating expenses including a property, plant and equipment written off of RM0.72 million and impairment of trade receivables of RM 0.30 million.

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B3. Commentary on Prospects

The Group existing business remains highly competitive in a market where it is necessary to continually invest in new technologies to remain relevant and competitive. Towards this end the Group has invested in new products, collaborated with companies who are able to offer long term benefits in the form of user base, access to new markets and provide enhancements to the Group's range of products and services. The launch of our Group's next generation mobile application is expected to spearhead revenue growth in the coming year.

B4. Variation on Revenue or Profit Estimate, Forecast, Projection or Internal Targets

Not applicable.

B5. Variance of Actual Profit After Tax and Minority Interest and the Forecast Profit after Tax and Minority Interest

Not applicable.

B6. Shortfall in the Profit Guarantee

Not applicable.

B7. Taxation

For the current quarter and year to-date ended 30 June 2019, there is no tax liability.

B8. Status of Corporate Proposals

There were no corporate proposals announced and completed as at 23 August 2019.

B9. Utilisation of Proceeds Raised from Corporate Proposal

On 11th August 2017, the company had completed the Renounceable Rights Issues by issuance of 528,169,300 new ordinary shares in Mlabs at an issue price of RM0.15 per rights share, together with up to 264,084,650 free detachable warrants in Mlabs on the basis of two (2) rights shares together with one (1) free warrant B for every one (1) existing Mlabs share held by the entitled shareholders of Mlabs.

Purpose	Proposed Utilisation	Actual Utilisation	Balance	Intended Timeframe for Utilisation
	RM'000	RM'000	RM'000	
Development and marketing for mobile application	10,000	10,000	(0)	Within 18 months
Working Capital	5,000	5,000	(0)	Within 24 months
Acquisition and/or investment in other complementary businesses and/or assets	40,326	19,522	20,804	Within 24 months
Expenses in relation to the proposals	730	730	-	Immediate
	<u>56,056</u>	<u>35,252</u>	<u>20,804</u>	

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B10. Borrowings and Debts Securities

There were no borrowings or debt securities in the Group as at 30 June 2019.

B11. Material Litigation

There were no significant changes in material litigation as at 23 August 2019.

B12. Dividends

No dividend was declared and paid during the current financial quarter and period.

B13. Losses per shares

(a) 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:

	Current Year Quarter 30.06.19	Preceding Year Quarter 30.06.2018	Current Year To Date 30.06.2019	Preceding Year To Date 30.06.2018
Losses attributable to ordinary shareholders of the Company (RM'000)	(332)	N/A	(25,291)	N/A
Weighted average number of ordinary shares in issue ('000)	670,504	N/A	670,504	N/A
Basic & diluted (losses)/earnings per share (sen)	(0.05)	N/A	(0.85)	N/A

(b) Diluted

The Group has no dilution in its loss per ordinary shares as the exercise price of the outstanding warrants has exceeded the average market price of ordinary shares during the period, the warrants do not have any dilutive effect on the weighted average number of ordinary shares.

B14. Note to the Statements of Profit or Loss and Other Comprehensive Income

Loss before tax has been determined after (crediting)/charging, amongst others, the followings items:-

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.06.2019 RM'000	Preceding Year Quarter 30.06.2018 RM'000	15 Months Ended 30.06.2019 RM'000	30.06.2018 RM'000
Interest income	(25)	(394)	(160)	N/A
Income distribution from short term fund	(156)	-	(1,393)	N/A
Depreciation and amortisation	(27)	280	1,133	N/A
Property, plant and equipment written off	60	-	780	N/A
Impairment loss on trade receivables	-	-	303	N/A
Inventories written off	(12)	-	-	N/A
Foreign exchange losses	1	-	7	N/A

Save for the above, the other items as required under Chapter 9 Appendix 9B (16) of the Ace Market Listing Requirements of Bursa Malaysia Securities Berhad are not applicable.

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B15. TRADE RECEIVABLE

	As at 30.6.2019 RM'000 (unaudited)	As at 31.03.2018 RM'000 (audited)
Trade receivables	5,008	1,624
Less: Impairment losses	(458)	(155)
	4,550	1,469

Aging analysis of trade receivables of the Group are as follows:

	As at 30.06.2019 RM'000 (unaudited)	As at 31.03.2018 RM'000 (audited)
Neither past due nor impaired	3,400	704
Past due but not impaired: More than 90 days	1,150	765
Past due and impaired	458	155
	5,008	1,624

B16. AUTHORISATION FOR ISSUE

The interim financial statements are authorised for issue by the Board of Directors in accordance with a resolution of the directors.