

MLABS SYSTEMS BERHAD
Company No. 200401014724 (653227-V)
(Incorporated in Malaysia)

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2019**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2019 RM'000 (unaudited)	Preceding Year Quarter 31.12.2018 RM'000 (unaudited)	Current Year To Date 31.12.2019 RM'000 (unaudited)	Preceding Year To Date 31.12.2018 RM'000 *
Revenue	383	572	6,914	N/A
Cost of sales	(472)	(471)	(6,341)	N/A
Gross profit	(89)	101	573	N/A
Other income	12	234	302	N/A
Administrative expenses	(2,262)	(839)	(3,946)	N/A
Other expenses	47	(2)	(230)	N/A
Finance costs	(2)	-	(2)	N/A
Loss before tax	(2,294)	(506)	(3,303)	N/A
Tax expense	-	-	-	N/A
Loss for the financial period	(2,294)	(506)	(3,303)	N/A
Other comprehensive loss:- Item that will be subsequently to profit or loss				
Exchange differences on translating foreign operation, net of tax	(102)	-	(52)	N/A
Other comprehensive loss for the financial period, net of tax	(102)	-	(52)	N/A
Total comprehensive loss for the financial period	(2,396)	(506)	(3,355)	N/A
Loss for the financial period attributable to:				
- Owners of the Company	(2,231)	(486)	(2,979)	N/A
- Non-controlling interests	(63)	(20)	(324)	N/A
	(2,294)	(506)	(3,303)	N/A
Total comprehensive loss attributable to:				
- Owners of the Company	(2,283)	(486)	(3,004)	N/A
- Non-controlling interests	(113)	(20)	(351)	N/A
	(2,396)	(506)	(3,355)	N/A
Losses per share attributable to the owner of the company				
Basic (sen)	(0.33)	(0.07)	(0.45)	N/A

* There are no comparative figures disclosed for the preceding 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 31.12.2019 RM'000 (unaudited)	As At 30.06.2019 RM'000 (audited)
ASSETS		
Non-current assets		
Property, plant & equipment	2,849	1,083
Intangible assets	19,001	19,993
Investment properties	9,708	8,510
Other investment	3,722	4,156
Non-trade receivables, deposits and prepayments	2,059	2,060
Total non-current assets	37,339	35,802
Current assets		
Inventories	343	348
Trade receivables	5,989	4,550
Non-trade receivables, deposits and prepayments	9,520	6,873
Cash, bank balances and short-term fund	7,091	22,591
Total current assets	22,943	34,362
Total assets	60,282	70,164
EQUITY AND LIABILITIES		
EQUITY		
Equity attributable to owners of the company		
Share capital	30,633	30,626
Warrant reserve	43,930	43,930
Foreign translation reserve	(26)	(1)
Accumulated losses	(16,811)	(13,832)
	57,726	60,723
Non-controlling interest	1,811	2,162
Total equity	59,537	62,885
LIABILITIES		
Non-current liability		
Finance lease liability	198	-
Total non-current liability	198	-
Current liabilities		
Payables	490	7,271
Finance lease liability	49	-
Taxation	8	8
Total current liabilities	547	7,279
Total liabilities	745	7,279
Total equity and liabilities	60,282	70,164
Net asset per share (RM)	0.089	0.094

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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	Accumulated losses RM'000	Total RM'000		
As at 30 June 2019	30,626	(1)	43,930	(13,832)	60,723	2,162	62,885
Loss for the financial period	-	-	-	(2,979)	(2,979)	(324)	(3,303)
Other comprehensive income for the financial period							
- Exchange translation differences, net of tax	-	(25)	-	-	(25)	(27)	(52)
Total comprehensive loss for the financial period	-	(25)	-	(2,979)	(3,004)	(351)	(3,355)
Warrant exercised	7	-	-	-	7	-	7
As at 31 Dec 2019 (unaudited)	30,633	(26)	43,930	(16,811)	57,726	1,811	59,537
As at 30 June 2018*	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
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
Total comprehensive loss for the financial period	N/A	N/A	N/A	N/A	N/A	N/A	N/A
As at 31 Dec 2018*	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* There are no comparative figures disclosed for the preceding quarter results following the change in the financial year end from 31 March to 30 June.

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CONSOLIDATED STATEMENT OF CASH FLOWS

	Current Year To Date 31.12.2019 RM'000 (unaudited)	Preceding Year To Date 31.12.2018 RM'000 *
Operating activities		
Loss before tax	(3,303)	N/A
Adjustments for:-		
Amortisation of intangible assets	1,006	N/A
Depreciation of property, plant and equipment	299	N/A
Interest expense	2	N/A
Interest income	(42)	N/A
Income distribution from short-term fund	(49)	N/A
Gain on disposal of property, plant and equipment	(9)	N/A
Fair value adjustment on investment	(51)	N/A
Operating loss before working capital changes	(2,147)	N/A
Changes in working capital:-		
Inventories	5	N/A
Payables	(6,781)	N/A
Receivables	(4,085)	N/A
Cash used in operating activities	(13,008)	N/A
Interest paid	(2)	N/A
Cash used in operating activities	(13,010)	N/A
Investing activities		
Acquisition of:		
- Property, plant and equipment	(1,808)	N/A
- Investment properties	(1,238)	N/A
- Intangible assets and software development	(14)	N/A
Income received from short-term fund	49	N/A
Interest received	42	N/A
Fair value adjustment on investment	26	N/A
Proceed on withdrawal of investment	416	N/A
Proceed on disposal of property, plant and equipment	44	N/A
Net cash used in investing activities	(2,483)	N/A
Financing activities		
Proceed from issuance of ordinary shares pursuant to warrant exercised	7	N/A
Repayment of finance lease liabilities	(2)	N/A
Net cash from financing activities	5	N/A
CASH AND CASH EQUIVALENTS		
Net changes	(15,488)	N/A
Effects of changes in foreign exchange rate	(12)	N/A
Brought forward	22,591	N/A
Carried forward	7,091	N/A
Cash and cash equivalents at the end of the financial period comprise the following:		
Cash and bank balances and short-term funds	7,091	N/A

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

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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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 period ended 30 June 2019 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 period ended 30 June 2019.

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 30 June 2019 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 2019.

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

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>

The adoption of the above pronouncements did not have material impact on the financial statements of the Group and of the Company, except as follows:

MFRS 16 Leases

MFRS 16, which upon the effective date will supersede MFRS 117 Leases, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under MFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease

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A1. Basis of Preparation (Cont'd)

MFRS 16 Leases (cont'd)

payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

In respect of the lessor accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group is currently assessing the impact of adoption of MFRS 16. As at the date of authorisation of issue of the interim financial statements, this assessment process is still on-going. Thus, the impact of adoption cannot be determined and estimated reliably now until the process is complete.

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

MFRS effective 1 January 2020

Amendment to MFRS 3 *Definition of a Business*

Amendment to MFRS 101 and
MFRS 108 *Definition of material*

MFRS effective 1 January 2021

MFRS 17 *Insurance Contracts#*

Amendments to MFRSs (deferred effective dates to be announced by MASB)

Amendments to MFRS 10 and *Sale or Contribution of Assets between an Investor and its Associate or*
MFRS 128 *Joint Venture#*

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. Auditors' Report on the Preceding Annual Financial Statements

The auditor's report on the latest audited financial statements for the financial period ended 30 June 2019 was not subject to any audit qualification.

A3. 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.

A4. 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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A5. Material Changes in Estimates

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

A6. 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 except for the conversion of 80,000 units of Warrant 2010/2020 into ordinary shares at an exercise price of RM0.09 per share. The total number of Warrants which remained unexercised were 203,105,317.

A7. Dividends Paid

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

A8. 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 champagne, kitchen equipment and related products

Period To date 31 Dec 2019	Research and development, and assembling	Trading	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000
Revenue	6,643	271	-	6,914
Result:				
Segment result	(3,356)	(107)	(142)	(3,605)
Other Income	302	-	-	302
Loss Before Tax	(3,054)	(107)	(142)	(3,303)
Segment Assets	71,071	12,242	(23,031)	60,282
Segment Liabilities	48,140	13,448	(60,843)	745

Geographical segments

The business segment is managed in few principal locations namely Malaysia, Thailand, China and Taiwan. In presenting information on the basis of geographical segments. Segmental revenue is presented based on the geographical location of customers.

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A8. Segmental Information (Cont'd)

The geographical segmental information on the Group is as follows:-

Period To date 31 Dec 2019	Malaysia	Outside Malaysia	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000
Revenue	5,799	1,115	-	6,914
Result:				
Segment result	(2,972)	(633)	-	(3,605)
Other Income	235	67	-	302
Loss Before Tax	(2,737)	(566)	-	(3,303)

A9. 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.

A10. Events after the End of the Quarter

On 3rd February 2020, Mlabs Systems Berhad incorporated a wholly owned subsidiary, Champagne Carbon Sdn. Bhd. with an initial paid up capital of RM1.00 represented by 1 ordinary shares.

On 5th February 2020, 100,000,000 shares option were offered to eligible employee at an exercise price of RM0.03 each and were fully exercise by eligible employee at an exercise price of RM0.03 each on 12th February 2020.

A11. Changes in Composition of the Group

There were no other changes in the composition of the Group for the current financial quarter under review.

A12. Contingent Assets or Changes on Contingent Liabilities

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

A13. 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.

A14. Capital Commitments

Capital commitments at the reporting date as follows:-

	As At 31.12.2019 RM
Approved and contracted for:	
Acquisition of investment property	<u>225,000</u>

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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 31.12.2019 RM'000 (unaudited)	Preceding Year Corresponding Quarter Ended 31.12.2018 RM'000 (unaudited)	Changes (%)	Cumulative Quarter Ended 31.12.2019 RM'000 (unaudited)	Preceding Year To Date 31.12.18 RM'000 *	Changes (%)
Revenue	383	572	-33%	6,914	N/A	-
Gross profit	(89)	101	->100%	573	N/A	-
Loss before interest and tax	(2,309)	(506)	->100%	(3,345)	N/A	-
Loss before tax	(2,294)	(506)	->100%	(3,303)	N/A	-
Loss after tax	(2,294)	(506)	->100%	(3,303)	N/A	-
Loss attributable to ordinary equity holders of the parent	(2,231)	(486)	->100%	(2,979)	N/A	-

The Group registered revenue of RM0.4 million for the three (3) months ended 31 December 2019 which is lower than the preceding corresponding quarter of RM0.6 million. The current quarter loss of RM2.3 million is higher as compared to preceding corresponding quarter of RM0.5 million mainly attributable to the higher expenses with the amortization of Let's Talk application of RM0.5 million, and the consolidation of Inbase Partners Limited.

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

Group Results	Current Quarter Ended 31.12.2019 RM'000	Preceding Quarter Ended 30.09.2019 RM'000	Changes (%)
Revenue	383	6,531	-94%
Gross profit	(89)	662	-113%
Loss before interest and tax	(2,309)	(1,036)	-87%
Loss before tax	(2,294)	(1,009)	-91%
Loss after tax	(2,294)	(1,009)	-91%
Loss attributable to ordinary equity holders of the parent	(2,231)	(748)	->100%

The Group registered lower revenue of RM0.4 million in the current quarter compared to preceding quarter of RM6.5 million. The higher revenue in preceding quarter is contributed from the sales of Let's Talk application.

The Group recorded a higher loss of RM2.3 million as compared to preceding quarter of Rm1.0 million mainly attributable to the lower gross profit generated corresponding to the lower revenue in this quarter.

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B3. Commentary on Prospects

The Group is looking to tap into any opportunities to further expand its business. The Group continuously seek opportunities to its future revenue stream and business growth to complement its on-going collaboration in the South East Asia.

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 ended 31 December 2019, there is no tax liability.

B8. Status of Corporate Proposals

There were no corporate proposals announced and completed as at 22 February 2020.

B9. Utilisation of Proceeds Raised from Corporate Proposal

There were no proceeds raised from corporate proposal as at 22 February 2020.

B10. Borrowings and Debts Securities

There were no borrowings or debt securities in the Group as at 31 December 2019.

B11. Material Litigation

There were no significant changes in material litigation as at 22 February 2020.

B12. Dividends

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

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B13. Losses per share

- (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 31.12.2019	Preceding Year Quarter 31.12.2018	Current Year To Date 31.12.2019	Preceding Year To Date 31.12.2018
Losses attributable to ordinary shareholders of the Company (RM'000)	(2,231)	N/A	(3,004)	N/A
Weighted average number of ordinary shares in issue ('000)	670,544	N/A	670,544	N/A
Basic & diluted losses per share (sen)	(0.33)	N/A	(0.45)	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 31.12.2019 RM'000	Preceding Year Quarter 31.12.2018 RM'000	6 Months Ended 31.12.2019 RM'000	30.06.2018 RM'000
Interest income	(15)	(9)	(42)	N/A
Income distribution from short term fund	-	(225)	(49)	N/A
Depreciation and amortisation	667	214	1,305	N/A
Gain on disposal of property, plant and equipment	-	-	(9)	N/A
Fair value changes on investment	(289)	-	(51)	N/A
Foreign exchange losses	86	-	(34)	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.

B15. TRADE RECEIVABLE

	As at 31.12.2019 RM'000 (unaudited)	As at 30.6.2019 RM'000 (audited)
Trade receivables	6,447	5,008
Less: Impairment losses	(458)	(458)
	<u>5,989</u>	<u>4,550</u>

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B15. TRADE RECEIVABLE (CONT'D)

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

	As at 31.12.2019 RM'000 (unaudited)	As at 30.06.2019 RM'000 (audited)
Neither past due nor impaired	92	3,400
Past due but not impaired:		
1-30 days	20	-
More than 90 days	5,877	1,150
Past due and impaired	458	458
	6,447	5,008

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.