

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

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.06.2020 RM'000 (unaudited)	Preceding Year Quarter 30.06.2019 RM'000 (unaudited)	Current Year To Date 30.06.2020 RM'000 (unaudited)	Preceding Year To Date 30.06.2019 RM'000 *
Revenue	822	3,158	8,318	N/A
Cost of sales	(501)	(1,965)	(7,268)	N/A
Gross profit	321	1,193	1,050	N/A
Other income	398	90	1,649	N/A
Selling and distribution expenses	-	(1,000)	-	N/A
Administrative expenses	(2,673)	(321)	(8,717)	N/A
Other expenses	(22,070)	(256)	(22,465)	N/A
Finance costs	(42)	-	(47)	N/A
Loss before tax	(24,066)	(294)	(28,530)	N/A
Tax expense	-	-	-	N/A
Loss for the financial period/year	(24,066)	(294)	(28,530)	N/A
Other comprehensive loss:- Item that will be subsequently to profit or loss				
Exchange differences on translating foreign operation, net of tax	-	(1)	199	N/A
Other comprehensive loss for the financial period, net of tax	-	(1)	199	N/A
Total comprehensive loss for the financial period/year	(24,066)	(295)	(28,331)	N/A
Loss for the financial period/year attributable to:				
- Owners of the Company	(24,019)	(332)	(28,276)	N/A
- Non-controlling interests	(47)	38	(254)	N/A
	(24,066)	(294)	(28,530)	N/A
Total comprehensive loss attributable to:				
- Owners of the Company	(24,012)	(333)	(28,169)	N/A
- Non-controlling interests	(54)	38	(162)	N/A
	(24,066)	(295)	(28,331)	N/A
Losses per share attributable to the owner of the company				
Basic (sen)	(3.27)	(0.05)	(3.85)	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.

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

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As At 30.06.2020 RM'000 (unaudited)	As At 30.06.2019 RM'000 (audited)
ASSETS		
Non-current assets		
Property, plant & equipment	2,683	1,083
Intangible assets	2,585	19,993
Investment properties	8,885	8,510
Right-of-use assets	408	-
Other investment	4,091	4,156
Non-trade receivables, deposits and prepayments	63	2,060
Total non-current assets	<u>18,715</u>	<u>35,802</u>
Current assets		
Inventories	280	348
Trade receivables	867	4,550
Non-trade receivables, deposits and prepayments	5,655	6,873
Cash, bank balances and short-term fund	22,491	22,591
Total current assets	<u>29,293</u>	<u>34,362</u>
Total assets	<u>48,008</u>	<u>70,164</u>
EQUITY AND LIABILITIES		
EQUITY		
Equity attributable to owners of the company		
Share capital	42,553	30,626
Warrant reserve	43,930	43,930
Foreign translation reserve	107	(1)
Accumulated losses	(42,136)	(13,832)
Non-controlling interest	1,999	2,162
Total equity	<u>46,453</u>	<u>62,885</u>
LIABILITIES		
Non-current liability		
Finance lease liability	179	-
Lease liabilities	352	-
Total non-current liability	<u>531</u>	<u>-</u>
Current liabilities		
Payables	675	7,271
Finance lease liability	46	-
Lease liabilities	295	-
Taxation	8	8
Total current liabilities	<u>1,024</u>	<u>7,279</u>
Total liabilities	<u>1,555</u>	<u>7,279</u>
Total equity and liabilities	<u>48,008</u>	<u>70,164</u>
Net asset per share (RM)	<u>0.064</u>	<u>0.094</u>

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

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2020

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	[----- Non-distributable -----]			Distributable			Non- controlling interests	
	Share capital RM'000	Share option reserve RM'000	Foreign currency translation reserve RM'000	Warrants reserve RM'000	Accumulated losses RM'000	Total RM'000	RM'000	Total RM'000
As at 30 June 2019	30,626	-	(1)	43,930	(13,832)	60,723	2,162	62,885
Initial application of MFRS 16	-	-	-	-	(28)	(28)	-	(28)
Loss for the financial year	-	-	-	-	(28,276)	(28,276)	(254)	(28,530)
Other comprehensive income for the financial year								
- Exchange translation differences, net of tax	-	-	108	-	-	108	91	199
Total comprehensive loss for the financial year	-	-	108	-	(28,276)	(28,168)	(163)	(28,331)
Grant of Employee Share Option Scheme ("ESOS")	-	2,901	-	-	-	2,901	-	2,901
Ordinary share issued pursuant to:-								
-ESOS	7,295	(2,901)	-	-	-	4,394	-	4,394
-Private placement	4,625	-	-	-	-	4,625	-	4,625
-Warrant exercised	7	-	-	-	-	7	-	7
As at 30 June 2020 (unaudited)	42,553	-	107	43,930	(42,136)	44,454	1,999	46,453
As at 30 June 2018*	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 2019*	N/A	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.

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

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2020

CONSOLIDATED STATEMENT OF CASH FLOWS

	Current Year To Date 30.06.2020 RM'000 (unaudited)	Preceding Year To Date 30.06.2019 RM'000 *
Operating activities		
Loss before tax	(28,530)	N/A
Adjustments for:-		
Amortisation of intangible assets	2,013	N/A
Depreciation of property, plant and equipment	533	N/A
Depreciation of right-of-use asset	288	
Interest expense	47	N/A
Interest income	(17)	N/A
Income distribution from short-term fund	(363)	N/A
Inventories written off	51	N/A
Impairment losses on:		
- Intangible assets	5,416	N/A
- Trade receivables	1,802	N/A
- Non-trade receivables	2,000	N/A
- Goodwill	9,993	N/A
- Right-of-use assets	203	N/A
Gain on disposal of property, plant and equipment	(9)	N/A
Fair value adjustment on investment	(636)	N/A
Fair value adjustment on short term fund	(26)	N/A
Share-based payments	2,901	N/A
Unrealised foreign exchange gain	(391)	N/A
Operating loss before working capital changes	(4,725)	N/A
Changes in working capital:-		
Inventories	18	N/A
Payables	(6,595)	N/A
Receivables	3,484	N/A
Cash used in operations	(7,818)	N/A
Interest paid	(47)	N/A
Net cash used in operating activities	(7,865)	N/A
Investing activities		
Acquisition of:		
- Property, plant and equipment	(1,834)	N/A
- Investment properties	(438)	N/A
- Intangible assets and software development	(14)	N/A
Income received from short-term fund	363	N/A
Interest received	17	N/A
Fair value adjustment on short term fund	26	N/A
Proceed on withdrawal of investment	834	N/A
Proceed on disposal of property, plant and equipment	44	N/A
Net cash used in investing activities	(1,002)	N/A

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

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2020

CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

Financing activities

Proceed from issuance of ordinary shares pursuant to		
- ESOS	4,394	N/A
- Private placement	4,625	N/A
Warrant exercised	7	N/A
Repayment of finance lease liabilities	(25)	N/A
Repayment of lease liabilities	(281)	N/A
	<hr/>	<hr/>
Net cash from financing activities	<u>8,720</u>	<u>N/A</u>

CASH AND CASH EQUIVALENTS

Net changes	(147)	N/A
Effects of changes in foreign exchange rate	47	N/A
Brought forward	22,591	N/A
	<hr/>	<hr/>
Carried forward	<u>22,491</u>	<u>N/A</u>

Cash and cash equivalents at the end of the financial period comprise the following:

Cash and bank balances and short-term funds	<u>22,491</u>	<u>N/A</u>
---	---------------	------------

* *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
FOR THE QUARTER ENDED 30 JUNE 2020**

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

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2020**

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 has applied MFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to retained earnings at 1 July 2019. Accordingly, the comparative information presented for the financial year ended 30 June 2019 has not been restated – i.e. it is presented, as previously reported under MFRS 117, Leases and related interpretations.

The financial impacts of the adoption of MFRS 16 to the Group in the current financial year are as below:

- (a) On the statements of profit or loss, operating lease rental which were previously included within Profit before tax, were replaced by interest expense on lease liabilities (included within “finance costs”) and depreciation of the right-of-use assets (included within “depreciation”); and
- (b) On the statements of cash flows, operating lease rental outflows which were previously recorded within “net cash flows from operating activities” were classified as “net cash flows used in financing activities” for repayment of the principal and interest of lease liabilities.

Other than the above, the Group elected to apply exemption for short-term leases of premises and equipment expiring within twelve (12) months and leases of low-value assets valued at less than RM20,000. The lease payments of these premises and equipment are recognised as an expense on a straight-line basis over the remaining lease terms as permitted by MFRS 16. This expense is presented within ‘administrative expenses’ in profit or loss.

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	<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>
---------	-----------------------------

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>
------------------------------------	---

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.

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2020**

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.

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 is no issues, repurchases, and repayments of debts and equity securities of the Group during the current financial quarter and period except for:-

- i. On 29th November 2019, 80,000 units of Warrant 2010/2020 converted into ordinary shares at an exercise price of RM0.09 per share. The total number of Warrants which remained unexercised were 203,105,317; and
- ii. 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 exercised by eligible employee at an exercise price of RM0.03 each on 12th February 2020.
- iii. On 30th March 2020, 31,000,000 shares option were offered to eligible employee at an exercise price of RM0.015 each and were fully exercised by eligible employee at an exercise price of RM0.015 each on 7th April 2020.
- iv. On 8th April 2020, 9,475,000 shares option were offered to eligible employee at an exercise price of RM0.02 each and were fully exercised by eligible employee at an exercise price of RM0.02 each on 20th April 2020.
- v. On 13th April 2020, the Group proposed to undertake the private placement of up to 80,158,000 of new shares representing 10% of the total issued share, the shares were issued at the price of RM0.0184 each on 29th April 2020.
- vi. On 4th May 2020, 26,890,000 shares option were offered to eligible employee at an exercise price of RM0.02 each and were fully exercised by eligible employee at an exercise price of RM0.02 each on 18th May 2020.
- vii. On 15th June 2020, 8,067,000 shares option were offered to eligible employee at an exercise price of RM0.025 each and were fully exercised by eligible employee at an exercise price of RM0.025 each on 26th June 2020.

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

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2020

A6. Issues, Repurchases, and Repayments of Debt and Equity Securities (Cont'd)

- viii. On 15th May 2020, the Group proposed to undertake the private placement of up to 267,350,000 of new shares representing 30% of the total issued share, 100,000,000 shares were issued at the price of RM0.0315 each on 30th June 2020.

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 : Research and development, assembling and trading of multimedia assembling
assembling video conferencing system, and mobile application solutions

Trading : Trading of champagne, kitchen equipment and related products

Year To date 30.06.2020	Research and development, and assembling	Trading	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000
Revenue	8,014	304	-	8,318
Result:				
Segment result	(19,749)	(487)	(9,943)	(30,179)
Other Income	942	316	391	1,649
Loss Before Tax	(18,807)	(171)	(9,552)	(28,530)
Segment Assets	73,486	19,601	(45,079)	48,008
Segment Liabilities	53,450	20,878	(72,773)	1,555

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

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2020

A8. Segmental Information (Cont'd)

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.

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

Year To date 30.06.2020	Malaysia	Outside Malaysia	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000
Revenue	5,894	2,424	-	8,318
Result:				
Segment result	(19,116)	(1,120)	(9,943)	(30,179)
Other Income	250	1,008	391	1,649
Loss Before Tax	(18,866)	(112)	(9,552)	(28,530)

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

- i. On 6th July 2020, the Company announced the fixed issue price of 110,000,000 private placement shares at RM0.0318 each and were issued on 8th July 2020.
- ii. On 7th July 2020, the Company announced the fixed issue price of 57,365,000 private placement shares at RM0.0452 each and were issued on 21st July 2020.
- iii. On 15th July 2020, Champagne Carbon Asia Limited (“CCAL”) incorporated a wholly owned subsidiary, Shenzhen Carbon Champagne Development Limited with an initial paid up capital of RMB1,000,000.
- iv. On 17th July 2020, 65,000,000 shares option were offered to eligible employee at an exercise price of RM0.05 each and were issued on 6th August 2020.
- v. On 10th August 2020, the Company subscribed 52,000 new ordinary shares at RM1.00 for a total consideration of RM52,000 representing 51% shareholdings of Longhouse Films Sdn Bhd (“Longhouse”). Upon completion, Longhouse became a 51% owned subsidiary of the Group.

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2020**

A11. Changes in Composition of the Group

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

On 22nd May 2020, CCAL incorporated a wholly owned subsidiary, Carbon Champagne Taiwan Limited with an initial paid up capital of TWD5,000,000 represented by 500,000 ordinary shares.

Save for the above, there were no other changes in the composition of the Group for the current financial quarter and period 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 30.06.2020 RM
Approved and contracted for:	
Investment in a subsidiary and RCPS subscriptions	3,052,000
Acquisition of investment property	<u>225,000</u>

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

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2020**

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 30.06.2020 RM'000 (unaudited)	Preceding Year Corresponding Quarter Ended 30.06.2019 RM'000 (unaudited)	Changes (%)	Cumulative Quarter Ended 30.06.2020 RM'000 (unaudited)	Preceding Year To Date 30.06.2019 RM'000 *	Changes (%)
Revenue	822	3,158	-74%	8,318	N/A	-
Gross profit	321	1,193	-73%	1,050	N/A	-
Loss before interest and tax	(24,024)	(319)	->100%	(28,500)	N/A	-
Loss before tax	(24,066)	(294)	->100%	(28,530)	N/A	-
Loss after tax	(24,066)	(294)	->100%	(28,530)	N/A	-
Loss attributable to ordinary equity holders of the parent	(24,019)	(332)	->100%	(28,276)	N/A	-

The Group registered revenue of RM0.8 million for the three (3) months ended 30 June 2020, mainly generated from the business of Inbase Partners Limited (“Inbase”) which is lower than the preceding year corresponding quarter of RM3.2 million. The higher revenue and gross profit in preceding year quarter was contributed by the sales of “Let’s Talk” mobile application. The current quarter loss of RM24.1 million is higher as compared to preceding year corresponding quarter of RM0.3 million mainly attributable to the impairment of goodwill on consolidation of Inbase (RM9.9 million), impairment of intangible asset (RM5.4 million), impairment of receivables (RM3.8 million), share based payment (RM2.9 million) coupled with amortisation of intangible assets (RM0.5 million).

Statement of Financial Position

	As At 30.06.2020 RM'000 (unaudited)	As at 30.06.2019 RM'000 (audited)	Changes (%)
Total assets	48,008	70,164	-32%
Total liabilities	1,555	7,279	-79%

Total assets of the Group as at 30 June 2020 decreased by 32% or RM22.2 million as compared to 30 June 2019. The decrease was attributable to the impairment of goodwill on consolidation of Inbase (RM9.9 million), impairment of intangible assets (RM5.4 million), impairment of receivables (RM3.8 million) coupled with the utilisation of cash, bank balance and short-term fund following the settlement of remaining balance on the acquisition of Inbase Partners Limited amounted to RM6.4 million, which totaled to RM12.7 million of whole investment sum.

Total liabilities of the Group as at 30 June 2020 reduced by 79% or RM5.7 million as compared to 30 June 2019 is in accordance with the reduction of total payables.

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

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2020**

B1. Review of Performance (Cond't)

Statement of Cash Flows

	As At 30.06.2020 RM'000 (unaudited)	As at 30.06.2019 RM'000 (audited)	Changes (%)
Operating activities	(7,865)	N/A	N/A
Investing activities	(1,002)	N/A	N/A
Financing activities	8,720	N/A	N/A

The net cash used in operating activities during the current financial year amounted to RM7.9 million was mainly due to the operation loss of RM4.7 million and reduction in payables.

The net cash used in investing activities of RM1.0 million in the current financial year mainly comprises of acquisition of property, plant and equipment of RM1.8 million and investment properties of RM0.4 million offset by the withdrawal of investment funds of RM0.8 million.

The net cash generated from financing activities during the current financial year was mainly contributed by the proceeds from issuance of shares via ESOS and private placement of RM4.4 million and RM4.6 million respectively offset by the repayment of hire purchase and lease liabilities.

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

	Current Quarter Ended 30.06.2020 RM'000	Preceding Quarter Ended 31.03.2020 RM'000	Changes (%)
Group Results			
Revenue	822	582	41%
Gross profit	321	156	>100%
Loss before interest and tax	(24,024)	(1,164)	->100%
Loss before tax	(24,066)	(1,161)	->100%
Loss after tax	(24,066)	(1,161)	->100%
Loss attributable to ordinary equity holders of the parent	(24,019)	(1,278)	-88%

The Group registered higher revenue of RM0.8 million in the current quarter compared to preceding quarter of RM0.6 million. The higher revenue mainly contributed by Inbase generated from corporate consultation services.

The Group recorded a higher loss of RM24.1 million as compared to preceding quarter of RM1.2 million mainly attributable to the impairment of goodwill on consolidation of Inbase (RM9.9 million), impairment of intangible assets (RM5.4 million), impairment of receivables (RM3.8 million) and share based payment (RM2.9 million).

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2020**

B3. Commentary on Prospects

The Covid-19 pandemic continues to spark concern across the global economy, it remains uncertain when the virus would be contained at this stage. Businesses are required to adhere to the new norm to curb the spread of Covid-19, where social distancing became a regulation disrupting the normal operation.

Due to the closure of the Thailand border, our project in Thailand which relies on tourist volume has been adversely affected.

However, the social distancing SOPs imposed in Malaysia have created increased demand for video conferencing services especially for virtual meetings such as AGM of public companies. The Group's video conferencing business will see opportunities arising from the demand for video conferencing products and solutions in the coming year.

The Company has on 10th August subscribed 51% of ordinary shares of Longhouse, a film production company. With the supply of online content disrupted by the Covid-19 pandemic, Longhouse will be in a position to capture market share by partnering with major online movie portals such as YOUKU, iQIYI and Netflix. The subscription allows the Group to diversify into a business that would potentially create synergy with its existing video conferencing business for example, the use of real time video conferencing as a marketing medium to interact with actors, actresses and other parties. This business will reduce the Group's dependency on its existing video conferencing and related businesses by diversifying its revenue and earning base. The subscription of RCPS will also contribute a higher rate of return compared to the current low interest regime.

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 30 June 2020, there is no tax liability.

B8. Status of Corporate Proposals

- i. On 13th April 2020, the Company had announced to undertake a private placement of new ordinary shares of up to 10% of the total number of issued shares of the Company and completed the issuance of 80,158,000 new ordinary shares at an issue price of RM0.0184 per share on 29th April 2020.

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

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2020**

B8. Status of Corporate Proposals (Cont'd)

- ii. On 15th May 2020, the Company had announced to undertake a private placement of new ordinary shares up to 30% of the total number of issued shares of the Company and completed the following issuance of new ordinary shares:-

Tranches	Issuance Date	No of shares	Issuance Price (RM)	Total Proceeds (RM)
1st tranche	30 th June 2020	100,000,000	RM0.0315	3,150,000
2nd tranche	8 th July 2020	110,000,000	RM0.0318	3,498,000
3rd tranche	21 st July 2020	57,265,000	RM0.0452	2,592,898
		267,350,000		9,240,898

B9. Utilisation of Proceeds Raised from Corporate Proposal

- i. On 29th April 2020, the Company had raised total proceeds of RM1.5 million from the private placement by issuance of 80,158,000 new ordinary shares as mentioned in Note B8(i).

Purpose	Proposed Utilisation	Actual Utilisation	Balance	Intended Timeframe for Utilisation
	RM'000	RM'000	RM'000	
Working Capital	1,395	1,395	-	Within 24 months
Expenses in relation to the proposals	80	80	-	Immediate
	1,475	1,475	-	

- ii. On 21st July 2020, the Company had raised a total proceeds of RM9.2 million from the private placement by issuance of 267,350,000 new ordinary shares as mentioned in Note B8(ii).

Purpose	Proposed Utilisation	Actual Utilisation	Balance	Intended Timeframe for Utilisation
	RM'000	RM'000	RM'000	
Marketing expenses for the Let's Talk mobile application	3,000	-	3,000	Within 24 months
Working Capital	5,909	-	5,909	Within 24 months
Expenses in relation to the proposals	332	332	-	Immediate
	9,241	332	8,909	

B10. Borrowings and Debts Securities

There were no borrowings or debt securities in the Group as at 30 June 2020.

B11. Material Litigation

There were no significant changes in material litigation as at 21 August 2020.

B12. Dividends

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

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

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2020**

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 30.06.2020	Preceding Year Quarter 30.06.2019	Current Year To Date 30.06.2020	Preceding Year To Date 30.06.2019
Losses attributable to ordinary shareholders of the Company (RM'000)	(24,019)	(332)	(28,276)	N/A
Weighted average number of ordinary shares in issue ('000)	734,403	670,504	734,403	N/A
Basic & diluted losses per share (sen)	(3.27)	(0.05)	(3.85)	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 Current Year Quarter 30.06.2020 RM'000	Preceding Year Quarter 30.06.2019 RM'000	Cumulative Quarter Current Year To Date 30.06.2020 RM'000	Preceding Year To Date 30.06.2019 RM'000
Interest expense	42	-	47	N/A
Interest income	-	(25)	(17)	N/A
Income distribution from short term fund	(314)	(156)	(363)	N/A
Inventories written off	51	(12)	51	N/A
Impairment losses on:-				
- Intangible assets	5,416	-	5,416	N/A
- Trade receivables	1,802	-	1,802	N/A
- Non-trade receivables	2,000	-	2,000	N/A
- Goodwill on consolidation	9,993	-	9,993	N/A
- Right-of-use assets	203	-	203	N/A
Depreciation and amortisation	871	(27)	2,834	N/A
Gain on disposal of property, plant and equipment	-	-	(9)	N/A
Fair value adjustment on investment and short term fund	(386)	-	(662)	N/A
Unrealised foreign exchange gain	46	-	(391)	N/A
Property, plant and equipment written off	-	60	-	N/A
Realised Foreign exchange loss	164	1	130	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.

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

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2020

B15. Trade Receivables

	As at 30.06.2020 RM'000 (unaudited)	As at 30.6.2019 RM'000 (audited)
Trade receivables	3,127	5,008
Less: Impairment losses	(2,260)	(458)
	867	4,550

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

	As at 30.06.2020 RM'000 (unaudited)	As at 30.06.2019 RM'000 (audited)
Neither past due nor impaired	552	3,400
Past due but not impaired:		
1 – 30 days	32	-
61 – 90 days	20	1,150
More than 90 days	263	-
Past due and impaired	2,260	458
	3,127	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.