



**ANNUAL
REPORT
2018**

MLABS SYSTEMS BERHAD
(Company No. 653227-V)

TABLE OF CONTENTS

Corporate Information	2
Corporate Structure	3
Directors' Profile	4 - 6
Profile of Key Senior Management	7
Management Discussion and Analysis	8 - 11
Corporate Sustainability Statement	12
Overview Statement on Corporate Governance	13 - 25
Audit Committee Report	26 - 27
Statement on Risk Management and Internal Control	28 - 30
Additional Corporate Disclosure	31 - 32
Financial Statements	33 - 87
Analysis of Shareholdings	88 - 90
Analysis of Warrant Holdings – Warrant A	91 - 92
Analysis of Warrant Holdings – Warrant B	93 - 94
Notice of Fourteenth Annual General Meeting	95 - 97
Form of Proxy	

CORPORATE INFORMATION

BOARD OF DIRECTORS

General Tan Sri Dato' Sri Hj. Suleiman bin Mahmud RMAF (Rtd)
Independent Non-Executive Director / Chairman

Mejar Dato' Ismail Bin Ahmad (R)
Executive Director

Ong Tee Kein
Executive Director

Tan Sik Eek
Executive Director

Professor Dr. Sureswaran Ramadass
Independent Non-Executive Director

Yee Yit Yang
Independent Non-Executive Director

AUDIT COMMITTEE

Yee Yit Yang (Chairman)
Independent Non-Executive Director

General Tan Sri Dato' Sri Hj. Suleiman bin Mahmud RMAF (Rtd) (Member)
Independent Non-Executive Director

Professor Dr. Sureswaran Ramadass (Member)
Independent Non-Executive Director

NOMINATING COMMITTEE

General Tan Sri Dato' Sri Hj. Suleiman bin Mahmud RMAF (Rtd) (Chairman)
Independent Non-Executive Director

Professor Dr. Sureswaran Ramadass (Member)
Independent Non-Executive Director

Yee Yit Yang (Member)
Independent Non-Executive Director

REMUNERATION COMMITTEE

Professor Dr. Sureswaran Ramadass (Chairman)
Independent Non-Executive Director

General Tan Sri Dato' Sri Hj. Suleiman bin Mahmud RMAF (Rtd) (Member)
Independent Non-Executive Director

Yee Yit Yang (Member)
Independent Non-Executive Director

SECRETARIES

Ms Seow Fei San
(MAICSA 7009732)

Ms Loh Lai Ling
(MAICSA 7015412)

REGISTERED OFFICE

802, 8th Floor, Block C
Kelana Square, 17 Jalan SS7/26
47301 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-7803 1126
Fax: 03-7806 1387

REGISTRAR

Tricor Investor & Issuing House
Services Sdn. Bhd. (11324-H)
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel: 03-2783 9299
Fax: 03-2783 9222

AUDITORS

BDO (AF 0206)
Level 8, BDO @ Menara CenTARa
360, Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur
Tel: 03-2616 2888
Fax: 03-2616 2970

PRINCIPAL PLACE OF BUSINESS

Lot 10.3, 10th Floor, Menara Lien Hoe
No. 8, Persiaran Tropicana, Tropicana
Golf & Country Resort
47410 Petaling Jaya, Selangor Darul
Ehsan
Tel: 03-7887 2896
Fax: 03-7887 1896
Email: enquiry@mlabs.com
Website: www.mlabs.com

PRINCIPAL BANKERS

CIMB Bank Berhad
Malayan Banking Berhad
Public Bank Berhad

INTERNAL AUDITORS

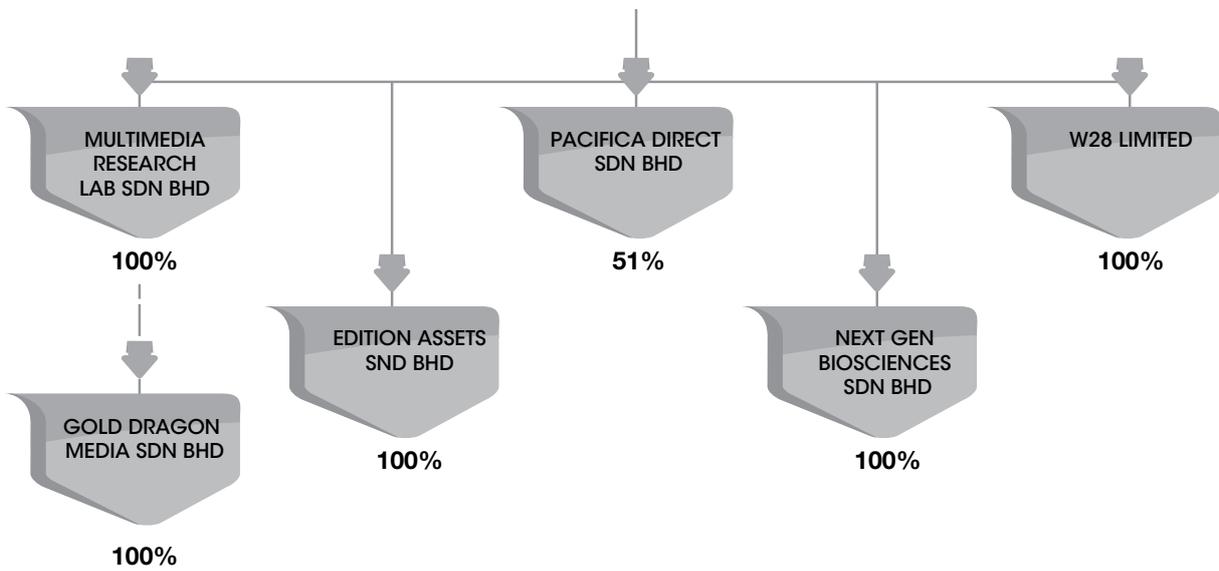
LNB Business Advisory Services
Sdn. Bhd. (MIA 0905)
UOA11,21 Jalan Pinang
#22-5, 50450 Kuala Lumpur
Tel: 03-6140 8890
HP: 019-8513334

STOCK EXCHANGE LISTING

ACE Market
Bursa Malaysia Securities Berhad

STOCK NAME : MLAB
STOCK CODE : 0085

CORPORATE
STRUCTURE



DIRECTORS' PROFILE

General Tan Sri Dato' Sri Hj. Suleiman Bin Mahmud RMAF (Rtd)

Malaysian, age 70, Male

Independent Non - Executive Director / Chairman

General Tan Sri Dato' Sri Hj. Suleiman was appointed to the Board on 14 October 2009. He is also the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee. He is a graduate of Royal New Zealand Air Force Command and Staff College and holds post graduate Diploma in Business Administration. He obtained his Master Degree in Operational Research and Systems Analysis from University of Aston in Birmingham, United Kingdom.

General Tan Sri Dato' Sri Hj. Suleiman joined the Federation Military College in January 1965, and was commissioned into the Royal Malaysian Air Force on 5 August 1965. He did his basic flying training at the RMAF Flying Training School in Alor Setar, graduating in August 1966. He then went on to fly the Alouette III helicopters and in 1967, qualified as a helicopter instructor after completing an instructor's course in the United Kingdom.

He has a vast experience as a pilot having flown helicopters, fixed wing transport and fighter aircrafts. He had served as a Squadron Commander of the Sikorsky S-61 Helicopter Squadron and the Dart Herald Transport Squadron. He also flew the C-130H Hercules, the Aermacchi MB-339, the F-5E and the CN-235-220.

Throughout his career, General Tan Sri Dato' Sri Hj. Suleiman has been assigned to several staff and operational appointments, and of importance was his appointment as the Director of Armed Forces Development Plans in the Malaysia Armed Forces Headquarters. In 1989, he was appointed the Base Commander of RMAF Base, Butterworth, a Fighter Operational Air Base. Later, he was assigned as the Commander of the RMAF Air Training Command. He was then promoted to Brigadier General RMAF and took over command of No. 1 Air Division, an Air Defence (and Fighter) Command. He later moved to the post of Brigadier General Staff (Operations) at the Air Force Headquarters in Kuala Lumpur. On his promotion to Major General RMAF in June 1994, he was appointed as the Chief of Staff Operations and later on, was assigned as the Chief of Staff Policy and Plans. In August 1996, he assumed the post of the Deputy Chief of Air Force, and was upgraded to the rank of Lieutenant General RMAF on the same post, in June 2000.

General Tan Sri Dato' Sri Hj. Suleiman was promoted to the rank of General RMAF and assumed the appointment of the Chief of the Royal Malaysian Air Force on 11 June 2001. He retired on 4 June 2003 at the age of 56.

Currently, he is also a director of Melewar Industrial Group Berhad and Ericsson (M) Sdn Bhd.

Mejar Dato' Ismail Bin Ahmad (Retired)

Malaysian, age 69, Male

Executive Director

Mejar Dato' Ismail Bin Ahmad (R) was appointed to the Board on 14 October 2009. Mejar Dato' Ismail holds a degree in Master in Management, LLB Hons from University of Wolverhampton, United Kingdom, Master of Laws from University of London and Certificate in Legal Practice.

Mejar Dato' Ismail served in the Malaysian Army for 17 years and attended courses both local and overseas. In 1983, he joined Perwira Niaga Malaysia (Pernama), a wholly-owned subsidiary of LTAT, a wholesale and international trading company. His last position in Pernama was Deputy General Manager before he left in 1999. He was the CEO of Odasaja Sdn. Bhd. in its formative year and later became the Group Executive Director of the same. He left Odasaja Sdn. Bhd. in December 2002. He is now the Managing Director of Tegas Dinamik Sdn. Bhd. where he oversees the overall operations of the company and manage its strategic business plan. He is also on the board of several private companies, dealing mainly with construction and development.

A public reprimand with fine of RM20,000.00 was issued to Mejar Dato' Ismail on 1 April 2016 in the capacity of a Director of SCAN Associates Berhad. The reprimand and fine was in breach of Rule 16.13(b) of the ACE Market Listing Requirements for failure to make an immediate announcement on its GN3 company status.

DIRECTORS' PROFILE (CONTINUED)

Ong Tee Kein

Malaysian, age 61, Male
Executive Director

Mr. Ong Tee Kein was appointed to the Board on 13 January 2010 as an independent director and was re-designated as Executive Director on 15th April 2010.

He is an Associate of the Institute of Chartered Accountants in England & Wales, a Fellow of the Chartered Institute of Management Accountants, and Associate of the Institute of Chartered Secretaries and Administrators and a member of the Malaysian Institute of Accountants. He also holds a MBA degree from the University of Miami.

He has several years of experience in industry and consultancy practice. After qualifying as an accountant in the United Kingdom, he joined a management consultancy practice specializing in providing advisory services to governments and international funding agencies. He subsequently joined the corporate advisory division of an international accounting firm and was involved with various corporate restructuring exercises.

He is currently a director in Sanichi Technology Berhad, DGB Asia Berhad and Fintec Global Berhad. He is also a director of several private limited companies.

Tan Sik Eek

Malaysian, age 42, Male
Executive Director

Mr. Tan Sik Eek (Steve) was appointed to the Board on 6 April 2018. Steve majored in Economics and Political Science at the University of Sydney, Australia.

Steve brings with him more than a decade of experience ranging from corporate finance advisory to private equity investments. He was previously a Partner at House of Qin Ltd, a Beijing-based private equity firm focused on investing in companies seeking growth funding and pre-IPO capital. Prior to that, Steve was the South East Asia Partner of Value Creation Strategies Sdn. Bhd., a Kuala Lumpur based advisory firm specializing in securing funding from a series of established North America global hedge funds, for companies listed on the regional capital markets. Steve previously held positions in Devonshire Capital LLC, a boutique investment bank headquartered in Hong Kong, as well as in the corporate finance division of RHB Investment Bank.

Steve is also a Director of Fintec Global Berhad, XOX Berhad and NetX Holdings Berhad and DGB Asia Berhad.

Yee Yit Yang

Malaysian, age 51, Male
Independent Non-Executive Director

Mr. Yee Yit Yang was appointed to the Board on 12 July 2010 as Independent Non-Executive Director. He is the Chairman of the Audit Committee and a member of Nominating Committee and Remuneration Committee.

He holds a Bachelor of Economics and is a member of the Malaysian Institute of Accountants.

He began his career with an international accounting firm and then moved on to an investment bank in which he was involved with various corporate restructuring exercises. Currently, he is attached with a private consultancy firm.

He is an independent and non-executive director of Vertice Berhad.

DIRECTORS' PROFILE (CONTINUED)

Professor Dr. Sureswaran Ramadass

Malaysian, age 52, Male

Independent Non-Executive Director

Professor was appointed to the Board on 1 April 2005. He is the Chairman of the Remuneration Committee and also a member of the Audit Committee and Nominating Committee of the Company. He obtained his Bachelor in Computer Engineering and Masters in Electrical and Computer Engineering from the University of Miami, USA in 1990. He also holds a doctorate from USM.

He started off his career in 1990 as a senior member of the technical staff of the research team of MODCOMP, Inc., a Florida-based research company focused on the R&D of real-time systems. He has worked with numerous customers to benchmark their needs, including National Aeronautics and Space Administration engineers.

He left in 1991 and joined ICON Business System, Inc. (Florida) as Senior Consultant. He was subsequently promoted to Vice President Engineering and was responsible in overseeing the entire engineering and R&D divisions of ICON Business Systems, Inc. (Florida).

He joined USM in 1992 as a lecturer and was the founding Director and Professor at the National Advanced IPv6 Centre, USM. His recent achievements include being awarded Fellowship Award by the Wireless World Research Forum steering board member in April 2010. He was also awarded the National Academic Leader for Innovation and Commercialization in 2008 & 2009 by the Minister of Higher Education and Malaysia Innovation Award by the Prime Minister in 2007 and again in 2009. During his tenure at USM, he has a research partner/consultant to many companies in Malaysia including Telekom Malaysia Berhad, NCR Corporation, IBM Inc., MIMOS Berhad, Cabletron Systems Sdn Bhd and Compquest Sdn Bhd.

He is currently a Professor Emeritus at the Malaysia University of Science and Technology and also the Chief Scientist at NLTVC Sdn Bhd (NLTVC is a Next Generation Internet Communications research and development company).

He also holds numerous positions in global organizations including A13 project, which is a research-based project sponsored by the Japanese Government. He was also a nominated candidate for the position of Director of the Internet Corporation for Assigned Names and Numbers in 2000 (ICANN). He was also the Head of APAN (Pacific Advance Networks: www.apan.net) for Malaysia. He is one of the four steering committee members and the IPv6 Domain Head for MYREN (Malaysian Research and Education Network) and was the Chairman of the Asia Pacific IPv6 Task Force (APV6TF) and Emeritus Chair of IPv6 Forum Education Programme.

Over the years, he has published over two hundred (200) national and international level research papers as well as written chapters and provided writing materials for a few books in the area of multimedia conferencing.

Notes:-

- None of the Directors has any family relationship with any director and/or major shareholder of the Company.
- None of the Directors has any conflict of interest with the Company.
- Except as disclosed in the respective Director's profile, none of the Directors has any convictions for any offences other than traffic offences within the past 5 years and none of them has any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, except as disclosed in the individual director's profile.
- The Directors' holdings in shares of the Company are disclosed in the Analysis of Shareholding section of the Annual Report.

PROFILE OF KEY SENIOR MANAGEMENT

Mejar Dato' Ismail Bin Ahmad (R)

Executive Director

Ong Tee Kein

Executive Director

Tan Sik Eek

Executive Director

The profiles of the Executive Directors are outlined in the Profile of the Board of Directors chapter on page 4 to 5.

Chieng Siong Kuong (Demised)

Senior Finance Manager

Malaysian, Male

The late Mr. Chieng Siong Kuong, aged 44, started his early career as an audit assistant with H Law & Co in 1993 and later joined Thong & Associate as Senior Audit Manager for 2 years. He handled a wide portfolio of clients of diverse background and industry during his tenure with the audit firms. Mr. Chieng then joined commercial firms in Malaysia and has more than 17 years experience in financial management and accounting. He was an Associate Member of the Association of Chartered Certified Accountants (UK) and a member of the Malaysian Institute of Accountants. Mr. Chieng passed away on 1 May 2018.

Notes:-

- None of the key senior management has any family relationship with any director and/or major shareholder of the Company.
- None of the key senior management has any conflict of interest with the Company.
- None of the key senior management has any convictions for any offences other than traffic offences within the past 5 years and none of them has any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

MANAGEMENT DISCUSSION AND ANALYSIS

Company profile and business

The principal activities of the Group include investment holding, research and development in multimedia video conferencing system, assembling and trading of multimedia video conferencing system and equipment, provision of mobile application solutions and trading of white goods such as kitchen equipment and appliances.

Vision

Our vision is to achieve a leadership position in the multimedia video conferencing industry complemented by peripheral advanced mobile application that has vision, voice, facial recognition and file sharing capabilities which will be able to serve all companies that require these products. Concomitantly the Company seeks to improve its e-portal platform (Pacifica2U.com) to achieve a higher level of consumer penetration that is able to contribute significant revenues and earnings to the Group.

Financial highlights

	FYE 31 March 2018 RM	FYE 31 March 2017 RM	%
Revenue	2,104,141	2,512,091	(16.24)
Operating loss	(4,040,464)	(366,569)	>100
Loss before taxation	(4,040,464)	(368,914)	>100
Loss after taxation	(4,040,509)	(368,914)	>100
Net loss attributable to equity holders	(3,894,576)	(204,899)	>100
Total assets	66,195,553	5,250,131	>100
Shareholders' equity	66,266,811	4,949,056	>100
Basic loss per share (sen)	(0.94)	(0.11)	>100
Net assets per share (RM)	0.10	0.03	>100

Review of Financial Results and Operations

The Group revenue for the financial year ended 31 March 2018 was RM2.104 million compared to RM2.512 million for the previous financial year ended 31 March 2017. This represents a decrease of 16.2% in revenue. The revenue for the current financial year was mainly contributed by the sale of its multi-video conferencing and related products and from sale of electrical and related products through its e-commerce portal as well as direct sales to merchants and consumers. The reduction in revenue is attributed to the phasing out of the Group's basic mobile app product in preparation for the development of an enhanced version to be put to market upon completion.

The Group recorded a loss after taxation of RM4.041 million for the financial year ended 31 March 2018. The loss for this year is significantly higher compared to the previous financial year. This is due partly to additional expenses incurred for the rights issue and employees share option scheme (ESOS) exercises. The major items of expenses which contributed to the loss for this year were amortisation of intangible assets of RM619,000, share based expenses of RM831,414 arising from the issuance of shares under its ESOS and professional fees of RM823,426.

Corporate Development

The following is a summary of the significant corporate developments during the financial year under review.

On 28 November 2017 the Company announced that Gold Dragon Media Sdn. Bhd., a wholly-owned subsidiary of Multimedia Research Lab Sdn. Bhd., which in turn is a wholly-owned subsidiary of the Company has on 28 November 2017 entered into a Heads of Agreement (“HoA”) setting out indicative terms with Beijing Mediaskin Development Private Limited Company (“Mediaskin”) to introduce the use of transparent high resolution LED screens as curtain wall on buildings, glass elevators, store fronts and other indoor and outdoor structures in Malaysia and South East Asian countries.

On 13 October 2017 the Company entered into a Collaboration Agreement (“Agreement”) with Malaysia University of Science and Technology (“MUST”) to cooperate, undertake projects and set up an international next generation information technology (“IT”) lab with MUST.

On 3 October 2017 the Company announced that Multimedia Research Lab Sdn. Bhd., the wholly-owned subsidiary of the Company had entered into Collaboration Agreement with Onliner Co. Ltd. and Payallz Sdn. Bhd to collaborate in the following areas:

- (i) to provide financial technology that provides mobile payment, e-wallet and loyalty program together with online shopping solutions to shoppers at Chatuchak market in Bangkok;
- (ii) to develop indoor mapping technology to allow shoppers to locate and navigate Chatuchak market through the use of smartphones with WiFi signals; and
- (iii) to manage the day-to-day operations of the project, its WiFi and e-commerce services and facilities.

On 15 September 2017 the Company announced that the Rights Issue with Warrants has been completed following the listing and quotation of 373,710,716 Rights Shares and 186,855,358 Warrants B as well as 9,038,620 additional Warrants A on the ACE Market of Bursa Securities on that day.

On 23 August 2017 Multimedia Research Lab Sdn. Bhd. (“MRL”), a wholly-owned subsidiary of the Company entered into an investment and shareholders’ agreement (“Agreement”) with Red Dragon Media Ltd. (“RDM”) and Tan Sik Hui (“TSH”) (collectively “Parties”) to undertake a joint venture for the purpose of venturing into the development and marketing of media and game intellectual properties from the Chinese market into Malaysia market and to associate with the media and game developing companies in Malaysia to research and share new intellectual properties. This Agreement was an extension of the collaboration agreement between Red Dragon Media Ltd and MRL entered on 14 July 2017.

On 14 July 2017 Multimedia Research Lab Sdn. Bhd., a wholly-owned subsidiary of the Company entered into a Memorandum of Intent (“MOI”) with e-horizon Asia Pte Ltd to cooperate and collaborate by sharing technology and jointly undertake research and development to improve existing mobile applications owned by the parties as well as developing new related mobile applications that is mutually beneficial to both parties.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Risks and Challenges

(i) Competition

Technology companies are subject to higher risks due to the rapid evolution of new technologies from competitors. This is more so in the mobile application industry where the presence of big players, such as WhatsApp, Viber, WeChat, Line Telegram and others who compete for a growing share of the mobile application market. In this regard, the Group faces competition from both new entrants and existing players in the industry. Increased competition could result in revenue erosion and higher operating cost which could materially and adversely affect the Group's business, operating results and financial condition. However, the Group is focusing its efforts in developing its latest generation mobile app product (Let's Talk), which is able to provide a completely private and secure social media chat and messaging system. The current competitors earlier cannot provide this, and in fact, allow their messages and data to be used by themselves and other parties. This is a lucrative and growing market segment that the Group is committed to gain a foothold as part of its business strategy.

(ii) Security concerns

Security of data and messages is needed within companies, corporations and other users. Certain government agencies such as the military and enforcement agencies require high levels of security. However, most of the currently available social media platforms which allow data and messages to be accessed or used for analysis cannot meet these requirements. Such data access by these social media companies may also be highly detrimental to the security of a company, and even that of a nation. These concerns are real and there has been numerous high profile cases involving unauthorised access of sensitive data that caused damage to users. Mobile application is today more convenient and a cheaper alternative compared to conducting meetings or making phone calls. However, the accessibility and connectivity aspects of mobile applications render them vulnerable to threats and hackers, who may mount attacks on corporate networks.

Mitigating Strategies and Actions

The recently completed rights issue exercise has placed the Group on a strong financial footing. To ensure sustainable long term earnings for the Group and to reduce its dependence on a narrow range of products, the Group will look for opportunities to expand its business and to look for new complementary businesses. This initiative is intended to increase the Group's product range and to develop new markets.

With regard to data security the Group places importance in this aspect by ensuring its network security system and products are always updated and secured. The Group will continue to ensure the skills and competencies in technology to meet cyber security demands are met.

Business Direction and Prospects

We have embarked on the enhancement of our mobile application which on completion will allow multiple users to participate in audio conferencing via voice calls while simultaneously send text messages and share files which can be hosted on cloud servers or on private servers. This mobile application will provide the Group with a strategic opportunity to increase its revenue stream and to market this product regionally.

Our business collaboration with Red Dragon Media Limited (Red Dragon) an animation company that specializes in creating computer generated imagery (CGI) animation, stereoscopic 3D shows, concept designs and video games for the media, entertainment film and related industries will create a pathway for the Group to enter into this growing global market. When our IT production house and facilities are ready, we would be able to secure a stream of recurring sustainable income through allocation of intellectual property (IP) creation work related to the entertainment industry from Red Dragon.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Our technology collaboration with Onliner Co. Ltd. in Thailand is in progress. The mobile application jointly developed for digital payment, indoor mapping and other related functions for visitors to Chatuchak Market in Bangkok, Thailand is expected to be launched in the last quarter of 2018. This is another initiative taken by the Group to diversify its business and products to create sustainable revenue for the Group.

To complement our e-portal business, the Group has opened a showroom to cater for walk-in customers and to show case our range of products.

Our ongoing collaboration with MUST is intended to tap the research capabilities of MUST to complement our internal technical team to be on the cutting edge of innovation and technology in the areas of IT technologies which we currently employ.

We have identified a number of iconic landmarks in Malaysia that would be appropriate to launch the use of transparent high resolution LED screens as curtain wall on them. We believe the use of this advertising medium is a financially viable proposition to building owners who are able to create a new source of revenue by applying this technology to their buildings.

Some of these initiatives described above are not fully operational as yet and are at varying stages of progress. The Group expects to reap the benefits of these collaborations towards the latter part of 2018. In the meantime, the Group will continue to seek new business opportunities to invest as it has adequate funds for such purposes. Financial year 2018 will see a new era for the Group where there will be a transformation from a narrow base business entity into a Group with a diversified business base supported by adequate working capital, new technology and increased qualified personnel to drive the Group to achieve its vision set out above.

CORPORATE SUSTAINABILITY STATEMENT

Introduction

This sustainability statement describes Mlabs Systems Berhad (“Mlabs Group”) management of economic environmental and social risks and opportunities as guided by the sustainability reporting framework of Bursa Malaysia Securities Berhad.

The Group strives to sustain economic and social growth while ensuring minimal impact on the environment in a responsible and ethical manner. It endeavours to incorporate sustainability as an important consideration in every aspect of its operations and to embrace the importance of business sustainability as an integral part of the Group culture to benefit our stakeholders. We align our business practice and operations with a commitment to environmental, social and community stewardship.

Economic

As a technology company we operate in complex, fast changing and disruptive environment. Against this backdrop, we strive to maintain a sustainable business that benefit all our stakeholders. We actively create economic activities through our new business collaborations and ventures locally and regionally to create sustainable and diverse businesses. These collaborations create additional employment opportunities in our Group and enhance our Group’s technical capabilities. They reduce the dependence and risk on a single product and create greater economic value in terms of improved profit margins, enhanced internal capabilities and create better business performance for our Group. Our ongoing upgrading of our multi video conferencing technology ensures that our products remain relevant and offer an alternative communication tool that minimize cost and time whereby users are able to conserve resources to generate other productive economic activities. We have expanded our suite of products and technology which will help generate sustainable growth and earnings to benefit our shareholders and other stakeholders.

Social

Employees are an important asset to the Group. They play an important role in creating value to the Group. This is more so in an IT company such as our Group where the need to be at the forefront of technology is crucial for survival. We depend to a great extent on our staff to be technically competent to operate in this challenging environment. To develop and enhance employees’ skills the Group continually organized in-house seminars for staff. We introduced a policy to reimburse staff for cost of external courses and seminars attended by them to improve their skills and employability. Our internal management progression structure provides staff with a clear career progression path. We entered into a collaboration agreement with Malaysia University of Science and Technology (“MUST”) where we jointly established a research laboratory to undertake research into multi-video and networking technology. Under this arrangement we provided IT equipment and technical support to assist in research activities undertaken by student researchers at MUST. As a result of this collaboration, researchers from the university and our technical staff are given opportunities to research and to develop new technologies for the benefit of our stakeholders. In addition, we provide internships to MUST computer science students at our corporate office. This collaboration provides better opportunities for MUST computer science students to gain practical experience in a corporate setting and for the Group a good source for recruiting outstanding IT staff.

ENVIRONMENTAL

The Group has implemented several initiatives to improve the environmental performance of its business operations. To reduce paper usage, we introduced a multi video conferencing, messaging and data scanning system that allow employees across the Group to communicate electronically where messages and communication can be electronically logged and filed. Our paper usage policy dictates the use of paper that contains the highest level of post consumed waste/ recycled paper wherever possible and sourced from non-endangered forest. Our offices lightings have been converted into energy saving LED lightings. The electronic and electrical products that we sell are now substantially energy saving and emit low greenhouse gases. We have started a program to digitize our Group’s existing hard copy files and records for storage on Icloud. We are currently developing a number of new products in collaboration with our associates where our product design and development emphasize quality and durability so that they can last longer and can be repaired should such a need arises. This will help to minimize replacements thereby conserving environmental resources.

OVERVIEW STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of Mlabs Systems Berhad (“Board”) is committed to ensure that the highest standard of corporate governance is practised throughout the Group as a fundamental objective of discharging its responsibilities to protect and enhance the interest of all stakeholders and financial performance of the Company.

The Board is working towards ensuring full compliance with principles and best practices of Malaysian Code on Corporate Governance (“Code”). The Board is pleased to report to shareholders the manner in which the principles of corporate governance contained in the Code are applied and the extent of compliance thereof during the financial year under review.

(A) BOARD LEADERSHIP AND EFFECTIVENESS

Composition of the Board

The Board currently consists of six (6) Directors:-

General Tan Sri Dato’ Sri Hj. Suleiman Bin Mahmud RMAF (Rtd)

(Independent Non-Executive Director / Chairman)

Mejar Dato’ Ismail Bin Ahmad (R)

(Executive Director)

Ong Tee Kein

(Executive Director)

Tan Sik Eek

(Executive Director)

Yee Yit Yang

(Independent Non-Executive Director)

Professor Dr. Sureswaran Ramadass

(Independent Non-Executive Director)

The present size and composition of the Board is optimum and well balanced. As presently constituted, the Board has the stability, continuity and commitment as well as capacity to discharge its responsibilities effectively.

Profile of the Board members is as set out on pages 4 to 6 of this Annual Report.

Principal Responsibility of the Board

The Board is entrusted with the stewardship role of the Group. It is responsible for providing oversight of the Group’s strategic direction, overseeing the Group’s business operations, as well as identifying key risk factors that have significant impact on the Group’s operations and performance. In achieving these goals, the Board performs regular reviews over the risk management and internal control system to ensure its integrity and adequacy in providing reasonable assurance of risk mitigation.

The principal responsibilities of the Board are generally summarised as follows:

- Review and approve strategic direction, implementation and monitoring of the strategic business plans for the Group.
- Oversee the conduct and performance of the Group’s business, including its control and accountability systems.
- Identify key risks factors that have significant impact on the Group’s operations and performance and formulate appropriate risk management and internal control system to mitigate negative impact of the risks so identified.

OVERVIEW STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

- Develop and implement investor relations programme or shareholder communications policy.
- Review the adequacy and the integrity of the Group's internal control and management information systems.
- Review and discuss succession planning and the implementation of appropriate policies and procedures that govern the management conduct, ensure sustainability of the Company, the monitoring of performance and succession planning.

Board Independence and Effectiveness

The Board is entrusted for the oversight and overall management of the business affairs of the Company. The Board is responsible for determining all major policies, reviewing the system of internal control, ensuring that effective strategies and management are in place, for assessing the performance of the Company and its management team.

The Board has established clear functions reserved for the Board and those delegated to the management. The Board deliberates business plan and approves the performance targets and the goals of the business to be met by the Company and subsidiary companies.

Executive Directors are responsible for the day-to-day business operations of the Group while the Independent Non-Executive Directors provide scrutiny and unbiased and independent views, advice and judgement to decisions and proposals of the Executive Directors. The Board collectively is responsible for the effective implementation and monitoring of the Group's strategic plans.

The Independent Non-Executive Directors do not involve in the day-to-day management of the Group's business operations. Therefore the Independent Non-Executive Directors remain free from conflict of interest and thus enable them to carry out their duties as independent directors effectively. They provide impartial views and insight to the Executive Directors in matters relating to financial management, corporate governance, risk management and internal control. Strategies proposed by the Executive Directors are deliberated from both quantitative and qualitative aspects, taking into account the interest of various stakeholders as well as the impact of risk factors that exist in the operating environment. Presence of the Independent Directors complements the Board by ensuring there is an effective check and balance in the functioning of the Board. These Independent Directors fulfil the criteria of independence as set out in the Listing Requirements.

The position of Chairman and the Executive Directors are held by different individuals, and the Chairman is an Independent Director. There is a division of responsibility between the Chairman who is leading the Board in the oversight of management and Executive Directors, who responsible for managing the overall business and day to day operations of the Company to ensure that there is a balance of power and authority, promotion of accountability and facilitation of division of responsibilities between them.

The key duties and responsibilities of the Chairman are to provide leadership to the Board, instill good corporate governance practices, chairing the meetings of the Board and shareholders, ensuring that the Board fully discharges its responsibilities and acting as liaison person between the Board and the management.

Board Charter and Code of Conduct

The Board has formally adopted a Board Charter, which provides guidance to the Board in the fulfilment of its roles, duties and responsibilities which are in line with the principles of good corporate governance. The Board Charter provides guidance for Directors and Management on the responsibilities of the Boards, its Committees and requirements of Directors and it is subject to periodical review to ensure consistency with the Board's strategic intent as well as relevant standards of corporate governance. The Board Charter provides guidance for Directors and Management on the responsibilities of the Board, its Committees and requirements of Directors and it is subject to periodical review and updated in accordance with the needs of the Company to ensure consistency with the Board's strategic intent as well as relevant standards of corporate governance.

OVERVIEW STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

The Board is mindful of the importance of the establishment of clear roles and responsibilities in discharging its fiduciary and leadership functions as recommended by the Code including those reserved for the Board's approval and those which the Board may delegate to the Board Committees, the Executive Director and the Management. There is a clear division of responsibilities between the Chairman and the Executive Director.

The Board is also committed to conducting business in accordance with the highest standards of business ethics and complying with applicable laws, rules and regulations. The Code of Conduct and Ethics provide guidance for Directors regarding ethical and behavioural considerations and/or actions as they address their duties and obligations during their appointment.

The Board Charter and Code of Conduct and Ethics, which were last reviewed on 25 May 2018, are made available for reference in the Company's website www.mlabs.com.

Qualified and Competent Company Secretaries

The Board is well supported by qualified and competent Company Secretaries on matters relating to the Company's policies and procedures that require compliance to applicable rules, regulations and the Code.

The Company Secretaries of the Company are experienced, play an important role in advising the Board on issues relating to corporate compliance with the relevant laws, rules, procedures and regulations affecting the Board and the Group, as well as best practices of governance. The Directors have ready and unrestricted access to the advice and services of the Company Secretaries. The Board is regularly kept up to date on and apprised of any regulations and guidelines.

The Company Secretaries also safeguard all statutory books and records of the Company and maintain the statutory registers of the Company. Company Secretaries also ensure all Board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are recorded.

Board Meeting and Supply of Information to the Board

The Board meets regularly, at least once in every quarter, to review the Group's operations and to approve the quarterly reports and annual financial statements. During the financial year, the Board met on five (5) occasions where it deliberated upon and considered a variety of matters mainly to review the Group's operations and the quarterly and annual financial statements.

The details of the attendance by individual Director during the financial year are as follows:-

Name of Directors	Total Meetings Attended
General Tan Sri Dato' Sri Hj. Suleiman Bin Mahmud RMAF (Rtd)	4/5
Mejar Dato' Ismail Bin Ahmad (R)	5/5
Ong Tee Kein	5/5
Yee Yit Yang	4/5
Professor Dr. Sureswaran Ramadass	5/5

The Board has a formal schedule of matters reserved specifically for its decision. The Directors have full and timely access to all information pertaining to the Group's business and affairs, whether as a full Board or in their individual capacity, to enable them to discharge their duties.

All Directors are provided with agenda and set of Board papers issued prior to Board meetings to allow reasonable time for the Board members to obtain further explanations or clarification, where necessary and to make an informed decision. Senior management is invited to attend these meetings to explain and clarify matters being tabled. The Board has direct access to senior management staff to obtain complete and unimpeded information to assist them in discharging their duties. The proceedings of all board meetings are recorded by the Company Secretary and filed properly in the minutes book of the Company upon confirmation by the Board.

OVERVIEW STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

In addition, all Directors have access to the advice and services of the Company Secretary who is a qualified professional with the required experience to advise the Board. When necessary, Directors may also obtain independent professional advice at the Company's expense in furtherance of their duties.

Directors' Training

The Board recognises the needs to attend training to enable them to discharge their duties effectively. The training needs of each Director is assessed and proposed by the individual directors. The Directors will continue to undergo relevant training programmes to further enhance their knowledge on a continuous basis in compliance with rule 15.08 of the Listing Requirements on Directors' Training.

The Board is also regularly updated by the Company Secretary on the latest updates and major amendments made to the Listing Requirements of Bursa Malaysia Securities Berhad, Companies Act 2016 and other regulatory requirements relating to the discharge of the Directors' duties and responsibilities.

During the financial year, the Directors have attended the following conference/seminars/training:-

Directors	Name of Conference/Seminar/Programme Attended
General Tan Sri Dato' Sri Hj. Suleiman Bin Mahmud RMAF (Rtd)	<ul style="list-style-type: none"> Digital Economy and Capital Market Series: Financial Technology, Artificial Intelligence, Big Data and Internet of Things
Mejar Dato' Ismail Bin Ahmad (R)	<ul style="list-style-type: none"> Digital Economy and Capital Market Series: Financial Technology, Artificial Intelligence, Big Data and Internet of Things
Ong Tee Kein	<ul style="list-style-type: none"> Digital Economy and Capital Market Series: Financial Technology, Artificial Intelligence, Big Data and Internet of Things
Tan Sik Eek	<ul style="list-style-type: none"> 8th SBY Tax & Corporate Reivew Blockchain Economic Forum Singapore Corporate Governance Briefing Sessions: MCCG Reporting and CG Guide
Yee Yit Yang	<ul style="list-style-type: none"> Digital Economy and Capital Market Series: Financial Technology, Artificial Intelligence, Big Data and Internet of Things
Professor Dr. Sureswaran Ramadass	<ul style="list-style-type: none"> 43rd Asia-Pacific Advanced Network Meeting (APAN 43) hosted by ERNET India & National Knowledge Network (NKN) 20 Years Anniversary ECHONET, Tokyo, Japan 2nd International Conference on Dynamic Innovation 2017 (ICDI 2017) by Malaysia University of Science and Technology Education Excellence and Innovation 2017 Conference (EDEXIN 2017) by Monash University Malaysia

Board Committees

The Board has also set up three (3) Board Committees, namely Audit Committee, Nominating Committee and Remuneration Committee (collectively referred to as "Committees"), to delegate specific duties to these Committees. The Committees shall discharge their duties within their respective terms of reference and recommend to the Board for approval.

The Committees have been granted with full authority to investigate any matter within their scope of responsibility and to obtain satisfactory information as it may require from directors and/or employees of the Group. In the event where independent professional advice are needed to discharge their duties, the Committees are entitled to engage external professionals and/or consultants at the cost of the Group after due consultation with the Board. Details of the Committees are spelt out in subsequent section of this Annual Report.

OVERVIEW STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(a) Audit Committee

The role of the Audit Committee is to support the Board in overseeing the processes for production of the financial data, reviewing the financial reports and the internal controls of the Company. The Audit Committee reviews all financial statements before submission to the Board for approval. The detailed roles, functions and responsibilities are as set out in the Terms of Reference of the Audit Committee, which can be viewed at the Company's website at www.mlabs.com.

The report by the Audit Committee is presented on pages 26 and 27 of this Annual Report.

(b) Nominating Committee

The Nominating Committee was established to ensure that the Board has an appropriate balance, size and the required mix of skills, experience and core competencies to govern the organization towards achieving its intended goals and objectives. The Nominating Committee shall propose new candidates for the Board and assess Directors on an on-going basis.

The Nominating Committee consists of the following members:-

Chairman	:	General Tan Sri Dato' Sri Hj. Suleiman Bin Mahmud RMAF (Rtd) (Independent Non-Executive Director)
Member	:	Professor Dr. Sureswaran Ramadass (Independent Non-Executive Director)
	:	Yee Yit Yang (Independent Non-Executive Director)

The Terms of Reference of the Nominating Committee can be viewed at the Company's website at www.mlabs.com.

The summary functions of the Nominating Committee are as follows:

- To recommend candidates for all directorships.
- To recommend appointments to the Board Committees.
- To annually review the required mix of skills and experience and other qualities, including core competencies that the Non-Executive Directors should bring to the Board.
- To implement a process, to be carried out annually for assessing the effectiveness of the Board as a whole, the committees of the Board and for assessing the contribution of each individual Director.

The Nominating Committee will review and assess the mix of skills expertise, composition, size and experience of the Board members. The Nominating Committee undertakes annual assessment to evaluate the performance of each individual Director, the effectiveness of the Board and the Board Committees. The effectiveness of the Board and Board Committees are assessed in the areas of board structure/mix, decision making and boardroom participation and activities, meeting administration and conducts, skill and competencies and role and responsibilities whilst the performance of the individual Directors are assessed in the areas of contribution and interaction with peer, quality of the input of the Director, understanding of role, etc.

There was no new director appointed during the financial year. The Nominating Committee considers that the current mix of skills and experience of the Board are sufficient for the discharge of its duties and responsibilities effectively.

OVERVIEW STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

Board Nomination Process

The Board nomination process is to facilitate and provide a guide for the Nominating Committee to identify, evaluate, select and recommend to the Board the candidate to be appointed as a director of the Company.

The Board does not set specific criteria for the assessment and selection of director candidate. However, the consideration would be taken on the need to meet the regulatory requirement such as Companies Act 2016 and ACE Market Listing Requirements, the achievement in the candidate personal career, integrity, wisdom, independence of the candidate, ability to make independent and analytical inquiries, ability to work as team to support the Board, possession of the required skill, qualification and expertise that would add value to the Board, understanding of the business environment and the willingness to devote adequate time and commitment to attend to the duties/functions of the Board to select the suitable candidate.

The Nominating Committee is responsible to recommend identified candidate to the Board to fill vacancy arises from resignation, retirement or any other reasons or if there is a need to appoint additional director with the required skill or profession to the Board in order to close the competency gap in the Board identified by the Nominating Committee. The potential candidate may be proposed by existing director, senior management staff, shareholders or third party referrals.

Upon receipt of the proposal, the Nominating Committee is responsible to conduct an assessment and evaluation on the proposed candidate.

The assessment/evaluation process may include, at the discretion of the Nominating Committee, reviewing the candidate's resume, curriculum vitae and other biographical information, confirming the candidate's qualifications and conducting legal and other background searches as well as formal or informal interview at the discretion of the Nominating Committee. The Nominating Committee would also assess the candidate's integrity, wisdom, independence, ability to make independent and analytical inquiries, ability to work as a team to support the Board, understanding of the business environment and the willingness to devote adequate time and commitment to attend to the duties/functions of the Board.

Upon completion of the assessment and evaluation of the proposed candidate, the Nominating Committee would make its recommendation to the Board. Based on the recommendation of the Nominating Committee, the Board would evaluate and decide on the appointment of the proposed candidate.

The Chairman of the Board would then make an invitation or offer to the proposed/potential candidate to join the Board as a director. With the acceptance of the offer/invitation, the candidate would be appointed as director of the Company.

Annual Assessment of Existing Directors and Board Committees

The director who is subject to re-election and/or re-appointment at next Annual General Meeting shall be assessed by the Nominating Committee before recommendation is made to the Board and shareholders for the re-election and/or re-appointment. Appropriate assessment and recommendation by the Nominating Committee would be based on the yearly assessment conducted.

The Nominating Committee will review and assess the mix of skills expertise, composition, size and experience of the Board members. The Nominating Committee will also review and assess the performance of each individual director, the effectiveness of the Board and the Board Committees.

The Nominating Committee had met to review the mix of skills, experience and qualities of the Board committees and Board members as well as the appropriateness of the size of the Board and concluded that the Board composition was adequately balanced in ensuring continued effectiveness and efficiency.

OVERVIEW STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

The Board does not have term limit for its Independent Directors and is of the view that the independence of the Independent Directors should be judged based on the integrity and objectivity of the Independent Directors in discharging his responsibilities and not be determined solely or arbitrary by their tenure of service. The Board believes that continued contribution will provide stability and benefits to the Board and the Company as a whole, especially their invaluable knowledge of the Group and its operations gained through the years.

General Tan Sri Dato' Sri Hj. Suleiman Bin Mahmud RMAF (Rtd) will be served the Board as Independent Director for 9 years this coming October 2018. The Board would therefore like to seek the approval from the shareholders of the Company at the forthcoming Annual General Meeting to retain General Tan Sri Dato' Sri Hj. Suleiman Bin Mahmud RMAF (Rtd) as Independent Director based on the Board's assessment and justifications:

- (i) he fulfilled the criteria under the definition of Independent Director as stated in the Listing Requirements;
- (ii) he had vast and diverse range of experiences and therefore would be able to provide constructive and independent opinion, judgment and to act in the best interest of the Company and shareholders;
- (iii) he had continued to demonstrate his independence, integrity and due care during Board meetings; and
- (iv) he had not entered into any related party transactions with the Group.

Gender Diversity Policy

The Board has established a gender diversity policy whereby the Company would endeavour to have woman participation on the Board. The Nominating Committee is responsible in ensuring that gender diversity objectives are adopted in board recruitment, board performance evaluation and succession planning processes. At the present moment, the Company has yet to have any female director on Board. If there is any vacancy arises, the Company may invite female candidate if she has the expertise and experience in the related industry to meet the Company's diversity policy.

The Company does not have a formal ethnic and age diversity policy. In its selection of board members, the Board provides equal opportunity to candidates who have the relevant skills, experience, competencies and other qualities vis-à-vis the Group present business portfolios and prospective investments, without bias on race, age or gender.

The Board together with the Nominating Committee will monitor the Company's performance in meeting the diversity policy and shall review the policy and to improve its diversity in the boardroom as and when needed.

Activities of the Nominating Committee

The summary of activities of the Nominating Committee during the financial year is as follows:

- Review the composition, mix of skill and experience and other qualities of the Board.
- Assess the effectiveness of the Board as a whole, the Board committees and the Directors.
- Review the performance of the Audit Committee and their term of office.
- Discuss the Company's Directors' retirement by rotation.

In view of the Group's lean organisational structure, and with the recent appointment of an additional Executive Director, the Nominating Committee is satisfied with the current Board composition and size. The Nominating Committee is of the view that the Board is able to carry out its duties and responsibilities effectively.

OVERVIEW STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

Remuneration Committee

The Remuneration Committee was established on 8 November 2005 to determine and agree with the Board the framework or board policy for the remuneration, in all forms, of the executive directors and/or any other persons as the Remuneration Committee is designated to consider by the Board and getting professional advice as and when necessary, determine and recommend to the Board any performance related pay schemes for the executive directors and/or any other persons as the Committee is designated to consider by the Board and to determine the policy for and scope of service agreements for the executive and non-executive directors, termination payment and compensation commitments.

The members of the Remuneration Committee are as follows:-

Chairman	:	Professor Dr. Sureswaran Ramadass (Independent Non-Executive Director)
Member	:	General Tan Sri Dato' Sri Hj. Suleiman Bin Mahmud RMAF (Rtd) (Independent Non-Executive Director)
	:	Yee Yit Yang (Independent Non-Executive Director)

Remuneration Policy

The Board has established a remuneration policy to facilitate the Remuneration Committee to review, consider and recommend to the Board for decision on the remuneration packages of Executive Directors. The remuneration policy is available at the Company's website www.mlabs.com.

The remuneration of the Executive Directors shall be reviewed by the Remuneration Committee and for their recommendation to the Board for approval. The Executive Directors shall be entitled to participate in the Company's annual cash bonus. The amount of bonus shall be proposed by the Management to the Remuneration Committee for their consideration and recommendation to the Board for approval. Executive Directors shall also be entitled to other benefits provided to employee of the Company and other additional benefits if so proposed by the Remuneration Committee for their consideration and recommendation to the Board for approval.

The remuneration of non-executive directors, which made up of Director fee, meeting allowance and other benefits, if any, is determined by the Board.

Directors Remuneration and Fees

Pursuant to Section 230(1) of the Companies Act 2016, the fees of the directors and any benefits payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting.

The amount of Directors' fee for the financial year ended 31 March 2018 of RM96,000 and the current financial year until the next Annual General Meeting of RM180,000 have been proposed for the shareholders' approval at the forthcoming Annual General Meeting. In addition, shareholders' approval will also be sought at the forthcoming Annual General Meeting for the payment of Directors' benefit (excluding Directors' fees) to the non-executive directors up to an amount of RM18,000 from 1 October 2018 until the next Annual General Meeting of the Company. The amount proposed is calculated based on the number of scheduled Board and Board Committees' meetings on the assumption that all the non-executive directors remain in office till the next Annual General Meeting.

OVERVIEW STATEMENT ON
CORPORATE GOVERNANCE (CONTINUED)

The levels of remuneration of the Executive Directors are structured to attract and retain their services taking into consideration the prevailing market pay and employment conditions within the industry. The Non-Executive Directors are paid reasonable allowances and fees to commensurate with their experience and skills.

The details of remuneration paid or payable to the Directors for the financial year ended 31 March 2018 are:

Received from the Company (RM):

Directors	Fees	Salaries	Bonus	Meeting allowances	Benefits-in-kind / other emoluments	Total
General Tan Sri Dato' Sri Hj. Suleiman bin Mahmud RMAF (Rtd)	38,000	-	-	4,000	-	42,000
Mejar Dato' Ismail Bin Ahmad (R) *	-	-	-	-	-	-
Ong Tee Kein *	-	-	-	-	-	-
Professor Dr. Sureswaran Ramadass	26,000	-	-	3,000	-	29,000
Yee Yit Yang	26,000	-	-	3,000	-	29,000
Tan Sik Eek *	-	-	-	-	-	-

Received from the Group (RM):

Directors	Fees	Salaries	Bonus	Meeting allowances	Benefits-in-kind / other emoluments	Total
General Tan Sri Dato' Sri Hj. Suleiman bin Mahmud RMAF (Rtd)	38,000	-	-	4,000	-	42,000
Mejar Dato' Ismail Bin Ahmad (R) *	-	63,000	-	-	6,500	69,500
Ong Tee Kein *	-	81,000	-	-	6,000	87,000
Professor Dr. Sureswaran Ramadass	32,000	-	-	3,000	-	35,000
Yee Yit Yang	26,000	-	-	3,000	-	29,000
Tan Sik Eek *	-	-	-	-	-	-

Note:

- * The Directors are also the Key Senior Management of the Company.
Mr. Tan Sik Eek was appointed after the financial year end on 6 April 2018.

The details of remuneration of the Key Senior Management for the financial year ended 31 March 2018 are:

	Mejar Dato' Ismail Bin Ahmad (R)	Ong Tee Kein	Chieng Siong Kuong (Demised)
Less than 50,000			√
50,001 to 100,000	√	√	

OVERVIEW STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

Assessment on Independence of Directors

The Code recommends that the Board shall undertake annual assessment of the independence of its independent directors. In line with this recommendation, the Board has outlined a policy to facilitate procedures for the annual independence assessment of the Company's Independent Directors.

Criteria have been set to assess the independence of candidate for directors and existing Directors based on the criteria for an independent director as prescribed in the Listing Requirements.

On an annual basis, the Independent Directors are required to conduct self-assessment and confirm their independence by completing the independence checklist. The Board is satisfied with the assessment outcome of the Independent Directors and the independence demonstrated by the Independent Directors during the Board Meeting and their conduct and judgement during the financial year.

At present, the Board does not have a formal policy to limit the tenure of independent directors to 9 years as the Board believes that continued contribution will provide stability and benefits to the Board and the Company as a whole, especially their invaluable knowledge of the Group and its operations gained through the years. However, the Board is mindful of the recommendations in the Code to ensure effectiveness of independent directors.

Directors' Appointment and Re-election

In accordance with the Company's Constitution, one-third (1/3) of the Directors are subject to retirement by rotation, if their number is not a multiple of three (3), the number nearest to one-third (1/3) with minimum of one (1) shall retire from office. The Directors to retire at each year are the Directors who have been longest in office since their appointment or re-election and all Directors shall retire at least once in every three (3) years. A retiring Director is eligible for re-election. The election of each Director is voted on separately. Under the new Companies Act 2016, Directors over 70 years old are no longer required to stand for reappointment annually.

Any person appointed by the Board either to fill a casual vacancy or as an addition to the existing Directors, shall hold office only until the next Annual General Meeting and shall be eligible for re-election.

The Director who is subject to re-election and/or re-appointment at the next AGM shall be assessed by Nominating Committee before recommendation is made to the Board and shareholders for the re-election and/or re-appointment. Appropriate assessment and recommendation by the Nominating Committee would be based on the yearly assessment conducted.

All appointments of new director to the Board are properly made with an established and transparent procedure and in compliance with the relevant rules of the relevant authorities. Any appointment of additional director will be made as and when it is deemed necessary by the existing Board with due consideration given to the individual's educational and professional background, employment record, whether the individual has any special experience in a relevant area, possession of the required skill and qualification, personal accomplishments, the mix and range of expertise and experience required for an effective Board.

The Board, based on the recommendation of the Nominating Committee, would evaluate and decide on the appointment of the proposed candidate(s).

Criteria have been set to assess the independence of candidate for directors and existing Directors based on the guidelines set out in the Listing Requirements. On an annual basis, the Independent Directors will be requested to confirm their independence by completing the independence checklist.

OVERVIEW STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

Corporate Disclosure Policy

The Group recognises the value of transparent, timely and coherent disclosures of the information. Communication with the investing public and various stakeholders are always on the agenda of the Board for enhancement. The Group adheres to and has formulated a corporate disclosure policy based on disclosure requirements imposed by relevant regulatory bodies, guidelines under the Listing Requirements, recommendation of corporate governance best practices stipulated in the Code. The disclosures made by the Group to the general public through Bursa and the Company's website are with due consultation with our appointed Company Secretaries and/or other external professionals.

Succession Planning

The Board reckoned the importance of succession planning to ensure the sustainability and continuity of the Group. The Board ensuring that all candidates appointed to senior management positions are of sufficient caliber. Succession planning also includes appointing, assessing, training, fixing the compensation of and where appropriate, replacing senior management when necessary.

Whistleblowing Policy

With the objective to provide and facilitate a mechanism for any whistle-blower to report concern about any suspected and/or known misconduct, wrongdoings, corruption, fraud, waste and/or abuse within the Group, the Board has adopted a Whistleblowing Policy and Procedure which clearly spelt out the procedures for reporting of any wrongful activities and wrongdoings within the Group.

For greater transparency and independency, whistle-blowers are directed to report the wrongful activities / wrongdoings directly to the Chairman of the Audit Committee. The Whistleblowing Policy and Procedure is properly communicated to the relevant parties, especially employees of the Group.

(B) EFFECTIVE AUDIT AND RISK MANAGEMENT

Financial Reporting

The Board has a general responsibility for taking the necessary steps to safeguard and enhance the value of shareholders in the Company. The Company, through the accounts, maintains an appropriate and transparent relationship with the external auditors.

The Board is responsible to present a balanced, clear and comprehensive assessment of the Group's financial performance through the quarterly and annual financial statements to shareholders. The Board and the Audit Committee have to ensure that the financial statements are drawn up in accordance with the provisions of the Companies Act 2016 and applicable approved accounting standards in Malaysia.

In presenting the financial statements, the Board has reviewed and ensured that appropriate accounting policies have been used, consistently applied and supported by reasonable judgements and estimates.

In discharging its responsibilities, the Board is assisted by the Audit Committee to ensure accuracy and adequacy of information to be disclosed.

Audit

An Audit Committee is set up to support the Board in overseeing the processes for production of the financial data, reviewing the financial reports and the internal controls of the Company.

The role, functions, responsibilities and activities of the Audit Committee are reported under the Audit Committee Report on pages 26 to 27 of this Annual Report.

OVERVIEW STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

Relationship with External Auditors and Assessment of their Suitability & Independence

The Company has established a formal and transparent arrangement for maintaining appropriate relationships with the Group's auditors, both external and internal. The Audit Committee seeks regular assurance on the effectiveness of the internal control systems through independent appraisal by the auditors. Liaison and unrestricted communication exists between the Audit Committee and the external auditors.

The Company has put in place the policies and procedures to assess the sustainability and independence of external auditors.

The Audit Committee at its meeting held on 25 May 2018 undertook an annual assessment of the suitability and independence of the external auditors in accordance with the Board's Policy and Procedure on Appointment & Evaluation of External Auditors. In its assessment, the AC considered several factors, which included adequacy of experience and resources of the firm and the professional staff assigned to the audit, independence and the level of non-audit services to be rendered by external auditors to the Company for the financial year ended 31 March 2018. The Audit Committee has also obtained written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

In addition, the external auditors will be invited to attend the Company's General Meeting and will be available to answer any questions from the shareholders on the conduct of the statutory audit and the contents of the audited financial statements as well as any corporate exercise undertaken by the Group where the external auditors are involved.

Being satisfied with BDO's performance, technical competency and audit independence as well as fulfilment of criteria as set out in the Company's Policy and Procedure, the Audit Committee recommended the appointment of BDO as external auditors of the Company. The Board at its meeting held on 25 May 2018 approved the recommendation of the Audit Committee for the shareholders' approval to be sought at the Annual General Meeting on the re-appointment of BDO as external auditors of the Company for the ensuing financial year.

Risk Management and Internal Control

The Board recognises the importance of a sound system of internal control for the Group including risk assessment and acknowledges its ultimate responsibilities in maintaining the same. In recognition of the importance of having in place a structured and organised approach to identify and manage appropriately risk factors affecting the Company, a risk management and internal control framework has been established to set out principles of the Company's risk identification and management culture, which provide input of its internal control system.

Another check-and-balance measure in the Company's internal control system is through the conduct of internal audit. The internal audit function is outsourced to an independent professional internal audit services firm which reports directly to the Audit Committee.

Some internal control weaknesses were identified during the financial year under review, all of which have been or are being addressed by the Management. None of these weaknesses has resulted in any material loss that would require disclosure in the Group's financial statement. The Group's state of risk management and internal control is spelt out in the Statement on Risk Management and Internal Control on pages 28 to 30 of this Annual Report 2018.

The cost incurred for the internal audit function for the financial year ended 31 March 2018 is RM8,000.

OVERVIEW STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(C) CORPORATE REPORTING AND RELATION WITH SHAREHOLDERS AND INVESTORS

Communication with Shareholders

The Company has implemented a shareholder communication policy to ensure effective communication with its shareholders and other stakeholders. Communication between the Company and its shareholders are done in the following manner:-

Relationship with Shareholders and Investors

The Board recognises the value of good investor relation and the importance of disseminating information in a fair and equitable manner, the participation of shareholders and investors, both individual and institutional, at Annual General Meeting is encouraged. Such information is disseminated via the Company's annual reports, quarterly financial results and various prescribed announcements made to Bursa Securities from time to time in the Bursa Securities' website at www.bursamalaysia.com.

The Group also maintains a website at www.mlabs.com which provides information, qualitative and quantitative, on the Group's operations and corporate developments.

Any enquiry regarding the Company and its group of companies may be conveyed to the following personnel:-

Mr. Ong Tee Kein / Mejar Dato' Ismail Bin Ahmad (R) / Mr. Tan Sik Eek
(Executive Directors)

Telephone number	:	03-7887 2896
Fax number	:	03-7887 1896
Email	:	enquiry@mlabs.com

General Meeting

The Annual General Meeting represents the principal forum for dialogue and interaction with all the shareholders of the Company. The Company values feedback from its shareholders and encourages them to actively participate in discussion and deliberations.

During the annual and other general meetings, shareholders have direct access to Board members who are on hand to answer their questions, either on specific resolutions or on the Company generally. The Chairman ensures that a reasonable time is provided to the shareholders for discussion at the meeting before each resolution is proposed.

Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf. Announcement will also be made on the detailed results showing the number of votes cast for and against each resolution tabled at the AGM.

(D) COMPLIANCE WITH THE CODE

This Statement is prepared in compliance with the Listing Requirements and it is to be read together with the Corporate Governance Report 2018 of the Company, which is available at Mlabs Systems Berhad website, www.mlabs.com.

AUDIT COMMITTEE REPORT

The Board of Directors of Mlabs Systems Berhad (“Board”) is pleased to present the Audit Committee Report for the financial year ended 31 March 2018.

The purpose of the setting up of the Audit Committee (“AC”) is to assist the Board in discharging its duties to identify principal risks, ensuring the implementation of appropriate systems of internal controls to manage such risks, and that such systems are working effectively to safeguard shareholders’ investment and the long term viability of the Group.

Composition of Audit Committee

The AC comprised three (3) members, all of whom are independent non-executive directors. During the financial year, the composition of the AC was restructured to comply with the principle and practices recommended under the Malaysian Code on Corporate Governance.

The present members of the AC are:-

Chairman	:	Yee Yit Yang Independent Non-Executive Director
Members	:	Professor Dr. Sureswaran Ramadass Independent Non-Executive Director
	:	General Tan Sri Dato’ Sri Hj. Suleiman Bin Mahmud RMAF (Rtd) Independent Non-Executive Director/Chairman

Audit Committee Meetings

For the financial year ended 31 March 2018, three (3) Audit Committee meetings were held. The Executive Directors, other management members, Internal Auditor and External Auditor had also been invited to attend as and when required by the AC. The meeting attendance of each member during the financial year is set out below:-

Committee Members	No. of Meetings Attended
Yee Yit Yang	3/3
General Tan Sri Dato’ Sri Hj. Suleiman Bin Mahmud RMAF (Rtd)	2/3
Professor Dr. Sureswaran Ramadass	3/3

Terms of Reference

The AC had discharged its function and carried out its duties as set out in its Terms of Reference. The Terms of Reference of the AC was enhanced to be in line with the changes to the Listing Requirements on strengthening the role of the AC when reviewing financial statements. The Terms of Reference of the AC is accessible through the Company’s website at www.mlabs.com.

Summary of Activities of the Committee

The activities carried out by the Committee during the financial year ended 31 March 2018 in discharging its duties and responsibilities were as follows:-

- a. Reviewed with the Internal Auditors the Internal Audit Planning scope and plan, and their findings and the management’s response and actions taken.
- b. Reviewed the External Audit Plan for the Company and the Group with the external auditors to ensure the audit scope and activities is adequately covered.

AUDIT COMMITTEE REPORT (CONTINUED)

- c. Reviewed quarterly and annual financial reports for the Company and the Group prior to submission to the Board for consideration and approval.
- d. Reviewed and approved the proposed final audit fees for the external auditors and internal auditors in respect of their audit of the Company and the Group.
- e. Considered the re-appointment of the external auditors.
- f. Met with the external auditors to discuss various issues on the Company, excluding the attendance of the executive members of the committee.
- g. Reviewed the Statement on Risk Management and Internal Control prior to submission to the Board for consideration and approval for insertion into the Annual Report 2018.
- h. Reviewed and verified the allocation and offer of options to eligible persons under the Company's Employees' Share Option Scheme, according to the criteria of the Employees' Share Option Scheme.

Internal Audit Function

In discharging its function, the AC is supported by an internal audit function whose primary responsibility is to evaluate and report on the adequacy and effectiveness of the overall system of the Group's governance, system of internal control structure and the quality of performance in carrying out assigned responsibilities to achieve the its stated goals and objectives. The internal audit function of the Group has been outsourced to Messrs LNB Business Advisory Services Sdn. Bhd., who reports directly to the Committee. The Group incurred RM8,000 of internal audit fees during the financial year ended 31 March 2018.

The firm has conducted ongoing review of the adequacy and effectiveness of the system of internal controls. Some internal control weaknesses were identified during the financial year under review, all of which have been or are being addressed by the management. None of these weaknesses has resulted in any material loss that would require disclosure in the Group's financial statements.

The Statement on Risk Management and Internal Control which provides an overview of the state of internal controls within the Group is furnished on pages 28 to 30 of this Annual Report.

The internal auditors prepare and table the internal audit plan for the consideration and approval of the AC. It conducts independent reviews of the key activities with the Group's operations based on the audit plan approved by the AC.

The areas of audit conducted by the internal auditors during the financial year are as follows:-

MLabs and Subsidiary

- organisation structure & payroll and controls
- fixed assets control
- intercompany transactions and balances

Other Information

The Nominating Committee had at its meeting held in May 2018 reviewed the term of office of the AC Members and assessed the performance of the AC and its members through an annual Board Committee effectiveness assessment. The Nominating Committee is satisfied that the AC and its members discharged their functions, duties and responsibilities in accordance to with the AC's Terms of Reference. The result of the assessment was reported to the Board and the Board is in concurrence with the Nominating Committee with regard to the performance of the AC and its members.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors of MLABS SYSTEMS BERHAD is committed in maintaining a comprehensive and sound system of internal control and effective risk management as part of good corporate governance in line with good practices. This statement is guided by the requirements set out in compliance with Rule 15.26(b) of the ACE Market Listing Requirements issued by Bursa Malaysia Securities Berhad as well as the Malaysian Code on Corporate Governance. In preparation of the Statement it is guided by the Statement on Risk Management and Internal Control - Guidelines for Directors of Listed Issuers endorsed by Bursa Malaysia.

BOARD'S RESPONSIBILITY

The Board affirms its responsibility in implementing and maintaining a adequate risk management and internal control environment to safeguard shareholders' investments and the Group's assets. The Board acknowledges its overall responsibility to review and maintain a sound system of internal controls with consistent integrity designed to manage rather than eliminate the risks to improve the corporate governance process.

The Group recognises any system of internal controls can only provide reasonable and not absolute assurance against material misstatement or loss as it is designed to manage rather than eliminate the risk of failure to achieve the Group's business objectives.

RISK MANAGEMENT FRAMEWORK

The Board has established an on-going Risk Management Framework with the aim of setting guidelines in relation to the level of risks acceptable to the Group. The system of internal controls has been established from the past financial year and is subject to regular reviews by the Board.

The Framework is also designed to ensure proper management of the risks that may impede the achievement of the Group's goals and objectives. Potential risks are discussed in the Board to assess performance of the Group and identify new challenges resulting from the changes in business, industry and business environment and to formulate appropriate action plans.

The Board has received assurance from the Executive Directors that the risk management and internal control system of the Group is operating adequately and efficiently, in all material aspects.

INTERNAL CONTROL FRAMEWORK

The key internal control structures including Audit Committee and Internal Audit are in place to assist the Board for maintaining a proper internal control system.

POLICIES AND PROCEDURES

These are established by the Board and Senior Management ensuring effective and efficient operational and financial processes in compliance with internal control system, and applicable laws and regulations

BOARD GOVERNANCE

The Board has Governance over the Group's operations with regular update on Group's activities and operation on a timely and regular basis through Board meetings. Other Board Committees namely Audit Committee, Remuneration Committee and Nominating Committee are established to assist the Board to execute its governance responsibilities.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

ORGANISATION STRUCTURE

The Group maintains a formal Organisation Structure that includes clear delegation of duties and responsibilities. The Group's business objectives are communicated to the respective staff relating to their roles for which they are accountable to achieve these objectives.

HUMAN RESOURCES POLICY

The Group has established general policies and procedures that govern the recruitment, appointment, performance, compensation and reward mechanism with terms and conditions governing discipline, termination and dismissal of employees.

INTERNAL AUDIT FUNCTION

During the financial year under review, the group has outsourced to an independent consultancy firm to undertake its internal audit functions to provide adequate, effective internal control systems of the group.

The Audit Committee is responsible for reviewing and monitoring adequacy and effectiveness of the system of internal control of the Group. The internal audit plan is developed based on past experience and risk profile and analysis of the Group's business. The internal audit focuses on the risk areas identified in the risk assessment exercise in accordance with the audit plan approved by the Audit Committee. The internal auditors focus on high risk area and ensure that an adequate action plan has in place to improve controls. Therefore risks are mitigated by the controls.

The internal auditor has complete and unrestricted access to all documents and records of the Group deemed necessary in the performance of its function and control processes. The findings of internal audits together with its recommendations and management responses are tabled to Audit Committee. The Audit Committee comments and expectations for corrective actions were communicated to the respective heads of departments and business units. The senior management shall ensure that corrective actions to control weaknesses are implemented within a defined time frame. Follow up audits will report the status of implementation and report to the Audit Committee. These follow up reports and recommendations would strengthen the internal control systems and policies.

The Board has received assurance from the Executive Directors that the Group's risk management and internal control system is operating adequately and effectively. For areas which require improvement, action plans are being developed and implementation dates are monitored by respective Heads of Department.

BOARD ASSESSMENT

In line with the Guidelines, the Executive Directors have provided assurance to the Board that the Group's Risk Management and Internal Control systems are adequate and effective in all material aspects.

The Board will continue to review the Internal Control system and update in line with changes in operating environment and seek regular assurance on the effectiveness of the Internal Control system through independent appraisal by the Internal Auditors. The Board is of the view that the current system of Internal Controls are sufficient to safeguard the shareholders' investment, customers' interests, and the Group's assets.

The Board plays an active role in discussing and reviewing the business plans, strategies performance and risks faced by the Company. Quarterly financial statements are presented to the Board for their review, consideration and approval.

STATEMENT ON
RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.23 of the Ace Market Listing Requirements of Bursa Malaysia Securities Bhd., the External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report of the Group for financial year ended 31 March 2018. The External Auditors' review was performed in accordance with Audit and Assurance Practice Guide ("AAPG") 3 issued by Malaysian Institute of Accountants ("MIA"). The External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that this statement is not prepared, in all material respect, in accordance with the disclosures required by Paragraphs 41 and 42 of the Guidelines , nor is factually inaccurate.

AAPG3 does not require the External Auditors to consider whether the Statement covers all the risks and controls or to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

ADDITIONAL CORPORATE DISCLOSURE

1. Utilisation of Proceeds

On 11 August 2017, the Company had completed the Renounceable Rights Issue by issuance of 373,710,716 new ordinary shares at an issue price of RM0.15 per rights share, together with up to 186,855,358 free detachable warrants of the Company on the basis of two (2) rights shares together with one (1) free Warrant B for every one (1) existing share held by the entitled shareholders of the Company.

The utilisation of the proceeds derived from the Renounceable Rights Issue during the financial year is as follows:-

	Proposed Utilisation (RM'000)	Utilisation up to 31 March 2018 (RM'000)	Balance (RM'000)
Development and marketing for mobile application	10,000	28	9,972
Working capital	5,000	1,588	3,412
Acquisition and/or investment in other complementary businesses and/or assets	40,327	-	40,327
Expenses in relation to the Proposals	730	730	-
Total	56,057	2,346	53,711

2. Audit and Non-Audit Fees

The amount of audit fees incurred for statutory audit services rendered to the Group by the external auditors for the financial year ended 31 March 2018 amounted to RM103,000 of which RM40,000 was incurred by the Company.

The amount of the non-audit fees incurred for services rendered to the Company by the external auditors for the financial year ended 31 March 2018 amounted to RM77,000, the details of which are as follows:

- a) review of Statement on Risk Management and Internal Control, RM5,000
- b) rights issue with warrants exercise, RM60,000
- c) adjustment to warrants 2010/2020, RM12,000

There were no non-audit fees incurred by the subsidiaries.

3. Options, Warrants or Convertible Securities

Employees Share Option Scheme

The Employees Share Option Scheme ("ESOS") was implemented on 28 September 2017 by the Board pursuant to the Company's by-laws.

As at 31 March 2018, the share option movements are as detailed below:-

No of Share Options granted as at 31 March 2018	Share Options Exercised as at 31 March 2018	Share Options Cancelled as at 31 March 2018	No of Share Options outstanding as at 31 March 2018
100,000,000	100,000,000	0	0

ADDITIONAL
CORPORATE DISCLOSURE (CONTINUED)

Directors and Chief Executive	Percentage
Aggregate options granted	None was granted
Aggregate options exercised	None was granted
Aggregate options outstanding	None

Directors and Senior Management	Percentage
Aggregate maximum allocation	80%
Actual percentage of options granted during the financial year	73%
Actual percentage of options granted since the commencement of the ESOS	73%

During the year, there was no ESOS options granted to any of the Executive or Non-Executive Directors.

Warrants A (2010/2020) and Warrants B (2017/2020)

As at 31 March 2018, the numbers of Warrants outstanding are as follows:-

	Conversion price	Outstanding as at 31 March 2018	Expiry Date
Warrants A	RM0.09	76,329,959	26 April 2020
Warrants B	RM0.15	186,855,358	10 September 2020

4. Material Contracts

During the financial year, there was no material contract entered into by the Company or its subsidiary involving interest of Directors and major shareholders of the Company that have not been reflected in the financial statements.

FINANCIAL STATEMENTS

Directors' Report	34 - 39
Statement by Directors	40
Statutory Declaration	40
Independent Auditors' Report	41 - 44
Statements of Financial Position	45 - 46
Statements of Profit or Loss and Other Comprehensive Income	47
Consolidated Statement of Changes In Equity	48 - 49
Statement of Changes In Equity	50
Statements of Cash Flows	51 - 52
Notes to the Financial Statements	53 - 87

DIRECTORS' REPORT

DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 March 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and research and development in mobile application solutions. The principal activities and the details of the subsidiaries are set out in Note 7 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Loss for the financial year	4,040,509	2,743,855
<hr/>		
Attributable to:		
Owners of the parent	3,894,576	2,743,855
Non-controlling interests	145,933	–
	<hr/>	<hr/>
	4,040,509	2,743,855
	<hr/>	

DIVIDENDS

No dividend has been paid, declared or proposed by the Company since the end of the previous financial year. The Board of Directors do not recommend any payment of dividend in respect of the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from 186,866,900 to 670,504,027 by way of issuance of 483,637,127 new ordinary shares pursuant to the following:

- (i) completion of the Rights Issue with Warrants Exercise with the listing and quotation of 373,710,716 new ordinary shares ("Rights Shares") and 186,855,358 warrants on 15 September 2017 on the basis of two (2) Rights Shares together with one (1) free Warrant for every one (1) existing ordinary share held in the Company on 11 August 2017 at the issue price of RM0.15 per Rights Share ("Rights Issue with Warrants" or "Rights Issue"); and

DIRECTORS'
REPORT (CONTINUED)

ISSUE OF SHARES AND DEBENTURES (continued)

During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from 186,866,900 to 670,504,027 by way of issuance of 483,637,127 new ordinary shares pursuant to the following: (continued)

- (ii) 9,926,411 Warrants 2010/2020 exercised at exercise prices ranging from RM0.09 to RM0.10 each for cash which resulted 9,926,411 ordinary shares being allotted and issued; and
- (iii) 100,000,000 options exercised under the Employees' Share Option Scheme ("ESOS") at an exercise price of 7.36 sen per ordinary share for cash.

The newly issued ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company. There were no other issues of shares during the financial year.

The Company did not issue any debentures during the financial year.

EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The Company implements an ESOS for a period of five (5) years until 27 November 2022 ("the option period").

A total of 100,000,000 options had been granted to the eligible employees of the Group at an option price of 7.36 sen per ordinary share. A total of 100,000,000 options had been exercised during the financial year.

There were no options granted to Directors of the Company and its subsidiaries during the financial year.

The salient features and other terms of the ESOS are disclosed in Note 27 to the financial statements.

WARRANTS 2010/2020

The Warrants 2010/2020 ("Warrants A") were constituted under the Deed Poll dated 18 March 2010.

Movement of the Warrants A since the listing and quotation thereof are as follows:

	Number of Warrants
As of 30 April 2010	77,217,750
Exercised in financial year 2018:	
- Exercised before the Rights Issue	(7,091,300)
- Adjustment arising from the Rights Issue	9,038,620
- Exercised subsequent to the Rights Issue	(2,835,111)
<hr/>	
As of 31 March 2018	76,329,959

The salient features and other terms of the Warrants A are disclosed in Note 14(c) to the financial statements.

DIRECTORS'
REPORT (CONTINUED)

WARRANTS 2017/2020

On 15 September 2017, the Company listed and quoted 186,855,358 free detachable Warrants 2017/2020 ("Warrants B") pursuant to the Rights Issue with Warrants Exercise on the basis of one (1) free Warrant B for every two (2) Rights Shares subscribed.

The Warrants B were constituted under the Deed Poll dated 27 July 2017. As at 31 March 2018, the total number of Warrants B that remain unexercised were 186,855,358.

The salient features and other terms of the Warrants B are disclosed in Note 14(d) to the financial statements.

DIRECTORS

The Directors who have held for office since the date of the last report are as follows:

Mlabs Systems Berhad

General Tan Sri Dato' Sri Hj. Suleiman Bin Mahmud RMAF (Rtd)
Mejar Dato' Ismail Bin Ahmad (R)
Ong Tee Kein
Professor Dr. Sureswaran Ramadass
Yee Yit Yang
Tan Sik Eek

(appointed on 6 April 2018)

Subsidiaries of Mlabs Systems Berhad

Mejar Dato' Ismail Bin Ahmad (R)
Professor Dr. Sureswaran Ramadass
Ong Tee Kein

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares of the Company and of its related corporations during the financial year ended 31 March 2018 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

	<----- Number of ordinary shares ----->			
	Balance as at 1.4.2017	Bought	Sold	Balance as at 31.3.2018
Shares in the Company				
Direct interests:				
Ong Tee Kein	–	1,000,000	–	1,000,000
Professor Dr. Sureswaran Ramadass	515,132	–	(180,000)	335,132
Deemed interest:				
Professor Dr. Sureswaran Ramadass [#]	38,299	–	–	38,299

DIRECTORS'
REPORT (CONTINUED)

DIRECTORS' INTERESTS (continued)

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares of the Company and of its related corporations during the financial year ended 31 March 2018 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows: (continued)

	<----- Number of warrants 2010/2020 ----->			
	Balance as at 1.4.2017	Bought	Sold	
Deemed interest:				
Professor Dr. Sureswaran Ramadass#	100	-	-	100

Deemed interest by virtue of shares held by spouse.

None of the other Directors holding office at the end of the financial year held any interest in ordinary shares and options over ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than those benefits included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than certain Directors who received remuneration from the subsidiaries as Directors of the subsidiaries.

There were no arrangements made during and at the end of the financial year, to which the Company is a party, which had the object of enabling the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' REMUNERATION

Fees and other benefits of the Directors who held office during the financial year ended 31 March 2018 are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Fees	96,000	54,000	90,000	48,000
Salaries and other emoluments	166,500	100,000	10,000	-
	262,500	154,000	100,000	48,000

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

There were no indemnity given to or insurance effected for the Directors, officers and auditors of the Group and of the Company during the financial year.

DIRECTORS'
REPORT (CONTINUED)

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

- (c) The Directors are not aware of any circumstances:
- (i) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
 - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) In the opinion of the Directors:
- (i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and
 - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which would or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

DIRECTORS'
REPORT (CONTINUED)**OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (continued)****(III) AS AT THE DATE OF THIS REPORT**

- (e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.
- (f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.
- (g) The Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

AUDITORS

The auditors, BDO, have expressed their willingness to continue in office.

The details of auditors' remuneration of the Company and its subsidiaries for the financial year ended 31 March 2018 are disclosed in Note 23 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors.

.....
Mejar Dato' Ismail Bin Ahmad (R)
Director

Kuala Lumpur
25 July 2018

.....
Ong Tee Kein
Director

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 45 to 87 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2018 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

.....
Mejar Dato' Ismail Bin Ahmad (R)
Director

Kuala Lumpur
25 July 2018

.....
Ong Tee Kein
Director

STATUTORY DECLARATION

I, Ong Tee Kein (CA 18507), being the Director primarily responsible for the financial management of Mlabs Systems Berhad, do solemnly and sincerely declare that the financial statements set out on pages 45 to 87 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed at Kuala Lumpur this)
25 July 2018)

Ong Tee Kein

Before me,
No. W663
Baloo A/L T. Pichai
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MLABS SYSTEMS BERHAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Mlabs Systems Berhad, which comprise the statements of financial position as at 31 March 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 45 to 87.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2018 and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

a. *Impairment assessment of the carrying amounts of property, plant and equipment and product development costs*

As at 31 March 2018, the carrying amount of product development costs of the Group and the Company amounted to RM1,158,000 as disclosed in Note 6 to the financial statements. The carrying amount of property, plant and equipment of the Group amounted to RM1,331,226 as disclosed in Note 5 to the financial statements.

The determination of recoverable amounts requires significant judgement and estimates about the future results and key assumptions applied to cash flow projections in determining the recoverable amounts. In this instance, the recoverable amounts are based on value-in-use.

INDEPENDENT
AUDITORS' REPORT (CONTINUED)
TO THE MEMBERS OF MLABS SYSTEMS BERHAD

Key Audit Matters (continued)

a. *Impairment assessment of the carrying amounts of property, plant and equipment and product development costs (continued)*

Audit response

We have reviewed the assumptions used by management in its impairment assessment of property, plant and equipment and product development costs. Our audit procedures included the following:

- (i) assessed the reasonableness of cash flow forecast and projections by comparison to historical performance and through discussions with management;
- (ii) compared prior period projections to actual outcomes to assess reliability of management forecasting process;
- (iii) evaluated pre-tax discount rate used by comparing to the weighted average cost of capital of the Group and relevant risk factors; and
- (iv) performed sensitivity analysis of our own to stress test the key assumptions in the impairment model.

b. *Recoverability of trade receivables*

As at 31 March 2018, trade receivables of the Group that were past due but not impaired amounted to RM764,677. The details of trade receivables and its credit risk have been disclosed in Note 11 to the financial statements.

Management recognised allowances for impairment losses on trade receivables based on specific known facts or circumstances and customers' abilities to pay, which involved significant management judgement.

Audit response

Our audit procedures included the following:

- (i) checked the recoverability of trade receivables that were past due but not impaired with reference to their ageing profiles and past historical repayment trends;
- (ii) inquired with management regarding the action plans to recover overdue amounts; and
- (iii) checked to cash receipts subsequent to the end of the reporting period for its effect in reducing amounts outstanding as at the end of the reporting period.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT
AUDITORS' REPORT (CONTINUED)
TO THE MEMBERS OF MLABS SYSTEMS BERHAD

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with MFRSs, IFRSs and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT
AUDITORS' REPORT (CONTINUED)
TO THE MEMBERS OF MLABS SYSTEMS BERHAD

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 7 to the financial statements.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

BDO
AF : 0206
Chartered Accountants

Kuala Lumpur
25 July 2018

Tan Seong Yuh
03314/07/2019 J
Chartered Accountant

STATEMENTS OF
FINANCIAL POSITION
AS AT 31 MARCH 2018

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	1,331,226	869,313	7,610	855
Intangible assets	6	1,158,000	1,817,000	1,158,000	1,737,000
Investments in subsidiaries	7	–	–	2	–
Other investment	8	12,851	12,851	–	–
Other receivable	9	300,000	–	–	–
		2,802,077	2,699,164	1,165,612	1,737,855
Current assets					
Inventories	10	697,872	175,740	–	–
Trade receivables	11	1,469,036	2,045,563	–	–
Other receivables	9	16,343,890	192,112	16,011,400	400
Amounts due from subsidiaries	12	–	–	3,332,271	–
Cash, bank balances and short term fund	13	44,882,678	137,552	43,471,640	7,060
		63,393,476	2,550,967	62,815,311	7,460
TOTAL ASSETS		66,195,553	5,250,131	63,980,923	1,745,315
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	14	30,625,981	9,343,345	30,625,981	9,343,345
Reserves	15	35,640,830	(4,394,289)	33,303,538	(7,882,302)
		66,266,811	4,949,056	63,929,519	1,461,043
Non-controlling interests	7	(298,966)	(153,033)	–	–
TOTAL EQUITY		65,967,845	4,796,023	63,929,519	1,461,043

STATEMENTS OF
FINANCIAL POSITION (CONTINUED)
AS AT 31 MARCH 2018

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
LIABILITIES					
Current liabilities					
Trade payables	16	–	1,438	–	–
Other payables	17	216,846	443,808	49,111	138,503
Amounts due to subsidiaries	18	–	–	2	145,478
Amount due to a Director	18	2,800	800	2,000	–
Current tax liabilities		8,062	8,062	291	291
TOTAL LIABILITIES		227,708	454,108	51,404	284,272
TOTAL EQUITY AND LIABILITIES		66,195,553	5,250,131	63,980,923	1,745,315

The accompanying notes form an integral part of the financial statements.

**STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018**

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
Revenue	20	2,104,141	2,512,091	-	-
Cost of sales		(1,332,578)	(1,012,732)	-	-
Gross profit		771,563	1,499,359	-	-
Other income	21	879,940	372,986	839,951	13,982,770
Selling and distribution expenses		(7,100)	(28,985)	-	-
Administrative expenses		(4,465,332)	(1,692,443)	(2,732,318)	(588,236)
Other expenses		(1,219,535)	(517,486)	(851,488)	(14,229,766)
Loss from operations		(4,040,464)	(366,569)	(2,743,855)	(835,232)
Finance costs	22	-	(2,345)	-	-
Loss before tax	23	(4,040,464)	(368,914)	(2,743,855)	(835,232)
Taxation	24	(45)	-	-	-
Loss for the financial year		(4,040,509)	(368,914)	(2,743,855)	(835,232)
Other comprehensive loss, net of tax		-	-	-	-
Total comprehensive loss		(4,040,509)	(368,914)	(2,743,855)	(835,232)
Loss attributable to:					
Owners of the parent		(3,894,576)	(204,899)	(2,743,855)	(835,232)
Non-controlling interests	7	(145,933)	(164,015)	-	-
		(4,040,509)	(368,914)	(2,743,855)	(835,232)
Total comprehensive loss attributable to:					
Owners of the parent		(3,894,576)	(204,899)	(2,743,855)	(835,232)
Non-controlling interests		(145,933)	(164,015)	-	-
		(4,040,509)	(368,914)	(2,743,855)	(835,232)
Loss per share attributable to owners of the parent (sen):					
Basic	25	(0.94)	(0.11)		
Diluted	25	(0.94)	(0.11)		

The accompanying notes form an integral part of the financial statements.

**CONSOLIDATED STATEMENT
OF CHANGES IN EQUITY**
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

Group	Attributable to owners of the parent ----->							
	Share capital RM	Share options reserve RM	Warrants reserve RM	Fair value adjustment reserve RM	Accumulated losses RM	Total equity RM	Non- controlling interests RM	Total equity RM
2018								
Balance as at 1 April 2017	9,343,345	-	-	544	(4,394,833)	4,949,056	(153,033)	4,796,023
Loss for the financial year	-	-	-	-	(3,894,576)	(3,894,576)	(145,933)	(4,040,509)
Other comprehensive loss, net of tax	-	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	(3,894,576)	(3,894,576)	(145,933)	(4,040,509)
Transactions with owners								
Share options granted under ESOS	-	831,414	-	-	-	831,414	-	831,414
Ordinary shares issued pursuant to:								
- ESOS	8,191,414	(831,414)	-	-	-	7,360,000	-	7,360,000
- Rights Issue	12,126,912	-	43,929,695	-	-	56,056,607	-	56,056,607
- Warrants A exercised	964,310	-	-	-	-	964,310	-	964,310
Total transactions with owners	21,282,636	-	43,929,695	-	-	65,212,331	-	65,212,331
Balance as at 31 March 2018	30,625,981	-	43,929,695	544	(8,289,409)	66,266,811	(298,966)	65,967,845

CONSOLIDATED STATEMENT
OF CHANGES IN EQUITY (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

Group	<----- Attributable to owners of the parent ----->					Non- controlling interests RM	Total equity RM
	Share capital RM	Fair value adjustment reserve RM	Accumulated losses RM	Total equity RM			
2017							
Balance as at 1 April 2016	9,343,345	544	(4,189,934)	5,153,955	10,982	5,164,937	
Loss for the financial year	-	-	(204,899)	(204,899)	(164,015)	(368,914)	
Other comprehensive loss, net of tax	-	-	-	-	-	-	
Total comprehensive loss	-	-	(204,899)	(204,899)	(164,015)	(368,914)	
Balance as at 31 March 2017	9,343,345	544	(4,394,833)	4,949,056	(153,033)	4,796,023	

The accompanying notes form an integral part of the financial statements.

STATEMENT OF
CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

Company	Note	<----- Attributable to owners of the parent ----->				Total equity RM
		Share capital RM	Share options reserve RM	Warrants reserve RM	Accumulated losses RM	
2018						
Balance as at 1 April 2017		9,343,345	-	-	(7,882,302)	1,461,043
Loss for the financial year		-	-	-	(2,743,855)	(2,743,855)
Other comprehensive loss, net of tax		-	-	-	-	-
Total comprehensive loss		-	-	-	(2,743,855)	(2,743,855)
Transactions with owners						
Share options granted under ESOS		-	831,414	-	-	831,414
Ordinary shares issued pursuant to:						
- ESOS	14	8,191,414	(831,414)	-	-	7,360,000
- Rights Issue	14	12,126,912	-	43,929,695	-	56,056,607
- Warrants A exercised	14	964,310	-	-	-	964,310
Total transactions with owners		21,282,636	-	43,929,695	-	65,212,331
Balance as at 31 March 2018		30,625,981	-	43,929,695	(10,626,157)	63,929,519

Company	Note	<----- Attributable to owners of the parent ----->				Total equity RM
		Share capital RM	Warrants reserve RM	Accumulated losses RM	Total equity RM	
2017						
Balance as at 1 April 2016		9,343,345	-	(7,047,070)	2,296,275	
Loss for the financial year		-	-	(835,232)	(835,232)	
Other comprehensive income, net of tax		-	-	-	-	
Total comprehensive loss		-	-	(835,232)	(835,232)	
Balance as at 31 March 2017		9,343,345	-	(7,882,302)	1,461,043	

The accompanying notes form an integral part of the financial statements.

STATEMENTS
OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before tax		(4,040,464)	(368,914)	(2,743,855)	(835,232)
Adjustments for:					
Amortisation of intangible assets	6	619,000	233,000	579,000	193,000
Depreciation of property, plant and equipment	5	235,853	152,820	829	45
Impairment losses on:					
- trade receivables	11	-	140,900	-	-
- other receivables	9	10,671	140,094	-	-
- amounts due from subsidiaries	12	-	-	851,488	-
- intangible assets	6	40,000	103,683	-	-
- investments in subsidiaries		-	-	-	200,000
Income distribution from short term fund	21	(839,799)	-	(839,799)	-
Interest expense	22	-	2,345	-	-
Interest income	21	(30,000)	(186)	-	-
Loss/(Gain) on disposal of property, equipment plant and equipment		322,753	(31,000)	-	-
Reversal of impairment losses on:					
- trade receivables	11	(200)	(150,900)	-	-
- other receivables	9	(6,446)	-	-	-
- amounts due from subsidiaries	12	-	-	-	(13,982,770)
Share option granted under ESOS		831,414	-	831,414	-
Write back of trade receivables		-	(140,900)	-	-
Write off of:					
- amounts due from subsidiaries		-	-	-	14,029,766
- bad debts		85,170	228,248	-	-
- inventories	10	88,780	-	-	-
- property, plant and equipment	5	11,874	-	-	-
Operating (loss)/profit before changes in working capital		(2,671,394)	309,190	(1,320,923)	(395,191)
Changes in working capital:					
Inventories		(610,912)	931,796	-	-
Trade and other receivables		(15,964,446)	(1,298,436)	(16,001,000)	-
Trade and other payables		(228,400)	(223,726)	(89,392)	(790)
Cash used in operations		(19,475,152)	(281,176)	(17,411,315)	(395,981)
Interest paid		-	(2,345)	-	-
Tax paid		(45)	-	-	-
Net cash used in operating activities		(19,475,197)	(283,521)	(17,411,315)	(395,981)

STATEMENTS
OF CASH FLOWS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	Note	2018 RM	Group 2017 RM	2018 RM	Company 2017 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Advances from a Director (Advances to)/Repayments from subsidiaries		2,000	–	2,000	–
Advances to a related company		–	–	(4,329,237)	377,004
Income received from short term fund		839,799	–	839,799	–
Interest received		30,000	–	–	–
Proceeds from disposal of property, plant and equipment		–	31,000	–	–
Purchase of property, plant and equipment	5	(1,032,393)	(357,608)	(7,584)	(900)
Net cash (used in)/from investing activities		(160,594)	(326,608)	(3,505,022)	376,104
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issuance of ordinary shares pursuant to:					
- ESOS		7,360,000	–	7,360,000	–
- Rights issue		56,056,607	–	56,056,607	–
- Warrants		964,310	–	964,310	–
Repayments of finance lease liabilities		–	(36,477)	–	–
Net cash from/(used in) financing activities		64,380,917	(36,477)	64,380,917	–
Net increase/(decrease) in cash and cash equivalents		44,745,126	(646,606)	43,464,580	(19,877)
Cash and cash equivalents at beginning of financial year		137,552	784,158	7,060	26,937
Cash and cash equivalents at end of financial year	13	44,882,678	137,552	43,471,640	7,060

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

1. CORPORATE INFORMATION

Mlabs Systems Berhad (“the Company” or “MLABS”) is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the ACE Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at 802, Level 8, Block C, Kelana Square, 17, Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan.

The principal place of business of the Company is located at Lot 10.3, 10th Floor, Menara Lien Hoe, 8, Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan.

The consolidated financial statements for the financial year ended 31 March 2018 comprise the Company and its subsidiaries. These financial statements are presented in Ringgit Malaysia (“RM”), which is also the functional currency of the Company.

The principal activities of the Company are investment holding and research and development mobile application solutions. The principal activities of the subsidiaries are set out in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 25 July 2018.

2. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards (“IFRSs”) and the provisions of the Companies Act 2016 in Malaysia.

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are set out in Note 29(a) to the financial statements.

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

3. OPERATING SEGMENT

For management purposes, 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

Segment performance is evaluated based on operating profit, excluding non-recurring losses.

These policies have been applied constantly throughout the current and previous financial years.

NOTES TO THE
FINANCIAL STATEMENTS (CONTINUED)

31 MARCH 2018

3. OPERATING SEGMENT (continued)

Group 2018	Research and development, and assembling RM	Trading RM	Total segments RM	Adjustments and eliminations RM	Total RM
Revenue					
External customers	1,148,086	956,055	2,104,141	-	2,104,141
Inter-segment	-	-	-	-	-
Total revenue	1,148,086	956,055	2,104,141	-	2,104,141
Results					
Segment (loss)/profit	(5,996,455)	(297,823)	(6,294,278)	2,253,814	(4,040,464)
(Loss)/Profit before tax	(5,996,455)	(297,823)	(6,294,278)	2,253,814	(4,040,464)
Taxation					(45)
Loss for the financial year					(4,040,509)
Other information					
Segment assets	67,588,145	1,999,683	69,587,828	(3,392,275)	66,195,553
Segment liabilities	3,553,048	2,609,817	6,162,865	(5,935,157)	227,708
Capital expenditure	1,028,465	3,928	1,032,393	-	1,032,393
Depreciation and amortisation	813,340	41,513	854,853	-	854,853
Income distribution from short term fund	839,799	-	839,799	-	839,799
Interest income	30,000	-	30,000	-	30,000

NOTES TO THE
FINANCIAL STATEMENTS (CONTINUED)
31 MARCH 2018

3. OPERATING SEGMENT (continued)

Group 2018	Research and development, and assembling RM	Trading RM	Total segments RM	Adjustments and eliminations RM	Total RM
Non-cash items other than depreciation and amortisation:					
Impairment losses on:					
- Amounts due from subsidiaries	851,488	-	851,488	(851,488)	-
- Amounts due from related companies	1,402,326	-	1,402,326	(1,402,326)	-
- Other receivables	10,671	-	10,671	-	10,671
- Intangible assets	-	40,000	40,000	-	40,000
Write off of:					
- Bad debts	-	85,170	85,170	-	85,170
- Inventories	-	88,780	88,780	-	88,780
- Property, plant and equipment	11,874	-	11,874	-	11,874
Loss on disposal of property, plant and equipment	322,753	-	322,753	-	322,753
Reversal of impairment losses on trade receivables	(200)	-	(200)	-	(200)
Reversal of impairment losses on other receivables	(6,446)	-	(6,446)	-	(6,446)

NOTES TO THE
FINANCIAL STATEMENTS (CONTINUED)

31 MARCH 2018

3. OPERATING SEGMENT (continued)

Group 2017	Research and development, and assembling RM	Trading RM	Total segments RM	Adjustments and eliminations RM	Total RM
Revenue					
External customers	1,500,000	1,012,091	2,512,091	-	2,512,091
Inter-segment	-	-	-	-	-
Total revenue	1,500,000	1,012,091	2,512,091	-	2,512,091
Results					
Segment profit/(loss)	13,528,615	(334,725)	13,193,890	(13,560,459)	(366,569)
Finance costs	(2,345)	-	(2,345)	-	(2,345)
Profit/(Loss) before tax	13,526,270	(334,725)	13,191,545	(13,560,459)	(368,914)
Taxation					-
Loss for the financial year					(368,914)
Other information					
Segment assets	5,306,464	1,471,902	6,778,366	(1,528,235)	5,250,131
Segment liabilities	537,200	1,784,213	2,321,413	(1,867,305)	454,108
Capital expenditure	357,608	-	357,608	-	357,608
Depreciation and amortisation	344,765	41,055	385,820	-	385,820
Interest income	186	-	186	-	186

NOTES TO THE
FINANCIAL STATEMENTS (CONTINUED)
31 MARCH 2018

3. OPERATING SEGMENT (continued)

Group 2017	Research and development, and assembling RM	Trading RM	Total segments RM	Adjustments and eliminations RM	Total RM
Other non-cash items					
Impairment losses on:					
- Trade receivables	140,900	-	140,900	-	140,900
- Other receivables	140,094	-	140,094	-	140,094
- Investments in subsidiaries	200,000	-	200,000	(200,000)	-
- Goodwill	-	-	-	103,683	103,683
Write back of trade receivables	(140,900)	-	(140,900)	-	(140,900)
Bad debt written off	120,139	108,109	228,248	-	228,248
Amounts due from subsidiaries written off	14,029,766	-	14,029,766	(14,029,766)	-
Gain on disposal of property, plant and equipment	(31,000)	-	(31,000)	-	(31,000)
Reversal of impairment losses on trade receivables	(150,900)	-	(150,900)	-	(150,900)
Reversal of impairment losses on amounts due from subsidiaries	(13,982,770)	-	(13,982,770)	13,982,770	-

NOTES TO THE
FINANCIAL STATEMENTS (CONTINUED)
31 MARCH 2018

3. OPERATING SEGMENT (continued)

Geographic information

Geographical segment information is not presented as the Group operates predominantly in Malaysia.

Major customers

Customers with revenue equal to or more than ten percent (10%) of revenue of the Group are as follows:

	2018	2017
Customer A	28.3%	-
Customer B	27.8%	-
Customer C	26.4%	23.9%
Customer D	16.9%	1.0%
Customer E	-	27.6%
Customer F	-	19.9%
	99.4%	72.4%

4. CAPITAL AND FINANCIAL RISK MANAGEMENT

(a) Capital management

The primary objectives of capital management of the Group are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debt.

There were no changes in the Group's approach to capital management during the financial year.

Pursuant to the requirements of Guidance Note No. 3/2006 of the Bursa Malaysia Securities Berhad, the Group is required to maintain a shareholders' equity equal to or not less than twenty-five percent (25%) of the issued and paid-up capital of the Company. The Group has complied with this requirement for the financial year ended 31 March 2018.

The Group is not subject to any other externally imposed capital requirements.

(b) Financial risk management

The Group's financial risk management objective is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its credit risk, liquidity and cash flow risk and market risk. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

4. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

Credit risk

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and deposits with licensed banks. The Company's exposure to credit risk arises principally from other receivables, advances to subsidiaries and deposits with licensed banks.

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

Deposits with licensed banks, that are neither past due nor impaired are placed with or entered into with reputable financial institutions.

Exposure to credit risk

The carrying amount of the financial assets recorded on the statements of financial position at the end of the financial year represent the Group's and the Company's maximum exposure to credit risk.

Credit risk concentration profile

The credit risk concentration profiles have been disclosed in Note 11(f) to the financial statements.

Liquidity and cash flow risk

Liquidity risk refers to the risk that the Group or the Company will encounter difficulty in meeting its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's and the Company's funding requirements and liquidity risk is managed with the objective of meeting business obligations on a timely basis. The Group and the Company finance their liquidity through internally generated cash flows and minimise liquidity risk by keeping committed credit lines available.

The analysis of financial instruments by remaining contractual maturities has been disclosed in Notes 16, 17 and 18 to the financial statements.

Market risk

Market risk is the risk that the fair value of future cash flows of the financial instruments of the Group and the Company would fluctuate because of changes in market prices (other than interest or exchange rates).

Short term fund is unit trust fund quoted in Malaysia. This instrument is classified as financial assets designated at fair value through profit or loss.

NOTES TO THE
FINANCIAL STATEMENTS (CONTINUED)
31 MARCH 2018

4. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

Market risk (continued)

At the end of each reporting period, the maximum exposure of the Group and the Company to market risk is represented by the total carrying amount of this financial asset recognised in the statements of financial position, which amounted to RM43,395,566 (2017: RM Nil). There has been no change to the exposure of the Group and the Company to market risk or the manner in which the risk is managed and measured.

Sensitivity analysis for market risk is not presented as the short term fund is subject to insignificant risk of changes in value and the effect is not material.

5. PROPERTY, PLANT AND EQUIPMENT

Group 2018	Balance as at 1.4.2017 RM	Additions RM	Disposals RM	Written off RM	Balance as at 31.3.2018 RM
Cost					
Renovation	385,261	440,800	–	–	826,061
Motor vehicles	375,114	–	–	–	375,114
Furniture, fittings and office equipment	814,286	580,081	(352,094)	(30,509)	1,011,764
Computers	747,646	11,512	–	–	759,158
	2,322,307	1,032,393	(352,094)	(30,509)	2,972,097
Accumulated depreciation					
	Balance as at 1.4.2017 RM	Depreciation charge for the financial year RM	Disposals RM	Written off RM	Balance as at 31.3.2018 RM
Renovation	133,588	62,472	–	–	196,060
Motor vehicles	281,337	75,023	–	–	356,360
Furniture, fittings and office equipment	339,907	85,934	(29,341)	(18,635)	377,865
Computers	698,162	12,424	–	–	710,586
	1,452,994	235,853	(29,341)	(18,635)	1,640,871

NOTES TO THE
FINANCIAL STATEMENTS (CONTINUED)
31 MARCH 2018

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 2017	Balance as at 1.4.2016 RM	Additions RM	Disposal RM	Balance as at 31.3.2017 RM
Cost				
Renovation	385,261	-	-	385,261
Motor vehicles	646,259	-	(271,145)	375,114
Furniture, fittings and office equipment	456,678	357,608	-	814,286
Computers	747,646	-	-	747,646
	2,235,844	357,608	(271,145)	2,322,307

	Balance as at 1.4.2016 RM	Depreciation charge for the financial year RM	Disposal RM	Balance as at 31.3.2017 RM
Accumulated depreciation				
Renovation	96,099	37,489	-	133,588
Motor vehicles	477,459	75,023	(271,145)	281,337
Furniture, fittings and office equipment	311,198	28,709	-	339,907
Computers	686,563	11,599	-	698,162
	1,571,319	152,820	(271,145)	1,452,994

	2018 RM	Group 2017 RM
Carrying amount		
Renovation	630,001	251,673
Motor vehicles	18,754	93,777
Furniture, fittings and office equipment	633,899	474,379
Computers	48,572	49,484
	1,331,226	869,313

NOTES TO THE
FINANCIAL STATEMENTS (CONTINUED)
31 MARCH 2018

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Company 2018	Balance as at 1.4.2017 RM	Additions RM	Balance as at 31.3.2018 RM
Cost			
Office equipment	900	–	900
Computers	–	7,584	7,584
	900	7,584	8,484
	Balance as at 1.4.2017 RM	Depreciation charge for the financial year RM	Balance as at 31.3.2018 RM
Accumulated depreciation			
Office equipment	45	90	135
Computers	–	739	739
	45	829	874
Company 2017	Balance as at 1.4.2016 RM	Additions RM	Balance as at 31.3.2017 RM
Cost			
Office equipment	–	900	900
	Balance as at 1.4.2016 RM	Depreciation charge for the financial year RM	Balance as at 31.3.2017 RM
Accumulated depreciation			
Office equipment	–	45	45

NOTES TO THE
FINANCIAL STATEMENTS (CONTINUED)
31 MARCH 2018

5. PROPERTY, PLANT AND EQUIPMENT (continued)

	Company	
	2018	2017
	RM	RM
Carrying amount		
Office equipment	765	855
Computers	6,845	-
	7,610	855

All items of property, plant and equipment are initially measured at cost. After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write down the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The estimated useful lives represent common life expectancies applied in the various business segments of the Group. The principal depreciation periods used are as follows:

Renovation	4 years
Motor vehicles	5 years
Furniture, fittings and office equipment	10 years
Computers	5 years

The Group assessed whether there were any indicators of impairment during the financial year. In doing this, management considered the current environments and performance of Cash Generating Unit ("CGU").

Management has made estimates about the future results and key assumptions applied to cash flow projections of the CGU in determining their recoverable amount using the value-in-use model. These key assumptions include different budgeted operating profit margin, growth rates as well as determining an appropriate pre-tax discount rate used.

Management has determined that the recoverable amount is in excess of the carrying amount of the property, plant and equipment and no impairment has been recorded in the current financial year.

6. INTANGIBLE ASSETS

	Balance as at 1.4.2017/ 31.3.2018 RM
Group 2018	
Cost	
Goodwill	103,683
Product development costs	6,137,299
Intellectual property	8,835,510
Computer software	2,639,411
Website costs	200,000
	17,915,903

NOTES TO THE
FINANCIAL STATEMENTS (CONTINUED)
31 MARCH 2018

6. INTANGIBLE ASSETS (continued)

Group 2018	Balance as at 1.4.2017 RM	Charge for the financial year RM	Balance as at 31.3.2018 RM
Accumulated amortisation			
Product development costs	3,247,766	579,000	3,826,766
Intellectual property	7,748,346	–	7,748,346
Computer software	2,639,411	–	2,639,411
Website costs	120,000	40,000	160,000
	13,755,523	619,000	14,374,523

	Balance as at 1.4.2017 RM	Charge for the financial year RM	Balance as at 31.3.2018 RM
Accumulated impairment			
Goodwill	103,683	–	103,683
Product development costs	1,152,533	–	1,152,533
Intellectual property	1,087,164	–	1,087,164
Website costs	–	40,000	40,000
	2,343,380	40,000	2,383,380

Group 2017			Balance as at 1.4.2016/ 31.3.2017 RM
Cost			
Goodwill			103,683
Product development costs			6,137,299
Intellectual property			8,835,510
Computer software			2,639,411
Website costs			200,000
			17,915,903

NOTES TO THE
FINANCIAL STATEMENTS (CONTINUED)
31 MARCH 2018

6. INTANGIBLE ASSETS (continued)

Group 2017	Balance as at 1.4.2016 RM	Charge for the financial year RM	Balance as at 31.3.2017 RM
Accumulated amortisation			
Product development costs	3,054,766	193,000	3,247,766
Intellectual property	7,748,346	–	7,748,346
Computer software	2,639,411	–	2,639,411
Website costs	80,000	40,000	120,000
	13,522,523	233,000	13,755,523
	Balance as at 1.4.2016 RM	Charge for the financial year RM	Balance as at 31.3.2017 RM
Accumulated impairment			
Goodwill	–	103,683	103,683
Product development costs	1,152,533	–	1,152,533
Intellectual property	1,087,164	–	1,087,164
	2,239,697	103,683	2,343,380
		2018 RM	2017 RM
Carrying amount			
Goodwill		–	–
Product development costs		1,158,000	1,737,000
Intellectual property		–	–
Computer software		–	–
Website costs		–	80,000
		1,158,000	1,817,000
Company 2018			Balance as at 1.4.2017/ 31.3.2018 RM
Cost			
Product development costs			1,930,000

NOTES TO THE
FINANCIAL STATEMENTS (CONTINUED)
31 MARCH 2018

6. INTANGIBLE ASSETS (continued)

Company 2018	Balance as at 1.4.2017 RM	Charge for the financial year RM	Balance as at 31.3.2018 RM
Accumulated amortisation			
Product development costs	193,000	579,000	772,000
<hr/>			
Company 2017			Balance as at 1.4.2016/ 31.3.2017 RM
Cost			
Product development costs			1,930,000
<hr/>			
	Balance as at 1.4.2016 RM	Charge for the financial year RM	Balance as at 31.3.2017 RM
Accumulated amortisation			
Product development costs	–	193,000	193,000
<hr/>			
		2018 RM	2017 RM
Carrying amount			
Product development costs		1,158,000	1,737,000
<hr/>			

Intangible assets are initially measured at cost. After initial recognition, intangible assets, excluding goodwill are carried at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortised on a straight line basis over the estimated economic useful lives.

Goodwill recognised in a business combination is an asset at the acquisition date and is initially measured at cost. After initial recognition, goodwill is measured at cost less accumulated impairment losses.

(a) Goodwill

An impairment loss on goodwill amounted to RM103,683 relating to a subsidiary, Pacifica Direct Sdn. Bhd., had been recognised in the previous financial year due to declining business operations as a result of intense competition.

6. INTANGIBLE ASSETS (continued)

(b) Product development costs

Product development costs principally comprise internally generated expenditure on development costs on major projects where it is reasonably anticipated that the costs will be recovered through future commercial activity.

Product development costs are amortised on a straight line basis over a period of three (3) years. Product development costs not satisfying the criteria mentioned and expenditure arising from research or from the research phase of internal projects are recognised in profit or loss as incurred.

During the financial year, management had revised the estimated useful life of product development costs from ten (10) years to remaining useful life of three (3) years. The revisions were accounted for prospectively as a change in accounting estimate and as a result, the amortisation charge of the Group for the current financial year has been increased by RM386,000.

Product development costs are tested for impairment annually.

- (i) The Group reviews the carrying amounts of product development costs as at the end of the reporting period to determine whether there is any indication of impairment. If any such indications exists, the assets' recoverable amount in the Cash Generating Unit ("CGU") of research and development, and assembling segment is determined based on its value in use. The value in use is determined by discounting the future cash flows to be generated from the continuing use of the CGU based on financial budgets prepared by management covering a three (3) years period.

The key assumptions used in the value in use calculations are as follows:

- The anticipated average annual revenue growth rates used in the cash flow budgets and plans of the CGU ranged from nil% to 3% (2017: 8% to 10%) per annum for years 2019 to 2021.
- A pre-tax discount rate of 10% (2017: 10%) per annum has been applied in determining the recoverable amount of the CGU.

Based on these assumptions, the Directors are of the view that no impairment loss is required as the recoverable amount determined is higher than the carrying amount of the CGU.

- (ii) The management believes that a reasonable possible change in the key assumptions on which management has based its determination of the CGU's recoverable amount would not cause the CGU's carrying amount to exceed its recoverable amount.

(c) Intellectual property and computer software

Intellectual property and computer software had been fully amortised in financial year 2012.

(d) Website cost

Website cost represents the cost incurred for E-commerce portal for the Company's online sales and treated as intangible asset with finite life and is amortised over its estimated useful life of five (5) years. An impairment loss on website cost amounting to RM40,000 has been recognised during the financial year due to the declining business performance.

NOTES TO THE
FINANCIAL STATEMENTS (CONTINUED)
31 MARCH 2018

7. INVESTMENTS IN SUBSIDIARIES

	Company	
	2018	2017
	RM	RM
Unquoted shares, at cost	7,800,625	7,800,623
Less: Accumulated impairment losses	(7,800,623)	(7,800,623)
	2	-

- (a) Investments in subsidiaries, which are eliminated on consolidation, are stated in the separate financial statements of the Company at cost less impairment losses, if any.

All components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

- (b) Details of the subsidiaries are as follows:

Name of companies	Country of incorporation	Effective equity interest		Principal activities
		2018	2017	
		%	%	
Multimedia Research Lab Sdn. Bhd.	Malaysia	100	100	Business of research and development in multimedia video conferencing system as well as assembling and trading of multimedia video conferencing system and equipment
Pacifica Direct Sdn. Bhd.	Malaysia	51	51	Trading of white goods such as kitchen equipment and appliances
Next Gen Biosciences Sdn. Bhd.	Malaysia	100	100	Dormant
W28 Limited *	Hong Kong	100	-	Dormant, yet to commence commercial operations on e-commerce, e-wallet and e-payment
Edition Assets Sdn. Bhd. *	Malaysia	100	-	Dormant, yet to commence commercial operations on investment in property

NOTES TO THE
FINANCIAL STATEMENTS (CONTINUED)
31 MARCH 2018

7. INVESTMENTS IN SUBSIDIARIES (continued)

(b) Details of the subsidiaries are as follows: (continued)

Name of companies	Country of incorporation	Effective equity interest		Principal activities
		2018 %	2017 %	
Subsidiary of Multimedia Research Lab Sdn. Bhd.				
Gold Dragon Media Sdn. Bhd.	Malaysia	100	–	Activities of holding companies, motion picture, video and television programme production activities as well as wholesale of a variety of goods

* Subsidiaries not audited by BDO Malaysia or BDO member firms.

(i) Subsidiary of the Group that has non-controlling interests ("NCI") are as follows:

Name of company	NCI percentage of ownership interest and voting interest		Loss allocated to NCI		Carrying amount of NCI	
	2018	2017	2018	2017	2018	2017
	%	%	RM	RM	RM	RM
Pacifica Direct Sdn. Bhd.	49	49	(145,933)	(164,015)	(298,966)	(153,033)

(ii) Summarised financial information for the subsidiary that has non-controlling interests that is material to the Group as set out below. The summarised financial information below represents amount before inter-company eliminations.

	Pacifica Direct Sdn. Bhd.	
	2018	2017
	RM	RM
Assets and liabilities		
Non-current assets	6,084	83,669
Current assets	1,993,599	1,388,233
Current liabilities	(2,609,817)	(1,784,213)
Net liabilities	(610,134)	(312,311)

NOTES TO THE
FINANCIAL STATEMENTS (CONTINUED)
31 MARCH 2018

7. INVESTMENTS IN SUBSIDIARIES (continued)

(b) Details of the subsidiaries are as follows: (continued)

(ii) Summarised financial information for the subsidiary that has non-controlling interests that is material to the Group as set out below. The summarised financial information below represents amount before inter-company eliminations. (continued)

	Pacifica Direct Sdn. Bhd.	
	2018	2017
	RM	RM
Results		
Revenue	956,055	1,012,091
Loss for the financial year, representing total comprehensive loss for the financial year	(297,823)	(334,725)
Net cash used in operating activities	(26,769)	(110,189)
Net cash from investing activities	996,632	101,714
Net increase/(decrease) in cash and cash equivalents	969,863	(8,475)

(c) Acquisition and incorporation of subsidiaries during the financial year ended 31 March 2018

(i) Gold Dragon Media Sdn. Bhd. ("GDMSB")

On 3 October 2017, Multimedia Research Lab Sdn. Bhd. ("MRLSB"), a wholly-owned subsidiary of the Company, incorporated GDMSB with a paid-up share capital of RM1 comprising 1 ordinary shares.

On 27 March 2018, MRLSB further subscribed for additional paid-up share capital of RM49,999 comprising 49,999 ordinary shares in GDMSB. Consequently, there was no change in the effective equity interest held by MRLSB in GDMSB.

(ii) W28 Limited ("W28")

On 30 November 2017, the Company had acquired 100% equity interest in W28, representing 1 ordinary share in W28 for a consideration of HKD1 (equivalent to approximately RM1). The acquisition did not have any material impact to the Group.

(iii) Edition Assets Sdn. Bhd. ("EASB")

On 16 January 2018, the Company incorporated EASB with a paid-up share capital of RM1 comprising 1 ordinary share. The incorporation of the subsidiary did not have any material impact to the Group.

NOTES TO THE
FINANCIAL STATEMENTS (CONTINUED)
31 MARCH 2018

8. OTHER INVESTMENT

	2018	Group	2017
	RM		RM
Available-for-sale financial asset			
Non-current			
Quoted investment in Malaysia, at fair value - unit trust funds	12,851		12,851

- (a) All regular way purchase or sale of financial assets shall be recognised or derecognised, as applicable, using trade date accounting.
- (b) Fair value of quoted investment in Malaysia is determined by reference to the exchange quoted money market fund on the reporting date.
- (c) The fair value of quoted investment of the Group is categorised as Level 1 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

9. OTHER RECEIVABLES

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Non-current				
Other receivable	300,000	-	-	-
Current				
Other receivables	263,183	255,460	-	-
Amount due from a related company	-	-	10,000	-
Deposits	17,565,214	1,568,014	17,500,400	1,500,400
Prepayments (Note 11)	179,080	28,000	1,000	-
	18,007,477	1,851,474	17,511,400	1,500,400
Less: Impairment losses	(1,663,587)	(1,659,362)	(1,500,000)	(1,500,000)
Total other receivables (Note 11)	16,643,890	192,112	16,011,400	400

NOTES TO THE
FINANCIAL STATEMENTS (CONTINUED)
31 MARCH 2018

9. OTHER RECEIVABLES (continued)

Reconciliation of movements in impairment losses of other receivables are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
At 1 April	1,659,362	1,519,268	1,500,000	1,500,000
Charge for the financial year	10,671	140,094	–	–
Reversal of impairment losses	(6,446)	–	–	–
At 31 March	1,663,587	1,659,362	1,500,000	1,500,000

- (a) Non-current other receivable is subject to interest rate of 15% per annum and is not repayable within the next twelve (12) months.
- (b) The amount due from a related company represents payments made on behalf, which are interest free, unsecured and repayable on demand in cash and cash equivalents.

10. INVENTORIES

	2018 RM	Group 2017 RM
Finished goods	697,872	175,740

- (a) Inventories are stated at lower of cost and net realisable value.
- (b) Cost of finished goods are determined on a first-in-first-out basis.
- (c) During the financial year, inventories of the Group recognised as cost of sales amounted to RM822,691 (2017: RM960,616). In addition, the amounts recognised in the cost of sales include:

	2018 RM	Group 2017 RM
Inventories written off	88,780	–

NOTES TO THE
FINANCIAL STATEMENTS (CONTINUED)
31 MARCH 2018

11. TRADE RECEIVABLES

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Trade receivables					
- Third parties		1,624,036	2,341,463	-	-
- Related party		-	6,049,472	-	-
		1,624,036	8,390,935	-	-
Less: Impairment losses		(155,000)	(6,345,372)	-	-
Total trade receivables		1,469,036	2,045,563	-	-
Add: Total other receivables	9	16,643,890	192,112	16,011,400	400
Add: Amounts due from subsidiaries	12	-	-	3,332,271	-
Add: Cash ,bank balances and short term fund	13	44,882,678	137,552	43,471,640	7,060
Less: Prepayments	9	(179,080)	(28,000)	(1,000)	-
Total receivables		62,816,524	2,347,227	62,814,311	7,460

- (a) Total receivables are classified as loans and receivables and are measured at amortised cost using the effective interest method.
- (b) Trade receivables are non-interest bearing and the normal trade credit terms ranged from 30 to 180 days (2017: 30 to 180 days). They are recognised at their original invoice amounts, which represent their fair values on initial recognition.
- (c) In the previous financial year, amount due from a related party represented normal trade transactions, which was interest free and was subject to normal credit terms ranged from 30 to 180 days.
- (d) Ageing analysis of trade receivables of the Group are as follows:

	Group	
	2018 RM	2017 RM
Neither past due nor impaired	704,359	1,652,386
Past due but not impaired:		
- 1 to 30 days	-	393,177
- More than 90 days	764,677	-
	764,677	393,177
Past due and impaired	155,000	6,345,372
	1,624,036	8,390,935

NOTES TO THE
FINANCIAL STATEMENTS (CONTINUED)
31 MARCH 2018

11. TRADE RECEIVABLES (continued)

- (d) Ageing analysis of trade receivables of the Group are as follows: (continued)

Trade receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Group.

None of the trade receivables of the Group that are neither past due nor impaired have been renegotiated during the financial year.

Trade receivables that are past due but not impaired

As at 31 March 2018, trade receivables of RM764,677 (2017: RM393,177) were past due but not impaired. Trade receivables of the Group that are past due but not impaired are unsecured in nature and creditworthy reliable. The Group closely monitors the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

Trade receivables that are past due and impaired

Trade receivables of the Group that are past due and individually impaired at the end of each reporting period are as follows:

Group	Individually impaired	
	2018	2017
	RM	RM
Trade receivables, gross	155,000	6,345,372
Less: Impairment losses	(155,000)	(6,345,372)
	-	-

- (e) Reconciliation of movements in impairment losses of trade receivables are as follows:

	Group	
	2018	2017
	RM	RM
At 1 April	6,345,372	6,361,818
Charge for the financial year	-	140,900
Reversal of impairment losses	(200)	(150,900)
Reclassification to other receivables	-	(6,446)
Written off	(6,190,172)	-
At 31 March	155,000	6,345,372

Trade receivables that are individually determined to be impaired at the end of each reporting period relate to those debtors that exhibit significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

NOTES TO THE
FINANCIAL STATEMENTS (CONTINUED)
31 MARCH 2018

11. TRADE RECEIVABLES (continued)

- (f) As at 31 March 2018, the Group had 5 customers (2017: 5 customers) that owed the Group a total amount of approximately RM1,463,000 (2017: RM1,864,000) which accounted for approximately 99.6% (2017: 91.1%) of trade receivables outstanding.
- (g) All receivables are denominated in Ringgit Malaysia.

12. AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2018 RM	2017 RM
Amounts due from subsidiaries	4,196,835	13,076
Less: Impairment losses	(864,564)	(13,076)
Total amounts due from subsidiaries (Note 11)	3,332,271	-

- (a) The amounts due from subsidiaries represents payments made on behalf, which are interest free, unsecured and repayable on demand in cash and cash equivalents.
- (b) The reconciliation of movements in impairment losses of amounts due from subsidiaries are as follows:

	Company	
	2018 RM	2017 RM
At 1 April	13,076	13,995,846
Charge for the financial year	851,488	-
Reversal of impairment losses	-	(13,982,770)
At 31 March	864,564	13,076

13. CASH, BANK BALANCES AND SHORT TERM FUND

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash and bank balances	1,487,112	137,552	76,074	7,060
Short term fund	43,395,566	-	43,395,566	-
Total cash, bank balances and short term fund (Note 11)	44,882,678	137,552	43,471,640	7,060

- (a) Cash, bank balances and short term fund are financial assets that are measured at their fair value.
- (b) Short term fund aims to invest in highly liquid instruments which are investing its assets in deposits with financial institutions in Malaysia and are redeemable with one (1) day notice. This fund is subject to an insignificant risk of changes in value and form part of cash and cash equivalents. Fund distribution income from this fund is tax exempted, is calculated daily and distributed on quarterly basis.

NOTES TO THE
FINANCIAL STATEMENTS (CONTINUED)
31 MARCH 2018

13. CASH, BANK BALANCES AND SHORT TERM FUND (continued)

- (c) For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand and at banks and short term funds with short term maturities and highly liquid investments which have an insignificant risk of changes in value.
- (d) Cash, bank balances and short term fund are denominated in Ringgit Malaysia.

14. SHARE CAPITAL

	Group and Company			
	2018		2017	
	Number of shares	RM	Number of shares	RM
Issued and fully paid				
At 1 April	186,866,900	9,343,345	186,866,900	9,343,345
Issuance of ordinary shares pursuant to:				
ESOS exercised	100,000,000	8,191,414	-	-
Rights issue exercised	373,710,716	12,126,912	-	-
Warrants A exercised	9,926,411	964,310	-	-
At 31 March	670,504,027	30,625,981	186,866,900	9,343,345

- (a) Owners of the parent are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meeting of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.
- (b) During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from 186,866,900 to 670,504,027 by way of issuance of 483,637,127 new ordinary shares pursuant to the following:
- (i) completion of the Rights Issue with Warrants Exercise with the listing and quotation of 373,710,716 new ordinary shares ("Rights Shares") and 186,855,358 warrants on 15 September 2017 on the basis of two (2) Rights Shares together with one (1) free Warrant for every one (1) existing ordinary share held in the Company on 11 August 2017 at the issue price of RM0.15 per Rights Share ("Rights Issue with Warrants" or "Rights Issue"); and
 - (ii) 9,926,411 Warrants 2010/2020 exercised at exercise prices ranging from RM0.09 to RM0.10 each for cash which resulted 9,926,411 ordinary shares being allotted and issued; and
 - (iii) 100,000,000 options exercised under the Employees' Share Option Scheme ("ESOS") at an exercise price of 7.36 sen per ordinary share for cash.

The newly issued ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

NOTES TO THE
FINANCIAL STATEMENTS (CONTINUED)
31 MARCH 2018

14. SHARE CAPITAL (continued)

(c) Warrants 2010/2020 ("Warrants A")

On 26 April 2010, the Company issued renounceable rights of 51,478,500 new ordinary shares together with 77,217,750 free detachable new Warrants on the basis of two (2) rights shares together with three (3) Warrants for every four (4) existing shares of the Company. This exercise price is subject to adjustment in accordance with the basis set out in the deed poll.

The Warrants may be exercised at any time commencing on the date of issue of Warrants on 26 April 2010 but not later than 26 April 2020. Any Warrants which have not been exercised at date of maturity will lapse and cease to be valid for any purpose.

The Warrant holders will not have any voting rights in any general meeting of the Company unless the Warrants are exercised into new ordinary shares and registered prior to the date of the general meeting of the Company.

Movement of the Warrants A since the listing and quotation thereof is as follows:

	Number of Warrants
As of 30 April 2010	77,217,750
Exercised in financial year 2018:	
- Exercised before the Rights Issue	(7,091,300)
- Adjustment arising from the Rights Issue	9,038,620
- Exercised subsequent to the Rights Issue	(2,835,111)
As of 31 March 2018	76,329,959

(d) Warrants 2017/2020 ("Warrants B")

On 11 September 2017, the Company issued renounceable rights of 373,710,716 new ordinary shares together with 186,855,358 free detachable new Warrants on the basis of two (2) rights shares together with one (1) Warrant for every one (1) existing share of the Company. This exercise price is subject to adjustment in accordance with the basis set out in the deed poll.

The Warrants may be exercised at any time commencing on the date of issue of Warrants on 11 September 2017 but not later than 10 September 2020. Any Warrants which have not been exercised at date of maturity will lapse and cease to be valid for any purpose.

The Warrant holders will not have any voting rights in any general meeting of the Company unless the Warrants are exercised into new ordinary shares and registered prior to the date of the general meeting of the Company.

As at 31 March 2018, the total numbers of Warrants that remain unexercised were 186,855,358.

NOTES TO THE
FINANCIAL STATEMENTS (CONTINUED)
31 MARCH 2018

15. RESERVES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Warrants reserve	43,929,695	–	43,929,695	–
Fair value adjustments reserve	544	544	–	–
	43,930,239	544	43,929,695	–
Accumulated losses	(8,289,409)	(4,394,833)	(10,626,157)	(7,882,302)
	35,640,830	(4,394,289)	33,303,538	(7,882,302)

(a) Warrants reserve

Warrants reserve represents the fair value assigned to the Warrants B of RM0.2351 each. The fair value was determined using the Trinomial option pricing model. The Warrants B expired on 10 September 2020. The unexercised Warrants B at the expiry of the warrants period will be transferred to retained earnings.

(b) Fair value adjustment reserve

Fair value adjustment reserve represents the cumulative net change in the fair value of available-for-sale financial assets until they are derecognised or impaired.

16. TRADE PAYABLES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Trade payables				
- Third parties	–	1,438	–	–
Total trade payables	–	1,438	–	–
Total other payables (Note 17)	216,846	443,808	49,111	138,503
Amounts due to subsidiaries	–	–	2	145,478
Amount due to a Director	2,800	800	2,000	–
Total trade and other payables	219,646	446,046	51,113	283,981

(a) Trade and other payables are classified as other financial liabilities, and are measured at amortised cost using effective interest method.

(b) In the previous financial year, trade payables were non interest bearing and the normal trade credit terms granted to the Group ranged from 30 to 60 days.

(c) Maturity profile of the trade payables of the Group at the end of the reporting period based on contractual undiscounted repayment obligations is repayable on demand or within one (1) year.

(d) All payables are denominated in Ringgit Malaysia.

NOTES TO THE
FINANCIAL STATEMENTS (CONTINUED)
31 MARCH 2018

17. OTHER PAYABLES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Other payables	106,512	229,289	6,911	89,303
Accruals	110,334	114,519	42,200	49,200
Refundable deposits	–	100,000	–	–
Total other payables (Note 16)	216,846	443,808	49,111	138,503

Maturity profile of the other payables of the Group and of the Company at the end of the reporting year based on contractual undiscounted repayment obligations is repayable on demand or within one (1) year.

18. AMOUNTS DUE TO SUBSIDIARIES/A DIRECTOR

- (a) Amounts due to subsidiaries/a Director represent payment on behalf, which are interest free, unsecured and repayable on demand in cash and cash equivalents.
- (b) Maturity profile of the amounts due to subsidiaries/a Director of the Group or of the Company at the end of the reporting period based on contractual undiscounted repayment obligations is repayable on demand or within one (1) year.

19. DEFERRED TAX

- (a) The net deferred tax assets and liabilities after appropriate offsetting are as follow:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Deferred tax assets	93,398	119,895	47,480	42,300
Deferred tax liabilities	(93,398)	(119,895)	(47,480)	(42,300)
	–	–	–	–

- (b) Movements and components of deferred tax assets and liabilities prior to offsetting are as follows:

Group	Unutilised tax losses RM	Unabsorbed capital allowances RM	Total RM
Deferred tax assets			
At 1 April 2017	111,171	8,724	119,895
Recognised in profit or loss	(49,107)	22,610	(26,497)
At 31 March 2018	62,064	31,334	93,398

NOTES TO THE
FINANCIAL STATEMENTS (CONTINUED)
31 MARCH 2018

19. DEFERRED TAX (continued)

- (b) Movements and components of deferred tax assets and liabilities prior to offsetting are as follows:
(continued)

Group	Unutilised tax losses RM	Unabsorbed capital allowances RM	Total RM
Deferred tax assets			
At 1 January 2016	36,138	1,560	37,698
Recognised in profit or loss	75,033	7,164	82,197
<hr/>			
At 31 March 2017	111,171	8,724	119,895
<hr/>			

Group	Property, plant and equipment and intangible assets RM
Deferred tax liabilities	
At 1 April 2017	119,895
Recognised in profit or loss	(26,497)
<hr/>	
At 31 March 2018	93,398
<hr/>	
At 1 January 2016	37,698
Recognised in profit or loss	82,197
<hr/>	
At 31 March 2017	119,895
<hr/>	

Company	Unutilised tax losses RM	Unabsorbed capital allowances RM	Total RM
Deferred tax assets			
At 1 April 2017	34,457	7,843	42,300
Recognised in profit or loss	3,208	1,972	5,180
<hr/>			
At 31 March 2018	37,665	9,815	47,480
<hr/>			
At 1 April 2016	–	–	–
Recognised in profit or loss	34,457	7,843	42,300
<hr/>			
At 31 March 2017	34,457	7,843	42,300
<hr/>			

NOTES TO THE
FINANCIAL STATEMENTS (CONTINUED)
31 MARCH 2018

19. DEFERRED TAX (continued)

- (b) Movements and components of deferred tax assets and liabilities prior to offsetting are as follows:
(continued)

Company	Property, plant and equipment and intangible assets RM
Deferred tax liabilities	
At 1 April 2017	42,300
Recognised in profit or loss	5,180
<hr/>	
At 31 March 2018	47,480
<hr/>	
At 1 April 2016	–
Recognised in profit or loss	42,300
<hr/>	
At 31 March 2017	42,300
<hr/>	

- (c) The amounts of temporary differences for which no deferred tax assets have been recognised in the consolidated statement of financial position are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Unabsorbed capital allowances	134,813	39,724	40,894	33,310
Unutilised tax losses	4,115,877	2,686,981	609,231	–
<hr/>				
	4,250,690	2,726,705	650,125	33,310
<hr/>				

Deferred tax assets have not been recognised in respect of these items as it is not probable that taxable profits would be available against which the deductible temporary differences could be utilised.

These temporary differences do not expire under the current tax legislation.

20. REVENUE

	Group	
	2018 RM	2017 RM
Sales of products and services rendered	2,104,141	2,512,091
<hr/>		

NOTES TO THE
FINANCIAL STATEMENTS (CONTINUED)
31 MARCH 2018

20. REVENUE (continued)

(a) Services rendered

Revenue from services rendered is recognised upon performance of services or based on stage of completion, net of sales taxes and discounts, if any, and is measured at the fair value of the consideration receivable.

(b) Sales of products

Revenue from sale of products is recognised when the significant risks and rewards of ownership of the products has been transferred to the customer and where the Group retains no continuing managerial involvement over the products, which coincides with the delivery of products and services and acceptance by customers.

21. OTHER INCOME

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Gain on disposal of property, plant and equipment	–	31,000	–	–
Income distribution from short term fund	839,799	–	839,799	–
Interest income	30,000	186	–	–
Reversal on impairment losses of:				
- amounts due from subsidiaries	–	–	–	13,982,770
- trade receivables	200	150,900	–	–
- other receivables	6,446	–	–	–
Write back of trade receivables	–	140,900	–	–
Others	3,495	50,000	152	–
	879,940	372,986	839,951	13,982,770

22. FINANCE COSTS

	2018 RM	Group 2017 RM
Interest expense on:		
Finance lease liabilities	–	2,345

NOTES TO THE
FINANCIAL STATEMENTS (CONTINUED)
31 MARCH 2018

23. LOSS BEFORE TAX

Other than those disclosed elsewhere in the financial statements, the loss before tax is arrived at:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
After charging:				
Auditors' remuneration:				
- current year	103,000	100,000	40,000	40,000
Loss on disposal of property, plant and equipment	322,753	-	-	-
Rental of:				
- equipment	2,640	2,666	-	-
- premises	145,722	132,845	-	-
- showroom	-	13,000	-	-
- warehouse	44,000	50,700	-	-
Write off of:				
- amounts due from subsidiaries	-	-	-	14,029,766
- bad debts	85,170	228,248	-	-

24. TAXATION

- (a) Malaysian income tax is calculated at the statutory tax rate of 24% (2017: 24%) of the estimated taxable profit for the fiscal year.
- (b) A reconciliations of income tax expense applicable to loss before tax at the statutory income tax rate to income tax expense at the effective income tax rates of the Group and of the Company is as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Loss before tax	(4,040,464)	(368,914)	(2,743,855)	(835,232)
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	(969,711)	(88,539)	(658,525)	(200,456)
Tax effects in respect of:				
Non-allowance expenses	605,550	229,587	510,489	3,556,321
Income not subject to tax	(1,595)	(36,216)	-	(3,355,865)
Deferred tax asset not recognised	365,756	-	148,036	-
Utilisation of previously deferred tax assets	-	(104,832)	-	-
Under provision of tax expense in prior year	-	-	-	-
	45	-	-	-
Income tax expense for the financial year	45	-	-	-

NOTES TO THE
FINANCIAL STATEMENTS (CONTINUED)
31 MARCH 2018

25. LOSS PER ORDINARY SHARE

(a) Basic loss per share

Basic loss per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

	2018	Group 2017
Loss for the financial year attributable to ordinary equity holders of the parent (RM)	(3,894,576)	(204,899)
Weighted average number of ordinary shares in issue (unit)	413,356,390	186,866,900
Basic loss per ordinary share (sen)	(0.94)	(0.11)

(b) Diluted loss per share

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

26. EMPLOYEE BENEFITS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Salaries, wages and bonuses	337,577	162,550	–	–
Directors' remuneration:				
- fees	96,000	54,000	90,000	48,000
- emoluments other than fees	166,500	100,000	10,000	–
Defined contribution plans	36,347	20,114	–	–
Social security contributions	4,726	2,171	–	–
Share options vested under ESOS:				
- other employees	831,414	–	831,414	–
	1,472,564	338,835	931,414	48,000

27. EMPLOYEES' SHARE OPTION SCHEME

During the financial year, the Company implements an ESOS, which is in force for a period of five (5) years until 27 November 2022 ("the option period"). The main features of the ESOS are as follows:

- (a) The ESOS is made available to eligible employees and Executive Directors who are confirmed employees of the Company and its subsidiaries ("the Group") who are employed by the Group and confirmed in service;

27. EMPLOYEES' SHARE OPTION SCHEME (continued)

- (b) The total number of shares offered under the ESOS shall not, in aggregate, exceed 30% of the total number of issued shares of the Company at any point of time during the duration of the ESOS;
- (c) The option price under the ESOS shall be the five-day weighted average market price of the shares as quoted on the Ace Market of Bursa Malaysia Securities Berhad immediately preceding date of the ESOS granted with a discount of not more than 10% if deemed appropriate, or at the par value of the shares, whichever is higher;
- (d) The actual number of shares, which may be offered to any eligible employee shall be at the discretion of the ESOS Committee provided that the number of shares offered are not less than 100 shares and in multiples of 100 shares and are subject to the following:
 - (i) not more than 10% of the aggregate number of shares available under the ESOS shall be allocated to any eligible employees and Executive Director who, either singly or collectively through persons connected with that eligible employees and Executive Director, holds 20% or more of the issued shares of the Company; and
 - (ii) not more than 80% of the ESOS shall be allocated in aggregate to the Executive Directors and senior management personnel of the Company and its subsidiaries.
- (e) ESOS Committee may make more than one ESOS offer to eligible employee and Executive Director provided that the aggregate number of ESOS offered to that eligible employee and Director throughout the entire duration of the ESOS does not exceed the Maximum Allowable Allotment as disclosed in Note 27(d).

Share options exercised during the financial year resulted in the issuance of 100,000,000 ordinary shares at an average price of 7.36 sen. The related weighted average ordinary share price at the date of exercise was 8.00 sen.

28. RELATED PARTY DISCLOSURES

- (a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties could be individuals or other parties.

Related parties of the Group include direct and indirect subsidiaries as disclosed in Note 7 to the financial statements.

- (b) There was no other related party transactions carried out by the Company during the financial year other than disclose elsewhere in the notes to the financial statements.
- (c) Compensation of key management personnel

The key management personnel comprise the Executive Directors of the Group and their remuneration during the financial year are disclosed in Note 26 to the financial statements.

NOTES TO THE
FINANCIAL STATEMENTS (CONTINUED)
31 MARCH 2018

29. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

(a) New MFRSs adopted during the financial year

The Group and the Company adopted the following amendments of the MFRS Framework that were issued by the Malaysian Accounting Standards Board (“MASB”) during the financial year.

Title	Effective Date
Amendments to MFRS 112 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
Amendments to MFRS 107 <i>Disclosure Initiative</i>	1 January 2017
Amendments to MFRS 12 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2017

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company.

(b) New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018

The following are Standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been early adopted by the Group and the Company:

Title	Effective Date
Amendments to MFRS 1 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
Clarification to MFRS 15	1 January 2018
MFRS 9 <i>Financial Instruments (IFRS as issued by IASB in July 2014)</i>	1 January 2018
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 128 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 140 <i>Transfers of Investment Property</i>	1 January 2018
Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	See MFRS 4 Paragraphs 46 and 48
MFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 3 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 11 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 112 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 123 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019

29. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

(b) New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018 (continued)

The following are Standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been early adopted by the Group and the Company: (continued)

Title	Effective Date
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Group and the Company are in the process of assessing the impact of implementing these Amendments and Standards, since the effects would only be observable in future financial years.



ANALYSIS OF SHAREHOLDINGS AS AT 27 JUNE 2018

Issued Shares	:	670,504,027 ordinary shares
Class of Shares	:	Ordinary Shares
Voting rights	:	One vote for one ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of holding	No. of Holders	Total Holdings	% of Holdings
Less than 100	40	1,810	0.00
100 - 1,000	298	204,262	0.03
1,001 - 10,000	753	4,894,978	0.73
10,001 - 100,000	2,205	108,949,283	16.24
100,001 to 33,525,200	966	488,786,994	72.90
33,525,201 and above (5% of issued shares)	1	67,666,700	10.10
Total	4,263	670,504,027	100.00

SUBSTANTIAL SHAREHOLDERS (as per the Register of Substantial Shareholders)

ORDINARY SHARES

Name	Direct Interest	No. of Shares		
		%	Indirect Interest	%
Ace Solution Investments Limited	10,000,000	1.49	–	–
Benjamin Lim Keong Hoe	–	–	10,000,000*	1.49
AsiaBio Capital Sdn. Bhd.	75,100,000	11.20	–	–
Fintec Global Berhad	–	–	75,100,000*	11.20
First United Technology Limited	64,100,000	9.56	–	–
NetX Holdings Berhad	–	–	64,100,000*	9.56

Note:

* Deemed interest by virtue of Section 8 of the Companies Act 2016

DIRECTORS' SHAREHOLDINGS (as per the Register of Directors' Shareholding)

ORDINARY SHARES

Name	Direct Interest	No. of Shares		
		%	Indirect Interest	%
General Dato' Sri Hj. Suleiman bin Mahmud RMAF (Rtd)	–	–	–	–
Professor Dr. Sureswaran Ramadass	335,132	0.05	38,299*	0.006
Ong Tee Kein	1,000,000	0.15	–	–
Mejar Dato' Ismail Bin Ahmad (R)	–	–	–	–
Tan Sik Eek	–	–	–	–
Yee Yit Yang	–	–	–	–

ANALYSIS
OF SHAREHOLDINGS (CONTINUED)
AS AT 27 JUNE 2018

Note:

* *Deemed interest through shares held directly by spouse*

THIRTY LARGEST SHAREHOLDERS

(without aggregating securities from different securities accounts belonging to the same registered holder)

	Name of Shareholder	No. of Shares	% of Shares
1	UOBM Nominees (Tempatan) Sdn Bhd Exempt AN for Sanston Financial Group Limited	67,666,700	10.091
2	HSBC Nominees (Asing) Sdn Bhd Bnp Paribas Secs SVS Paris for Global Prime Partners Ltd	33,000,000	4.921
3	Citigroup Nominees (Asing) Sdn Bhd Exempt An For OCBC Securities Private Limited (Client A/C-NR)	7,040,000	1.049
4	Phang Yee Hoong	6,997,300	1.043
5	Sarawak Information Systems Sdn Bhd	6,750,097	1.006
6	Maybank Nominees (Tempatan) Sdn Bhd Kuek Fook Hai	6,200,000	0.924
7	Becwell Resources Sdn. Bhd.	6,000,000	0.894
8	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For How Bee Hua (E-SJA/BSY)	6,000,000	0.894
9	Pau Yu Tiong	5,968,100	0.890
10	Md.Alfee Bin Ahmad	4,500,000	0.671
11	Sj Sec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chan Sai Kim	4,409,000	0.657
12	Pau Yu Tiong	3,900,000	0.581
13	Tan Chee Seng	3,900,000	0.581
14	Yeoh Kian Chin	3,750,000	0.559
15	Cowan Toh	3,600,000	0.536
16	Affin Hwang Nominees (Asing) Sdn. Bhd. Exempt An for Sanston Financial Group Limited (Account Client)	3,000,000	0.447
17	Affin Hwang Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Cheng Mun Leong (CHE0525C)	3,000,000	0.447
18	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Roopak Singh A/L Raghbir Singh (7001723)	3,000,000	0.447

ANALYSIS
OF SHAREHOLDINGS (CONTINUED)
AS AT 27 JUNE 2018

19	Kenanga Investment Bank Berhad IVT (Edsp-Kca)	3,000,000	0.447
20	Lim Yuan Yuan	3,000,000	0.447
21	Shahidan Bin Mat	3,000,000	0.447
22	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Pau Yu Tiong	2,885,000	0.430
23	Yew Fong Tin	2,600,000	0.387
24	Maybank Nominees (Tempatan) Sdn Bhd Ong Cheng Hooi	2,500,000	0.372
25	Sin Bee Lean	2,350,000	0.350
26	Ding Sow Chan	2,300,000	0.343
27	Lai Yee Voon	2,300,000	0.343
28	Teoh Hin Heng	2,300,000	0.343
29	Kong Kok Keong	2,210,100	0.329
30	Lee Chen Ping	2,200,000	0.328
	Total	209,326,297	31.219

ANALYSIS OF WARRANT HOLDINGS – WARRANT A AS AT 27 JUNE 2018

No. of warrants issued	:	76,329,959
Exercise Price of Warrants	:	RM0.09
Exercise Period of Warrants	:	26 April 2010 to 26 April 2020
Exercise Rights	:	Each warrant entitles the holders to subscribe for one new ordinary share in the Company
Voting Rights at Meetings of Warrant Holders	:	One vote per warrant on a poll

DISTRIBUTION OF WARRANT A HOLDINGS

Size of holding	No. of Holders	Total Holdings	% of Holdings
1 - 99	224	12,132	0.01
100 - 1,000	62	27,819	0.04
1,001 - 10,000	194	915,697	1.20
10,001 - 100,000	399	17,542,024	22.98
100,001 – 3,816,496	189	57,832,287	75.77
3,816,497 and above (5% of issued warrants)	0	0	0
Total	1,068	76,329,959	100.00

DIRECTORS' WARRANT A HOLDINGS (as per the Register of Directors' Warrant A Holding)

WARRANT A

Name	Direct Interest	No. of Warrants		%
		%	Indirect Interest	
Professor Dr. Sureswaran Ramadass	–	–	100*	negligible

Note:

* Deemed interest through warrants held directly by spouse

THIRTY LARGEST WARRANT A HOLDERS (without aggregating securities from different securities accounts belonging to the same registered holder)

Name of Warrant A Holders	No. of Warrants	% of Warrants
1 Maybank Nominees (Tempatan) Sdn Bhd Wong Jing Yin	2,833,237	3.711
2 Loh Hsin Yuan	2,551,513	3.342
3 Lau Ting Hwa	2,269,085	2.972
4 Nuradli Ridzwan Shah Bin Mohd Dali	2,133,000	2.794
5 Becwell Resources Sdn. Bhd.	2,000,000	2.620

ANALYSIS
OF WARRANT HOLDINGS – WARRANT A (CONTINUED)
AS AT 27 JUNE 2018

6	Chang Yoon Koon	1,698,200	2.224
7	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Jamaludin Bin Ismail	1,058,200	1.386
8	Foong Wai Chee	900,300	1.179
9	Yap Kow Chai	787,300	1.031
10	Pek Eng Lam	773,080	1.012
11	HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lean Mun Huat (CCTS)	701,559	0.919
12	Tan Ka Lian	701,000	0.918
13	HLIB Nominees (Tempatan) Sdn Bhd Hong Leong Bank Bhd for Chooi Giap Kee	677,338	0.887
14	Low Choon Chuan	675,691	0.885
15	Sabirin Bin Md Ali	605,155	0.792
16	Chai Tien Teck	564,449	0.739
17	Go Kim Tiang @ Woo Chin Tiang	564,449	0.739
18	Chan Huan Terng	551,559	0.722
19	Foo Lee Seng	551,559	0.722
20	Maybank Nominees (Tempatan) Sdn Bhd Ramle Bin Othman	550,000	0.720
21	Goh Yeh Wei @ Gho Yeh Wei	515,000	0.674
22	Jamaludin Bin Omar	510,070	0.668
23	Abdullah Bin Muda	500,000	0.655
24	CIMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Lee Keong (BTINGGI-CL)	500,000	0.655
25	Yeo Chin Tiong	500,000	0.655
26	Saifullizan Bin Mohd Said	490,000	0.641
27	Kenanga Nominees (Tempatan) Sdn Bhd Rakuten Trade Sdn Bhd for Saravanan A/L Muthusamy	481,400	0.630
28	Lee Soon Long	479,781	0.628
29	Fong Chee Ming	451,559	0.591
30	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ting Hua Kiong (ET)	451,559	0.591
Total:		28,026,043	36.716

ANALYSIS OF WARRANT HOLDINGS – WARRANT B AS AT 27 JUNE 2018

No. of warrants issued	:	186,855,358
Exercise Price of Warrants	:	RM0.15
Exercise Period of Warrants	:	11 September 2017 to 10 September 2020
Exercise Rights	:	Each warrant entitles the holders to subscribe for one new ordinary share in the Company
Voting Rights at Meetings of Warrant Holders	:	One vote per warrant on a poll

DISTRIBUTION OF WARRANT B HOLDINGS

Size of holding	No. of Holders	Total Holdings	% of Holdings
1 - 99	1	50	0.00
100 - 1,000	39	27,950	0.01
1,001 - 10,000	167	1,129,975	0.60
10,001 - 100,000	512	28,057,583	15.02
100,001 – 9,342,766	299	157,639,800	84.37
9,342,767 and above (5% of issued warrants)	0	0	0
Total	1,018	186,855,358	100.0

DIRECTORS' WARRANT HOLDINGS

(As per register of directors' warrant B holdings)

None of the Directors holds any Warrant B

THIRTY LARGEST WARRANT B HOLDERS

(without aggregating securities from different securities accounts belonging to the same registered holder)

Name of Warrant B Holders	No. of Warrants	% of Warrants
1 Lum Yin Mui	7,560,000	4.045
2 Becwell Resources Sdn. Bhd.	7,000,000	3.746
3 Tan Tuan Neo @ Tan Tuan New	4,973,500	2.661
4 Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tay Chwee Kok	4,324,300	2.314
5 Citigroup Nominees (Asing) Sdn Bhd Exempt AN for OCBC Securities Private Limited (Client A/C-NR)	3,500,000	1.873
6 Zarah Binti Yusof	3,200,000	1.712
7 Lim Hun Guan	3,000,400	1.605
8 Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Roopak Singh A/L Raghbir Singh (7001723)	3,000,000	1.605

ANALYSIS
OF WARRANT HOLDINGS – WARRANT B (CONTINUED)
AS AT 27 JUNE 2018

9	Tay Tian Sen	3,000,000	1.605
10	RHB Capital Nominees (Tempatan) Sdn Bhd Teo Hap Kiat (T-LBU1025)	2,700,000	1.444
11	Oh Gaik Im	2,325,000	1.244
12	Ho Kam Fook	2,300,000	1.230
13	Maybank Nominees (Tempatan) Sdn Bhd Tay Chwee Kok	1,976,500	1.057
14	Chan Poh Meng	1,950,000	1.043
15	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mohd Dom Bin Ahmad	1,900,000	1.016
16	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tai Hon Keong (001)	1,900,000	1.016
17	Ng Eng Heng	1,800,000	0.963
18	Ng Kim Lee	1,800,000	0.963
19	Foo Chee Yoong	1,500,000	0.802
20	Low Cheng Kung	1,500,000	0.802
21	Nik Ahmad Kamil Bin Nik Yaacob	1,500,000	0.802
22	Lim Sew Week	1,300,000	0.695
23	Foong Wai Chee	1,250,000	0.668
24	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account - Ambank (M) Berhad for Ng Chee Kin (SMART)	1,200,000	0.642
25	Zen Heritage Capital Sdn Bhd	1,059,000	0.566
26	Kong Chee Seng	1,014,000	0.542
27	Aljafri Bin Wan Ahmad	1,010,000	0.540
28	Abd Hazis Bin Omar	1,000,000	0.535
29	HLIB Nominees (Tempatan) Sdn Bhd Hong Leong Bank Bhd for Tong Yew Ban	1,000,000	0.535
30	Kwan Bang Hing	1,000,000	0.535
	Total:	72,542,700	38.822

NOTICE OF FOURTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fourteenth Annual General Meeting of the Company will be held at Level 4, Menara Lien Hoe, No. 8, Jalan Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on 27 September 2018 at 10.30 a.m. to transact the following businesses: -

AGENDA

- | | |
|---|---------------------------------|
| 1. To lay the Audited Financial Statements of the Company for the financial year ended 31 March 2018 together with the Reports of Directors and Auditors thereon. | (Please refer to Note 1) |
| 2. To approve the payment of Directors' fees of RM96,000 for the financial year ended 31 March 2018. | Ordinary Resolution 1 |
| 3. To approve the payment of Directors' fees of RM180,000 from 1 April 2018 until the next Annual General Meeting of the Company. | Ordinary Resolution 2 |
| 4. To approve the payment of Directors' benefits (excluding Directors' fees) of up to RM18,000 to the Non-Executive Directors with effect from 1 October 2018 until the next Annual General Meeting of the Company. | Ordinary Resolution 3 |
| 5. To re-elect the following directors who retire pursuant to Article 133 of the Company's Constitution:- | |
| 5.1 General Tan Sri Dato' Sri Hj. Suleiman Bin Mahmud RMAF (Rtd) | Ordinary Resolution 4 |
| 5.2 Mejar Dato' Ismail Bin Ahmad (Retired) | Ordinary Resolution 5 |
| 6. To re-elect Tan Sik Eek who retires pursuant to Article 137 of the Company's Constitution. | Ordinary Resolution 6 |
| 7. To re-appoint Messrs BDO as Auditors of the Company and authorise the Directors to determine their remuneration. | Ordinary Resolution 7 |
| 8. Authority to Allot Shares | Ordinary Resolution 8 |
| As Special Business to consider and if thought fit, to pass the following Ordinary Resolution, with or without modifications: - | |
| "THAT subject always to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby authorised pursuant to Section 75 of the Companies Act 2016 to allot shares in the Company at any time until the conclusion of the next Annual General Meeting upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be allotted pursuant to this Resolution does not exceed 10% of the total number of issued shares of the Company for the time being." | |
| 9. Proposed Retention of Independent Non-Executive Director | Ordinary Resolution 9 |
| To consider and if thought fit, to pass the following Ordinary Resolution, with or without modifications:- | |
| "THAT subject to the passing of Ordinary Resolution 4, General Tan Sri Dato' Sri Hj. Suleiman Bin Mahmud RMAF (Rtd) be and is hereby retained as an Independent Non-Executive Director of the Company." | |
| 10. To transact any other business of which due notice shall have been received. | |

NOTICE OF FOURTEENTH
ANNUAL GENERAL MEETING (CONTINUED)

BY ORDER OF THE BOARD

SEOW FEI SAN
LOH LAI LING
Secretaries

Petaling Jaya
Date: 31 July 2018

NOTES:

1. The shareholders' approval on the Audited Financial Statements are not required pursuant to Section 340(1) of the Companies Act 2016 ("Act"), hence, the matter will not be put for voting.
2. Only depositors whose names appear in the Record of Depositors as at 21 September 2018 shall be regarded as members and entitled to attend, speak and vote at the Annual General Meeting.
3. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company and a member may appoint any persons to be his proxy. A proxy appointed to attend and vote at a meeting of a company shall be entitled to vote on any question at any general meeting and have the same rights as the member to speak at the meeting.
4. A member shall be entitled to appoint more than two (2) proxies to attend and vote at the Annual General Meeting. Where a member appoints more than two (2) proxies, the appointment shall be invalid unless the member specifies the proportions of his holding to be represented by each proxy.
5. Where a Member is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
6. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary share in the Company for multiple beneficial owners in one (1) securities account (omnibus account), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
7. The instrument appointing a proxy and the power of attorney or other authority (if any), which it is signed or a notarially certified copy thereof, must be deposited at the Registered Office of the Company at 802, 8th Floor, Block C, Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty eight (48) hours before the time for holding the Annual General Meeting or any adjournment thereof.
8. Explanatory Notes:

Ordinary Resolutions 1 & 2 & 3

Pursuant to Section 230(1) of the Act, the fees of the directors and any benefits payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, the Board agreed that the shareholders' approval shall be sought at the Fourteenth Annual General Meeting ("AGM") on the Directors' fees and benefits in three (3) separate resolutions as below:-

- Ordinary Resolution 1 on payment of Directors' fees for the financial year ended 31 March 2018; and
- Ordinary Resolution 2 on payment of Directors' fees in respect of the current financial year until the next AGM.
- Ordinary Resolution 3 on payment of Director's benefits (excluding Directors' fees) for period from 1 October 2018 until the next AGM.

NOTICE OF FOURTEENTH ANNUAL GENERAL MEETING (CONTINUED)

The Directors' benefits payable to the Directors is essentially includes meeting allowance for Board/Board Committee meeting attended. The Directors' benefits from 1 October 2018 until the conclusion of the next AGM is estimated not to exceed RM18,000. The Board will seek shareholders' approval at the next AGM in the event the amount of the Directors' benefits is insufficient due to an increase in Board/Board Committee meetings and increase in Board size.

Details of the Directors' fees and benefits of the Non-Executive Directors for the financial year ended 31 March 2018 are disclosed in the Overview Statement on Corporate Governance in the Annual Report 2018.

Ordinary Resolution 8 : Authority to Allot Shares

The proposed Ordinary Resolution 8, if passed, will give the Directors of the Company, from the date of the Fourteenth AGM, authority to allot and issue shares from the unissued capital of the Company for such purposes as the Directors may deem fit and in the interest of the Company. The authority, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next AGM of the Company.

As at the date of printing of the Annual Report, no new shares were issued by the Company pursuant to the authority granted to the Directors at the Thirteenth AGM held on 30 August 2017 and the said authority will lapse at the conclusion of the Fourteenth AGM.

This authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions, repayment of bank borrowings, etc.

Ordinary Resolution 9 : Proposed Retention of Independent Non-Executive Director

The proposed Ordinary Resolution 9, if passed, will allow General Tan Sri Dato' Sri Hj. Suleiman Bin Mahmud RMAF (Rtd) to be retained and continue to act as Independent Non-Executive Director of the Company.

The Board through the Nominating Committee ("NC"), has determined that General Tan Sri Dato' Sri Hj. Suleiman Bin Mahmud RMAF (Rtd) has vast and diverse range of experiences and brings the right mix of skills to the Board. As Director, he continues to bring independent and objective judgements to Board deliberations and decision-making process as a whole. The Board therefore, endorsed the NC's recommendation for him to be retained as Independent Director.

The full details of the Board's justifications for the retention of General Tan Sri Dato' Sri Hj. Suleiman Bin Mahmud RMAF (Rtd) are set out in the Overview Statement on Corporate Governance in the Annual Report 2018.

(This page has been intentionally left blank)

No. of ordinary shares held

PROXY FORM

I/We _____ NRIC/Co. No. _____
(Please Use Block Capitals)

of _____
(Full Address)

being a member/members of **MLABS SYSTEMS BERHAD** hereby appoint _____

_____ NRIC No. _____
(Full Name)

of _____
(Full Address)

or failing him/her, _____ NRIC No. _____
(Full Name)

of _____
(Full Address)

as my/our proxy to vote for me/us on my/our behalf at the Fourteenth Annual General Meeting of the Company to be held at Level 4, Menara Lien Hoe, No. 8, Jalan Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on 27 September 2018 at 10.30 a.m. and at any adjournment thereof.

The proxy is to vote on the Resolutions set out in the Notice of the Meeting in the manner as indicated below:

	FOR	AGAINST
Ordinary Resolution 1		
Ordinary Resolution 2		
Ordinary Resolution 3		
Ordinary Resolution 4		
Ordinary Resolution 5		
Ordinary Resolution 6		
Ordinary Resolution 7		
Ordinary Resolution 8		
Ordinary Resolution 9		

(Please indicate with an "X" in the appropriate places. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his discretion, as he will on any other matter arising at the Meeting)

Dated:

CDS ACCOUNT NO.

**Signature/Common Seal
of Shareholder(s)**

Notes:-

1. Only depositors whose names appear in the Record of Depositors as at 21 September 2018 shall be regarded as members and entitled to attend, speak and vote at the Annual General Meeting.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company and a member may appoint any persons to be his proxy. A proxy appointed to attend and vote at a meeting of a company shall be entitled to vote on any question at any general meeting and have the same rights as the member to speak at the meeting.
3. A member shall be entitled to appoint more than two (2) proxies to attend and vote at the Annual General Meeting. Where a member appoints more than two (2) proxies, the appointment shall be invalid unless the member specifies the proportions of his holding to be represented by each proxy.
4. Where a Member is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
5. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary share in the Company for multiple beneficial owners in one (1) securities account (omnibus account), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
6. The instrument appointing a proxy and the power of attorney or other authority (if any), which it is signed or a notarially certified copy thereof, must be deposited at the Registered Office of the Company at 802, 8th Floor, Block C, Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty eight (48) hours before the time for holding the Annual General Meeting or any adjournment thereof.



Please fold here



The Company Secretary
MLABS SYSTEMS BERHAD (No. 653227-V)
802, 8th Floor, Block C
Kelana Square, 17 Jalan SS7/26
47301 Petaling Jaya
Selangor Darul Ehsan

Please fold here



www.MLABS.com