

Unless stated otherwise, all terms and abbreviations used herein shall have the same meanings as those defined in the “Definitions” section of this AP.

No securities will be allotted or issued based on this AP after 6 months from the date of this AP.

THIS AP IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS AP. IF YOU ARE IN DOUBT AS TO THE ACTION YOU SHOULD TAKE, PLEASE CONSULT A PROFESSIONAL ADVISER IMMEDIATELY. All enquiries concerning the Rights Issue, which is the subject matter of this AP, should be addressed to our Share Registrar for the Rights Issue, ShareWorks Sdn. Bhd. at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur (Tel: 03-6201 1120).

This AP has been registered by Bursa Securities. The registration of this AP should not be taken to indicate that Bursa Securities recommends the Rights Issue or assumes responsibility for the correctness of any statement made, opinion expressed or report contained in this AP. Bursa Securities has not, in any way, considered the merits of the Rights Issue. A copy of this AP together with the NPA and RSF (collectively referred to as “**Documents**”) has also been lodged with the Registrar of Companies who takes no responsibility for its contents.

The approval from our shareholders for the Rights Issue has been obtained at our EGM held on 18 March 2024. Bursa Securities had, vide its letter dated 5 February 2024, approved the admission of the Warrants to the Official List of the ACE Market of Bursa Securities and listing of and quotation for the Rights Shares, Warrants and new Mlabs Shares to be issued pursuant to the exercise of the Warrants on the ACE Market of Bursa Securities. However, such admission, listing and quotation are not an indication that Bursa Securities recommends the Rights Issue and are not to be taken as an indication of the merits of the Rights Issue. Bursa Securities takes no responsibility for the correctness of any statement made or opinion expressed in the Documents.

The Documents are only despatched to our Entitled Shareholders whose names appear in our Record of Depositors as at 5.00 p.m. on Tuesday, 2 July 2024 at their registered addresses in Malaysia or who have provided our Share Registrar with a registered address in Malaysia in writing by 5.00 p.m. on Tuesday, 2 July 2024. The Documents are not intended to be (and will not be) issued, circulated or distributed in any countries or jurisdictions other than Malaysia. No action has been or will be taken to ensure that the Rights Issue or the Documents comply with the laws of any countries or jurisdictions other than the laws of Malaysia. The Documents do not constitute an offer, solicitation or invitation to subscribe for the Rights Issue in any jurisdiction other than Malaysia or to any person to whom it may be unlawful to make such an offer, solicitation or invitation. It shall be the sole responsibility of the Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) who are residents in countries or jurisdictions other than Malaysia to consult their legal and/or other professional adviser as to whether their acceptance and/or renunciation/transfer (as the case may be) of their entitlements to the Rights Issue or application for Excess Rights Shares with Warrants would result in the contravention of any laws of such countries or jurisdictions. Such Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) should note the additional terms and restrictions as set out in Section 9 of this AP. Neither our Company, TA Securities nor any other professional advisers to the Rights Issue shall accept any responsibility or liability whatsoever to any party in the event that any acceptance and/or renunciation/transfer (as the case may be) of their entitlements to the Rights Issue or application for Excess Rights Shares with Warrants made by the Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) is or shall become illegal, unenforceable, voidable or void in any such countries or jurisdictions in which the said Entitled Shareholders and/or their renounee(s)/transferee(s) (if applicable) are residents.

Bursa Securities is not liable for any non-disclosure on the part of our Company and takes no responsibility for the contents of this AP, makes no representation as to its accuracy or completeness and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this AP.

FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, PLEASE REFER TO “RISK FACTORS” AS SET OUT IN SECTION 5 OF THIS AP.



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

RENOUNCEABLE RIGHTS ISSUE OF UP TO 217,410,867 NEW ORDINARY SHARES IN MLABS SYSTEMS BERHAD (“RIGHTS SHARES”) ON THE BASIS OF 3 RIGHTS SHARES FOR EVERY 1 EXISTING SHARE HELD AS AT 5.00 P.M. ON 2 JULY 2024 AT AN ISSUE PRICE OF RM0.16 PER RIGHTS SHARE, TOGETHER WITH UP TO 86,964,346 FREE DETACHABLE WARRANTS (“WARRANTS”) ON THE BASIS OF 2 WARRANTS FOR EVERY 5 RIGHTS SHARES SUBSCRIBED FOR (“RIGHTS ISSUE”)

Principal Adviser

TA SECURITIES

AN UNWAVERING COMMITMENT

TA SECURITIES HOLDINGS BERHAD
(Registration No.: 197301001467 (14948-M))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

IMPORTANT RELEVANT DATES AND TIMES

Entitlement date	: Tuesday, 2 July 2024 at 5.00 p.m.
Last date and time for:	
Sale of Provisional Allotments	: Wednesday, 10 July 2024 at 5.00 p.m.
Transfer of Provisional Allotments	: Friday, 12 July 2024 at 4.30 p.m.
Acceptance and payment	: Thursday, 18 July 2024 at 5.00 p.m.
Excess application and payment	: Thursday, 18 July 2024 at 5.00 p.m.

This AP is dated 2 July 2024

UNLESS STATED OTHERWISE, ALL TERMS AND ABBREVIATIONS USED HEREIN SHALL HAVE THE SAME MEANINGS AS THOSE DEFINED IN THE “DEFINITIONS” SECTION OF THIS AP.

OUR DIRECTORS HAVE SEEN AND APPROVED ALL THE DOCUMENTATION RELATING TO THE RIGHTS ISSUE. THEY COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION CONTAINED IN THIS AP. HAVING MADE ALL REASONABLE ENQUIRIES, AND TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THEY CONFIRM THAT THERE ARE NO FALSE OR MISLEADING STATEMENTS OR OTHER FACTS, WHICH IF OMITTED, WOULD MAKE ANY STATEMENT IN THIS AP FALSE OR MISLEADING.

TA SECURITIES, BEING THE PRINCIPAL ADVISER FOR THE RIGHTS ISSUE, ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS AP CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING THE RIGHTS ISSUE.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT A PROFESSIONAL ADVISER IMMEDIATELY.

YOU SHOULD NOTE THAT YOU MAY SEEK RECOURSE UNDER SECTIONS 248, 249 AND 357 OF THE CMSA FOR BREACHES OF SECURITIES LAWS INCLUDING ANY STATEMENT IN THIS AP THAT IS FALSE, MISLEADING, OR FROM WHICH THERE IS A MATERIAL OMISSION, OR FOR ANY MISLEADING OR DECEPTIVE ACT IN RELATION TO THIS AP OR THE CONDUCT OF ANY OTHER PERSON IN RELATION TO OUR COMPANY.

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC ON THE PREMISE OF FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE RIGHTS ISSUE, FOR WHICH ANY PERSON SET OUT IN SECTION 236 OF THE CMSA, IS RESPONSIBLE.

THE DISTRIBUTION OF THE DOCUMENTS IS SUBJECT TO THE LAWS OF MALAYSIA. WE AND OUR ADVISERS TO THE RIGHTS ISSUE ARE NOT RESPONSIBLE FOR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. WE AND OUR ADVISERS TO THE RIGHTS ISSUE HAVE NOT TAKEN ANY ACTION TO PERMIT AN OFFERING OF OUR SECURITIES BASED ON THE DOCUMENTS OR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. THE DOCUMENTS MAY NOT BE USED FOR AN OFFER TO SELL OR AN INVITATION TO BUY OUR SECURITIES IN ANY COUNTRY OR JURISDICTION OTHER THAN MALAYSIA. WE AND OUR ADVISERS TO THE RIGHTS ISSUE REQUIRE YOU TO INFORM YOURSELF OF AND TO OBSERVE SUCH RESTRICTIONS.

THE DOCUMENTS HAVE BEEN PREPARED AND PUBLISHED SOLELY FOR THE RIGHTS ISSUE UNDER THE LAWS OF MALAYSIA. WE AND OUR ADVISERS TO THE RIGHTS ISSUE HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION WHICH IS NOT CONTAINED IN THE DOCUMENTS.

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this AP and the accompanying appendices:

COMPANIES:

“Bursa Depository”	:	Bursa Malaysia Depository Sdn Bhd
“Bursa Securities”	:	Bursa Malaysia Securities Berhad
“Ikhlas”	:	Ikhlas Al Dain Sdn Bhd, a wholly-owned subsidiary of our Company
“Mlabs” or “Company”	:	Mlabs Systems Berhad
“Mlabs Group” or “Group”	:	Mlabs and its subsidiaries, collectively
“TA Securities” or “Principal Adviser”	:	TA Securities Holdings Berhad

GENERAL:

“5D-VWAP”	:	5-day volume weighted average market price
“9M-FPE”	:	9-month financial period ended
“AP”	:	This Abridged Prospectus dated 2 July 2024 in relation to the Rights Issue
“Act”	:	Companies Act 2016
“Board”	:	Board of Directors of our Company
“CDS Account(s)”	:	A securities account established by Bursa Depository for a depositor pursuant to the SICDA and the Rules of Bursa Depository for the recording of deposits of securities and for dealings in such securities by the depositor
“Closing Date”	:	18 July 2024 at 5.00 p.m., being the last date and time for the acceptance of and payment for the Rights Shares with Warrants
“CMSA”	:	Capital Markets and Services Act 2007
“Code”	:	Malaysian Code on Take-overs and Mergers 2016
“Consolidated Share(s)”	:	New consolidated Shares pursuant to the Share Consolidation
“Corporate Exercises”	:	The Share Consolidation and Rights Issue, collectively
“Deed Poll”	:	The deed poll dated 18 June 2024 constituting the Warrants and governing the rights of the Warrant holders
“Director”	:	A natural person who holds a directorship in our Company, whether in an executive or non-executive capacity, and shall have the meaning given in Section 2(1) of the Act and Section 2(1) of the CMSA
“e-RSF”	:	Electronic RSF

DEFINITIONS (CONT'D)

“e-Subscription”	:	Electronic subscription of the Rights Shares with Warrants via our Share Registrar’s Investor Portal at https://www.shareworks.com.my/
“EGM”	:	Extraordinary general meeting of our Company
“Entitled Shareholders”	:	Shareholders whose names appear in the Record of Depositors of our Company as at 5.00 p.m. on the Entitlement Date
“Entitlement Date”	:	2 July 2024 at 5.00 p.m., being the date and time on which the names of our shareholders must be registered in our Company’s Record of Depositors in order to be entitled for the Rights Issue
“EPS”	:	Earnings per Mlabs Share
“ESOS”	:	The employees’ share options scheme of our Company which was implemented on 28 September 2017 for a period of 5 years and subsequently extended for another 5 years until 27 September 2027
“Excess Rights Shares”	:	Rights Shares which are not taken up or not validly taken up by our Entitled Shareholders and/or their renounee(s) and/or transferee(s) before the Closing Date
“Excess Rights Shares Application”	:	Application for additional Rights Shares with Warrants in excess of the Provisional Allotments by the Entitled Shareholders and/or their renounee(s) and/or transferee(s) (if applicable)
“Factoring Business”	:	Our Group’s factoring, development financing, leasing and building credit business
“FYE”	:	Financial year ended/ ending, as the case may be
“Ikhlas Acquisition”	:	Acquisition of the entire equity interest in Ikhlas by our Company which was completed on 14 December 2021
“IMR Report”	:	Independent market research report dated 12 June 2024 prepared by Providence Strategic Partners Sdn Bhd
“IT”	:	Information technology
“LAT”	:	Loss after taxation attributable to the owners of our Company
“LBT”	:	Loss before taxation
“Listing Requirements”	:	ACE Market Listing Requirements of Bursa Securities
“LPD”	:	4 June 2024, being the latest practicable date prior to the printing of this AP
“LPS”	:	Loss per Mlabs Share
“LTD”	:	14 June 2024, being the last trading day prior to the price-fixing date of the issue price of Rights Shares and exercise price of Warrants
“Market Day(s)”	:	A day which Bursa Securities is open for trading in securities

DEFINITIONS (CONT'D)

“Maximum Scenario”	:	Up to 217,410,867 Rights Shares together with up to 86,964,346 Warrants to be issued, based on the following: (i) 72,470,289 Shares in issue as at the LPD; and (ii) all Entitled Shareholders subscribe in full for their entitlements under the Rights Issue
“Minimum Scenario”	:	17,500,000 Rights Shares together with 7,000,000 Warrants to be issued, based on the following: (i) 72,470,289 Shares in issue as at the LPD; and (ii) subscription by the Undertaking Shareholder pursuant to the Undertaking to ensure the Minimum Subscription Level is achieved, and no other Entitled Shareholders subscribe for their entitlements under the Rights Issue
“Minimum Subscription Level”	:	The minimum subscription level to raise a minimum gross proceeds of RM2.80 million from the Rights Issue
“Mlabs Shares” or “Shares”	:	Ordinary shares in our Company
“MSMEs”	:	Micro, small and medium business enterprises
“NA”	:	Net assets attributable to the owners of our Company
“NPA”	:	Notice of provisional allotment in relation to the Rights Issue
“Private Placement”	:	Private placement of 241,568,000 Shares at an issue price of RM0.0360 each which was completed on 14 September 2021
“Provisional Allotment”	:	Rights Shares with Warrants provisionally allotted to the Entitled Holders pursuant to the Rights Issue
“Record of Depositors”	:	A record of securities holders established by Bursa Depository under the Rules of Bursa Depository
“Rights Issue”	:	Renounceable rights issue of up to 217,410,867 Rights Shares on the basis of 3 Rights Shares for every 1 existing Share held on the Entitlement Date, together with up to 86,964,346 Warrants on the basis of 2 Warrants for every 5 Rights Shares subscribed for
“Rights Shares”	:	Up to 217,410,867 new Mlabs Shares to be issued pursuant to the Rights Issue
“RM” and “sen”	:	Ringgit Malaysia and sen, respectively
“RSF”	:	Rights subscription form in relation to the Rights Issue
“Rules”	:	Rules on Take-overs, Mergers and Compulsory Acquisitions
“Rules of Bursa Depository”	:	Rules of Bursa Malaysia Depository Sdn Bhd
“Share Consolidation”	:	Consolidation of every 20 existing Mlabs Shares into 1 Mlabs Share
“Share Registrar”	:	ShareWorks Sdn. Bhd., being the share registrar appointed for the Rights Issue

DEFINITIONS (*CONT'D*)

“SICDA”	:	Securities Industry (Central Depositories) Act, 1991
“TEAP”	:	Theoretical ex-all price
“Undertaking”	:	Unconditional and irrevocable written undertaking dated 25 October 2023 from the Undertaking Shareholder in respect of the Rights Issue
“Undertaking Shareholder”	:	Ong Tee Kein, being the Non-Independent Non-Executive Director of our Company
“Variation”	:	Variation of up to RM8.54 million of the un-utilised proceeds raised from the Private Placement to fund the working capital of the Factoring Business as announced by our Company on 5 April 2023
“Warrants”	:	Up to 86,964,346 free detachable warrants in our Company to be issued pursuant to the Rights Issue
“Warrants C”	:	Warrants in our Company which has expired on 7 December 2023

All references to “we”, “us”, “our” and “ourselves” are to our Company, or where the context requires, our Group.

All references to “you” or “your” in this AP are to the Entitled Shareholders and/or, where the context requires otherwise, their renounee(s) and/or transferee(s) (if applicable).

Words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include a corporation, unless otherwise specified.

Any reference in this AP to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this AP shall be a reference to Malaysian time, unless otherwise specified.

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ADVISERS' DIRECTORY

- PRINCIPAL ADVISER** : **TA Securities Holdings Berhad**
32nd Floor, Menara TA One
22, Jalan P. Ramlee
50250 Kuala Lumpur

Tel : 03-2072 1277
- COMPANY SECRETARIES** : **Chong Voon Wah**
(SSM PC No. 202008001343) (MAICSA 7055003)

Thai Kian Yau
(SSM PC No. 202008001515) (MIA 36921)

Silver Ocean Management Sdn Bhd Sdn Bhd
22-09, Menara 1MK
No. 1 Jalan Kiara, Mont Kiara
50480 Kuala Lumpur
Tel : 03-2856 7333
- DUE DILIGENCE SOLICITORS** : **Messrs. Ching, Elaine & Co**
C-26-5, Dataran 3 Two Square
2, Jalan 19/1
46300 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7664 2141
- AUDITORS AND REPORTING ACCOUNTANTS** : **CAS Malaysia PLT**
201606003206 (LLP0009918-LCA) & (AF 1476)
B-5-1, IOI Boulevard, Jalan Kenari 5
Bandar Puchong Jaya
47170 Puchong
Selangor Darul Ehsan
Tel : 03-8075 2300
- INDEPENDENT RESEARCHER** **MARKET** : **Providence Strategic Partners Sdn Bhd**
67-1, Block D, The Suites, Jaya One
No. 72A, Jalan Prof Diraja Ungku Aziz
46200 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7625 1769

Person-in-charge : Elizabeth Dhoss
Qualification : Bachelor of Business Administration
from the University of Malaya
- SHARE REGISTRAR FOR THE RIGHTS ISSUE** : **ShareWorks Sdn Bhd**
No. 2-1, Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur
Tel : 03-6201 1120
Email: ir@shareworks.com.my
- STOCK EXCHANGE** : ACE Market of Bursa Securities

SUMMARY OF RIGHTS ISSUE

THIS SUMMARY OF RIGHTS ISSUE ONLY HIGHLIGHTS THE KEY INFORMATION FROM OTHER PARTS OF THIS AP. AS THIS SUMMARY DOES NOT CONTAIN ALL INFORMATION THAT MAY BE IMPORTANT TO YOU, YOU SHOULD READ AND UNDERSTAND THE CONTENTS OF THE ENTIRE AP.

Issue size and basis of allotment : The Rights Issue, which is to be undertaken on a renounceable basis, entails the issuance of up to 217,410,867 Rights Shares, at an issue price of RM0.16, on the basis of 3 Rights Shares for every 1 existing Share held by the Entitled Shareholders, together with up to 86,964,346 Warrants on the basis of 2 Warrants for every 5 Rights Shares subscribed for.

Please refer to **Section 2** of this AP for further information.

Issue price of Rights Shares : Our Board has fixed the issue price of the Rights Shares at RM0.16 each.

Please refer to **Section 2.1** of this AP for further information.

Exercise price of Warrants : Our Board has fixed the exercise price of the Warrants at RM0.16 each. The Warrants will be issued at no cost to the Entitled Shareholders and/or their renounee(s)/transferee(s) who successfully subscribe for the Rights Shares.

Please refer to **Section 2.1** of this AP for further information.

Minimum subscription level, Undertaking and underwriting arrangement : Our Board intends to raise minimum gross proceeds of RM2.80 million (i.e., the Minimum Subscription Level) from the Rights Issue.

In order to meet the Minimum Subscription Level, our Board has procured the Undertaking from the Undertaking Shareholder.

The details of the Undertaking, based on the issue price of RM0.16 per Rights Share, are as follows:

Undertaking Shareholder	Direct shareholdings as at the LPD No. of Shares	Subscription pursuant to the Undertaking	
		No. of Rights Shares	
		Entitlement	Excess application
Ong Tee Kein	41,805	125,415	17,374,585

Please refer to **Section 2.2** of this AP for further information.

Usage of proceeds : Based on the issue price of RM0.16 per Rights Share, the Rights Issue is expected to raise gross proceeds of up to approximately RM34.79 million, which is to be utilised by our Group in the following manner:

Purposes	Minimum Scenario (RM'000)	Maximum Scenario (RM'000)	Utilisation timeframe (from listing date of the Rights Shares)
Factoring Business	2,180	34,166	Within 24 months
Estimated expenses for the Corporate Exercises	620	620	Immediately
Total proceeds	2,800	34,786	

Please refer to **Section 4** of this AP for further information.

SUMMARY OF RIGHTS ISSUE (CONT'D)

Rationale for the Rights Issue	<p>: Our Board is of the opinion that the Rights Issue is the most suitable mean to raise funds for our Group at this juncture for purposes as set out in Section 4 of this AP due to the following:</p> <ul style="list-style-type: none"> (a) the proceeds from the issuance of Rights Shares will strengthen the cash flow of our Group and the utilisation of the said proceeds for the Factoring Business are expected to contribute positively to our Group's future earnings and financial performance; (b) the Rights Issue allows our Company to raise at least RM2.80 million, being the Minimum Subscription Level, to part finance the immediate funding requirements of our Group's Factoring Business, while providing an opportunity for our Company to be able to raise funds of up to approximately RM34.79 million under the Maximum Scenario; (c) is a mean for our Company to raise funds expeditiously without incurring interest costs associated with bank borrowings or issuance of debt instruments; (d) involves issuance of new Shares without diluting the Entitled Shareholders' shareholdings, provided that they subscribe in full for their respective entitlements under the Rights Issue; (e) provides an opportunity for the Entitled Shareholders to participate in the equity offering of our Company on a pro-rata basis; (f) will strengthen the capital base of our Company and enhance the overall financial position of our Group; (g) the Warrants which are attached to the Rights Shares are intended to provide an added incentive to the Entitled Shareholders to subscribe for the Rights Shares; and (h) any exercise of the Warrants will also provide our Company with additional funds as and when the Warrants are exercised over the tenure of the Warrants. <p>Please refer to Section 3 of this AP for further information.</p>
Key risk factors	<p>: You should carefully consider the following key risk factors before subscribing for the Rights Issue:</p> <ul style="list-style-type: none"> (a) competition from both new entrants and existing players who offer similar applications, systems, software and technology infrastructure; (b) depend on its ability to continuously innovate and upgrade its applications, systems, software and infrastructure in a timely manner; (c) exposed to cyber security risk; (d) subject to credit risk arising from our clients' default in making repayments for factoring services provided; (e) competition from, amongst others, other licensed factoring house, moneylenders and financial institutions; (f) market prices of the Rights Shares and Warrants are influenced by, amongst others, prevailing market sentiments, volatility of equity markets, liquidity of Mlabs Shares, outlook of industries in which Mlabs operates, changes in regulatory requirements or market conditions, as well as financial performance and fluctuations in our Group's operating results; (g) a delay or failure to implement the Rights Issue; (h) potential dilution of existing shareholders' shareholdings; and (i) no prior market for the Warrants. <p>Please refer to Section 5 of this AP for further information.</p>
Procedures for acceptance and payment	<p>: Acceptance of and payment for the Provisional Allotments and Excess Rights Shares Application must be made by way of RSF enclosed with this AP or by way of e-Subscription via our Share Registrar's Investor Portal at https://www.shareworks.com.my/ and must be completed in accordance with the notes and instructions contained therein.</p> <p>The last day, date and time for acceptance of and payment for the Provisional Allotments and Excess Rights Shares Application is on Thursday, 18 July 2024 at 5.00 p.m.</p> <p>Please refer to Section 9 of this AP for further information.</p>



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

Registered Office:

22-09, Menara 1MK
No. 1 Jalan Kiara, Mont Kiara
50480 Kuala Lumpur

2 July 2024

Board of Directors

General Tan Sri Dato' Sri Hj. Suleiman bin Mahmud RMAF (Rtd) (*Non-Independent Non-Executive Director/Chairman*)
Mejar Dato' Ismail bin Ahmad (R) (*Non-Independent Non-Executive Director*)
Ong Tee Kein (*Non-Independent Non-Executive Director*)
Professor Emeritus Dr. Sureswaran Ramadass (*Independent Non-Executive Director*)
Chuah Hoon Hong (*Independent Non-Executive Director*)
Karina binti Idris Ahmad Shah (*Independent Non-Executive Director*)
Tan Sik Eek (*Executive Director*)

To: Our Entitled Shareholders

Dear Sir/Madam,

RIGHTS ISSUE

1. INTRODUCTION

On 25 October 2023, TA Securities had, on behalf of our Board, announced that our Company proposes to undertake the Corporate Exercises.

Bursa Securities had vide its letter dated 5 February 2024 approved the:

- (i) Share Consolidation;
- (ii) admission of the Warrants to the Official List of the ACE Market of Bursa Securities; and
- (iii) listing of and quotation for the Rights Shares, Warrants and new Mlabs Shares to be issued pursuant to the exercise of the Warrants on the ACE Market of Bursa Securities.

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The approval of Bursa Securities for the above is subject to the following conditions:

	Conditions imposed	Status of compliance
(a)	Our Company and TA Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Share Consolidation and Rights Issue;	<ul style="list-style-type: none"> - Complied for the Share Consolidation. - To be complied with for the Rights Issue.
(b)	Our Company and TA Securities are required to make the relevant announcement pursuant to Rule 6.57(2)(ii) and (iii) of the Listing Requirements pertaining to the Share Consolidation;	
(c)	Our Company and TA Securities are required to inform Bursa Securities upon the completion of the Share Consolidation and Rights Issue;	
(d)	Our Company and TA Securities are required to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Share Consolidation and Rights Issue are completed; and	
(e)	Our Company to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of the Warrants as at the end of each quarter together with a detailed computation of listing fees payable.	To be complied with.

On 18 March 2024, our shareholders had approved the Corporate Exercises at our EGM.

On 4 April 2024, the Share Consolidation had been completed following the listing of and quotation for 72,470,289 Consolidated Shares on the ACE Market of Bursa Securities.

On 18 June 2024, on behalf of our Board, TA Securities had announced the following:

- (i) the fixing of issue price for the Rights Shares at RM0.16 each;
- (ii) the fixing of exercise price for the Warrants at RM0.16 each; and
- (iii) the Entitlement Date together with the other relevant dates pertaining to the Rights Issue;
- (iv) the execution of the Deed Poll by our Company.

No person is authorised to give any information or to make any representation not contained in this AP in connection with the Rights Issue and if given or made, such information or representation must not be relied upon as having been authorised by TA Securities or our Company in connection with the Rights Issue.

YOU ARE ADVISED TO READ, UNDERSTAND AND CONSIDER CAREFULLY THE CONTENTS OF THIS AP WHICH SETS OUT THE DETAILS OF THE RIGHTS ISSUE AND RISK FACTORS ASSOCIATED WITH THE RIGHTS ISSUE. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. RIGHTS ISSUE

The Rights Issue, which is to be undertaken on a renounceable basis, entails the issuance of up to 217,410,867 Rights Shares, at an issue price of RM0.16, on the basis of 3 Rights Shares for every 1 existing Share held by the Entitled Shareholders, together with up to 86,964,346 Warrants on the basis of 2 Warrants for every 5 Rights Shares subscribed for.

The basis of 3 Rights Shares for every 1 existing Share was arrived at after taking into consideration the following:

- (i) the amount of proceeds that our Company wishes to raise as detailed in **Section 4** of this AP; and

- (ii) the rationale for the Rights Issue as set out in **Section 3** of this AP.

The basis of 2 Warrants for every 5 Rights Shares was arrived at after taking into consideration the following:

- (i) Rule 6.51 of the Listing Requirements which stipulates that the listed corporation must ensure that the number of new shares which will arise from the exercise or conversion of all outstanding convertible equity securities does not exceed 50% of the total number of issued shares of the listed corporation (excluding treasury shares and before the exercise of the convertible equity securities) at all times. Please refer to the illustration set out in Note 3 of **Section 7.1** of this AP for further details; and
- (ii) the rationale for the Rights Issue as set out in **Section 3** of this AP.

As at the LPD, our Company has issued share capital of RM110,048,887 comprising 72,470,289 Shares. There are no outstanding share options in our Company pursuant to the ESOS (“**ESOS Options**”) as at the LPD and our Company does not intend to grant any ESOS Options prior to the completion of the Rights Issue.

As at the LPD, our Company does not have any treasury shares.

The Rights Issue will be undertaken based on the following scenarios:

Minimum Scenario	17,500,000 Rights Shares together with 7,000,000 Warrants to be issued, based on the following: (i) 72,470,289 Shares in issue as at the LPD; and (ii) subscription by the Undertaking Shareholder pursuant to the Undertaking to ensure the Minimum Subscription Level for the Rights Issue is achieved, and no other Entitled Shareholders subscribe for their entitlements under the Rights Issue.
Maximum Scenario	Up to 217,410,867 Rights Shares together with up to 86,964,346 Warrants to be issued, based on the following: (i) 72,470,289 Shares in issue as at the LPD; and (ii) all Entitled Shareholders subscribe in full for their entitlements under the Rights Issue.

The actual number of Rights Shares and Warrants to be issued will depend on the total number of issued Shares held by the Entitled Shareholders on the Entitlement Date and the eventual level of subscription for the Rights Issue.

The Rights Shares will be provisionally allotted and issued to the Entitled Shareholders. The entitlements to the Rights Shares are renounceable in full or in part. Accordingly, the Entitled Shareholders may fully or partially renounce their entitlements under the Rights Issue. However, the Rights Shares and the Warrants cannot be renounced separately. If the Entitled Shareholders renounce all of their Rights Shares entitlements, they will not be entitled to any Warrants.

Any fractional entitlements of Rights Shares and Warrants under the Rights Issue will be disregarded and/or dealt with in such manner by our Board in its absolute discretion deem fit or expedient and in the best interests of our Company.

Any unsubscribed Rights Shares with Warrants shall be made available for excess applications by other Entitled Shareholders and/or their renounee(s). Our Board intends to reduce the incidence of odd lots and to allocate any Excess Rights Shares with Warrants in a fair and equitable manner as set out in **Section 9.8** of this AP.

The Warrants are attached to the Rights Shares without any cost and will only be issued to the Entitled Shareholders and/or their renouncee(s) who subscribe for the Rights Shares. Each Warrant will entitle its holder to subscribe for 1 new Share at the exercise price as detailed in **Section 2.1(ii)** of this AP. The Warrants will be immediately detached from the Rights Shares upon issuance and will be traded separately from the Rights Shares on the ACE Market of Bursa Securities. The Warrants will be issued in registered form and constituted by the Deed Poll.

As you are an Entitled Shareholder, your CDS Account will be duly credited with the number of Provisional Allotments which you are entitled to subscribe for in full or in part under the terms of the Rights Issue. You will find enclosed with this AP, the NPA notifying you of the crediting of such Provisional Allotments into your CDS Account and the RSF to enable you to subscribe for the Provisional Allotments as well as to apply for Excess Rights Shares with Warrants if you choose to do so.

Any dealing in our securities will be subject to, amongst others, the provisions of the SICDA, Rules of Bursa Depository and any other relevant legislation. Accordingly, the Rights Shares, Warrants and new Shares to be issued pursuant to the exercise of Warrants will be credited directly into the respective CDS Accounts of the successful applicants and Warrant holders who exercise their Warrants (as the case may be). No physical share certificate and warrant certificate will be issued to the successful applicants of the Rights Shares with Warrants.

Notices of allotment will be issued and despatched to the successful applicants of the Rights Shares with Warrants within 8 Market Days from the Closing Date or such other period as may be prescribed or allowed by Bursa Securities. The Warrants will be admitted to the Official List and listed and quoted on the ACE Market of Bursa Securities within 2 Market Days upon receipt by Bursa Securities of the application for quotation of the Warrants as specified in the Listing Requirements.

2.1 Basis of determining and justification for the issue price of the Rights Shares and exercise price of the Warrants

(i) Issue price of the Rights Shares

Our Board has fixed the issue price of the Rights Shares at RM0.16 each after taking into consideration, amongst others, the following:

- (a) the amount of proceeds that our Company wishes to raise for purposes as set out in **Section 4** of this AP;
- (b) the rationale for the Rights Issue, as set out in **Section 3** of this AP;
- (c) the TEAP of Mlabs Shares based on the 5D-VWAP of Mlabs Shares up to and including the LTD; and
- (d) the Board's intention to fix the issue price of the Rights Share such that the issue price is at a discount of between 5% and 25% to the TEAP of Mlabs Shares.

The issue price of RM0.16 per Rights Share represents a discount of RM0.0122 or approximately 7.08% to the TEAP of Mlabs Shares of RM0.1722, computed based on the 5D-VWAP of Mlabs Shares up to and including the LTD of RM0.2233 and the exercise price of RM0.16 per Warrant.

(ii) Exercise price of the Warrants

Our Board has fixed the exercise price of the Warrants at RM0.16 each after taking into consideration, amongst others, the following:

- (a) the future prospects of our Group as set out in **Section 6.5** of this AP;
- (b) the TEAP of Mlabs Shares based on the 5D-VWAP of Mlabs Shares up to and including the LTD; and
- (c) the Board's intention to fix the exercise price of the Warrants at a discount of between 5% and 25% to the TEAP of Mlabs Shares.

The exercise price of RM0.16 per Warrant represents a discount of RM0.0122 or approximately 7.08% to the TEAP of Mlabs Shares of RM0.1722, computed based on the 5D-VWAP of Mlabs Shares up to and including the LTD of RM0.2233 and the issue price of RM0.16 per Rights Share.

2.2 Minimum subscription level, undertaking and underwriting arrangement

Our Company intends to raise minimum gross proceeds of RM2.80 million (i.e., the Minimum Subscription Level) from the Rights Issue after taking into consideration, amongst others, the funding requirements of our Group as set out in **Section 4** of this AP.

In view of the above, our Board has procured irrevocable written undertaking from the Undertaking Shareholder to subscribe for his entitlement under the Rights Issue as well as to apply for additional Rights Shares not subscribed by other Entitled Shareholders by way of Excess Rights Shares Application, to achieve an aggregate subscription value amounting to RM2.80 million.

Pursuant to the Undertaking, the Undertaking Shareholder:

- (i) will not sell, transfer or dispose of any of his shareholding or otherwise reduce his shareholding in any manner, save for the effect of the Share Consolidation, from the date of such undertaking until the Entitlement Date;
- (ii) will subscribe for his entitlement to the Rights Shares with Warrants and apply for such number of additional Rights Shares not taken up by other Entitled Shareholders by way of Excess Rights Shares Applications for a total subscription amount of up RM2.80 million to meet the Minimum Subscription Level pursuant to the Rights Issue; and
- (iii) confirmed that he has sufficient financial means and resources to fulfil his commitment under the Undertaking.

TA Securities, being the Principal Adviser for the Rights Issue, has verified the sufficiency of financial resources of the Undertaking Shareholder for the purpose of subscribing for the Rights Shares and Excess Rights Shares pursuant to his Undertaking.

As the Minimum Subscription Level will be fully satisfied via the Undertaking, our Company will not procure any underwriting arrangement for the remaining Rights Shares not subscribed for by other Entitled Shareholders.

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The details of the Undertaking, based on the issue price of RM0.16 per Rights Share, are as follows:

Undertaking Shareholder	Direct shareholding		Subscription pursuant to the Undertaking												
	As at the LPD		No. of Rights Shares						Total subscription amount	No. of Warrants					
	No. of Shares	% ⁽¹⁾	Entitlement ⁽²⁾	% ⁽³⁾	Excess application	% ⁽³⁾	Total	% ⁽³⁾	(RM) ⁽⁴⁾	Entitlement	% ⁽⁵⁾	Excess application	% ⁽⁵⁾	Total	% ⁽⁵⁾
Ong Tee Kein	41,805	0.06	125,415	0.72	17,374,585	99.28	17,500,000	100.00	2,800,000	50,166	0.72	6,949,834	99.28	7,000,000	100.00

Notes:

- (1) Based on the issued share capital of 72,470,289 Shares as at the LPD.
- (2) On the basis of 3 Rights Shares for every 1 existing Share.
- (3) Based on 17,500,000 Rights Shares to be issued under the Minimum Scenario.
- (4) Based on the issue price of RM0.16 per Rights Share.
- (5) Based on 7,000,000 Warrants to be issued under the Minimum Scenario.

For illustrative purposes, assuming none of the other Entitled Shareholders subscribe for their entitlements of the Rights Shares with Warrants, the Undertaking Shareholder will be subscribing for a total of 17,500,000 Rights Shares, representing approximately 19.45% of the enlarged issued Shares upon completion of the Rights Issue under the Minimum Scenario, based on the issue price of RM0.16 per Rights Share.

The Undertaking is not expected to result in any breach in the public shareholding spread requirement by our Company under Rule 8.02(1) of the Listing Requirements, which stipulates that a listed corporation must ensure that at least 25% of its total listed shares (excluding any treasury shares) are in the hands of public shareholders, upon completion of the Rights Issue. The public shareholding spread of our Company as at the LPD is approximately 84.15% and is expected to decrease to 67.78% upon completion of the Rights Issue under the Minimum Scenario.

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2.3 Ranking of the Rights Shares and new Mlabs Shares to be issued arising from the exercise of the Warrants

The holders of Warrants will not be entitled to any voting rights or participation in any form of distribution and/or offer of further securities in our Company until and unless they exercise their Warrants into new Shares.

The Rights Shares and new Shares to be issued arising from the exercise of the Warrants shall, upon allotment and issuance, rank equally in all respects with the then existing issued Shares, save and except that the Rights Shares and new Shares to be issued arising from the exercise of the Warrants shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to the shareholders of our Company, the entitlement date of which is prior to the date of allotment and issuance of the Rights Shares and new Shares to be issued arising from the exercise of the Warrants.

2.4 Salient terms of the Warrants

The salient terms of the Warrants are as follows:

- | | | |
|------------------------|---|---|
| Issue price | : | The Warrants will be issued at no cost to the Entitled Shareholders and/or their renounee(s)/transferee(s) who successfully subscribe for the Rights Shares. |
| Issue size | : | Up to 86,964,346 Warrants. |
| Form and detachability | : | The Warrants will be issued in registered form and constituted by the Deed Poll. The Warrants will immediately be detached from the Rights Shares upon allotment and issuance and will be traded separately on the ACE Market of Bursa Securities. |
| Board lot | : | For the purpose of trading on the ACE Market of Bursa Securities, a board lot of Warrants shall be 100 units of Warrants, or such other number of units as may be permitted by Bursa Securities. |
| Tenure of the Warrants | : | 3 years commencing on and including the date of issuance of the Warrants. |
| Expiry Date | | At the close of business at 5.00 p.m. in Kuala Lumpur, on the date immediately preceding the 3 rd anniversary commencing from and inclusive of the date of issuance of the Warrants and if such a day is not a market day, then it shall be the market day immediately preceding the said non-market day. |
| Exercise Period | : | The Warrants may be exercised at any time within a period of 3 years commencing from and including the date of issuance of the Warrants until the close of business at 5.00 p.m. on the Expiry Date. Any Warrants not exercised during the exercise period will thereafter lapse and cease to be valid for any purpose. |
| Exercise Price | : | The exercise price of each Warrant is RM0.16. |
| Subscription rights | : | Each Warrant shall entitle its registered holder to subscribe for 1 new Share at any time during the Exercise Period at the Exercise Price, subject to adjustments under circumstances prescribed in accordance with the provisions of the Deed Poll. |

- Mode of exercise : The holders of the Warrants are required to lodge a subscription form with our Company's Share Registrar, duly completed and signed together with payment by way of banker's draft or cashier's order drawn on a bank operating in Malaysia or a money order or postal order issued by a post office in Malaysia or by way of internet bank transfer or via online platform as detailed in Second Schedule of the Deed Poll for the aggregate of the Exercise Price payable when exercising their Warrants to subscribe for new Shares.
- Adjustments to the Exercise Price and/or the number of Warrants : Subject to the provisions of the Deed Poll, the Exercise Price and/or the number of unexercised Warrants in issue may be subject to adjustments by our Board in consultation with an approved adviser appointed by our Company or the auditors in the event of any alteration in the share capital of our Company at any time during the tenure of the Warrants, whether by way of, amongst others, capitalisation issues, rights issue, bonus issue, consolidation of shares, subdivision of shares or capital reduction exercises, in accordance with the provisions of the Deed Poll. Any adjustment to the Exercise Price will be rounded up to the nearest 1 sen (RM0.01).
- Rights of the Warrant holders : The Warrants holders are not entitled to any voting rights or participation in any form of distribution and/or offer of securities in our Company until and unless such holders of Warrants exercise their Warrants into new Shares.
- The new Shares to be issued pursuant to the exercise of the Warrants shall, upon allotment and issuance, rank equally in all respects with the then existing Shares, save and except that the new Shares to be issued pursuant to the exercise of the Warrants shall not be entitled to any dividends, rights, allotments and/or distributions that may be declared, made or paid to the shareholders, the entitlement date of which is prior to the date of allotment and issuance of the new Shares to be issued pursuant to the exercise of the Warrants.
- Rights of the Warrant holders in the event of winding up, liquidation, compromise and/or arrangement : Where a resolution has been passed for a members' voluntary winding-up of our Company, or where there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of our Company or the amalgamation of our Company with 1 or more companies, then:
- (i) for the purposes of such winding-up, compromise or arrangement (other than a compromise or arrangement in which our Company is the continuing corporation) to which the holders of the Warrants (or some other persons designated by them for such purpose by a special resolution of the Warrant holders) shall be a party, the terms of such winding-up, compromise or arrangement shall be binding on all the holders of the Warrants; and

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- (ii) every Warrant holder shall be entitled to exercise his / her Warrants at any time within 6 weeks after the passing of such resolution for a members' voluntary winding-up of our Company or the granting of the court order approving the compromise or arrangement, whereupon our Company shall allot the relevant new Shares to the Warrant holder credited as fully paid subject to the prevailing laws, and such Warrant holder shall be entitled to receive out of the assets of our Company which would be available in liquidation as if he / she had on such date been the holder of the new Shares to which he / she would have become entitled pursuant to such exercise and the liquidator of our Company shall give effect to such election accordingly. Upon the expiry of the above 6 weeks, all subscription rights of the Warrants shall lapse and cease to be valid for any purpose.

Modification of rights of Warrant holders : Save as otherwise provided in the Deed Poll, a special resolution of the Warrant holders is required to sanction any modification, alteration or abrogation in respect of the rights of the Warrant holders, subject to the approval of any relevant authorities.

Modification of Deed Poll : Any modification to the terms and conditions of the Deed Poll may be effected only by deed poll executed by our Company and expressed to be supplemental to the Deed Poll. Any of such modification shall however be subject to the approval of Bursa Securities (if so required).

No amendment or addition may be made to the provisions of the Deed Poll without the sanction of a special resolution of the Warrant holders unless the amendments or additions are required to correct any typographical errors or relate purely to administrative matters or are required to comply with any provisions of the prevailing laws or regulations of Malaysia or in the opinion of our Company upon consultation with the approved adviser appointed by our Company, will not be materially prejudicial to the interests of the Warrant holders.

Listing status : The Warrants will be listed and traded on the ACE Market of Bursa Securities. The listing and quotation of the Warrants on the ACE Market of Bursa Securities is subject to a minimum of 100 Warrant holders holding not less than 1 board lot of the Warrants each.

Transferability : The Warrants shall be transferable in the manner provided under the SICDA and the Rules of Bursa Depository.

Governing laws : The Warrants and the Deed Poll shall be governed by the laws and regulations of Malaysia.

2.5 Take-over implications

The subscription of the Rights Shares by the Undertaking Shareholder pursuant to the Undertaking will not give rise to any mandatory take-over offer obligation under the Code and the Rules. The Undertaking Shareholder has undertaken to observe and comply at all times with the provisions of the Code and Rules and will seek from the Securities Commission Malaysia the necessary exemptions from undertaking such mandatory take-over offer obligation, if required.

2.6 Details of other corporate exercises

As at the date of this AP, our Board confirms that there are no other corporate exercises which have been approved by the regulatory authorities and/or the shareholders in the EGMs convened but pending completion.

2.7 Previous fund-raising exercises

Our Company has not undertaken any fundraising exercises in the past 12 months preceding this AP.

3. RATIONALE FOR THE RIGHTS ISSUE

After due consideration of various means of fund-raising, our Board is of the opinion that the Rights Issue is the most suitable mean to raise funds for our Group at this juncture for purposes as set out in **Section 4** of this AP due to the following:

- (i) the proceeds from the issuance of Rights Shares will strengthen the cash flow of our Group and the utilisation of the said proceeds for the Factoring Business as set out in **Section 4** of this AP are expected to contribute positively to our Group's future earnings and financial performance;
- (ii) the Rights Issue allows our Company to raise at least RM2.80 million, being the Minimum Subscription Level, of which approximately RM0.62 million will be used to defray the estimated expenses for the Corporate Exercises and the remaining RM2.18 million to part finance the immediate funding requirements of our Group's Factoring Business, while providing an opportunity for our Company to be able to raise funds of up to approximately RM34.79 million under the Maximum Scenario, subject to full subscription for the Rights Shares with Warrants.

In addition, the Rights Issue is also a mean for our Company to raise funds expeditiously without incurring interest costs associated with bank borrowings or issuance of debt instruments that will result in cash outflow arising from interest servicing costs. Moreover, our Group will also be able to preserve such cash, which otherwise would be used for interest costs, for our Group's day-to-day operations;

- (iii) the Rights Issue will involve issuance of new Shares without diluting the Entitled Shareholders' shareholdings, provided that they subscribe in full for their respective entitlements under the Rights Issue and exercise their Warrants subsequently;
- (iv) the Rights Issue provides an opportunity for the Entitled Shareholders to participate in the equity offering of our Company on a pro-rata basis;
- (v) the Rights Issue will strengthen the capital base of our Company and enhance the overall financial position of our Group;
- (vi) the Warrants which are attached to the Rights Shares are intended to provide an added incentive to the Entitled Shareholders to subscribe for the Rights Shares. In addition, the Warrants will provide the Entitled Shareholders with an opportunity to increase their equity participation in our Company at a pre-determined exercise price over the tenure of the Warrants and enable them to further participate in the future growth of our Group as and when the Warrants are exercised; and
- (vii) any exercise of the Warrants will also provide our Company with additional funds as and when the Warrants are exercised over the tenure of the Warrants. In addition, such exercise of the Warrants will also increase shareholders' funds, thereby strengthening the financial position of our Company.

For information purpose, our Company had previously undertaken the consolidation of every 10 Shares into 1 Share which was completed on 5 November 2020, followed by the renounceable rights issue of Shares together with free detachable Warrants C ("**2020 Corporate Exercises**") which was completed on 14 December 2020. Nevertheless, based on the foregoing rationale and factors considered by our Board, the Rights Issue is the most suitable mean to raise funds for the Factoring Business, our Group's venture via the Ikhlas Acquisition which was completed in December 2021 (i.e., which occurred after the 2020 Corporate Exercises), of which our Group expects stronger prospects in light of the favourable outlook of the factoring industry in Malaysia as set out in **Section 6.3** of this AP.

4. USAGE OF PROCEEDS

Based on the issue price of RM0.16 per Rights Share, the Rights Issue is expected to raise gross proceeds of up to approximately RM34.79 million, which is to be utilised by our Group in the following manner:

Purposes	Notes	Minimum Scenario (RM'000)	Maximum Scenario (RM'000)	Utilisation timeframe (from listing date of the Rights Shares)
Factoring Business	(i)	2,180	34,166	Within 24 months
Estimated expenses for the Corporate Exercises	(ii)	620	620	Immediately
Total		2,800	34,786	

Notes:

- (i) Our Group intends to allocate up to RM34.17 million to fund the working capital of the Factoring Business carried out by Ikhlas being a Shariah-Compliant factoring house approved by the Ministry of Finance.

Its target customers are contractors and suppliers appointed by government, generally the MSMEs appointed by government, namely through the e-Perolehan platform, a government one-stop service and supply procurement platform. These MSMEs customers are perceived to be more credible and financially stable since they have been vetted by the government to provide goods and services. These government contracts also have predefined payment schedules, which make it easier for Ikhlas to evaluate and monitor loan repayment, supported by direct payments from the government through the e-Perolehan platform, thus minimising collection risk.

On 5 April 2023, our Company had announced the Variation to vary up to RM8.54 million of the un-utilised proceeds raised from the Private Placement (which was originally intended to be used for the development of “Panda and Friends” animated series) to fund the working capital of the Factoring Business, which mainly comprises the funds or capital required to be disbursed to Ikhlas’ customers for the Factoring Business. As at the LPD, the funds from the Variation have been fully utilised for the working capital of the Factoring Business.

Further, Ikhlas is actively expanding its Factoring Business by identifying new target customers or market segments such as, among others, contractors and suppliers, generally the MSMEs appointed by government, which fit within Ikhlas’ risk appetite or profile with good credit and/or financial records such as concessionaires awarded by government link companies. As at the LPD, Ikhlas has yet to provide any financing to the abovementioned new target customers.

Based on the above and the overview and outlook of the factoring industry in Malaysia pursuant to the IMR Report as set out in **Section 6.3** of this AP, our Board is expecting a tightening in liquidity and increase in funding rates for capital market in Malaysia which will create a strong demand for working capital financing among companies and/or businesses in Malaysia in the near future.

Notwithstanding the above, the expansion of our Group’s Factoring Business is dependent on the cash funding available to our Group, such as the proceeds to be raised under the Rights Issue, in order for our Group to increase its capacity to provide financing to its prospective factoring clients, subject to our Group’s credit risk assessment or review of each application for its factoring services. As such, the quantum and timing of financial resources required to be committed are not determinable at this juncture but are dependent on the availability of funds for our Group’s Factoring Business.

Since 1 January 2023 up to the LPD, Ikhlas has received applications from prospective customers with an aggregate estimated factoring amount in excess of RM245 million, of which approximately RM96.75 million have been accepted by Ikhlas based on the capital available to it for the Factoring Business. Subject to the milestone of disbursement, our Group has disbursed approximately RM59.16 million, as at the LPD, to corporations and/or businesses in a variety of industries (for example, information technology, construction, cleaning service, security service, food and beverage, agriculture, event management, film production, manpower, and aviation) with factoring fees charged depending on factors such as age of the invoices, credit risk, delivery and collection risk and exposure risk.

Based on its committed factoring amounts of RM96.75 million as at the LPD, our Group requires approximately RM37.59 million (committed factoring amount of RM96.75 million net disbursed amount of RM59.16 million) for its Factoring Business in the next 12 months. In the event the Minimum Scenario is achieved, our Group will use approximately RM2.18 million of the proceeds (after defraying the estimated expenses for the Corporate Exercises of approximately RM0.62 million) to fund part of our Group's immediate funding requirements for its Factoring Business, while the remaining funding requirements will be funded via its internally-generated funds, bank borrowings and/or other form of fund-raising exercises which are available and suitable for our Company, of which the breakdown cannot be determined at this juncture.

In the event the Maximum Scenario is achieved, our Group will use proceeds of approximately up to RM34.17 million to meet our Group's immediate funding requirements for its Factoring Business and expansion of the Factoring Business by having increased capacity to provide financing to its existing or prospective factoring clients with the proceeds from the Rights Issue.

Our Group may fund such funding requirements in respect of its existing and/or future factoring business via, among others, our Group's internally-generated funds, bank borrowings, other fund-raising exercises to be undertaken in the future (if required) and proceeds from the exercise of our Company's outstanding warrants (if any), of which the breakdown for the source of funds cannot be determined at this juncture.

- (ii) The estimated expenses in relation to the Corporate Exercises consist of the following:

Description	RM'000
Professional fees ^(a)	446
Fees to relevant authorities	98
Other incidental expenses in relation to the Corporate Exercises ^(b)	76
Total	620

- (a) Comprising professional fees payable to adviser, solicitors, reporting accountants, company secretaries and share registrar.
- (b) Comprising expenses to convene the EGM, printing, advertising and other ancillary expenses related to the Corporate Exercises.

If the actual expenses in relation to the Corporate Exercises incurred are higher than the budgeted amount, the deficit will be funded via the amount earmarked for our Group's working capital of the Factoring Business. Conversely, any surplus of funds after the payment of expenses in relation to the Corporate Exercises shall be used for the working capital of the Factoring Business as detailed in Note (i) above, of which the breakdown for the usage cannot be determined at this juncture.

The actual gross proceeds to be raised from the Rights Issue is dependent on the number of Rights Shares to be issued (i.e., level of subscription of the Rights Shares). Any variance in the actual gross proceeds raised and the intended gross proceeds to be raised will be adjusted against the amount earmarked for our Group's working capital requirements on the Factoring Business as detailed in Note (i) above.

Pending full utilisation of the proceeds as set out above, the unused proceeds may be placed in interest-bearing deposits with financial institution(s) and/or short-term money market instruments as our Board deems fit. The interest derived from the deposits placed with financial institutions and/or any gains arising from the short-term money market instruments will be used for our Group's working capital requirements such as staff salaries, payment to payables (which comprise, among others, trade payables and accruals) and utilities, of which the breakdown for the usage cannot be determined at this juncture.

The exact quantum of proceeds that may be raised by our Company from the exercise of the Warrants would depend on the actual number of Warrants exercised. The proceeds from the exercise of the Warrants will be received on an “as and when” basis over the tenure of the Warrants. For illustrative purpose, based on the exercise price of RM0.16 per Warrant, the maximum gross proceeds that may be raised from the exercise of Warrants is approximately RM18.14 million. Such proceeds shall be used for our Group’s working capital requirements, payments for staff salaries and statutory contributions as well as other operating expenses for our Group’s day-to-day operations such as upkeep and rental of office premises, utilities and general administrative expenses, of which the exact breakdown cannot be determined by our Company at this juncture, as and when the proceeds are received by our Company over the tenure of the Warrants.

Pursuant to Rule 8.24 of the Listing Requirements, our Company will seek its shareholder’s approval if our Company proposes to make a material change (i.e., 25% or more of the total proceeds raised) to the use of proceeds raised from the Rights Issue.

5. RISK FACTORS

In addition to other information contained in this AP, you and/or your renounee(s)/transferee(s) (if applicable) should carefully consider the following risk factors which may have an impact on the future performance of our Group, in addition to other information contained elsewhere in this AP, before subscribing for or investing in the Rights Shares.

5.1 Risks relating to our Group

5.1.1 Risks relating to our research and development, and assembling business involving technology-related products and services

(a) Competition from other similar service providers

Our Group faces stiff competition from both new entrants and existing players who offer similar applications, systems, software and technology infrastructure. Thus, our Group is dependent on our ability to continuously provide our solutions and products at competitive pricing and service level to our existing and new customers in order to compete with our competitors for market share.

Competition may be in the form of pricing, quality of service, technological competence as well as new innovative inventions. There is no assurance that our Group can remain competitive against its competitors moving forward. The emergence of new competitors who can offer more innovative solutions at a competitive cost may result in our Group losing its market share to such competitors and/or erosion to our Group’s profitability in view of the need for our Group to compete in terms of pricing. In turn, this would adversely affect the business and financial performance of our Group.

(b) Rapid changes in technology

Our Group operates in a dynamic market where its products are prone to the evolving needs of the technology and telecommunication industry as well as our customers amid frequent and potentially new technology or product introductions and enhancements. Our Group’s future growth and success would significantly depend on continuing market acceptance of its products, and its ability to develop new products and solutions to meet the requirements of our customers.

In this regard, our Group’s performance is dependent on its ability to continuously innovate and upgrade its applications, systems, software and infrastructure in a timely manner to ensure that our Group’s products and services remain relevant and meet the requirements of our customers. It should be noted that the development of technological products is a complex and uncertain process. Our Group may experience design, marketing and operational difficulties that could delay or prevent the commercialisation or launch of the products or solutions.

There is no assurance or certainty that our Group is able to innovate or upgrade its products and solutions or keep pace with the technological advancements or changes being introduced to the market to consistently meet the requirements of our customers. In such event, our Group's technologies and systems may become obsolete and our Group may lose its customers to competitors who are able to innovate and provide products or solutions which are relevant to the customers which will have adverse impact on our Group's business and financial performance.

(c) Cyber security risk

Our Group's products and services are exposed to cyber security risk as they may be susceptible to data breaches, malware attack and phishing activities, amongst others. Cyber threats can have a cascading impact across the internal systems as well as those of the partners and customers of our Group. A security breach can disrupt the systems, impact the ability to provide services to our customers and/or compromise data privacy and confidentiality.

Notwithstanding that our Group's systems, such as the remote meeting and videotelephony systems, comply with the relevant industry and quality standards, there is no assurance that our Group's security systems will not be susceptible to cyberattacks. The occurrence of such incidences may, amongst others, have adverse impact to our Group's reputation in the industry which would hinder our Group's ability to attract and retain customers or expose our Group to the risks of potential litigation and claims from our customers which in turn may then have adverse effect to our Group's businesses and financial performance.

5.1.2 Risks relating to our Factoring Business

(a) Credit risk

Our Group's Factoring Business is subject to credit risk arising from our clients' default in making repayments for factoring services provided by our Group due to factors such as deterioration in credit quality of borrowers or a general deterioration in local or global economy conditions.

Notwithstanding that our Group carries out comprehensive credit assessment to evaluate the creditworthiness of applicants and carry out measures to minimise default or collection risks, there is no assurance that our clients will not delay or default any scheduled repayment which may result in impairments on the receivables or losses that can have an adverse impact to our Group's financial position and performance.

(b) Competition risk

Our Group faces competition from, amongst others, other licensed factoring houses, moneylenders and financial institutions which can provide financing to our factoring clients.

There is no assurance that our Group will be able to provide factoring services at competitive rates or terms of credit which is subject to the availability and cost of funding for our Group's factoring services against its competitors. In such event, our Group may lose market share or face with lower profit margin or spread which could adversely affect our Group's business, financial performance and position.

5.2 Risk factors relating to the Rights Issue

5.2.1 Investment and capital market risk

The market prices of the Rights Shares and Warrants are influenced by, amongst others, the prevailing market sentiments, the volatility of equity markets, the liquidity of Mlabs Shares, the outlook of industries in which Mlabs operates, changes in regulatory requirements or market conditions, as well as the financial performance and fluctuations in Mlabs Group's operating results.

In addition, the performance of the Malaysian share market (where Mlabs Shares are listed) is dependent on the economic and political conditions in Malaysia and overseas as well as external factors such as, amongst others, the performance of the world bourses and flows of foreign funds. In view of this, there can be no assurance that the Rights Shares and the Warrants will trade above the issue price or TEAP upon or subsequent to their listing on the ACE Market of Bursa Securities.

5.2.2 Delay or failure to implement the Rights Issue

The Rights Issue is exposed to the risk that they may be delayed or not implemented due to the occurrence of force majeure events or circumstances which are beyond the control of our Company and Principal Adviser arising prior to the implementation of the Rights Issue. Such events or circumstances include, epidemics or pandemics, natural disasters, adverse developments in political, economic and government policies in Malaysia, including changes in inflation and interest rates, global economic downturn, acts of war, acts of terrorism, riots, expropriations, and changes in political leadership.

Pursuant to Rule 6.52 of the Listing Requirements, Mlabs is required to have at least 100 Warrants holders holding not less than 1 board lot (100 units) of Warrants each.

There can be no assurance that the abovementioned events will not occur and cause a delay or failure to implement the Rights Issue. If not implemented, all monies received from the Rights Issue will be refunded without interest to the Entitled Shareholders/subscribers and/or their renounee(s)/transferee(s) (if applicable).

If such monies are not repaid within 14 days after our Company becomes liable, our Company will repay such monies with interest at the rate of 10% per annum or such other rate as may be prescribed by the Securities Commission Malaysia in accordance with Section 243(2) of the CMSA.

In the event that the Rights Shares and/or new Mlabs Shares to be issued pursuant to the exercise of the Warrants have been allotted to the successful Entitled Shareholders/subscribers and/or their renounee(s)/transferee(s) (if applicable) and the Rights Issue is subsequently cancelled or terminated, a return of monies to the shareholders of our Company can only be achieved by way of cancellation of Mlabs's share capital as provided under the Act. Such cancellation requires the approval of the shareholders of our Company by way of special resolution in a general meeting, consent of the creditors of our Company (where applicable) and may require the confirmation of the High Court of Malaya (where applicable). There can be no assurance that such monies can be returned within a short period of time or at all under such circumstances.

Our Company has procured the Undertaking in order to meet the Minimum Subscription Level. The successful implementation of the Rights Issue is dependent on the fulfilment of the Undertaking from the Undertaking Shareholder.

5.2.3 Potential dilution of existing shareholders' shareholdings

Entitled Shareholders who do not subscribe for their entitlements under the Rights Issue will have their shareholdings being diluted upon completion of the Rights Issue as a result of the issuance of the Rights Shares and exercise of Warrants into new Mlabs Shares by other shareholders of our Company. Consequently, their proportionate entitlements to any dividends, rights, allotments and/or other distributions that our Company may declare, make or pay after the completion of the Rights Issue will correspondingly be diluted.

5.2.4 No prior market for the Warrants

The Warrants are new instruments to be issued by our Company, for which there is currently no public market. No assurance can be given that an active market for these new instruments will develop upon or subsequent to the listing of and quotation for this instrument on the ACE Market of Bursa Securities or, if developed, that such a market will be sustainable or adequately liquid during the tenure of the Warrants.

The market price of the Warrants, like other securities traded on Bursa Securities, is subject to fluctuations and will be influenced by, amongst others, prevailing market sentiments, volatility of the share market, economic and political condition in Malaysia and overseas, the market price of the underlying Shares, interest rate movements, trades of substantial amounts of the Warrants on Bursa Securities in the future, corporate developments as well as the future prospects of the industries in which our Group operates.

6. INDUSTRY OUTLOOK AND PROSPECTS

6.1 Overview and outlook of the Malaysian economy

For 2024, growth of the Malaysian economy is expected to trend higher, lifted by the recovery in exports and resilient domestic expenditure. Household spending will be supported by continued growth in employment and wages. Tourist arrivals and spending are expected to improve further. Moreover, investment activity would be supported by continued progress of multi-year projects in both the private and public sectors, and the implementation of catalytic initiatives under national master plans. Budget 2024 measures will also provide additional support to economic activity.

The growth outlook remains subject to downside risks from weaker-than-expected external demand and declines in commodity production. Meanwhile, upside risks to domestic growth emanate from greater spillover from the tech upcycle, stronger-than-expected tourism activity and faster implementation of both existing and new projects.

(Source: BNM Quarterly Bulletin Vol. 38 No. 4 for the Fourth Quarter of 2023, Bank Negara Malaysia)

The Malaysian economy grew by 3.7% despite facing challenges stemming from weak external demand, disruptions in commodity production and higher cost of living. Growth was mainly supported by resilient domestic demand and recovery in tourism activities. On the external front, exports declined due to subdued global demand, lower commodity prices and shifts towards services spending. Additionally, improving labour market conditions coupled with supportive policy measures helped household spending, especially among the vulnerable households affected by higher cost of living. Private sector capital spending drove overall investment activity, particularly in information technology and electrical and electronics (E&E). In tandem with external trade performance, export-oriented industries saw some moderation in growth. Nonetheless, all sectors continued to expand in 2023.

(Source: Economic & Monetary Review 2023, Bank Negara Malaysia)

For 2024, the economy is projected to grow within the range of 4% to 5%. The growth is envisaged to be broad-based, led by the services sector as intermediate and final services groups are anticipated to rise further driven by sustained domestic consumption and improved export activities.

On the demand side, growth will be buoyed by strong private sector expenditure and improving global demand. The encouraging performance of private sector is partly due to the Government's deliberate efforts to accelerate a more vibrant and dynamic private sector by providing a conducive business and investment environment, underpinned by the implementation of comprehensive Ekonomi MADANI framework as well as policies and blueprints such as the National Energy Transition Roadmap (NETR) and New Industrial Master Plan 2030 (NIMP 2030). Meanwhile, consumer spending is envisaged to be robust supported by improved labour market conditions.

(Source: Economic Outlook 2024, Ministry of Finance Malaysia)

6.2 Overview and outlook of the information technology industry

Phase 2 of the Jalanan Digital Negara (JENDELA) is expected to boost the digital connectivity through the utilisation of Fixed Wireless Access and other fit-for purpose technologies, thus enabling the country to further address the digital divide. In this regard, Digital National Berhad aims to extend the fifth-generation cellular network (5G) coverage to 80% of the nation’s populated areas by 2024. In addition, high quality investment in digital-related infrastructures such as data centres and cloud computing services as well as continued surge in the e-commerce and online entertainment activities will further boost the subsector.

(Source: Economic Outlook 2023, Ministry of Finance Malaysia)

According to the Department of Statistics Malaysia, the information and communication subsector grew by 5.3% in 2023.

(Source: Department of Statistics Malaysia)

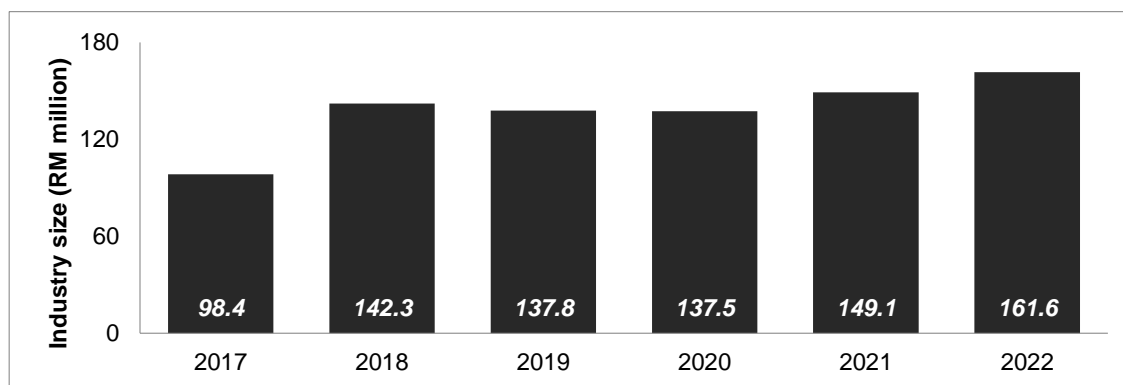
The information and communication subsector is expected to expand by 6.5% in 2024, primarily underpinned by telecommunication segment following fast rollout of 5G coverage and the adoption of a dual network model. The performance of the subsector will also benefit from the increasing demand for high-speed connectivity, particularly through the adoption of satellite internet technology in rural and remote areas. Likewise, the digital-based services are anticipated to spur the subsector’s growth following streaming coverage of major events such as the 2024 UEFA European Football Championship and the 2024 Olympic Games; adoption of cloud solutions and services; and the uptick in social commerce activities.

(Source: Economic Outlook 2024, Ministry of Finance Malaysia)

6.3 Overview and outlook of the factoring industry

The factoring industry in Malaysia, based on the revenue of industry players offering factoring services, grew from RM98.4 million in 2017 to an estimated RM161.6 million in 2022 at a compound annual growth rate (CAGR) of 10.4%. Providence forecasts the factoring industry in Malaysia to register a growth rate of 8.0% in 2023 and subsequently a growth rate of 7.6% in 2024.

Factoring industry in Malaysia



(Source: Malaysian Factors Association, Companies Commission of Malaysia, and analysis from Providence)

Moving forward, the prospects and outlook for the factoring industry in Malaysia is positive with demand for factoring services supported by the following factors:

- (a) Malaysia has seen a steady growth of newly registered companies at an average increase of 3.2% annually between 2016 and 2023. According to latest available data from the Companies Commission of Malaysia, new companies in Malaysia grew from 1.2 million in 2016 to 1.5 million in 2023. This steady growth trend is expected to continue in light of the nation's developing economy over the long-term. The growing number of registered companies provides opportunities for growth of the factoring industry in Malaysia.
- (b) Malaysia recorded a total of RM329.5 billion worth of approved investments in the manufacturing, services and primary sectors in 2023 across 5,101 projects. From the total investments approved, foreign investments accounted for RM188.4 billion or 57.2%, with domestic investments accounting for RM141.1 billion or 42.8%. The services sector accounted for the largest share of the total investments in 2023, amounting to RM168.4 billion (51.1%), followed by the manufacturing sector with RM152.0 billion (46.1%) and the primary sector with RM9.1 billion (2.8%). While foreign investments lead the approved investments in the manufacturing sector, investments from local companies dominated in the services and primary sectors. Malaysia's services sector saw an increase of 9.4% in approved investments from 2022 (2022: RM154.0 billion). During the year, the services sector included the information and communications (RM63.7 billion), real estate (RM61.0 billion), utilities (RM11.1 billion), distributive trade (RM11.1 billion) and support services (RM10.5 billion) which made up 93.5% of total approved investments for the services sector in 2023.

Malaysia's performance is a testament to investors' confidence in Malaysia as a preferred investment hub, particularly the conducive business ecosystem in providing high-skilled talents and having strong readiness in advanced technology. This, in turn, further bolsters Malaysia's role as a prominent site in global companies' manufacturing networks, enhancing the nation's position as an investment destination in the region. Malaysia is expected to continue attracting investments, especially foreign investments, as the economy recovers. This will bode well and create demand for factoring services as companies need to ensure they have the cash flow necessary to meet their current and immediate obligations such as for the purchase of raw materials.

- (c) Due to the COVID-19 pandemic, organisations are adopting digitalisation, including automation and smart manufacturing technology to increase productivity and competitiveness. Organisations are beginning to prepare for the next wave of unknowns as part of risk management, taking into consideration supply chain disruptions, systemic risks, and other uncertainties, including natural disasters and geopolitical instabilities that could affect their business operations.

To effectively deal with future and potentially greater supply chain challenges, organisations are building their supply networks with the ability to offer granular visibility across all tiers and levels. Incorporating advanced technologies such as 5G, robotic automation, blockchain, and artificial intelligence can provide sales, distribution, and channel executives with near-real-time insight, and better visibility into diverse areas across their supply chain, logistics, and channel operations. As part of digitalising their supply networks, organisations have an opportunity to revamp traditional organisational silos in order to better connect research and development, sales and marketing, indirect channels, suppliers, internal operations and other facilities.

The adoption of connectivity, automation, and digitalisation, as the industry transitions from being labour-intensive, will increase efficiency and productivity, enabling organisations to be more competitive and agile in transforming their manufacturing landscape. Revamping supply chain operations to make them more agile and flexible will require the significant financial resources and cash flow beyond that which an organisation may currently possess. Thus, these organisations will likely seek external funding, including factoring, to support their working capital needs.

- (d) Malaysia's economy grew by 3.7% in 2023, supported by resilient domestic demand and further recovery in tourism activities. During the year, the economy faced multiple challenges from weak external demand, disruptions in commodity production and higher cost of living, which weighed on household spending. The more moderate growth also reflected normalising conditions from the high base in 2022, which was supported by the reopening of the economy and sizeable policy measures. The confluence of these factors led growth to reach its trough in the second quarter of 2023.

For 2024, the economy is projected to grow within the range of 4% to 5% driven by continued expansion in domestic demand, and improvement in external demand. Growth will be driven mainly by resilient domestic expenditure, with additional support emanating from the expected recovery in exports. Continued employment and wage growth will remain supportive of household spending. Tourist arrivals and spending are expected to improve further. Investment activity would be driven by continued progress of multi-year projects in both the private and public sectors, with some support from implementation of catalytic initiatives under the national master plans.

(Source: IMR Report)

6.4 Prospects of our Group

Our Group is currently mainly operating in the research and development, and assembling business which involve technology-related products and services and the Factoring Business.

Our Group has transformed its video conferencing system business into a multi-disciplined enterprise digitalisation system integrator offering comprehensive intelligent technology and services in several business segments which has increased its range of services and products under its MFinity division, i.e. our Group's Enterprise Digitalisation Systems Integrator, such as, among others, virtual and hybrid events solution and services, network infrastructure planning and optimisation, digital enterprise resources management, cloud and virtualisation solutions and cybersecurity.

In addition, our Group had in FYE 30 June 2021 launched its proprietary Catch Markets, which is a digital trading platform to match commodities buyers and sellers in a secured digital trading platform. Since its launch, our Group has expanded the range of products, such as precious metals commodity, and functionalities on its Catch Markets platform which saw increased trading volumes that has contributed to higher revenue to our Group via increased transaction fees.

Further, our Group's venture into the Factoring Business via the Ikhlas Acquisition was intended to provide a new recurring income stream as it provides our Group immediate access into the Factoring Business. Our Group has embarked on the task of transforming Ikhlas' conventional factoring business into a digital-based factoring entity by leveraging its technology capabilities. This has created an efficient and streamlined factoring process that helps clients and businesses access funding quickly and easily.

The inclusion of Ikhlas as part of our Group has also enabled our Group to potentially benefit from cross-selling opportunities. Our Group leverages on its existing client base and offer factoring service as an additional service to its clients. This has helped to deepen our Group's relationships with its clients and created additional revenue streams for our Group.

In addition, our Group has been investing in digitalisation and automation, which has enabled it to offer more efficient and effective factoring services to its clients. This has allowed our Group to differentiate itself in a competitive market and to attract more customers. Having investing in digitalisation, Ikhlas created a seamless customer experience, enabling clients to submit invoices, track payments, and manage accounts online, significantly reduces the turnaround time for processing, which is a key differentiator in the industry. Besides, with its digital platform and automation capabilities, Ikhlas can handle a higher volume of transactions, making it highly scalable. Ikhlas can easily adapt to changing market conditions and customer needs, which is essential in the fast-paced finance industry. Our Group's technological capabilities give an advantage in the highly competitive factoring market by leveraging its expertise in the fintech sector to offer innovative and customised factoring solutions to its clients.

Additionally, with Ikhlas being a Shariah-Compliant factoring house approved by the Ministry of Finance, Ikhlas' target customers are contractors and suppliers, generally the MSMEs appointed by government, namely through the e-Perolehan platform, a government one-stop service and supply procurement platform. These MSMEs customers are perceived to be more credible and financially stable since they have been vetted by the government to provide goods and services. These government contracts also have predefined payment schedules, which make it easier for Ikhlas to evaluate and monitor loan repayment, supported by direct payments from the government through the e-Perolehan platform, thus minimising collection risk.

Due to the nature of the Factoring Business, the expansion of our Group's Factoring Business requires cash funding in order for our Group to increase its capacity to provide financing to its prospective factoring clients, subject to our Group's credit risk assessment or review of each application for their factoring services. As such, the quantum and timing of financial resources required to be committed are not determinable at this juncture but are dependent on the availability of funds for our Group's Factoring Business. In addition, our Group will also continuously identify new target customers or market segments which fit within Ikhlas' risk appetite or profile with good credit and/or financial records. Our Group may fund such funding requirements via, among others, its internally-generated funds, bank borrowings, fund-raising exercises (e.g., private placement) to be undertaken in the future (if required) and proceeds from the exercise of our Group's outstanding warrants (if any).

In light of the favourable outlook of the factoring industry in Malaysia as set out in **Section 6.3** of this AP and our Group's effort to increase its range of services under its MFinity and Catch Markets platforms as detailed above, our Board is of the view that the Factoring Business and research and development, and assembling business which involve technology-related products and services of our Group will contribute positively to our Group's revenue and profitability in the future.

(Source: Management of our Company)

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7. EFFECTS OF THE RIGHTS ISSUE

7.1 Share capital

The pro forma effects of the Rights Issue on the share capital of our Company are as follows:

	Minimum Scenario		Maximum Scenario	
	No. of Shares	RM'000	No. of Shares	RM'000
Issued share capital as at the LPD	72,470,289	110,049	72,470,289	110,049
Issuance of the Rights Shares ⁽¹⁾	17,500,000	984	217,410,867	19,312
Assuming full exercise of the Warrants ⁽²⁾⁽³⁾	89,970,289	111,033	289,881,156	129,361
	7,000,000	2,316	86,964,346	28,768
Enlarged issued share capital	96,970,289	113,349	376,845,502	158,129

Notes:

- (1) Based on the issue price of RM0.16 per Rights Share and after taking into account the estimated expenses for the Corporate Exercises of RM0.62 million and the corresponding warrants reserve amount to be recognised in the share capital in respect of the Warrants.
- (2) Based on the exercise price of RM0.16 per Warrant and after accounting for the reversal of the warrants reserve amount recognised in the share capital in respect of the Warrants.
- (3) The Rights Issue will not result in non-compliance with Rule 6.51 of the Listing Requirements as illustrated below:

		Minimum Scenario	Maximum Scenario
		No. of Shares	No. of Shares
Number of issued Shares after issuance of the Rights Shares	[A]	89,970,289	289,881,156
Number of Shares to be issued assuming full exercise of Warrants	[B]	7,000,000	86,964,346
[B] / [A]		7.78%	30.00%

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7.2 NA and gearing

For illustrative purposes, based on our Group's unaudited financial statements as at 31 March 2024 and assuming that the Rights Issue had been effected on that date, the pro forma effects of the Rights Issue on the NA, NA per Share and gearing of our Group are as follows:

Minimum Scenario

	(Unaudited) As at 31 March 2024 (RM'000)	(I) After the Share Consolidation ⁽¹⁾ (RM'000)	(II) After (I) and the Rights Issue (RM'000)	(III) After (II) and assuming full exercise of Warrants (RM'000)
Share capital	110,049	110,049	111,033 ⁽²⁾	113,349 ⁽⁴⁾
Foreign currency translation reserve	4,087	4,087	4,087	4,087
Warrants reserve	-	-	1,196 ⁽³⁾	-
Retained earnings	3,897	3,897	3,897	3,897
Shareholders' funds / NA	118,033	118,033	120,213	121,333
Non-controlling interests	(487)	(487)	(487)	(487)
Total equity	117,546	117,546	119,726	120,846
No. of Shares in issue ('000)	1,449,409	72,470	89,970	96,970
NA per Share ⁽⁵⁾	0.08	1.63	1.34	1.25
Total borrowings ⁽⁶⁾ (RM'000)	1,535	1,535	1,535	1,535
Gearing ⁽⁷⁾ (times)	0.01	0.01	0.01	0.01

Notes:

- (1) The Share Consolidation was completed on 4 April 2024.
- (2) Based on the issue price of RM0.16 per Rights Share and after taking into account the estimated expenses for the Corporate Exercises of RM0.62 million and the corresponding warrants reserve amount to be recognised in the share capital in respect of the Warrants.
- (3) Based on the issuance of 7,000,000 Warrants with each Warrant assumed to have a fair value of RM0.1708 based on the Black-Scholes Options Pricing Model.
- (4) Based on the exercise price of RM0.16 per Warrant and after accounting for the reversal of the warrants reserve amount recognised in the share capital in respect of the Warrants.
- (5) Computed based on NA divided by the number of Shares in issue.
- (6) Comprise lease liabilities only.

(7) Computed based on total borrowings divided by total equity.

Maximum Scenario

	(Unaudited) As at 31 March 2024 (RM'000)	(I) After the Share Consolidation ⁽¹⁾ (RM'000)	(II) After (I) and the Rights Issue (RM'000)	(III) After (II) and assuming full exercise of Warrants (RM'000)
Share capital	110,049	110,049	129,361 ⁽²⁾	158,129 ⁽⁴⁾
Foreign currency translation reserve	4,087	4,087	4,087	4,087
Warrants reserve	-	-	14,854 ⁽³⁾	-
Retained earnings	3,897	3,897	3,897	3,897
Shareholders' funds / NA	118,033	118,033	152,199	166,113
Non-controlling interests	(487)	(487)	(487)	(487)
Total equity	117,546	117,546	151,712	165,626
No. of Shares in issue ('000)	1,449,409	72,470	289,881	376,846
NA per Share ⁽⁵⁾	0.08	1.63	0.53	0.44
Total borrowings ⁽⁶⁾ (RM'000)	1,535	1,535	1,535	1,535
Gearing ⁽⁷⁾ (times)	0.01	0.01	0.01	0.01

Notes:

- (1) The Share Consolidation was completed on 4 April 2024.
- (2) Based on the issue price of RM0.16 per Rights Share and after taking into account the estimated expenses for the Corporate Exercises of RM0.62 million and the corresponding warrants reserve amount to be recognised in the share capital in respect of the Warrants.
- (3) Based on the issuance of 86,964,346 Warrants with each Warrant assumed to have a fair value of RM0.1708 based on the Black-Scholes Options Pricing Model.
- (4) Based on the exercise price of RM0.16 per Warrant and after accounting for the reversal of the warrants reserve amount recognised in the share capital in respect of the Warrants.
- (5) Computed based on NA divided by the number of Shares in issue.
- (6) Comprise lease liabilities only.
- (7) Computed based on total borrowings divided by total equity.

7.3 Earnings/Losses and EPS/LPS

The Rights Issue is not expected to have an immediate material effect on the consolidated earnings / losses of our Group and EPS / LPS for the FYE 30 June 2024 as the proceeds to be raised are only expected to be utilised within 24 months from the date of completion of the Rights Issue.

The effects of the Rights Issue on the consolidated earnings / losses of our Group and EPS / LPS will depend on, amongst others, the number of Rights Shares to be issued and the level of returns generated from the use of the proceeds to be raised from the Rights Issue. Assuming that the earnings of our Group remain unchanged, the EPS / LPS will be diluted as a result of the increase in the number of issued Shares following the issuance of the Rights Shares and any new Shares arising from the exercise of Warrants.

Notwithstanding the above, the proceeds to be raised from the Rights Issue is expected to contribute positively to the future earnings of our Group as and when the benefits of the utilisation of proceeds are realised.

7.4 Convertible securities

Our Company does not have any outstanding ESOS Options or other convertible securities as at the LPD.

8. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES, MATERIAL COMMITMENTS AND MATERIAL TRANSACTIONS

8.1 Working capital and sources of liquidity

Our business has been financed by a combination of sources of funds which include cash generated from our operations, bank borrowings from financial institutions and proceeds from issuance of equity securities (such as the Private Placement).

As at the LPD, our Group has cash and cash equivalents of RM50.25 million.

Apart from the abovementioned sources of liquidity, our Group does not have access to other material unused sources of liquidity as at the LPD.

Our Board is of the opinion that our Group will have sufficient working capital for our operations for a period of 12 months from the date of this AP after taking into consideration our Group's existing cash and bank balances, profits and cash flows that our Group expects to generate from our business operations and proceeds to be raised from the Rights Issue based on the Minimum Scenario.

8.2 Borrowings

As at the LPD, our Group does not have any outstanding borrowings.

8.3 Contingent liabilities

As at the LPD, our Board confirms that there is no contingent liability incurred or known to be incurred by our Company or our Group, which upon becoming enforceable, may have a material impact on the financial position of our Company and/or our Group.

8.4 Material commitments

As at the LPD, our Board confirms that there is no material commitment for capital expenditure incurred or known to be incurred by our Company or our Group, which upon becoming enforceable, may have material impact on the financial position of our Group.

8.5 Material transactions

Save for the Rights Issue, our Board confirms that there are no other transactions which may have a material effect on our Group's operations, financial position and results since our Group's latest unaudited consolidated financial statements for the 9M-FPE 31 March 2024.

9. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT, SALE OR TRANSFER AND EXCESS APPLICATION AND PAYMENT FOR THE RIGHTS ISSUE

Full instructions for the acceptance of and payment for the Provisional Allotments as well as Excess Rights Shares Applications and the procedures to be followed should you and/or your transferee(s) and/or your renounee(s) (if applicable) wish to sell or transfer all or any part of your/his rights entitlement are set out in this AP and the RSF. You and/or your transferee(s) and/or your renounee(s) (if applicable) are advised to read this AP, the RSF and the notes and instructions printed therein carefully. In accordance with Section 232(2) of the CMSA, the RSF must not be circulated unless accompanied by this AP.

Acceptance of and/or payment for the Provisional Allotments which do not conform strictly to the terms of this AP, the RSF or the notes and instructions printed therein or which are illegible may be rejected at the absolute discretion of our Board.

9.1 General

As an Entitled Shareholder, your CDS Account will be duly credited with the number of Provisional Allotments that you are entitled to subscribe for in full or in part under the terms and conditions of the Rights Issue. You will find enclosed with this AP, the NPA notifying you of the crediting of such Provisional Allotments into your CDS Account and the RSF to enable you to subscribe for such Rights Shares with Warrants that you have been provisionally allotted as well as to apply for Excess Rights Shares with Warrants if you choose to do so.

This AP and the RSF are also available at the registered office of our Company, our Share Registrar's website at <https://www.shareworks.com.my/> or on Bursa Securities' website at <https://www.bursamalaysia.com>.

9.2 NPA

The Provisional Allotments are prescribed securities under Section 14(5) of the SICDA and therefore, all dealings in the Provisional Allotments will be by book entries through CDS Accounts and will be governed by the SICDA and the Rules of Bursa Depository. You and/or your transferee(s) and/or your renounee(s) (if applicable) are required to have valid and subsisting CDS Accounts when making the applications.

9.3 Last date and time for acceptance and payment

The last date and time for acceptance and payment for the Rights Shares with Warrants and the Excess Rights Shares Application is **Thursday, 18 July 2024 at 5.00 p.m.**

9.4 Methods of acceptance and application

You may subscribe for the Provisional Allotments as well as apply for Excess Rights Shares with Warrants, if you choose to do so, using either of the following methods:

Method	Category of Entitled Shareholders
RSF	All Entitled Shareholders
e-Subscription	All Entitled Shareholders

9.5 Procedures for full acceptance and payment

9.5.1 By way of RSF

Acceptance and payment for the Provisional Allotment to you as an Entitled Shareholder and/or your transferees and/or your renounees/transferees (if applicable) must be made on the RSF enclosed with this AP and must be completed in accordance with the notes and instructions contained in the RSF. Acceptances which do not conform to the terms of this AP, NPA or RSF or the notes and instructions contained in these documents or which are illegible may not be accepted at the absolute discretion of our Board.

FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE PROVISIONAL ALLOTMENTS AND EXCESS RIGHTS SHARES APPLICATIONS AS WELL AS THE PROCEDURES TO BE FOLLOWED SHOULD YOU AND/OR YOUR RENOUNCEES/TRANSFEREES (IF APPLICABLE) WISH TO SELL OR TRANSFER ALL OR ANY PART OF YOUR/THEIR ENTITLEMENTS, ARE SET OUT IN THIS AP, THE ACCOMPANYING RSF AND THE NOTES AND INSTRUCTIONS PRINTED THEREIN.

YOU AND/OR YOUR RENOUNCEES AND/OR TRANSFEREES (IF APPLICABLE) ARE ADVISED TO READ THIS AP, THE ACCOMPANYING RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN CAREFULLY.

If you and/or your renounees and/or transferees (if applicable) wish to accept all or part of your Provisional Allotments, please complete Part I(A) and Part II of the RSF in accordance with the notes and instructions provided therein. Each completed and signed RSF together with the relevant payment must be despatched by **ORDINARY POST, COURIER** or **DELIVERED BY HAND** using the envelope provided (at your own risk) to our Share Registrar at the following address:

ShareWorks Sdn. Bhd.
No. 2-1, Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur
Tel No. : 03-6201 1120

so as to arrive not later than **5.00 p.m. on Thursday, 18 July 2024**, being the last time and date for acceptance and payment, or such extended time and date as may be determined and announced by our Board.

1 RSF can only be used for acceptance of Provisional Allotments standing to the credit of 1 CDS Account. Separate RSFs must be used for the acceptance of Provisional Allotments standing to the credit of more than 1 CDS Account. If successful, the Rights Shares with Warrants subscribed by you and/or your renounees and/or transferees (if applicable) will be credited into the respective CDS Accounts where the Provisional Allotments are standing to the credit.

A reply envelope is enclosed with this AP. To facilitate the processing of the RSF by our Share Registrar, you are advised to use 1 reply envelope for each completed RSF.

You and/or your renounees/transferees (if applicable) should take note that a trading board lot for the Rights Shares and Warrants will comprise 100 Rights Shares and 100 Warrants, respectively. The minimum number of securities that can be subscribed for or accepted is 1 Rights Share. Subscribers of the Rights Shares will be allotted with Warrants at no cost on the basis of 2 Warrants for every 5 Rights Shares validly subscribed for. Fractional entitlements arising from the Rights Issue will be disregarded and dealt with by our Board in such manner as it may at its absolute discretion deem fit and expedient and in the best interest of our Company. Proof of time of postage shall not constitute proof of time of receipt by our Share Registrar.

If acceptance and payment for the Provisional Allotments allotted to you and/or, in the case where you have sold part or all of your Provisional Allotments, your renounees and/or transferees (if applicable), is not received by our Share Registrar by **Thursday, 18 July 2024 at 5.00 p.m.** being the last date and time for acceptance and payment, or such extended date and time as may be determined and announced by our Board at their discretion, you and/or your renounees and/or transferees (if applicable) will be deemed to have declined the Provisional Allotments made to you and/or your renounees and/or transferees (if applicable) and it will be cancelled. Such Rights Shares with Warrants not taken up will be allotted to the applicants applying for Excess Rights Shares with Warrants.

Our Board reserves the right not to accept or to accept in part only any application without providing any reasons. You and/or your renounees and/or transferees (if applicable) who lose, misplace or for any other reasons require another copy of the RSF may obtain additional copies from your stockbrokers, Bursa Securities' website at <https://www.bursamalaysia.com>, our Share Registrar's website at <https://www.shareworks.com.my/> or at our Company's registered office.

EACH COMPLETED RSF MUST BE ACCOMPANIED BY REMITTANCE IN RM FOR THE FULL AMOUNT IN THE FORM OF BANKER'S DRAFT(S) OR CASHIER'S ORDER(S) DRAWN ON A BANK IN MALAYSIA CROSSED "A/C PAYEE ONLY" AND MADE PAYABLE TO "MLABS RIGHT ISSUES ACCOUNT" AND ENDORSED ON THE REVERSE SIDE WITH THE NAME, ADDRESS, CONTACT NUMBER AND CDS ACCOUNT NUMBER OF THE APPLICANT IN BLOCK LETTERS TO BE RECEIVED BY OUR SHARE REGISTRAR BY THURSDAY, 18 JULY 2024 AT 5.00 P.M.. CHEQUES OR ANY OTHER MODE OF PAYMENTS NOT PRESCRIBED HEREIN ARE NOT ACCEPTABLE.

APPLICATIONS ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY OR MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD. DETAILS OF THE REMITTANCES MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE RSF.

NO ACKNOWLEDGEMENT WILL BE ISSUED FOR THE RECEIPT OF THE RSF OR APPLICATION MONIES IN RESPECT OF THE RIGHTS ISSUE. HOWEVER, IF YOUR APPLICATION IS SUCCESSFUL, A NOTICE OF ALLOTMENT WILL BE ISSUED AND DESPATCHED BY ORDINARY POST TO YOU AND/OR YOUR RENOUNCEES AND/OR TRANSFEREES (IF APPLICABLE) AT YOUR OWN RISK TO THE LAST ADDRESS MAINTAINED WITH BURSA DEPOSITORY WITHIN 8 MARKET DAYS FROM THE CLOSING DATE OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.

YOU SHOULD NOTE THAT THE RSF AND REMITTANCES LODGED WITH OUR SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.

IN RESPECT OF UNSUCCESSFUL OR PARTIALLY ACCEPTED APPLICATIONS, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES (AS THE CASE MAY BE) WILL BE REFUNDED WITHOUT INTEREST. THE REFUND WILL BE MADE BY ISSUANCE OF CHEQUE WHICH SHALL BE DESPATCHED TO YOU AND/OR YOUR RENOUNCEE(S) AND/OR TRANSFEREE(S) (IF APPLICABLE) BY ORDINARY POST TO THE LAST ADDRESS MAINTAINED WITH BURSA DEPOSITORY AT YOUR OWN RISK WITHIN 15 MARKET DAYS FROM THE CLOSING DATE.

ALL RIGHTS SHARES WITH WARRANTS TO BE ISSUED PURSUANT TO THE RIGHTS ISSUE WILL BE ALLOTTED BY WAY OF CREDITING THE RIGHTS SHARES WITH WARRANTS INTO THE CDS ACCOUNTS OF THE ENTITLED SHAREHOLDERS AND/OR THEIR RENOUNCEES AND/OR TRANSFEREES (IF APPLICABLE). NO PHYSICAL SHARE CERTIFICATE OR WARRANT CERTIFICATE WILL BE ISSUED.

APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT. OUR BOARD RESERVES THE RIGHT NOT TO ACCEPT ANY APPLICATION OR TO ACCEPT ANY APPLICATION IN PART ONLY WITHOUT ASSIGNING ANY REASON.

9.5.2 By way of e-Subscription

The e-Subscription is available to all Entitled Shareholders who are registered users of our Share Registrar’s Investor Portal at <https://www.shareworks.com.my/>. You are advised to read the instructions as well as the terms and conditions of the e-Subscription.

Entitled Shareholders who wish to subscribe for the Rights Shares with Warrants and apply for the Excess Rights Shares with Warrants by way of e-Subscription, shall take note of the following:

- (a) the e-Subscription will be closed at **5.00 p.m. on Thursday, 18 July 2024**. All valid e-Subscription received by our Share Registrar is irrevocable and cannot be subsequently withdrawn;
- (b) the e-Subscription must be made in accordance with the procedures and terms and conditions of the e-Subscription, this AP and the notes and conditions contained in the e-RSF. Any incomplete or incorrectly completed e-RSF submitted via our Share Registrar’s Investor Portal may or may not be accepted at the absolute discretion of our Board.
- (c) your subscription/application for the Rights Shares with Warrants and Excess Rights Shares with Warrants must be accompanied by the remittance in RM via internet bank transfer to the following bank account:

Name of Bank : Malayan Banking Berhad
 Name of Account : MLABS RIGHT ISSUES ACCOUNT
 Bank Account No : 514196349836

You are required to pay an additional fee of **RM15.00** being the stamp duty and handling fee for each application via e-Subscription.

- (d) all Entitled Shareholders who wish to subscribe/apply for the Rights Shares with Warrants and Excess Rights Shares with Warrants by way of e-Subscription are required to follow the procedures and read the terms and conditions as stated below:

(i) Procedures

Procedures		Action
User Registration		
1.	Register as a user with the Investor Portal	- Access the website at https://www.shareworks.com.my/ . Click “Investor Portal”. Refer to the online help tutorial for assistance. - Read and agree to the terms and conditions and confirm the declaration. - Upon submission of your registration, your account will be activated within one working day. - If you have already registered an account with the Investor Portal, you are not required to register again.
e-Subscription		
2.	Sign in to the Investor Portal	- Login with your user ID and password for e-Subscription before the Closing Date.

3.	Complete the e-Subscription	<ul style="list-style-type: none"> - Select the corporate exercise “MLABS SYSTEMS BERHAD – RIGHTS ISSUE”. - Key in/check your full name, CDS Account number, contact number, the number of units for acceptance of your Rights Shares with Warrants and Excess Rights Shares with Warrants (if you choose to apply for Excess Rights Shares with Warrants). - Proceed to make payment via online banking and indicate your name and last 9 digits of the CDS Account number for reference. - Upload the proof of payment(s) and ensure all the information provided is accurate before submitting the e-RSF. - Print your e-RSF for your reference and record.
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If you encounter any problems during the registration or submission, please email our Share Registrar at support@shareworks.com.my for assistance.

(ii) Terms and conditions of the e-Subscription

By submitting your acceptance of the Rights Shares with Warrants and application of the Excess Rights Shares with Warrants (if applicable) by way of e-Subscription:

- (A) You acknowledge that your submission by way of e-Subscription is subject to the risks of electrical, electronic, technical, transmission, communication and computer related faults and breakdowns, fires and other events beyond the control of our Company or our Share Registrar and irrevocably agree that if:
- (i) our Company or our Share Registrar does not receive your submission of the e-RSF; or
 - (ii) data on the e-RSF is wholly or partially lost, corrupted or inaccessible, or not transmitted, your submission of the e-RSF will be deemed as failed and not to have been made. Our Company and our Share Registrar will not be held liable for any delays, failures or inaccuracies in the processing of your e-Subscription due to the above reasons and you further agree that you may not make any claims whatsoever against our Company or our Share Registrar for any loss, compensation or damage in relation to the unsuccessful or failure of your e-Subscription.
- (B) You will ensure that all information provided by you in the e-RSF is identical with the information in the records of Bursa Depository and further agree and confirm that in the event the said information differs from the records of Bursa Depository, your application by way of e-Subscription may be rejected at the absolute discretion of our Board without assigning any reason.
- (C) You agree that your application shall not be deemed to have been accepted by reason of the remittance have been made.
- (D) You agree that all the Rights Shares and Warrants to be issued pursuant to the Rights Issue will be allotted by way of crediting the Rights Shares and Warrants into your CDS Account. No physical share or warrant certificates will be issued.

- (E) You agree that our Company and our Share Registrar reserve the right to reject your application which does not conform to these terms and conditions.
- (F) If your application is successful, a notice of allotment will be issued and despatched by ordinary post to the last address maintained with Bursa Depository at your own risk within 8 Market Days from the Closing Date or such other period as may be prescribed by Bursa Securities.
- (G) Where your application is not accepted or accepted only in part, the full amount or the balance of the application monies, as the case may be, shall be refunded without interest by banker's cheque within 15 Market Days from the Closing Date and will be despatched by ordinary post to the last address maintained with Bursa Depository at your own risk.

You are not required to complete and lodge the physical RSF at our Share Registrar's office if you have successfully submitted the e-RSF on the acceptance of the Provisional Allotments and the application for Excess Rights Shares with Warrants by way of e-Subscription.

9.6 Procedures for part acceptance

If you do not wish to accept the Rights Shares with Warrants provisionally allotted to you in full, you are entitled to accept part of your entitlements that can be subscribed / applied for. The minimum number of Rights Shares that may be subscribed or accepted is 1 Rights Share. You should take note that a trading board lot for the Rights Shares and Warrants will comprise 100 Rights Shares and 100 Warrants, respectively. Fractional entitlements arising from the Rights Issue will be disregarded and dealt with by our Board in such manner as it may at its absolute discretion deem fit and expedient and in the best interest of our Company.

You must complete both Part I(A) of the RSF or e-RSF by specifying the number of Rights Shares with Warrants which you are accepting and Part II of the RSF or e-RSF and deliver the completed and signed RSF or submit the e-RSF together with the relevant payment to our Share Registrar in the same manner as set out in **Section 9.5** of this AP.

YOU ARE ADVISED TO READ AND ADHERE TO THE RSF OR E-RSF AND THE NOTES AND INSTRUCTIONS CONTAINED IN THE RSF OR E-RSF (AS THE CASE MAY BE).

9.7 Procedures for sale or transfer of Provisional Allotments

As the Provisional Allotments are prescribed securities, should you wish to sell or transfer all or part of your Provisional Allotments to 1 or more persons during the period up to the last date and time for sale or transfer of the Provisional Allotments (as the case may be) (in accordance with the Rules of Bursa Depository), you may do so immediately through your stockbroker without first having to request for a split of the Provisional Allotments standing to the credit of your CDS Account. To sell or transfer all or part of your Provisional Allotments, you may sell such Provisional Allotments on the open market of Bursa Securities or transfer such Provisional Allotments to such persons as may be allowed pursuant to the Rules of Bursa Depository during the period up to the last date and time for sale or transfer of the Provisional Allotments (as the case may be) (in accordance with the Rules of Bursa Depository).

YOU ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED IN THE RSF. IN SELLING OR TRANSFERRING ALL OR PART OF YOUR PROVISIONAL ALLOTMENTS, YOU AND/OR YOUR RENOUNCEE(S)/TRANSFeree(S) (IF APPLICABLE) ARE NOT REQUIRED TO DELIVER ANY DOCUMENT TO YOUR STOCKBROKER. HOWEVER, YOU MUST ENSURE THAT YOU HAVE SUFFICIENT NUMBER OF PROVISIONAL ALLOTMENTS STANDING TO THE CREDIT OF YOUR CDS ACCOUNT THAT ARE AVAILABLE FOR SETTLEMENT OF THE SALE OR TRANSFER.

If you have sold or transferred only part of your Provisional Allotments, you may still accept the balance of the Provisional Allotments by completing Part I(A) and Part II of the RSF or e-RSF and delivering the RSF or submit the e-RSF together with the full amount payable on the balance of the Rights Shares with Warrants applied for to our Share Registrar. Please refer to **Section 9.5** of this AP for the procedures for acceptance and payment.

YOU SHOULD NOTE THAT ANY RSF AND REMITTANCE LODGED WITH OUR SHARE REGISTRAR WILL BE IRREVOCABLE AND CANNOT SUBSEQUENTLY BE WITHDRAWN.

9.8 Procedures for the Excess Rights Shares Application

9.8.1 By way of RSF

You and/or your renounee(s) and/or transferee(s) (if applicable) may apply for the Excess Rights Shares with Warrants in addition to those provisionally allotted to you by completing Part I(B) of the RSF (in addition to Part I(A) and Part II) and forward it (together with a **combined remittance made in RM** for the full amount payable in respect of the Rights Shares with Warrants and the Excess Rights Shares with Warrants applied for) to our Share Registrar not later than **5.00 p.m. on Thursday, 18 July 2024**, being the last time and date for application and payment for the Excess Rights Shares with Warrants.

Payment for the Excess Rights Shares Application should be made in the same manner as set out in **Section 9.5.1** of this AP. Applications accompanied by payments other than in the manner stated above or with excess or insufficient remittances may or may not be accepted at the absolute discretion of our Board. Details of the remittances must be completed in the appropriate boxes provided in the RSF (i.e., Parts I(A) and I(B) of the RSF).

9.8.2 By way of e-Subscription

You and/or your renounee(s) and/or transferee(s) (if applicable) may apply for the Excess Rights Shares with Warrants in excess of your entitlement via e-Subscription in addition to your Provisional Allotments. If you wish to do so, you may apply for the Excess Rights Shares with Warrants by following the same steps as set out in **Section 9.5.2** of this AP.

The application for Excess Rights Shares with Warrants via e-Subscription shall be made on, subject to, the same terms and conditions as set out in **Section 9.5.2** of this AP.

Any Rights Shares with Warrants which are not taken up or not validly taken up by you and/or your renounee(s) and/or transferee(s) (if applicable) shall be made available for Excess Rights Shares Application. It is the intention of our Board to allot the Excess Rights Shares with Warrants, if any, in a fair and equitable manner in the following priority:-

- (i) firstly, to minimise the incidence of odd lots;
- (ii) secondly, on a pro-rata basis and in board lots, to our Entitled Shareholders who have applied for Excess Rights Shares with Warrants, taking into consideration their respective shareholdings in our Company as at the Entitlement Date;
- (iii) thirdly, on a pro-rata basis and in board lots, to our Entitled Shareholders who have applied for Excess Rights Shares with Warrants, taking into consideration the quantum of their respective Excess Rights Shares Applications; and
- (iv) lastly, on a pro-rata basis and in board lots, to the renounee(s) and/or transferee(s) who have applied for Excess Rights Shares with Warrants, taking into consideration the quantum of their respective Excess Rights Shares Applications.

The Excess Rights Shares with Warrants will firstly be allocated to minimise the odd lots (if any) held by each applicant of Excess Rights Shares with Warrants. Thereafter, the allocation process will perform items (ii), (iii) and (iv) in succession. Any remaining balance of Excess Rights Shares with Warrants will be allocated by performing the same sequence of allocation i.e., items (ii), (iii) and (iv) again in succession until all Excess Rights Shares with Warrants are allotted.

Notwithstanding the foregoing, our Board reserves the right to allot any Excess Rights Shares with Warrants applied for under Part I(B) of the RSF in such manner as it deems fit and expedient and in the best interests of our Company subject always to such allocation being made on a fair and equitable basis, and that the intention of our Board as set out in items (i), (ii), (iii) and (iv) above is achieved. Our Board also reserves the right at its absolute discretion not to accept any application for Excess Rights Shares with Warrants, in full or in part, without assigning any reason thereof.

APPLICATIONS ACCOMPANIED BY PAYMENT OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY OR MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD.

NO ACKNOWLEDGEMENT WILL BE ISSUED FOR THE RECEIPT OF THE EXCESS RIGHTS SHARES APPLICATION OR APPLICATION MONIES IN RESPECT THEREOF. HOWEVER, IF YOUR APPLICATION IS SUCCESSFUL, A NOTICE OF ALLOTMENT WILL BE DESPATCHED TO YOU BY ORDINARY POST TO THE LAST ADDRESS MAINTAINED WITH BURSA DEPOSITORY AT YOUR OWN RISK WITHIN 8 MARKET DAYS FROM THE CLOSING DATE OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.

EXCESS RIGHTS SHARES APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT. OUR BOARD RESERVES THE RIGHT NOT TO ACCEPT ANY SUCH APPLICATION OR TO ACCEPT ANY SUCH APPLICATION IN PART ONLY WITHOUT ASSIGNING ANY REASON THEREOF.

IN RESPECT OF UNSUCCESSFUL OR PARTIALLY SUCCESSFUL EXCESS RIGHTS SHARES APPLICATIONS, THE FULL AMOUNT OR THE BALANCE APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST. THE REFUND WILL BE MADE BY ISSUANCE OF CHEQUE WHICH SHALL BE DESPATCHED TO YOU AND/OR YOUR RENOUNCEE(S) AND/OR TRANSFEREE(S) (IF APPLICABLE) BY ORDINARY POST TO THE LAST ADDRESS MAINTAINED WITH BURSA DEPOSITORY AT YOUR OWN RISK WITHIN 15 MARKET DAYS FROM THE CLOSING DATE.

9.9 Procedures to be followed by transferees and/or renounees

As a transferee and/or renounee, the procedures for acceptance, selling or transferring of Provisional Allotments, applying for the Excess Rights Shares with Warrants and/or payment are the same as that which are applicable to our Entitled Shareholders as described in **Sections 9.3 to 9.8** of this AP. Please refer to the relevant sections for the procedures to be followed.

If you wish to obtain a copy of this AP and/or accompanying RSF, you can request the same from your stockbroker, our Share Registrar at the address stated in **Section 9.5.1** of this AP, our Share Registrar's website at <https://www.shareworks.com.my/>, the registered office of our Company or Bursa Securities' website at <https://www.bursamalaysia.com>.

TRANSFEREES AND/OR RENOUNCEES ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED IN THE RSF.

9.10 CDS Account

Bursa Securities has already prescribed the Shares listed on the ACE Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the new securities arising from the Rights Issue are prescribed securities and, as such, all dealings with such securities will be by book entries through CDS Accounts and shall be governed by the SICDA and the Rules of Bursa Depository. You must have a valid and subsisting CDS Account in order to subscribe for the Rights Shares with Warrants. Failure to comply with these specific instructions or inaccuracy of the CDS Account number may result in your application being rejected.

Your subscription for the Rights Shares with Warrants shall signify your consent to receive such Rights Shares with Warrants as deposited securities that will be credited directly into your CDS Account. No physical certificates will be issued.

All Excess Rights Shares with Warrants allotted shall be credited directly into the CDS Accounts of successful applicants. If you have multiple CDS Accounts into which the Provisional Allotments have been credited, you cannot use a single RSF to accept all these Provisional Allotments. Separate RSFs must be used for acceptance of Provisional Allotments credited into separate CDS Accounts. If successful, the Rights Shares with Warrants that you subscribed for will be credited into the CDS Accounts where the Provisional Allotments are standing to the credit.

9.11 Notice of allotment

Within 5 Market Days after the Closing Date, our Company will make the relevant announcements on Bursa Securities in relation to the subscription rate of the Rights Issue.

Upon allotment of the Rights Shares with Warrants in respect of your acceptance and/or your renounee and/or transferee acceptance (if applicable) and Excess Rights Shares Application (if any), the Rights Shares with Warrants shall be credited directly into the respective CDS Account where the Provisional Allotments were credited. No physical certificates will be issued in respect of the Rights Shares with Warrants. However, a notice of allotment will be despatched to you and/or your renounee and/or transferee (if applicable) by ordinary post within 8 Market Days from the Closing Date or such other period as may be prescribed or allowed by Bursa Securities, to the last address maintained with Bursa Depository at your own risk.

Where any application for the Rights Shares with Warrants is not accepted due to non-compliance with the terms of the Rights Issue or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded without interest. The refund will be by issuance of cheque and will be despatched to you and/or your renounee(s) and/or transferee(s) (if applicable) within 15 Market Days from the Closing Date by ordinary post to the last address maintained with Bursa Depository at your own risk.

Please note that a completed RSF and the payment thereof, once lodged with our Share Registrar for the Rights Shares with Warrants, cannot be withdrawn subsequently.

9.12 Foreign-Addressed Shareholders

This AP, the NPA and the RSF have not been (and will not be) made to comply with the laws of any foreign country or jurisdiction other than Malaysia, and have not been (and will not be) lodged, registered or approved under any applicable securities or equivalent legislation (or with or by any regulatory authority or other relevant body) of any country or jurisdiction other than Malaysia.

The distribution of this AP, the NPA and the RSF, as well as the acceptance of the Provisional Allotments and the subscription for or the acquisition of the Rights Shares with Warrants may be restricted or prohibited (either absolutely or subject to various relevant securities requirements, whether legal or administrative, being complied with) in certain countries or jurisdiction under the relevant laws of those countries or jurisdictions.

This AP, the NPA and the RSF are not intended to be (and will not be) issued, circulated or distributed and the Rights Issue will not be made or offered or deemed made or offered for acquisition or subscription of any Rights Shares with Warrants, in any country or jurisdiction other than Malaysia or to persons who are or may be subject to the laws of any country or jurisdiction other than the laws of Malaysia. The Rights Issue to which this AP relates is only available to Entitled Shareholders receiving this AP, the NPA and the RSF electronically or otherwise within Malaysia.

As a result, this AP, the NPA and the RSF have not been (and will not be) sent to shareholders who have not provided to our Company a registered address or an address in Malaysia for the service of documents (“**Foreign-Addressed Shareholders**”). However, Foreign-Addressed Shareholders may collect this AP, the NPA and the RSF from our Share Registrar, ShareWorks Sdn Bhd at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur. Our Share Registrar will be entitled to request evidence from the Foreign-Addressed Shareholders as it deems necessary to satisfy itself as to the identity and authority of the person collecting this AP, the NPA and the RSF.

Our Company will not make or be bound to make any enquiry as to whether you have a registered address in Malaysia or an address for service in Malaysia if not otherwise stated on the Record of Depositors as at the Entitlement Date and will not accept or be deemed to accept any liability whether or not any enquiry or investigation is made in connection therewith. Our Company will assume that the Rights Issue and the acceptance thereof by you would be in compliance with the terms and conditions of the Rights Issue and would not be in breach of the laws of any jurisdiction. Our Company will further assume that you had accepted the Rights Issue in Malaysia and will at all applicable times be subject to the laws of Malaysia.

A Foreign-Addressed Shareholder and/or his transferee(s) and/or his renounee(s) (if applicable) may only accept or renounce all or any part of his/their entitlements and exercise any other rights in respect of the Rights Issue only to the extent that it would be lawful to do so, and our Company, our Board and officers, TA Securities and/or the advisers named herein (“**Parties**”) would not, in connection with the Rights Issue, be in breach of the laws of any country or jurisdiction to which the Foreign-Addressed Shareholder and/or his transferee(s) and/or his renounee(s) (if applicable) is or might be subject to.

The Foreign-Addressed Shareholder and/or his transferee(s) and/or his renounee(s) (if applicable) shall be solely responsible to seek advice from his/their legal and/or professional advisers as to whether the acceptance or renunciation in any manner whatsoever of his entitlement under the Rights Issue would result in the contravention of the laws of the countries or jurisdictions to which he/they is/are or might be subject to. The Parties shall not accept any responsibility or liability in the event any acceptance or renunciation made by any Foreign-Addressed Shareholder and/or his transferee(s) and/or his renounee(s) (if applicable) is or shall become unlawful, unenforceable, voidable or void in any such country or jurisdiction. The Foreign-Addressed Shareholder and/or his transferee(s) and/or his renounee(s) (if applicable) will also have no claims whatsoever against the Parties in respect of his/their entitlements or to any net proceeds thereof.

Our Company reserves the right, in its absolute discretion, to treat any acceptances as invalid, if we believe that such acceptance may violate applicable legal or regulatory requirements. The Provisional Allotments relating to any acceptance which is treated as invalid will be included in the pool of Rights Shares with Warrants available for excess application by other Entitled Shareholders and/or their transferee(s) and/or their renounee(s).

Each person, by accepting the delivery of this AP, the NPA and the RSF, accepting any Provisional Allotments by signing any of the forms accompanying this AP or subscribing for or acquiring the Rights Shares with Warrants, will be deemed to have represented, warranted, acknowledged and agreed in favour of (and which representations, warranties, acknowledgements and agreements will be relied upon by) the Parties as follows:-

- (i) the Parties would not, by acting on the acceptance or renunciation in connection with the Rights Issue, be in breach of the laws of any jurisdiction to which the Entitled Shareholder and/or his transferee(s) and/or his renounee(s) is or might be subject to;

- (ii) the Foreign-Addressed Shareholder and/or his transferee(s) and/or his renounee(s) has complied with the laws to which the Foreign-Addressed Shareholder and/or his transferee(s) and/or his renounee(s) is or might be subject to in connection with the acceptance or renunciation;
- (iii) the Foreign-Addressed Shareholder and/or his transferee(s) and/or his renounee(s) is not a nominee or agent of a person in respect of whom the Parties would, by acting on the acceptance or renunciation of the Provisional Allotments, be in breach of the laws of any jurisdiction to which that person is or might be subject to;
- (iv) the Foreign-Addressed Shareholder and/or his transferee(s) and/or his renounee(s) is/are aware that the Rights Shares with Warrants can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged or dealt with in any other way in accordance with all applicable laws in Malaysia;
- (v) the Foreign-Addressed Shareholder and/or his transferee(s) and/or his renounee(s) has/have obtained a copy of this AP and has/have read and understood the contents of this AP, has/have had access to such financial and other information and has/have been provided the opportunity to ask such questions to the representatives of the Parties and receive answers thereto as the Foreign-Addressed Shareholder and/or his transferee(s) and/or his renounee(s) deem(s) necessary in connection with the Foreign-Addressed Shareholder and/or his transferee and/or his renounee's decision to subscribe for or purchase the Rights Shares with Warrants; and
- (vi) the Foreign-Addressed Shareholder and/or his transferee(s) and/or his renounee(s) has/have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Rights Shares with Warrants, and is/are and will be able, and is/are prepared to bear the economic and financial risks of investing in and holding the Rights Shares with Warrants.

NOTWITHSTANDING ANYTHING HEREIN, THE FOREIGN-ADDRESSED SHAREHOLDERS AND ANY OTHER PERSON HAVING POSSESSION OF THIS AP AND/OR ITS ACCOMPANYING DOCUMENTS ARE ADVISED TO INFORM THEMSELVES OF AND TO OBSERVE ANY LEGAL REQUIREMENTS APPLICABLE TO THEM. NO PERSON IN ANY TERRITORY OUTSIDE OF MALAYSIA RECEIVING THIS AP AND/OR ITS ACCOMPANYING DOCUMENTS MAY TREAT THE SAME AS AN OFFER, INVITATION OR SOLICITATION TO SUBSCRIBE FOR OR ACQUIRE ANY RIGHTS SHARES WITH WARRANTS UNLESS SUCH OFFER, INVITATION OR SOLICITATION COULD LAWFULLY BE MADE WITHOUT COMPLIANCE WITH ANY REGISTRATION OR OTHER REGULATORY OR LEGAL REQUIREMENTS ON SUCH TERRITORY.

10. TERMS AND CONDITIONS

The issuance of the Rights Shares with Warrants pursuant to the Rights Issue is governed by the terms and conditions as set out in this AP and the accompanying NPA and RSF as well as the Deed Poll.

11. FURTHER INFORMATION

You are requested to refer to the attached appendices for further information.

Yours faithfully,
For and on behalf of our Board
MLABS SYSTEMS BERHAD


TAN SIRK TEK
Executive Director

INFORMATION ON OUR GROUP**1. SHARE CAPITAL**

As at the LPD, the issued share capital of our Company is RM110,048,887 comprising 72,470,289 Shares and our Company does not have any treasury shares, outstanding ESOS Options or other convertible securities.

2. BOARD OF DIRECTORS

The details of our Board as at the LPD are set out in the table below:

Name	Age	Designation	Address	Nationality
General Tan Sri Dato' Sri Hj. Suleiman bin Mahmud RMAF (Rtd)	76	Non-Independent Non-Executive Director/Chairman	No. 6, Jalan Pungguk 6/4F, Seksyen 6, 40000 Shah Alam, Selangor	Malaysian
Mejar Dato' Ismail bin Ahmad (R)	75	Non-Independent Non-Executive Director	No. 2, Jalan Kapur 3/3, Seksyen 3, 40000 Shah Alam, Selangor	Malaysian
Ong Tee Kein	67	Non-Independent Non-Executive Director	85, Medan Athinahapan Dua, Taman Tun Dr Ismail, 60000 Kuala Lumpur	Malaysian
Professor Emeritus Dr. Sureswaran Ramadass	58	Independent Non-Executive Director	14, Jalan Bayan Mutiara 10, D' Residence, 11900 Bayan Lepas, Pulau Pinang	Malaysian
Chuah Hoon Hong	38	Independent Non-Executive Director	2-1, Lagenda Mas Villa, Lot 156, Jalan Matang 3, Taman Sri Kuching, 51200 Kuala Lumpur	Malaysian
Karina binti Idris Ahmad Shah	54	Independent Non-Executive Director	22, Jalan Setiamurni 1, Bukit Damansara, 50490 Kuala Lumpur	Malaysian
Tan Sik Eek	47	Executive Director	Unit D16-15, Level 16 Block D, Park 51 Residency, Jalan 51A/241, 46100 Petaling Jaya, Selangor	Malaysian

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INFORMATION ON OUR GROUP (CONT'D)**3. DIRECTORS' SHAREHOLDINGS**

Save as disclosed below, none of our Directors have any direct and/or indirect shareholding in our Company as at the LPD. The pro forma effects of the Rights Issue on the shareholdings of our Directors based on the Register of Directors' Shareholdings as at LPD are as follows:

Minimum Scenario

Name	As at the LPD				(I) After the Rights Issue			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Professor Emeritus Dr. Sureswaran Ramadass	1,675	Neg	191 ⁽¹⁾	Neg	1,675	Neg	191 ⁽¹⁾	Neg
Ong Tee Kein	41,805	0.06	-	-	17,541,805	19.50	-	-
Tan Sik Eek	35,000	0.05	-	-	35,000	0.04	-	-

Name	(II) After (I) and assuming full exercise of the Warrants			
	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Professor Emeritus Dr. Sureswaran Ramadass	1,675	Neg	191 ⁽¹⁾	Neg
Ong Tee Kein	24,541,805	25.31	-	-
Tan Sik Eek	35,000	0.04	-	-

Notes:

Neg Negligible, being less than 0.01%.

(1) Deemed interested by virtue of his spouse's shareholding.

Maximum Scenario

Name	As at the LPD				(I) After the Rights Issue			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Professor Emeritus Dr. Sureswaran Ramadass	1,675	Neg	191 ⁽¹⁾	Neg	6,700	Neg	764 ⁽¹⁾	Neg
Ong Tee Kein	41,805	0.06	-	-	167,220	0.06	-	-
Tan Sik Eek	35,000	0.05	-	-	140,000	0.05	-	-

INFORMATION ON OUR GROUP (CONT'D)

Name	(II)			
	After (I) and assuming full exercise of the Warrants			
	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Professor Emeritus Dr. Sureswaran Ramadass	8,710	Neg	993 ⁽¹⁾	Neg
Ong Tee Kein	217,386	0.06	-	-
Tan Sik Eek	182,000	0.05	-	-

Notes:

Neg Negligible, being less than 0.01%.

(1) Deemed interested by virtue of his spouse's shareholding.

4. SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

The proforma effects of the Rights Issue on the substantial shareholders' shareholdings in our Company based on the Register of the Substantial Shareholders as at the LPD are as follows:

Minimum Scenario

Name	As at the LPD				(I)			
					After the Rights Issue			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
First United Technology Limited	11,411,512	15.75	-	-	11,411,512	12.68	-	-
NetX Holdings Berhad	-	-	11,411,512 ⁽¹⁾	15.75	-	-	11,411,512 ⁽¹⁾	12.68
Ong Tee Kein	41,805	0.06	-	-	17,541,805	19.50	-	-

Name	(II)			
	After (I) and assuming full exercise of the Warrants			
	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
First United Technology Limited	11,411,512	11.77	-	-
NetX Holdings Berhad	-	-	11,411,512 ⁽¹⁾	11.77
Ong Tee Kein	24,541,805	25.31	-	-

INFORMATION ON OUR GROUP (CONT'D)

Note:

(1) Deemed interested by virtue of its shareholdings in First United Technology Limited pursuant to Section 8 of the Act.

Maximum Scenario

Name	As at the LPD				(I) After the Rights Issue			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
First United Technology Limited	11,411,512	15.75	-	-	45,646,048	15.75	-	-
NetX Holdings Berhad	-	-	11,411,512 ⁽¹⁾	15.75	-	-	45,646,048 ⁽¹⁾	15.75
Ong Tee Kein	41,805	0.06	-	-	167,220	0.06	-	-

Name	(II) After (I) and assuming full exercise of the Warrants			
	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
First United Technology Limited	59,339,862	15.75	-	-
NetX Holdings Berhad	-	-	59,339,862 ⁽¹⁾	15.75
Ong Tee Kein	217,386	0.06	-	-

Note:

(1) Deemed interested by virtue of its shareholdings in First United Technology Limited pursuant to Section 8 of the Act.

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INFORMATION ON OUR GROUP (CONT'D)**5. HISTORICAL FINANCIAL PERFORMANCE OF OUR GROUP**

The summary of key financial information of our Group for the audited FYE 30 June 2021 to 30 June 2023 as well as the unaudited 9M-FPEs 31 March 2023 and 31 March 2024 are as follows:

(i) Historical financial performance

	(Audited)			(Unaudited)	
	FYE 30 June 2021 (RM'000)	FYE 30 June 2022 (RM'000)	FYE 30 June 2023 (RM'000)	9M-FPE 31 March 2023 (RM'000)	9M-FPE 31 March 2024 (RM'000)
Revenue	10,585	20,869	22,493	15,721	19,416
Gross profit	1,365	6,049	12,023	8,322	8,174
Other income	2,458	4,576	7,303	7,005	1,486
Administrative expenses	(17,196)	(15,233)	(18,569)	(13,677)	(13,925)
Selling and distribution expenses	(1,535)	(2,755)	(1,559)	(1,205)	(3,548)
Other operating expenses	(999)	(5,969)	(7,236)	(3,170)	(2,544)
Finance costs	(46)	(397)	(147)	(115)	(228)
Share of results of associates, net of tax	-	-	-	-	-
LBT	(15,953)	(13,730)	(8,185)	(2,840)	(10,585)
Taxation	-	(614)	(608)	(63)	(260)
LAT	(15,953)	(13,344)	(8,793)	(2,903)	(10,845)
LAT attributable to:					
- Owners of our Company	(15,039)	(13,037)	(7,286)	(1,614)	(8,896)
- Non-controlling interests	(914)	(1,307)	(1,507)	(1,289)	(1,949)
	(15,953)	(14,344)	(8,793)	(2,903)	(10,845)
No. of Shares in issue (excluding treasury shares) ('000)	1,207,841	1,449,409	1,449,409	1,449,409	1,449,409
Weighted average no. of Shares (excluding treasury shares) ('000)	647,585	1,399,772	1,449,409	1,449,409	1,449,409
LPS (sen) ⁽¹⁾	(2.32)	(0.93)	(0.50)	(0.11)	(0.61)
Gross profit margin (%)	12.90	28.99	53.45	52.94	42.10
LBT margin (%)	(150.71)	(65.79)	(36.39)	(18.07)	(54.52)
LAT margin (%)	(150.71)	(63.94)	(39.09)	(18.47)	(55.85)

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INFORMATION ON OUR GROUP (CONT'D)**(ii) Historical financial position**

	(Audited)			(Unaudited)
	As at 30 June 2021 (RM'000)	As at 30 June 2022 (RM'000)	As at 30 June 2023 (RM'000)	As at 31 March 2024 (RM'000)
Total non-current assets	24,017	56,597	56,953	49,750
Total current assets	124,507	87,149	78,336	80,748
Total assets	148,524	143,746	135,289	130,498
Share capital	101,401	110,049	110,049	110,049
Reserves	33,748	21,475	16,385	7,984
Shareholders' funds / NA	135,149	131,524	126,434	118,033
Non-controlling interest	889	540	1,471	(487)
Total equity	136,038	132,064	127,905	117,546
Total non-current liabilities	381	2,636	2,041	1,293
Total current liabilities	12,105	9,046	5,343	11,659
Total liabilities	12,486	11,682	7,384	12,952
Total equity and liabilities	148,524	143,746	135,289	130,498
NA per Share (sen) ⁽²⁾	11.19	9.07	8.72	8.14

(iii) Historical cash flows

	(Audited)			(Unaudited)
	FYE 30 June 2021 (RM'000)	FYE 30 June 2022 (RM'000)	FYE 30 June 2023 (RM'000)	9M-FPE 31 March 2024 (RM'000)
Net cash used in operating activities	(14,998)	(8,072)	(2,022)	(6,925)
Net cash used in investing activities	(4,255)	(26,891)	(4,815)	(9,114)
Net cash (used in) / from financing activities	97,042	1,425	(1,225)	(743)
Net (decrease) / increase in cash and cash equivalents	77,789	(33,538)	(8,062)	(16,782)
Cash and cash equivalents at the beginning of financial year/period	22,490	100,236	66,968	60,883
Effects of exchange rate changes	(43)	270	1,977	502
Cash and cash equivalents at the end of financial year/period	100,236	66,968	60,883	44,603

Notes:

- (1) Computed based on the LAT divided by the weighted average number of Shares in issue (excluding treasury shares).
- (2) Computed based on the NA divided by the number of Shares in issue (excluding treasury shares).

INFORMATION ON OUR GROUP (CONT'D)**Commentaries:****(a) 9M-FPE 31 March 2024 vs 9M-FPE 31 March 2023**

Our Group recorded revenue of approximately RM19.42 million (9M-FPE 31 March 2023: RM15.72 million), representing an increase by RM3.70 million or 23.50% mainly due to the following:

- (i) increase in revenue from the trading segment of RM1.37 million (9M-FPE 31 March 2023: RM0.97 million) arising from higher sales of our products as a result of strategic marketing efforts to increase target customers' awareness and expansion of the product range for our trading business, namely Pacifica2u;
- (ii) increase in revenue from factoring business of RM1.30 million (9M-FPE 31 March 2023: RM4.25 million) mainly arising from the factoring services provided to our new factoring clients; and
- (iii) increase in revenue from ICT and fintech segment of RM0.85 million (9M-FPE 31 March 2023: RM9.70 million) arising from higher project fulfilments.

Our Group recorded a higher LAT of approximately RM8.90 million (9M-FPE 31 March 2023: RM1.61 million), representing an increase of LAT of approximately RM7.28 million or 451.18%. The increase in LAT was mainly due to the following:

- (i) higher depreciation of property, plant and equipment amounting to RM3.05 million (9M-FPE 31 March 2023: RM 1.43 million);
- (ii) one-off fair value loss on quoted Shares amounting to RM1.73 million;
- (iii) lower fair value gain on other investment amounting to RM0.72 million (9M-FPE 31 March 2023: RM1.86 million); and
- (iv) absence of one-off gain on dilution of interest in subsidiaries amounting to RM2.67 million which was incurred in 9M-FPE 31 March 2023.

Our Group recorded a net cash used in operating activities for 9M-FPE 31 March 2024 of RM6.93 million mainly due to the LBT of RM10.59 million and increase in receivables and contract assets of RM8.91 million mainly attributable to slow collection from our receivables. Our Group recorded a decrease in net cash and cash equivalents of RM16.78 million as at 31 March 2024.

(b) FYE 30 June 2023 vs FYE 30 June 2022

Our Group recorded revenue of approximately RM22.49 million (FYE 30 June 2022: RM20.87 million), representing an increase by approximately RM1.62 million or 7.76% mainly due to the increase in contribution from debt factoring amounting to approximately RM6.88 million in FYE 30 June 2023 (FYE 30 June 2022: RM1.15 million) as a result of the increase in factoring provided to our Group's clients which was mainly attributable to the increase in the funds available for our Factoring Business derived from our internally generated funds, coupled with heightened demand for our factoring service from new clients in FYE 30 June 2023.

However, the revenue from our Group's research and development, and assembling segment decreased by approximately RM3.15 million from RM16.66 million for the FYE 30 June 2022 to RM13.51 million for the FYE 30 June 2023 due to the challenging market condition which reduce the activities of the provision of digitalisation solution and services in the FYE 30 June 2023.

INFORMATION ON OUR GROUP (CONT'D)

Our Group recorded a lower LAT of approximately RM7.29 million (FYE 30 June 2022: RM13.04 million), representing a decrease of LAT of approximately RM5.75 million or 44.11%. The decrease in LAT was mainly due to:

- (i) the higher revenue from our Group's factoring business in the FYE 30 June 2023 as detailed above; and
- (ii) one-off gain on dilution on interest in subsidiaries amounting to RM2.37 million in the FYE 30 June 2023 (FYE 30 June 2022: RM Nil).

Our Group recorded a net cash used in operating activities for FYE 30 June 2023 of RM2.02 million mainly due to the LBT of RM8.18 million and decrease in payables of RM0.83 million mainly attributable to the reduction of non-trade accrual. Our Group recorded a decrease in net cash and cash equivalents of RM8.06 million as at 30 June 2023.

(c) FYE 30 June 2022 vs FYE 30 June 2021

Our Group recorded a higher revenue of approximately RM20.87 million in FYE 30 June 2022 (FYE 30 June 2021: RM10.59 million), representing an increase of RM10.28 million or 97.07% mainly due to increase in revenue from the research and development, and assembling segment by RM8.10 million to RM17.00 million (FYE 30 June 2021: RM8.90 million) arising from higher project fulfilments during the year.

In line with the increased revenue, our Group recorded a lower LAT of RM13.04 million (FYE 30 June 2021: RM15.04 million) representing a decrease of LAT of RM2.00 million or 13.29% due to higher gross profit margin of 28.99% in FYE 30 June 2022 (FYE 30 June 2021: 12.90%) as a result of increase in revenue and effective cost management measures adopted by our Group.

Our Group recorded a net cash used in operating activities for FYE 30 June 2022 of RM8.07 million mainly due to the LBT of RM13.73 million and decrease in payables of RM2.31 million mainly derived from the settlement of the software development expenditure for our electronic exchange trading platform for physical commodities. Our Group recorded a decrease in net cash and cash equivalents of RM33.54 million as at 30 June 2022.

(d) FYE 30 June 2021 vs FYE 30 June 2020

Our Group recorded a higher revenue of approximately RM10.59 million in FYE 30 June 2021 (FYE 30 June 2020: RM8.32 million), representing an increase of approximately RM2.27 million or 27.28% due to:

- (i) the increase in revenue contribution from the research and development, and assembling segment by approximately RM0.88 million to RM8.90 million (FYE 30 June 2020: RM8.02 million) as our Group had secured projects from collaborative digitalisation operation in FYE 30 June 2021; and
- (ii) the increase in revenue contribution from the trading segment by approximately RM1.72 to RM2.02 million (FYE 30 June 2020: RM0.30 million) due to the increase in trading of alcoholic related products to new customers in the overseas market mainly Taiwan and Hong Kong.

In line with the increased revenue, our Group recorded a lower LAT of approximately RM15.04 million (FYE 30 June 2020: RM25.76 million) representing a decrease of LAT of approximately RM10.72 million or 41.61% due to lower impairment loss on intangible assets of RM0.58 million (FYE 30 June 2020: RM12.86 million) arising from the annual review of the goodwill and software development expenditure in FYE 30 June 2020 based on the value-in-use method where an aggregate shortfall of RM12.86 million was determined, comprising of RM7.44 million impairment in goodwill and RM5.42 million impairment in software development expenditure.

INFORMATION ON OUR GROUP (CONT'D)

Our Group recorded a net cash used in operating activities for FYE 30 June 2021 of RM15.00 million mainly due to the LBT of RM15.95 million and increase in receivables of RM16.48 million which mainly derived from prepayment for renovation of broadcasting and livestreaming centre as well as the Ikhlas Acquisition. Our Group recorded an increase in net cash and cash equivalents of RM77.79 million as at 30 June 2021.

5.1 Impact and value creation of the Rights Issue to our Group and our Company's shareholders

The Rights Issue will entail the issuance of new Shares and new Shares arising from exercise of Warrants. Entitled Shareholders who do not or are unable to subscribe fully for their entitlements pursuant to the Rights Issue will experience dilution in their proportionate percentage of shareholdings and voting interest in our Company and the percentage of the enlarged issued share capital represented by their shareholdings in our Company accordingly. However, the dilutive effect on the shareholders' shareholdings may be mitigated via subscription by the Entitled Shareholders of the Rights Shares and exercise of Warrants into new Shares assuming all the Entitled Shareholders subscribed for their entitlement in the Rights Issue.

In addition, the increase in the number of Shares pursuant to the issuance of Rights Shares and Shares arising from exercise of Warrants in our Company will have a dilutive impact to our Group's EPS. However, such dilutive effect on our Group's EPS is expected to be mitigated as the Rights Issue is expected to contribute positively to the future earnings of our Group in ensuing financial year(s) via the utilisation of the proceeds.

The intended use of proceeds from the Rights Issue to finance the Factoring Business is expected to give rise to an improvement on our Group's financial performance, which in turn is expected to create value for our Company's shareholders.

The Rights Issue will entail the issuance of new Warrants to shareholders who subscribe the Rights Shares. The Warrants will be available for trading starting from the date of listing of the Warrants on the ACE Market of Bursa Securities and therefore will enable the Warrants holders to realise the value of the Warrants when they sell their Warrants in the open market. The new Shares to be issued pursuant to the exercise of Warrants will enable shareholders to increase their equity participation in our Company and enjoy potential capital appreciation of the Shares based on pre-determined prices. In addition, the new Warrants to be issued pursuant to the Rights Issue will enable our Company to raise funds without incurring interest costs associated with bank borrowings when Warrants holders exercise their rights by converting Warrants into new Shares.

Our Board believes that the usage of proceeds from the Rights Issue would improve our Group's operations, thereby having a positive impact on the earnings of our Group.

5.2 Adequacy of the Rights Issue in addressing our Group's financial concerns

The proceeds from the Rights Issue are expected to provide our Group with funding for the purposes stated in **Section 4** of this AP, which in turn will enhance our Group's financial performance and shareholders' value. The Undertaking provides certainty in respect of the minimum amount of proceeds to be raised from the Rights Issue in order to meet part of our Group's immediate funding requirements of its Factoring Business based on the committed factoring amounts as at the LPD. Nevertheless, in the event the Maximum Scenario is achieved, our Company will raise approximately RM34.17 million for the working capital of our Group's Factoring Business.

Therefore, our Board is of the view that the Rights Issue is adequate to address our Group's financial concerns at this juncture after considering all of the aspects of the Rights Issue and our Group's current financial requirements. In the long term, our Board will continue to assess our Group's funding requirements which may include the need to carry out other corporate proposals, after taking into consideration our Group's capital structure and cost of funds.

INFORMATION ON OUR GROUP (CONT'D)

5.3 Steps taken or to be undertaken by our Group to improve its financial position

(i) Private Placement

On 14 September 2021, our Group had completed the Private Placement which raised approximately RM8.70 million pursuant to the general mandate obtained by our Company's shareholder at our Company's annual general meeting held on 26 November 2020. Subsequently, our Company had on 5 April 2023 announced the Variation.

As at the LPD, the funds from the Private Placement (including the Variation) have been fully utilised for the working capital of the Factoring Business.

(ii) Diversification into the Factoring Business

On 14 December 2021, our Company had completed the Ikhlas Acquisition for the Factoring Business as detailed in **Section 6.4** of this AP. Pursuant to the Ikhlas Acquisition, our Company had also undertaken diversification of our Group's principal activities of our Group to include Factoring Business ("**Diversification**"). The Diversification has been approved by the shareholders of our Company by way of ordinary resolution in an EGM that was held on 28 June 2023.

For the FYE 30 June 2023, the Factoring Business was the key contributor to the increase in our Group's revenue by contributing RM6.88 million (FYE 30 June 2022: RM1.15 million) as detailed in **Section 5(b)** of this AP. Further, the Factoring Business, being the only profitable segment of our Group in FYE 30 June 2023, generated PAT amounting to RM1.16 million which in turn contributed to the decrease in our Group's LAT by RM5.75 million.

Moving forward, our Group's services are expected to see stronger prospects of its Factoring Business as detailed in **Section 6.3** of this AP. Our Board will continuously monitor the prevailing market conditions and implement different business strategies to remain competitive compared to its competitors.

6. OPTION TO SUBSCRIBE FOR SHARES

As at the LPD, no ESOS Option or any other option to subscribe for any securities in our Company has been granted or is entitled to be granted to any person, save for the Provisional Allotments and Excess Rights Shares with Warrants.

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INFORMATION ON OUR GROUP (CONT'D)**7. HISTORICAL SHARE PRICES**

The monthly highest and lowest transacted prices of Mlabs Shares for the past 12 months are as follows:

	Highest (RM)	Lowest (RM)
<u>2023</u>		
July	0.020	0.015
August	0.020	0.015
September	0.020	0.015
October	0.020	0.010
November	0.015	0.005
December	0.015	0.005
<u>2024</u>		
January	0.020	0.010
February	0.015	0.010
March	0.015	0.010
April	0.240 ⁽¹⁾	0.010
May	0.250 ⁽¹⁾	0.195 ⁽¹⁾
June	0.235 ⁽¹⁾	0.185 ⁽¹⁾

Note:

(1) After the Share Consolidation which was completed on 4 April 2024.

The last transacted market price of Mlabs Shares on 24 October 2023 (being the last trading date prior to the announcement of the Corporate Exercises) was RM0.015.

The last transacted market price of Mlabs Shares on the LPD was RM0.220.

The last transacted market price of Mlabs Shares on 28 June 2024 (being the last trading date prior to the ex-date for the Rights Issue on 1 July 2024) was RM0.20.

(Source: Bloomberg Finance L.P.)

8. MATERIAL CONTRACTS

As at the LPD, save for the Deed Poll, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by our Group during the past 2 years immediately preceding the date of this AP.

9. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

As at the LPD, neither our Company nor our subsidiaries are engaged in any material litigation, claims or arbitration either as plaintiff or defendant, which has a material effect on the financial position of our Company and our Group and our Board confirms that there is no proceedings pending or threatened, or of any facts likely to give rise to any proceedings, which might materially and adversely affect the business or financial position of our Group.

ADDITIONAL INFORMATION

1. CONSENTS

The Principal Adviser, Company Secretaries, Due Diligence Solicitors for the Rights Issue, Reporting Accountants, Independent Market Researcher, Share Registrar and Bloomberg have each given and have not subsequently withdrawn their written consents to the inclusion in this AP of their names and all references thereto in the form and context in which they appear in this AP.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at our Company's Registered Office at 22-09, Menara 1MK, No. 1 Jalan Kiara, Mont Kiara, 50480 Kuala Lumpur, during normal business hours from Monday to Friday (excluding public holidays) for the period of at least 6 months from the date of this AP:

- (i) our Constitution;
- (ii) the IMR Report;
- (iii) the Undertaking;
- (iv) the Deed Poll;
- (v) the letters of consent as referred to in **Section 1** of this Appendix; and
- (vi) our Group's audited financial statements for the FYEs 30 June 2022 and 30 June 2023 and unaudited financial statements for the 9M-FPE 31 March 2024.

3. RESPONSIBILITY STATEMENT

Our Board has seen and approved this AP together with its accompanying documents and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement herein false or misleading.

TA Securities, being the Principal Adviser for the Rights Issue, acknowledges that, based on all available information and to the best of its knowledge and belief, this AP constitutes a full and true disclosure of all material facts concerning the Rights Issue.

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