

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

Bursa Malaysia Securities Berhad (“Bursa Securities”) takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular. Bursa Securities has not perused the contents of this Circular in relation to the Proposed Shareholders’ Mandate (as defined herein) prior to the issuance of this Circular.



MLABS SYSTEMS BERHAD
Registration No. 200401014724 (653227-V)
(Incorporated in Malaysia under the Companies Act, 1965)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

**PROPOSED RENEWAL OF EXISTING SHAREHOLDERS’ MANDATE FOR
RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR
TRADING NATURE**

The above proposal will be tabled as Special Business at the Seventeenth (17th) Annual General Meeting (“AGM”) of MLABS Systems Berhad (“MLABS” or “the Company”) will be conducted on a fully virtual basis from the Broadcast Venue at Level 13, Menara Lien Hoe, No. 8, Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on Monday, 20 December 2021 at 11.00 a.m. The Notice of AGM together with the Form of Proxy are enclosed in the Company’s 2021 Annual Report.

A member entitled to attend, participate, speak and vote at the AGM is entitled to appoint a proxy or proxies to attend, participate, speak and vote on his/ her behalf. In such event, the completed and signed Form of Proxy must be lodged at the Poll Administrator’s office of the Company, Boardroom.com Sdn. Bhd. at Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor Darul Ehsan on or before the date and time as indicated below or at any adjournment thereof. The lodging of the Form of Proxy shall not preclude you from attending, participating, speaking and voting in person at the AGM should you subsequently wish to do so.

Last day and time for lodging the Form of Proxy : Sunday, 19 December 2021 at 11.00 a.m.

Date and time of Seventeenth (17th) AGM : Monday, 20 December 2021 at 11.00 a.m.

This Circular is dated 29 October 2021

DEFINITIONS

For the purposes of this Circular, except where the context otherwise requires, the following definitions shall apply:

- “Act” : The Companies Act, 2016 as amended from time to time, and includes every statutory modification or any re-enactment thereof for the time being in force
- “AGM” : Annual General Meeting
- “Audit Committee” : The Audit Committee of MLABS
- “Board” : The Board of Directors of MLABS
- “Bursa Securities” : Bursa Malaysia Securities Berhad
- “Circular” : Circular to Shareholders in relation to the Proposed Shareholders’ Mandate
- “Director” : Shall have the same meaning given in Section 2(1) of the the Capital Markets and Services Act 2007 and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a director or a chief executive of MLABS or any other company which is a subsidiary of MLABS or a holding of MLABS
- “EPS” : Earnings per Share
- “LPD” : 30 September 2021, being the latest practicable date prior to the printing of this Circular
- “Listing Requirements” : ACE Market Listing Requirements of Bursa Securities, including any amendments made in respect thereof from time to time
- “Major Shareholder(s)” : Means a person who has an interest or interests in one or more voting shares in a company and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is:
- (a) 10% or more of the total number of all the voting shares in the Company; or
 - (b) 5% or more of the total number of all the voting shares in the Company where such person is the largest shareholder of the Company,

and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, such major shareholder of the company or any other company which is its subsidiary or holding company

For the purpose of this definition, “interest in shares” has the meaning given in Section 8 of the Act

DEFINITIONS (CONT'D)

“MLABS” or “the Company”	: MLABS Systems Berhad
“MLABS Group” or “the Group”	: MLABS and its subsidiaries
“MLABS Share(s)” or “Share(s)”	: Ordinary Shares of MLABS
“NA”	: Net assets attributable to ordinary equity holders of MLABS
“NetX”	: NetX Holdings Berhad
“NetX Group”	: NetX and its subsidiaries
“Proposed Shareholders’ Mandate”	: Proposed renewal of existing shareholders’ mandate for MLABS Group to enter into RRPT(s) of a revenue or trading nature
“Related Party(ies)”	: Director(s), major shareholder(s) or person(s) connected with such director(s) or major shareholder(s) of MLABS
“RRPT(s)”	: A transaction entered into by the Company or its subsidiaries which involves the interest, direct or indirect, of a Related Party, which is recurrent, of a revenue or trading nature and which is necessary for day to day operations of the Company or its subsidiaries
“RM” and “sen”	: Ringgit Malaysia and sen, respectively
“Shareholders”	: Shareholders of MLABS
“Substantial Shareholder(s)”	: A person who has interest or interests in one or more voting Shares in the Company and the number of that Share, or aggregate number of those Shares, is not less than 5% of the total number of all the voting Shares in the Company
“2021 Annual Report”	: Annual Report of MLABS issued for the financial year ended 30 June 2021

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. Reference to persons shall include a corporation, unless otherwise specified.

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

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MLABS SYSTEMS BERHAD

Registration No. 200401014724 (653227-V)
(Incorporated in Malaysia under the Companies Act, 1965)

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

29 October 2021

Board of Directors:

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

To : The Shareholders of MLABS

Dear Sir/Madam,

PROPOSED SHAREHOLDERS' MANDATE

1. INTRODUCTION

At the AGM of the Company held on 26 November 2020, the Company sought and obtained from its shareholders the general mandate for MLABS Group to enter into RRPTs of a revenue or trading nature in the ordinary course of business based on commercial terms which are not more favourable to the Related Parties than those generally available to the public and which are necessary for MLABS Group's day to day operations. The aforesaid mandate shall, in accordance with the Listing Requirements, lapse at the conclusion of the forthcoming Seventeenth (17th) AGM of the Company unless authority for its renewal is obtained from the Shareholders.

On 21 October 2021, the Board of Directors of MLABS announced that the Company has proposed to seek its shareholders' approval for the Proposed Shareholders' Mandate pursuant to Rule 10.09 of the Listing Requirements at the Seventeenth (17th) AGM of the Company.

The purpose of this Circular is to provide you with the relevant information of the Proposed Shareholders' Mandate and to seek your approval on the resolution pertaining to the

Proposed Shareholders' Mandate to be tabled at the forthcoming Seventeenth (17th) AGM, which will be held on Monday, 20 December 2021 at 11.00 a.m. The notice of the Seventeenth (17th) AGM together with the Form of Proxy is enclosed in the 2021 Annual Report of the Company for the financial year ended 30 June 2021.

SHAREHOLDERS OF MLABS ARE ADVISED TO READ AND CONSIDER THE CONTENTS OF THIS CIRCULAR CAREFULLY BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED SHAREHOLDERS' MANDATE AT THE FORTHCOMING AGM.

2. DETAILS OF THE PROPOSED SHAREHOLDERS' MANDATE

Pursuant to Rule 10.09(2) of the Listing Requirements, a listed issuer may seek a mandate from its shareholders in respect of RRPT(s) subject to the following:

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the Related Parties than those generally available to the public;
- (b) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of the transactions conducted pursuant to the shareholders' mandate during the financial year where the aggregate value is equal to or more than the threshold below in relation to a listed issuer with an issued share capital of less than RM60.0 million:
 - (i) the consideration, value of the assets, capital outlay or costs of the RRPT(s) is RM1.0 million or more; or
 - (ii) the percentage ratio of such RRPT(s) is 1% or more,whichever is the higher.
- (c) the listed issuers' circular to shareholders for the shareholder mandate includes the information as may be prescribed by Bursa Securities. The circular must be submitted to Bursa Securities together with a checklist showing compliance with such information;
- (d) in a meeting to obtain shareholders' mandate, the interested directors, interested major shareholders or interested person connected with a director or major shareholder; and where it involves the interest of an interested person connected with a director or major shareholder, such directors or major shareholder, must not vote on the resolution to approve the RRPT(s). An interested director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the RRPT(s); and
- (e) the listed issuer immediately announces to Bursa Securities when the actual value of a RRPT(s) entered into by the listed issuer, exceeds the estimated value of the RRPT(s) disclosed in the circular by 10% or more and must include the information as may be prescribed by Bursa Securities in its announcement.

2.1 Principal Activities of MLABS Group

The principal activity of MLABS is investment holding and research, and development of mobile application solutions, while its subsidiaries and their principal activities are set out in the table below:

Name of company	Effective equity interest (%)	Principal Activities
Mlabs Research Sdn. Bhd.	100	Business of research and development in multimedia video conferencing system as well as assembling and trading of multimedia video conferencing system and equipment
Mlabs Properties Sdn. Bhd.	100	Investment and holding of investment properties
Mlabs Academy Sdn. Bhd.	100	Dormant
Mlabs Capital Sdn. Bhd.	100	Investment Holdings
Champagne Carbon Sdn. Bhd.	100	Distributing and supplying of alcoholic beverage
Carbon International Sdn. Bhd.	100	Dormant, yet to commence commercial operations on business of digital online platform, e-commerce on general trading, food and beverage
Champagne Carbon Asia Limited	100	Trading of wine and investment holding
Linkodes International Limited	60	Dormant, yet to commence business activity on technology development and investment holding
Pacifica Direct Sdn. Bhd.	51	Trading of white goods such as kitchen equipment and appliances
Longhouse Films Sdn. Bhd.	51	Film entertainment, film investment, film production, film development and film distribution
Inbase Partners Limited	51	Software engineering and development, financial technology legal consultant and digital crypto currency market analysis
<i>Company held by Mlabs Research Sdn. Bhd.</i>		
Inhubs Sdn. Bhd. (formerly known as Gold Dragon Media Sdn. Bhd.)	100	Dormant, yet to commence business on provision of marketing and event services and investment holdings company.
<i>Company held by Longhouse Films Sdn. Bhd.</i>		
Longhouse Animation Sdn. Bhd.	100	Motion picture, video and television programme production activities

Name of company	Effective equity interest (%)	Principal Activities
<i>Company held by Champagne Carbon Asia Limited</i>		
Carbon Champagne Taiwan Limited	100	Reseller of alcoholic beverage
Shenzhen Carbon Champagne Development Limited	100	Dormant, yet to commence commercial operations on reseller of alcoholic beverage
<i>Company held by Inbase Partners Limited</i>		
Inbase Partners Taiwan Limited	100	Financial technology related services

Due to the diversity of MLABS Group, it is anticipated that MLABS Group would, in the normal course of business, continue to enter into transactions with the Related Parties, details of which are set out in Section 2.4 below. It is likely that such transactions will occur with some degree of frequency and could arise at any time.

The Board proposes to seek the shareholders' approval for the Proposed Shareholders' Mandate for the MLABS Group to enter into transactions in the normal course of business within the classes of Related Parties set out in Section 2.4 below, provided such transactions are entered into at arm's length and on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and are not detrimental to the minority shareholders. Such mandate will enable the Group to enter into the RRPT(s) without the necessity, in most instances, to make the otherwise announcement or to convene meetings in order to procure specific prior approval of its shareholders. The RRPT(s) will also be subject to the review procedures set out in Section 2.6 below.

2.2 Categories of RRPT(s)

The types of RRPT(s) to be covered by the Proposed Shareholders' Mandate includes the following :

(a) Provision of IT, Videoconferencing and Mobile Application Related Products and Services

In the course of MLABS Group's business, it is anticipated that MLABS Group may enter into RRPT(s) by providing IT, Videoconferencing and Mobile Application related products and / or services to the Related Parties.

The inclusion of this category of transactions in the Proposed Shareholders' Mandate will facilitate such transactions by MLABS Group with the Related Parties that arise in the normal course of operations of the Group in a more expeditious manner.

(b) Leasing/renting/letting of Asset as Offices

In the course of the MLABS Group's business, it is anticipated that transactions with Related Parties under this category will include leasing/renting/letting of office premises to and/or from the Related Parties.

The inclusion of this category of transactions in the Proposed Shareholders' Mandate will facilitate such transactions by MLABS Group with the Related Parties that arise in the normal course of operations of the Group in a more expeditious manner.

2.3 Validity Period of the Proposed Shareholders' Mandate

The Proposed Shareholders' Mandate is subject to annual renewal. In this respect, any authority conferred by the Proposed Shareholders' Mandate, if approved by the shareholders, shall take effect from the passing of the ordinary resolution proposed at the forthcoming AGM and shall continue to be in force until:

- (a) the conclusion of the next AGM of MLABS following the general meeting at which such mandate was passed, at which time it will lapse, unless by a resolution passed at the general meeting, the mandate is renewed;
- (b) the expiration of the period within which the next AGM of the Company after the date is required to be held pursuant to Section 340 (2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340 (4) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is earlier.

Thereafter, approval from shareholders will be sought for the renewal of the Proposed Shareholders' Mandate.

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2.4 Classes of Related Parties and Nature of RRPT(s)

The Proposed Shareholders' Mandate will apply to the transactions with the following Companies:

Related Party and its Principal Activities	MLABS Group - Transacting Party	Nature of Transaction with MLABS Group	Estimated aggregate value as disclosed in the previous Circular to Shareholders dated 28 October 2020*	Actual value transacted (from date of AGM on 26 November 2020 to the LPD)	Estimated aggregate value of transaction for the period from the forthcoming Seventeenth (17 th) AGM to the next AGM *	Interested Director and Major Shareholders and nature of their relationship with Related Party
NetX Group – Investment holding, research and development of software, system design, integration and installation and provision of information technology services	MLABS Group	Provision of maintenance and support services, Fintech or website maintenance and support related services, Cloud related services by MLABS Group	May exceed 5% of the percentage ratio pursuant to Rule 10.02 of the Listing Requirements #	RM1,876,767	May exceed 5% of the percentage ratio pursuant to Rule 10.02 of the Listing Requirements #	NetX is a Major Shareholder of MLABS with a shareholding of 11.85%. Mr Tan Sik Eek is the Executive Director of MLABS and NetX. He is also a shareholder of NetX with a shareholding of 4.79%.
		Provision of Videoconferencing maintenance and supports services and related products or services on subscriptions basis by MLABS Group				
		Provision of mobile application products and services on subscriptions basis and related support services by MLABS Group				
		Leasing/renting/letting of office premises to / from MLABS Group ⁽ⁱ⁾		RM56,000		

Notes on Nature of Transaction:

- * *The estimated values are calculated based on the historical data and best estimates by the management. Accordingly, the actual value of the transaction may vary from the estimated value disclosed above and subject to changes.*
- # *The estimated value of transactions cannot be determined as MLABS has yet to identify any contract / service which to be entered with the Related Parties. The actual value is dependent on the particular requirements of the transactions to be entered between MLABS and the Related Parties.*

Description of Property Rent from NetX Group

Notes	Description	Postal Address	Total Areas (Sq. Ft.)	Rental Value per annum (RM)	Period of Tenancy	Ownership
(i)	2 units of office premises	Level 1-1 and Level 1-2 Street Wing, Sunsuria Avenue Persiaran Mahogani, Kota Damansara PJU 5, 47810 Petaling Jaya, Selangor	4,521	24,000	1 March 2020 to 28 February 2022	Ariantec Sdn. Bhd., a wholly-owned subsidiary of NetX
(ii)	1 units of office premises	Level 1-G, Street Wing, Sunsuria Avenue, Persiaran Mahogani, Kota Damansara, PJU 5, 47810 Petaling Jaya, Selangor.	2,185	48,000	1 January 2021 to 31 Dec 2022	Ariantec Sdn. Bhd., a wholly-owned subsidiary of NetX

Note

The rental for the above property is payable on an equal pro-rated monthly basis.

2.5 Amount Due and Owing Under Recurrent Related Party Transactions

As at LPD, there is no amount due and owing to MLABS Group which has exceeded the credit term given arising from the RRPT(s) as per Section 2.4.

2.6 Review Methods or Procedures for the Recurrent Related Party Transactions

MLABS Group has established various methods and procedures to ensure the RRPT(s) are undertaken on transaction prices and on arms' length and on normal commercial terms, which are consistent with MLABS Group's usual business practices and policies, on terms which are not more favourable to the Related Parties than those extended to the public and are not detrimental to the minority shareholders.

The review and disclosure procedures are as follows:

- (a) the Related Parties, interested Directors and persons connected will be advised that they are subject to the shareholders' mandate and will also be advised of the review and disclosure procedures;
- (b) the transaction prices, terms and conditions which are market driven are to be determined at arms' length on a customer/supplier relationship basis at mutually agreed rates after due consideration of benefits to be derived from the transaction, under similar commercial terms for transactions with unrelated third parties, which depend on demand and supply, quality, level of service and other related factors;
- (c) some transactions may be on a cost recovery basis, being recovery of part of the costs for sharing or provision of some services or on a negotiated basis where both parties would contract on terms which are mutually acceptable and beneficial;
- (d) the management of the MLABS Group is cognisant that, all RRPT(s) are required to be undertaken on an arm's length basis and on normal commercial terms. Where practicable and feasible, quotation and/or tenders will be obtained from at least 2 other contemporaneous transactions with unrelated third parties for similar products/services and/or quantities will be used as comparison, wherever possible, to determine whether the price and terms offered to/by the Related Parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of products/services and/or quantities. Where it is impractical or impossible for quotes and/or tenders to be obtained from unrelated parties, or where there have not been any similar or substantially similar transactions between MLABS Group and unrelated third parties, the terms of the transactions for the products or services will be in accordance with the usual business practices of the Group to ensure that the RRPTs is not detrimental to the MLABS Group;
- (e) where RRPT(s) is one with a value equal to or in excess of RM1.0 million or 1% of the applicable percentage ratio as stated in the Listing Requirements (whichever is higher), it will be reviewed by the Audit Committee and recommended to be approved by the Board of Directors who has no interest in the transaction. Where the RRPT(s) is one with a value below RM1.0 million or 1% of the applicable percentage ratio as stated in the Listing Requirements (whichever is higher), it will be reviewed and approved by any 1 of the Executive Director or the Board members who has no interest in the transaction;
- (f) if a member of the Board or of the Audit Committee has an interest, as the case may be, he/she shall declare their interest in transaction and abstain from any decision making by the Board or Audit Committee in respect of the said transactions;

- (g) the Audit Committee shall amongst others, review any RRPT(s) and conflict of interest situation that may arise within the Group including any transaction procedures or course of conduct that raises questions of management integrity;
- (h) records will be maintained by the respective companies to capture all RRPT(s) which are entered pursuant to the shareholders' mandate;
- (i) the Audit Committee shall review on a quarterly basis any related party transaction that may arise within the Company or the Group to ensure that such transactions will be carried out at arm's length, on normal commercial terms, on terms not more favourable to the Related Parties than those generally available to the public and on terms not detrimental to the minority shareholders;
- (j) the Board and Audit Committee shall review the internal audit reports to ascertain that the guidelines and procedures to monitor RRPT(s) have been complied with; and
- (k) the Board shall have overall responsibility for the determination of the review procedures. If a member of the Board and Audit Committee has an interest in the transaction to be reviewed by the Board and Audit Committee, as the case may be, he will abstain from any decision making by the Board or Audit Committee in respect of the said transaction.

2.7 Statement by Audit Committee

The Audit Committee has the overall responsibility of determining whether the procedures for reviewing all RRPT(s) are appropriate. The Audit Committee will review and ascertain at least once a year whether the procedures established to monitor RRPT(s) have been complied with. If it is determined that the procedures stated in Section 2.6 are inadequate to ensure that (i) the RRPT(s) will be conducted at arms' length and on normal commercial terms and (ii) such transactions are not prejudicial to the interest of the shareholders, the Company will obtain a fresh shareholders' mandate based on the new procedures.

The Audit Committee will also have the discretion to request for limits to be imposed or for additional procedures to be followed if it considers such requests to be appropriate. In that event, such limits or procedures may be implemented without the approval of shareholders, provided that they are more stringent than the existing limits or procedures.

The Audit Committee will review the existing procedures and processes, on an annual basis and as and when required, to ensure that the RRPT(s) are at all times carried out on commercial terms consistent with the MLABS Group's usual business practices and policies.

The Audit Committee of the Company has reviewed the above procedures and is satisfied that the said procedures are adequate to monitor, track and identify RRPT(s) in a timely and orderly manner and are sufficient to ensure that the RRPT(s) will be carried out on commercial terms consistent with the MLABS Group's usual business practices and policies and on terms not more favourable to the Related Parties than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders. Any member of the Audit Committee who is interested in any transaction shall abstain from reviewing and deliberating on such transaction.

2.8 Disclosure of Recurrent Related Party Transactions

Disclosure will be made in the annual report of the Company in accordance with Rule 3.1.5 of Guidance Note 8 of the Listing Requirements, which requires a breakdown of the aggregate value of the RRPT(s) entered into during the financial year based on the following information:

- (a) the type of the RRPT(s) made; and
- (b) the names of the Related Parties involved in each type of the RRPT(s) made and their relationships with MLABS Group.

The above disclosure will be made in the Company's annual report for each subsequent financial year after the Proposed Shareholders' Mandate had been obtained.

3. RATIONALE FOR THE PROPOSED SHAREHOLDERS' MANDATE

The Proposed Shareholders' Mandate will enable the MLABS Group to carry out RRPT(s) necessary for the Group's day-to-day operations, which are time sensitive in nature, and will eliminate the need to announce and convene separate general meetings (if applicable) from time to time to seek shareholders' mandate for such transaction. This will substantially reduce the expenses, time and other resources associated with the convening of general meetings on an ad hoc basis, improve administrative efficiency and allow financial and manpower resources to be channelled towards attaining other corporate objectives.

The RRPT(s) carried out within the MLABS Group creates mutual benefits for the companies in the Group, such as expediency and increased efficiency necessary for day-to-day operations.

In addition, the RRPT(s) are intended to meet the business needs of the Group on the best possible terms. By transacting with the Related Parties, the Group would have an advantage of familiarity with the background and management of the Related Parties, thus enabling more informed commercial decisions to be made. In most dealings with the Related Parties, the Group and the Related Parties have close co-operation and a good understanding of each other's business needs thus providing a platform where all parties can benefit from conducting the RRPT(s).

4. EFFECTS OF THE PROPOSED SHAREHOLDERS' MANDATE

The Proposed Shareholders' Mandate will not have any material effect on the share capital of the Company as well as the consolidated NA, gearing, EPS and the shareholdings of the Substantial Shareholders of MLABS.

5. INTEREST OF DIRECTORS / MAJOR SHAREHOLDERS

As at LPD, the direct and indirect interests of the Directors and/or Major Shareholders of MLABS who are interested and/or do not consider themselves independent in the RRPT(s) are as follows:

	Direct		Indirect	
	No. of MLABS Shares	%	No. of MLABS Shares	%
Directors				
Tan Sik Eek	700,000	0.05	-	-
Major Shareholders				
NetX Holdings Berhad	-	-	171,791,050 ^(a)	11.85
First United Technology Ltd ^(b)	171,791,050	11.85	-	-

Notes:

- (a) Deemed interested by virtue of its interest in First United Technology Limited pursuant to Section 8 of the Act.
- (b) First United Technology Ltd is a subsidiary of NetX Holdings Berhad

Accordingly, Mr. Tan Sik Eek (“Interested Director”) had abstained and will continue to abstain from all deliberations and voting on matters relating to the Proposed Shareholders’ Mandate at Board meetings and will abstain from voting in respect of his direct and/or indirect shareholdings in MLABS at the forthcoming AGM on the resolution pertaining to the Proposed Shareholders’ Mandate.

NetX and First United Technology Ltd (collectively as “Interested Major Shareholders”), will abstain from voting in respect of its direct and/or indirect shareholdings in MLABS at the forthcoming AGM on the resolution pertaining to the Proposed Shareholders’ Mandate.

The above Interested Director and Interest Major Shareholders has undertaken that they shall ensure that persons connected to them will abstain from voting in respect of their direct and/or indirect shareholdings on the resolution, deliberating or approving the Proposed Shareholders’ Mandate at the forthcoming AGM.

Save as disclosed above, none of the other Directors and/or Major Shareholders or persons connected with Directors and/or Major Shareholders of MLABS have any interest, directly or indirectly in the Proposed Shareholders’ Mandate.

6. APPROVALS REQUIRED

The Proposed Shareholders’ Mandate is conditional upon the approval of the shareholders of the Company being obtained at the forthcoming Seventeenth (17th) AGM to be convened.

7. DIRECTORS’ RECOMMENDATION

The Directors of MLABS (save for Mr. Tan Sik Eek) having considered all aspects of the Proposed Shareholders’ Mandate and after careful deliberation, are of the opinion that the Proposed Shareholders’ Mandate is in the best interest of the Company and accordingly, the Board (save for Mr. Tan Sik Eek) recommended that the shareholders of MLABS vote in favour of the ordinary resolution pertaining to the Proposed Shareholders’ Mandate to be tabled at the forthcoming Seventeenth (17th) AGM of the Company.

8. ANNUAL GENERAL MEETING

The ordinary resolution to vote on the Proposed Shareholders' Mandate is set out in the Notice of Seventeenth (17th) AGM contained in 2021 Annual Report of the Company. The Seventeenth (17th) AGM will be conducted on a fully virtual basis from the Broadcast Venue at Level 13, Menara Lien Hoe, No. 8, Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on Monday, 20 December 2021 at 11.00 a.m. The Notice of the Seventeenth (17th) AGM, together with the Proxy Form, are set out in the 2021 Annual Report of the Company, which is dispatched together with this Circular.

If you are unable to attend and vote in person at the AGM, you are requested to complete, sign and return the Form of Proxy enclosed in the 2021 Annual Report in accordance with the instructions printed therein as soon as possible so as to arrive at Poll Administrator's office of the Company, Boardroom.com Sdn. Bhd. at Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the AGM or adjourned meeting at which the person named in the instrument, proposes to vote or, in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll. The lodging of the Form of Proxy will not preclude you from attending the AGM and voting in person should you subsequently wish to do so.

9. FURTHER INFORMATION

Shareholders are requested to refer to Appendix I contained in this Circular for further information.

Yours faithfully
For and on behalf of the Board
MLABS SYSTEMS BERHAD

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

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APPENDIX I – FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Directors of MLABS who individually and collectively accept full responsibility for the accuracy of the information contained in this Circular and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading or incorrect.

2. MATERIAL CONTRACTS

Save as disclosed below, neither MLABS and nor its subsidiaries have entered into any contract which is or may be material (not being contracts entered into in the ordinary course of business of the Company or any of its subsidiaries), during the 2 years immediately preceding the date of this Circular:

- (a) On 10 June 2020, MLABS has entered into a Share Subscription Agreement (“SSA”) with Longhouse Films Sdn. Bhd. (“Longhouse”) for the subscription of 52,000 new ordinary shares at RM1.00 each in Longhouse for a total consideration of RM52,000.00 only (“Subscription of Ordinary Shares”) and subscription of up to 3,000,000 Redeemable Convertible Preference Share (“RCPS”) at the issue price of RM1.00 each in Longhouse for a total consideration of RM3,000,000 only (“Subscription of RCPS”). The Subscription of Ordinary Shares has been completed on 10 August 2020, whereas the Subscription of RCPS will be subscribed by MLABS in tranches and in accordance to the timeline and amount as stipulated in the SSA.
- (b) On 30 August 2021, Mlabs Capital Sdn. Bhd., a wholly-owned subsidiary of the Company, has entered into a Share Sale Agreement with the Fiscalab Altinvest Sdn. Bhd. for the proposed acquisition of 2,500,000 ordinary shares in Ikhlas Al Dain Sdn. Bhd. (“Ikhlas”), representing 100% equity interest of Ikhlas at a total cash consideration of RM5,000,000.00 only. The said transaction has deemed completed on 30 August 2021.

3. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

As at the LPD, the Board confirmed that neither the Company nor its subsidiaries are engaged in any material litigation, claim or arbitration, either as plaintiff or defendant, which has or would have a material and adverse effect on the financial position or financial performance of the Group and the Board confirmed that there are no proceedings pending or threatened against the Group or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or financial performance of the Group.

4. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

4.1 Material Commitments

As at the LPD, the Board confirmed that there are no material commitments incurred or known to be incurred by the Group that have not been provided for, which upon becoming due or enforceable, may have a material impact on the financial position or financial performance of the Group.

4.2 Material Contingent Liabilities

As at the LPD, the Board confirmed that there are no contingent liabilities incurred or known to be incurred by the Group which, upon becoming due or enforceable, may have a material impact on the financial position or financial performance of the Group.

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 22-09, Menara 1MK, No. 1 Jalan Kiara, Mont Kiara, 50480 Kuala Lumpur during normal business hours from Monday to Friday (except public holidays) following the date of this Circular up to and including the date of the Seventeenth (17th) AGM:

- (a) The Constitution of MLABS;
- (b) The material contracts referred in Section 2 of this Appendix I; and
- (c) The audited financial statements of MLABS Group for the financial year ended 30 June 2020 and 30 June 2021.

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EXTRACT OF THE NOTICE OF SEVENTEENTH (17TH) AGM

8. Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate") **Ordinary Resolution 8**

"THAT, subject to compliance with all applicable laws, regulations and guidelines, approval be and is hereby given to the Company and/or its subsidiaries to enter into Recurrent Related Party Transactions of a revenue or trading nature with related parties as set out in Section 2.4 of the Circular to Shareholders dated 29 October 2021 for the purposes of Rule 10.09 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), subject to the following:

- (i) the transactions are necessary for the day to day operations of the Company's subsidiary in the ordinary course of business, at arm's length, on normal commercial terms and are on terms not more favourable to the related party than those generally available to the public and not detrimental to minority shareholders of the Company;
- (ii) the mandate is subject to annual renewal. In this respect, any authority conferred by a mandate shall only continue to be in force until:
 - (a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
 - (b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340 (2) of the Companies Act, 2016 ("CA") (but shall not extend to such extension as may be allowed pursuant to Section 340 (4) of CA); or
 - (c) revoked or varied by resolution passed by the shareholders in a general meeting,whichever is the earlier.
- (iii) disclosure is made in the annual report of the Company of the breakdown of the aggregate value of the Recurrent Related Party Transactions conducted pursuant to the mandate during the current financial year, and in the annual reports for the subsequent financial years during which a shareholder's mandate is in force, where:
 - (a) the consideration, value of the assets, capital outlay or costs of the aggregated transactions is equal to or exceeds RM1.0 million; or
 - (b) any one of the percentage ratios of such aggregated transactions is equal to or exceeds 1%,whichever is the higher;

and amongst other, based on the following information:

- (a) the type of the Recurrent Related Party Transactions made; and
- (b) the names of the related parties involved in each type of the Recurrent Related Party Transactions made and their relationships with MLABS Group.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution.”

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