

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

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2023**

The Board of Directors of Mlabs Systems Berhad is pleased to announce the following unaudited consolidated financial statements for the quarter ended 30 September 2023 which should be read in conjunction with the audited consolidated financial statements for the financial year ended 30 June (“FYE”) 2023 and the accompanying explanatory notes attached to the unaudited consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	INDIVIDUAL QUARTER Quarter Ended		CUMULATIVE Period Ended	
		30.09.2023 RM'000 (unaudited)	30.09.2022 RM'000 (unaudited)	30.09.2023 RM'000 (unaudited)	30.09.2022 RM'000 (unaudited)
Revenue	A8	5,279	4,509	5,279	4,509
Cost of sales		(2,654)	(2,296)	(2,654)	(2,296)
Gross profit		2,625	2,213	2,625	2,213
Other income		556	700	556	700
Administrative and operating expenses		(4,830)	(4,173)	(4,830)	(4,173)
Selling and distribution expenses		(696)	(419)	(696)	(419)
Other operating expenses		(1,899)	(1,000)	(1,899)	(1,000)
Loss from operations		(4,244)	(2,679)	(4,244)	(2,679)
Finance costs		(70)	(38)	(70)	(38)
Loss before tax	B14	(4,314)	(2,717)	(4,314)	(2,717)
Tax expense	B7	-	-	-	-
Loss for the financial period		(4,314)	(2,717)	(4,314)	(2,717)
Other comprehensive income:					
Item that will be subsequently reclassified to profit or loss					
Exchange differences on translating foreign operations		157	1,943	157	1,943
Other comprehensive income for the financial period		157	1,943	157	1,943
Total comprehensive loss for the financial period		(4,157)	(774)	(4,157)	(774)
Loss for the financial period attributable to:					
- Owners of the Company		(3,515)	(2,414)	(3,515)	(2,414)
- Non-controlling interests		(799)	(303)	(799)	(303)
		(4,314)	(2,717)	(4,314)	(2,717)
Total comprehensive loss attributable to:					
- Owners of the Company		(3,338)	(591)	(3,338)	(591)
- Non-controlling interests		(819)	(183)	(819)	(183)
		(4,157)	(774)	(4,157)	(774)
Loss per share attributable to Owners of the Company					
Basic & diluted (sen)	B13	(0.24)	(0.17)	(0.24)	(0.17)

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As At 30.09.2023 RM'000 (unaudited)	As At 30.06.2023 RM'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		12,752	13,837
Right-of-use assets		2,324	2,590
Land development rights		11,215	11,215
Investment properties		18,494	18,424
Intangible assets		3,900	4,536
Other investments		5,700	4,725
Finance lease receivables		1,111	1,387
Trade receivables		270	239
Total non-current assets		<u>55,766</u>	<u>56,953</u>
Current assets			
Inventories		1,925	1,501
Finance lease receivables		1,017	959
Trade receivables	B15	24,685	11,541
Non-trade receivables, deposits and prepayments		3,342	3,452
Contract assets		21	-
Tax recoverable		6	-
Other investment		7,240	-
Cash, bank balances and short-term fund		39,919	60,883
Total current assets		<u>78,155</u>	<u>78,336</u>
Total assets		<u>133,921</u>	<u>135,289</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital		110,049	110,049
Reserves		13,047	16,385
Equity attributable to Owners of the Company		<u>123,096</u>	<u>126,434</u>
Non-controlling interests		652	1,471
Total equity		<u>123,748</u>	<u>127,905</u>

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

	Note	As At 30.09.2023 RM'000 (unaudited)	As At 30.06.2023 RM'000 (audited)
LIABILITIES			
Non-current liability			
Lease liabilities		1,540	1,843
Deferred tax liabilities		198	198
Total non-current liabilities		<u>1,738</u>	<u>2,041</u>
Current liabilities			
Trade payables		1,200	698
Non-trade payables and accruals		6,080	3,416
Contract liabilities		43	71
Lease liabilities		972	944
Amount due to directors		3	3
Taxation		137	211
Total current liabilities		<u>8,435</u>	<u>5,343</u>
Total liabilities		<u>10,173</u>	<u>7,384</u>
Total equity and liabilities		<u>133,921</u>	<u>135,289</u>
Net asset per share (RM)		<u>0.085</u>	<u>0.088</u>

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

< ----- Non-distributable ----- > **Distributable**

	Share capital RM'000	Foreign currency translation reserve RM'000	Warrants reserve RM'000	Accumulated losses RM'000	Total RM'000	Non-controlling interests RM'000	Total RM'000
As at 30 June 2023	110,049	3,592	44,798	(32,005)	126,434	1,471	127,905
Loss for the financial period	-	-	-	(3,515)	(3,515)	(799)	(4,314)
Other comprehensive income for the financial period							
- Exchange translation differences	-	177	-	-	177	(20)	157
Total comprehensive loss for the financial period	-	177	-	(3,515)	(3,338)	(819)	(4,157)
As at 30 September 2023	110,049	3,769	44,798	(35,520)	123,096	652	123,748
As at 30 June 2022	110,049	1,395	44,798	(24,718)	131,524	541	132,065
Loss for the financial period	-	-	-	(2,414)	(2,414)	(303)	(2,717)
Other comprehensive income for the financial period							
- Exchange translation differences	-	1,823	-	-	1,823	120	1,943
Total comprehensive loss for the financial period	-	1,823	-	(2,414)	(591)	(183)	(774)
As at 30 September 2022	110,049	3,218	44,798	(27,132)	130,933	358	131,291

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CONSOLIDATED STATEMENT OF CASH FLOWS

	Period Ended	
	30.09.2023 RM'000 (unaudited)	30.09.2022 RM'000 (unaudited)
Operating activities		
Loss before tax	(4,314)	(2,717)
Adjustments for:		
Amortisation of intangible assets	654	633
Depreciation of investment properties	42	42
Depreciation of property, plant and equipment	1,054	215
Depreciation of right-of-use assets	232	261
Fair value gain on other investments	(200)	(638)
Fair value loss on quoted shares	1,725	900
Income distribution from short-term fund	(13)	(32)
Interest expense	70	38
Interest income	(287)	-
Inventories written off	-	5
Property, plant and equipment written off	-	6
Unrealised loss on foreign exchange	92	96
Operating loss before working capital changes	(945)	(1,191)
Changes in working capital:		
Inventories	(424)	(18)
Payables and contract liabilities	3,397	1,970
Receivables and contract assets	(13,249)	(13,295)
Cash used in operating activities	(11,221)	(12,534)
Tax paid	(80)	(140)
Net cash used in operating activities	(11,301)	(12,674)
Investing activities		
Acquisition of:		
- Property, plant and equipment	(11)	(391)
- Investment properties	(112)	-
Income received from short-term fund	13	32
Interest received	287	-
Fair value change from short-term investment	-	90
Placement of investments	(9,641)	(5,471)
Net cash used in investing activities	(9,464)	(5,740)

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CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

	Period Ended	
	30.09.2023	30.09.2022
	RM'000	RM'000
	(unaudited)	(unaudited)
Financing activities		
Advance from directors	-	96
Interest paid	(70)	(38)
Payment of lease liabilities	(236)	(300)
	(306)	(300)
Net cash used in financing activities	(306)	(242)
 CASH AND CASH EQUIVALENTS		
Net changes	(21,071)	(18,656)
Effects of changes in foreign exchange rate	107	1,281
Brought forward	60,883	66,969
	39,919	49,594
Carried forward	39,919	49,594
 Cash and cash equivalents at the end of the financial period comprise the following:		
Cash, bank balances and short-term fund	39,919	49,594

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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A1. Basis of Preparation (Cont'd)

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

Amendments/improvements to MFRSs effective for financial periods beginning on or after 1 January 2024

Amendments to MFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to MFRS 101	<i>Non-current Liabilities with Covenants</i>
Amendments to MFRS 107 and MFRS 7	<i>Supplier Finance Arrangements</i>

Amendments/improvements to MFRSs effective for financial periods beginning on or after 1 January 2025

Amendments to MFRS 121	<i>Lack of Exchangeability</i>
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Amendments/improvements to MFRSs which the effective date is deferred to a date to be determined and announced

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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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 auditors' report on the annual audited financial statements for the financial year ended 30 June 2023 was not qualified.

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 flows 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 year results.

A6. Issues, Repurchases, and Repayments of Debt and Equity Securities

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

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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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 is 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 four reportable segments as follows:

Research and development, and assembling	:	Research and development, assembling and trading of multimedia video conferencing system, IT, fintech and digitalisation related products and services, and mobile application solutions.
Trading	:	Trading of alcohol products, kitchen equipment and related products, wholesale of household appliances and computer hardware, software and peripherals.
Factoring	:	Business of factoring, development financing, leasing and building credit.
Others	:	Investment holding, property management agent and related activities, employment agency services and provide all types of training and business management consultancy services, event management services and related activities.

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A8. Segmental Information (Cont'd)

Business segments (Cont'd)

Period Ended 30.09.2023	Research and development, and assembling	Trading	Factoring	Others	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	2,884	810	1,909	319	(643)	5,279
Results:						
Segment results	(1,896)	(481)	189	(2,786)	104	(4,870)
Other income	233	68	-	326	(71)	556
(Loss)/profit before tax	(1,633)	(413)	189	(2,460)	33	(4,314)
Segment assets	41,949	38,272	49,487	172,949	(166,816)	133,921
Segment liabilities	15,353	39,000	44,163	38,141	(124,564)	10,173

Geographical segments

The business segments are managed in two principal locations namely Malaysia 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 of the Group is as follows:

Period Ended 30.09.2023	Malaysia	Outside Malaysia	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000
Revenue	5,380	542	(643)	5,279
Results:				
Segment results	(3,041)	(1,933)	104	(4,870)
Other income	105	522	(71)	556
Loss before tax	(2,936)	(1,411)	33	(4,314)

A9. Valuation of Property, Plant and Equipment

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

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A10. Events after the End of the Quarter

There is no event after the end of the quarter.

A11. Changes in Composition of the Group

There were no changes in the composition of the Group for the current financial quarter and period.

A12. Contingent Assets or Changes on Contingent Liabilities

There were no contingent assets or contingent liabilities as at 30 September 2023.

A13. Significant Related Party Transaction

All related party transactions and balances within the Group had been entered into in the normal course of business and were carried out on normal commercial terms during the current financial quarter and period.

A14. Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is recognised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole.

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A14. Fair Value Measurement (Cont'd)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the financial year end.

	As at 30.09.2023 RM'000 (unaudited)	As at 30.06.2023 RM'000 (audited)
Group		
Financial assets		
<u>Level 1</u>		
Quoted shares	5,700	4,725

The Group does not have any financial liabilities carried at fair value nor any financial instruments classified as Level 2 and 3 as at 30 September 2023.

A15. Capital Commitments

Capital commitments as at 30 September 2023 are as follows:

	As at 30.09.2023 RMB	As at 30.09.2023 RM
Approved and contracted for:		
Registered share capital of Shenzhen Carbon Champagne Development Limited to be paid up by 31 December 2046	1,000,000	642,600

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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

Group Results	INDIVIDUAL QUARTER			CUMULATIVE		
	Quarter Ended		Changes	Period Ended		Changes
	30.09.2023	30.09.2022		30.09.2023	30.09.2022	
	RM'000	RM'000	(%)	RM'000	RM'000	(%)
	(unaudited)	(unaudited)		(unaudited)	(unaudited)	
Revenue	5,279	4,509	17	5,279	4,509	17
Gross profit	2,625	2,213	19	2,625	2,213	19
Gross profit margin (%)	49.7	49.1		49.7	49.1	
Loss before interest and tax	(4,244)	(2,679)	(58)	(4,244)	(2,679)	(58)
Loss before tax	(4,314)	(2,717)	(59)	(4,314)	(2,717)	(59)
Loss after tax	(4,314)	(2,717)	(59)	(4,314)	(2,717)	(59)
Loss after tax margin (%)	(81.7)	(60.3)		(81.7)	(60.3)	
Loss attributable to Owners of the Company	(3,515)	(2,414)	(46)	(3,515)	(2,414)	(46)

In the current quarter, the Group recorded increase in revenue amounting to RM0.77 million as compared to the preceding year quarter mainly due to higher income from factoring business and trading business amounting to RM1.02 million and RM0.40 million.

The improvement in gross profit and gross profit margin for the current quarter in comparison to the preceding year quarter was mainly due to higher gross profit derived from the factoring business.

In the current quarter, the Group recorded higher loss after tax of RM4.31 million as compared to preceding year's quarter loss after tax of RM2.72 million due to higher depreciation of property, plant and equipment and fair value loss on quoted shares.

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B2. Material Changes in Financial Performance for the Quarter Compared with Immediate Preceding Quarter

Group Results	Quarter Ended		Changes (%)
	30.09.2023 RM'000 (unaudited)	30.06.2023 RM'000 (unaudited)	
Revenue	5,279	6,772	(22)
Gross profit	2,625	3,701	(29)
Gross profit margin (%)	49.7	54.7	
Loss before interest and tax	(4,244)	(5,313)	20
Loss before tax	(4,314)	(5,345)	19
Loss after tax	(4,314)	(5,890)	27
Loss after tax margin (%)	(81.7)	(87.0)	
Loss attributable to Owners of the Company	(3,515)	(5,672)	38

The Group registered lower revenue and gross profit of RM5.28 million and RM2.63 million respectively for the current quarter as compared to the immediate preceding quarter's revenue and gross profit of RM6.77 million and RM3.70 million respectively. The increase in revenue and gross profit was mainly attributed to higher revenue from the factoring business, research and development & assembling and technology & corporate advisory in the preceding quarter.

The Group recorded loss after tax of RM4.31 million as compared to the immediate preceding quarter's loss after tax of RM5.89 million due to impairment on other investment, impairment loss on trade and other receivables and higher tax expense in the preceding quarter.

B3. Commentary on Prospects

The Malaysia economy had experienced a subdued growth throughout 2023 contributed by evolving expectations over the global monetary policy path to calm the rising inflation, and ongoing Russo-Ukrainian and Hamas-Israel conflicts that have spillover negative impacts towards all industries striving towards pre-pandemic normalcy.

As we are drawing a close to year 2023, we remain cautious towards year 2024 outlook as deepening geopolitical tensions, persistent inflationary, ongoing supply chain disruption and the Malaysian currency exchange rate fluctuation concerns remain high. These factors could negatively strain against the Group's sales margin especially towards our digitilisation system integrator and trading & distribution businesses as our products are generally manufactured from overseas brands. Our factoring services segment remains intact moving forward and aims to grow the business with additional funding to be raised from the proposed Rights Issue with Warrants subject to Bursa Securities' approval.

Our digital marketing segment operational since FYE 2023 has doubled in their revenue result to RM0.24 million as compared to RM0.11 million in precedent quarter FYE 2023. The team was recently involved in the public relation engagement of the Timur Flores (or Timur Schnyder)'s new music single official release titled – Dance Through My Heart.

Moving forward, we opined that the risks to the inflation remain high subject to changes to domestic policy on subsidies and price controls, as well as geopolitical and financial market developments. At the same time, we will be closely monitoring the Government's Madani budget 2024 initiatives in aim to tap its potential area to improve our overall financial performance. All our respective business segments have made necessary business plans to navigate these choppy environments.

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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

The Group has no tax liability during the current financial quarter.

B8. Status of Corporate Proposals

The Board of Directors of the Group had on 25 October 2023 announced a Share Consolidation and Rights Issue with Warrants exercise which comprise:

- (i) proposed consolidation of every 20 existing ordinary shares of the Company into 1 Share (“Consolidated Share”); and
- (ii) proposed renounceable rights issue of up to 283,484,613 new Shares (“Rights Shares”) on the basis of 3 Rights Shares for every 1 Consolidated Share held on an entitlement date to be determined later, together with up to 113,393,845 free detachable warrants in the Company (“Warrants D”) on the basis of 2 Warrants D for every 5 Rights Shares subscribed for at an issue price to be determined later.

The above proposals are subject to approval from Bursa Securities and approval from the Shareholders at the Extraordinary General Meeting to be conveyed by the Company.

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B9. Utilisation of Proceeds Raised from Corporate Proposals

On 14 December 2020, the Company raised total proceeds of RM68.0 million from the right issues by issuance of 755,123,412 new ordinary shares.

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance RM'000	Intended Timeframe for Utilisation
Remote meeting and videotelephony enablers	23,000	-	23,000	Within 36 months
Broadcasting and livestreaming centre	7,600	7,600	-	Within 6 months
Acquisition and/or investments in complementary business and/or assets	25,000	25,000	-	Within 36 months
Working capital	11,561	11,561	-	Within 36 months
Expenses in relation to the proposals	800	800	-	Immediate
	67,961	44,961	23,000	

B10. Borrowings and Debts Securities

There were no borrowings or debt securities as at 30 September 2023.

B11. Material Litigation

There was no material litigation as at the date of this report.

B12. Dividends

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

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B13. Loss per share

- (a) The basic loss per share is computed by dividing the Group's loss attributable to Owners of the Company with the weighted average number of ordinary shares in issue as follows:

	INDIVIDUAL QUARTER Quarter Ended		CUMULATIVE Period Ended	
	30.09.2023 RM'000 (unaudited)	30.09.2022 RM'000 (unaudited)	30.09.2023 RM'000 (unaudited)	30.09.2022 RM'000 (unaudited)
Loss attributable to Owners of the Company (RM'000)	(3,515)	(2,414)	(3,515)	(2,414)
Weighted average number of ordinary shares in issue ('000)	1,449,409	1,449,409	1,449,409	1,449,409
Basic & diluted loss per share (sen)	(0.24)	(0.17)	(0.24)	(0.17)

- (b) Diluted

The Group has no potential dilutive ordinary share outstanding as at 30 September 2023.

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

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

	INDIVIDUAL QUARTER Quarter Ended		CUMULATIVE Period Ended	
	30.09.2023 RM'000 (unaudited)	30.09.2022 RM'000 (unaudited)	30.09.2023 RM'000 (unaudited)	30.09.2022 RM'000 (unaudited)
Amortisation of intangible assets	654	633	654	633
Depreciation of investment properties	42	42	42	42
Depreciation of property, plant and equipment	1,054	215	1,054	215
Depreciation of right-of-use assets	232	261	232	261
Fair value (gain)/loss on other investments	(200)	(638)	(200)	(638)
Fair value loss on quoted shares	1,725	900	1,725	900
Income distribution from short-term fund	(13)	(32)	(13)	(32)
Interest expense	70	38	70	38
Interest income	(287)	-	(287)	-
Inventories written off	-	5	-	5
Property, plant and equipment written off	-	6	-	6
Realised loss on foreign exchange	64	-	64	-
Unrealised loss/(gain) on foreign exchange	92	96	92	96

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 SEPTEMBER 2023**

B15. Trade Receivables

	As at 30.09.2023 RM'000 (unaudited)	As at 30.06.2023 RM'000 (audited)
Trade receivables		
Non-current assets	270	239
Current assets	28,013	14,869
Total	28,283	15,108
Less: Impairment losses	(3,328)	(3,328)
	<u>24,955</u>	<u>11,780</u>

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

	As at 30.09.2023 RM'000 (unaudited)	As at 30.06.2023 RM'000 (audited)
Neither past due nor impaired	21,516	10,015
Past due but not impaired:		
Less than 3 months	2,646	1,107
3 to 6 months	793	658
More than 6 months	-	-
Past due and impaired	3,328	3,328
Trade receivables (gross)	<u>28,283</u>	<u>15,108</u>

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.