

THIS CIRCULAR IS IMPORTANT AND REQUIRES SHAREHOLDERS' IMMEDIATE ATTENTION.

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

Bursa Malaysia Securities Berhad 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.

This Circular has been reviewed by TA Securities Holdings Berhad, being the Adviser of Mlabs Systems Berhad for the Proposals (as defined herein).



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

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

- (I) PROPOSED CONSOLIDATION OF EVERY 20 EXISTING ORDINARY SHARES IN MLABS SYSTEMS BERHAD ("MLABS") ("MLABS SHARES") INTO 1 MLABS SHARE ("CONSOLIDATED SHARE") ("PROPOSED SHARE CONSOLIDATION"); AND**
- (II) PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 217,411,362 NEW MLABS SHARES ("RIGHTS SHARES") ON THE BASIS OF 3 RIGHTS SHARES FOR EVERY 1 CONSOLIDATED SHARE HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER, TOGETHER WITH UP TO 86,964,544 FREE DETACHABLE WARRANTS IN MLABS ("WARRANTS D") ON THE BASIS OF 2 WARRANTS D FOR EVERY 5 RIGHTS SHARES SUBSCRIBED FOR ("PROPOSED RIGHTS ISSUE WITH WARRANTS")**

(COLLECTIVELY, THE "PROPOSALS")

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser

TA SECURITIES

AN UNWAVERING COMMITMENT

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

The Notice of Extraordinary General Meeting ("EGM") of our Company together with the Proxy Form are enclosed in this Circular. Our EGM will be conducted on a virtual basis as follows:

Meeting platform of our EGM	:	https://rebrand.ly/MLABS-EGM
Broadcast venue of our EGM	:	Lot 4.1, 4 th Floor, Menara Lien Hoe, No. 8, Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor
Day, date and time of our EGM	:	Monday, 18 March 2024 at 10:30 a.m. or at any adjournment thereof
Last date and time for lodging the Proxy Form	:	Sunday, 17 March 2024 at 10:30 a.m.

As a shareholder who is entitled to attend and vote at our EGM, you are entitled to appoint a proxy or proxies to attend and vote on your behalf. The completed Proxy Form should be lodged at the Poll Administrator's office of the Company, ShareWorks Sdn. Bhd. at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia, or via facsimile no. 03-6201 3121 or via e-mail at ir@shareworks.com.my, on or before the date and time as indicated above or at any adjournment thereof. For shareholder who intends to participate the EGM virtually, please refer to the procedures set out in the Administrative Guide.

The lodging of the Proxy Form will not preclude you from attending and voting in person at our EGM should you subsequently wish to do so.

This Circular is dated 23 February 2024

DEFINITIONS

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

COMPANIES:

“Mlabs” or “Company”	:	Mlabs Systems Berhad
“Mlabs Group” or “Group”	:	Mlabs and its subsidiaries, collectively
“Bursa Depository”	:	Bursa Malaysia Depository Sdn Bhd
“Bursa Securities”	:	Bursa Malaysia Securities Berhad
“TA Securities”	:	TA Securities Holdings Berhad

GENERAL:

“3M-FPE”	:	3-month financial period ended/ ending, as the case may be
“5D-VWAP”	:	5-day volume weighted average market price
“Act”	:	Companies Act 2016
“Board”	:	Board of Directors of our Company
“Circular”	:	This circular to shareholders of our Company dated 23 February 2024
“Code”	:	Malaysian Code on Take-overs and Mergers 2016
“Consolidated Shares”	:	New consolidated Shares pursuant to the Proposed Share Consolidation
“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 Capital Markets and Services Act 2007
“EGM”	:	Extraordinary General Meeting of our Company
“Entitled Shareholders”	:	Shareholders whose names appear in the Record of Depositors of our Company as at the close of business on the Rights Issue Entitlement Date in order to be entitled to participate in the Proposed Rights Issue with Warrants
“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
“Factoring Business”	:	Our Group’s factoring, development financing, leasing and building credit business
“FYE”	:	Financial year ended/ ending, as the case may be
“Ikhlas”	:	Ikhlas AI Dain Sdn Bhd, a wholly-owned subsidiary of our Company
“IMR Report”	:	Independent market research report dated 31 January 2024 prepared by Providence Strategic Partners Sdn Bhd
“LAT”	:	Loss after taxation attributable to the owners of our Company
“LPS”	:	Loss per Mlabs Share

DEFINITIONS (CONT'D)

“LPD”	:	31 January 2024, being the latest practicable date prior to the printing of this Circular
“Listing Requirements”	:	ACE Market Listing Requirements of Bursa Securities
“Maximum Scenario”	:	Up to 217,411,362 Rights Shares together with up to 86,964,544 Warrants D to be issued, based on the following: <ul style="list-style-type: none">(i) the Proposed Share Consolidation is completed prior to the implementation of the Proposed Rights Issue with Warrants; and(ii) all Entitled Shareholders subscribe in full for their entitlements under the Proposed Rights Issue with Warrants
“Minimum Scenario”	:	17,500,000 Rights Shares together with 7,000,000 Warrants D to be issued, based on the following: <ul style="list-style-type: none">(i) the Proposed Share Consolidation is completed prior to the implementation of the Proposed Rights Issue with Warrants; 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 Proposed Rights Issue with Warrants
“Minimum Subscription Level”	:	The minimum subscription level to raise a minimum gross proceeds of RM2.80 million from the Proposed Rights Issue with Warrants
“Mlabs Shares” or “Shares”	:	Ordinary shares in Mlabs
“MSMEs”	:	Micro, small and medium business enterprises
“NA”	:	Net assets attributable to the owners of our Company
“Private Placement”	:	Private placement of 241,568,000 Shares at an issue price of RM0.0360 each which was completed on 14 September 2021
“Proposals”	:	Proposed Share Consolidation and Proposed Rights Issue with Warrants, collectively
“Proposed Share Consolidation”	:	Proposed consolidation of every 20 existing Mlabs Shares into 1 Mlabs Share
“Proposed Rights Issue with Warrants”	:	Proposed renounceable rights issue of up to 217,411,362 Rights Shares on the basis of 3 Rights Shares for every 1 Consolidated Share held on the Rights Issue Entitlement Date, together with up to 86,964,544 Warrants D on the basis of 2 Warrants D for every 5 Rights Shares subscribed for
“Rights Shares”	:	Up to 217,411,362 new Mlabs Shares to be issued pursuant to the Proposed Rights Issue with Warrants
“Record of Depositors”	:	A record of securities holders established by Bursa Depository under the Rules of Bursa Depository
“RM” and “sen”	:	Ringgit Malaysia and sen, respectively
“Rules”	:	Rules on Take-overs, Mergers and Compulsory Acquisitions

DEFINITIONS (CONT'D)

“Rights Issue Entitlement Date”	:	The date to be determined by our Board and announced later by our Company as at the close of business on which the names of the shareholders must appear in our Company’s Record of Depositors in order to be entitled for the Proposed Rights Issue with Warrants
“Share Consolidation Entitlement Date”	:	The date to be determined by our Board and announced later by our Company as at the close of business on which the names of the shareholders must appear in our Company’s Record of Depositors in order to be entitled for the Proposed Share Consolidation
“Share Registrar”	:	Tricor Investors & Issuing House Services Sdn. Bhd.
“TEAP”	:	Theoretical ex-all price
“Undertaking”	:	Unconditional and irrevocable written undertaking dated 25 October 2023 from the Undertaking Shareholder in respect of the Proposed Rights Issue with Warrants
“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 C”	:	Warrants in our Company which was expired on 7 December 2023
“Warrants D”	:	Up to 86,964,544 free detachable warrants in Mlabs to be issued pursuant to the Proposed Rights Issue with Warrants
“Warrants D Deed Poll”	:	Deed poll constituting the Warrants D and governing the rights of the Warrant D holders to be executed by Mlabs

All references to “we”, “us”, “our” and “ourselves” are to our Company, or where the context requires, are to our Group. All references to “you” in this Circular are references to the shareholders of our Company.

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 day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

Any discrepancies in the figures included in this Circular between the amount stated and the totals thereof are due to rounding.

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EXECUTIVE SUMMARY

THIS EXECUTIVE SUMMARY SETS OUT THE SALIENT INFORMATION ON THE PROPOSALS PLEASE READ THIS CIRCULAR AND ITS APPENDICES CAREFULLY FOR FURTHER DETAILS ON THE PROPOSALS BEFORE VOTING.

Our Board is recommending shareholders of Mlabs to vote **IN FAVOUR** of the resolutions in relation to the Proposals to be tabled at the forthcoming EGM.

Summary	
Summary of the Proposals	<p>(a) <u>Proposed Share Consolidation</u></p> <p>The Proposed Share Consolidation entails the consolidation of every 20 existing Shares held by the shareholders of our Company, whose names appear in the Record of Depositors of our Company at Share Consolidation Entitlement Date, into 1 Consolidated Share. Please refer to Section 2 of this Circular for further information.</p> <p>(b) <u>Proposed Rights Issue with Warrants</u></p> <p>The Proposed Rights Issue with Warrants, which is to be undertaken on a renounceable basis, entails the issuance of up to 217,411,362 Rights Shares, at an issue price to be determined and announced later by our Board, on the basis of 3 Rights Shares for every 1 Consolidated Share held by the Entitled Shareholders, together with up to 86,964,544 Warrants D on the basis of 2 Warrants D for every 5 Rights Shares subscribed for. Please refer to Section 3 of this Circular for further information.</p>
Rationale of the Proposals	<p>(a) <u>Proposed Share Consolidation</u></p> <p>The Proposed Share Consolidation is part of our Company's strategy to improve its capital structure and to facilitate the Proposed Rights Issue with Warrants after taking into consideration that the number of Shares in issue will increase further following the completion of the Proposed Rights Issue with Warrants.</p> <p>The Proposed Share Consolidation will reduce the number of Shares available in the market and correspondingly increase the reference/trading price of the Shares. The higher share price resulting from the Proposed Share Consolidation provides our Company more flexibility in fixing the issue price of the Rights Shares which is deemed sufficiently attractive to encourage the Entitled Shareholders to subscribe for the Rights Shares and, consequently enable our Group to raise the necessary funds to meet its funding requirements.</p> <p>Please refer to Section 7.1 of this Circular for further information.</p> <p>(b) <u>Proposed Rights Issue with Warrants</u></p> <p>After due consideration of various means of fund-raising, our Board is of the opinion that the Proposed Rights Issue with Warrants is the most suitable mean to raise funds for our Group at this juncture for purposes as set out in Section 4 of this Circular due to the following:</p> <p>(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 Circular are expected to contribute positively to our Group's future earnings and financial performance;</p>

	<p>(ii) the Proposed Rights Issue with Warrants allows our Company to raise at least RM2.80 million 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 D.</p> <p>In addition, the Proposed Rights Issue with Warrants 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;</p> <p>(iii) the Proposed Rights Issue with Warrants will involve issuance of new Shares without diluting the Entitled Shareholders' shareholdings, provided that they subscribe in full for their respective entitlements under the Proposed Rights Issue with Warrants and exercise their Warrants subsequently;</p> <p>(iv) the Proposed Rights Issue with Warrants provides an opportunity for the Entitled Shareholders to participate in the equity offering of our Company on a pro-rata basis;</p> <p>(v) the Proposed Rights Issue with Warrants will strengthen the capital base of our Company and enhance the overall financial position of our Group;</p> <p>(vi) the Warrants D 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 D 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 D and enable them to further participate in the future growth of our Group as and when the Warrants D are exercised; and</p> <p>(vii) any exercise of the Warrants D will also provide our Company with additional funds as and when the Warrants D are exercised over the tenure of the Warrants D. In addition, such exercise of the Warrants D will also increase shareholders' funds, thereby strengthening the financial position of our Company.</p> <p>Please refer to Section 7.2 of this Circular for further information.</p>
<p>Approvals required</p>	<p>The Proposals are subject to the approvals being obtained from the following:</p> <p>(i) Bursa Securities for the:</p> <p>(a) Proposed Share Consolidation;</p> <p>(b) admission of Warrants to the Official List; and</p> <p>(c) listing of and quotation for the following on the ACE Market of Bursa Securities:</p> <p>(aa) Rights Shares and Warrants D to be issued pursuant to the Proposed Rights Issue with Warrants; and</p> <p>(bb) new Shares to be issued pursuant to the exercise of Warrants D;</p> <p>(ii) the shareholders of our Company at the forthcoming EGM; and</p>

EXECUTIVE SUMMARY (CONT'D)

	(iii) any other relevant authorities and/or parties, if required.
Conditionality of the Proposals	<p>The Proposed Rights Issue with Warrants is conditional upon the Proposed Share Consolidation but not vice versa.</p> <p>The Proposals are not conditional upon any other corporate proposal undertaken or to be undertaken by our Company.</p>

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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

23 February 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 Radamass (*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 Shareholders

Dear Sir/Madam,

- (I) PROPOSED SHARE CONSOLIDATION; AND**
(II) PROPOSED RIGHTS ISSUE WITH WARRANTS
-

1. INTRODUCTION

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

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

- (i) Proposed Share Consolidation;
- (ii) admission of the Warrants D to the Official List; and
- (iii) listing of and quotation for the following on the ACE Market of Bursa Securities.
 - (aa) Rights Shares and Warrants D to be issued pursuant to the Proposed Rights Issue with Warrants; and
 - (bb) new Shares to be issued pursuant to the exercise of Warrants D.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE OUR SHAREHOLDERS WITH THE RELEVANT INFORMATION ON THE PROPOSALS, TO SET OUT OUR BOARD'S RECOMMENDATION ON THE PROPOSALS AND TO SEEK OUR SHAREHOLDERS' APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM TOGETHER WITH THE PROXY FORM ARE ENCLOSED IN THIS CIRCULAR.

SHAREHOLDERS ARE ADVISED TO READ AND CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN CAREFULLY BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

2. PROPOSED SHARE CONSOLIDATION

The Proposed Share Consolidation entails the consolidation of every 20 existing Shares held by the shareholders of our Company, whose names appear in the Record of Depositors of our Company at Share Consolidation Entitlement Date, into 1 Consolidated Share. It is the intention of our Company to implement the Proposed Share Consolidation prior to the implementation of the Proposed Rights Issue with Warrants.

As at the LPD, our Company has issued share capital of RM110,048,887 comprising 1,449,409,440 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 Proposals.

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

For avoidance of doubt, the share capital of our Company will not be affected by the Proposed Share Consolidation.

The actual number of Consolidated Shares will be determined based on the number of issued Shares on the Share Consolidation Entitlement Date to be determined and announced later by our Board.

For illustration purposes, the existing issued Shares of 1,449,409,440 as at the LPD will be consolidated into 72,470,472 Consolidated Shares.

Fractional entitlements of the Consolidated Shares arising from the Proposed Share Consolidation, if any, shall be disregarded and dealt with by our Board in such manner at its absolute discretion as it may deem fit or expedient and in the best interest of our Company.

2.1 Theoretical adjusted reference prices

As illustrated below, the Proposed Share Consolidation will result in adjustments to the reference price of the Shares, as quoted on the ACE Market of Bursa Securities, but will not have any impact on the total market value of the Shares held by the shareholders of our Company.

For illustrative purpose, based on the last transacted market price of the Shares as at the LPD, the theoretical adjusted reference price of the Shares upon completion of the Proposed Share Consolidation is as follows:

	As at the LPD	After the Proposed Share Consolidation
No. of Shares (A)	1,449,409,440	72,470,472
Closing market price (as at the LPD) / Theoretical adjusted reference price per Share [^] (RM) (B)	0.015	0.300
Total market value (RM) (A x B)	21,741,142	21,741,142

Note:

[^] Computed based on the following formula:

$$\begin{aligned}
 \text{Theoretical adjusted reference price per Share} &= \text{Closing market price per Share} \times \frac{\text{No. of Shares as at the LPD}}{\text{No. of Shares (after the Proposed Share Consolidation)}} \\
 &= \text{RM0.015} \times \frac{20}{1} \\
 &= \text{RM0.300}
 \end{aligned}$$

2.2 Ranking of the Consolidated Shares

The Consolidated Shares shall rank equally in all respects with one another.

2.3 Procedures for the implementation of Proposed Share Consolidation

There will not be any suspension of trading of the Shares on the ACE Market of Bursa Securities pursuant to the Proposed Share Consolidation.

The Consolidated Shares will be listed and quoted on the ACE Market of Bursa Securities on the next market day following the Share Consolidation Entitlement Date.

The notices of allotment of the Consolidated Shares will be issued and despatched to the entitled shareholders within 4 market days after the listing of and quotation for the Consolidated Shares on the ACE Market of Bursa Securities.

3. PROPOSED RIGHTS ISSUE WITH WARRANTS

The Proposed Rights Issue with Warrants, which is to be undertaken on a renounceable basis, entails the issuance of up to 217,411,362 Rights Shares, at an issue price to be determined and announced later by our Board, on the basis of 3 Rights Shares for every 1 Consolidated Share held by the Entitled Shareholders, together with up to 86,964,544 Warrants D on the basis of 2 Warrants D for every 5 Rights Shares subscribed for.

The Proposed Rights Issue with Warrants shall be implemented after the completion of the Proposed Share Consolidation.

3.1 Basis of Rights Shares and Warrants D to be issued

The basis of 3 Rights Shares for every 1 Consolidated Share held on the Rights Issue Entitlement Date 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 Circular (based on the indicative issue price of RM0.16 per Rights Share). The amount of proceeds to be raised is subject to the final issue price of the Rights Shares; and
- (ii) the rationale for the Proposed Rights Issue with Warrants as set out in **Section 7** of this Circular.

The basis of 2 Warrants D for every 5 Rights Shares subscribed for 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 4 of **Section 10.1** of this Circular for further details; and
- (ii) the rationale for the Proposed Rights Issue with Warrants as set out in **Section 7** of this Circular.

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3.2 Number of Rights Shares and Warrants D to be issued

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

Minimum Scenario	17,500,000 Rights Shares together with 7,000,000 Warrants D to be issued, based on the following: (i) the Proposed Share Consolidation is completed prior to the implementation of the Proposed Rights Issue with Warrants; and (ii) subscription by the undertaking shareholder pursuant to the Undertaking to ensure the minimum subscription level for the Proposed Rights Issue with Warrants (as set out in Section 3.3 of this Circular) is achieved, and no other Entitled Shareholders subscribe for their entitlements under the Proposed Rights Issue with Warrants.
Maximum Scenario	Up to 217,411,362 Rights Shares together with up to 86,964,544 Warrants D to be issued, based on the following: (i) the Proposed Share Consolidation is completed prior to the implementation of the Proposed Rights Issue with Warrants; and (ii) all Entitled Shareholders subscribe in full for their entitlements under the Proposed Rights Issue with Warrants.

The actual number of Rights Shares and Warrants D to be issued will depend on the total number of issued Shares held by the Entitled Shareholders on the Rights Issue Entitlement Date after taking into consideration the Proposed Share Consolidation and the eventual level of subscription for the Proposed Rights Issue with Warrants.

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 Proposed Rights Issue with Warrants. However, the Rights Shares and the Warrants D cannot be renounced separately. If the Entitled Shareholders renounce all of their Rights Shares entitlements, they will not be entitled to any Warrants D.

Any fractional entitlements of Rights Shares and Warrants D under the Proposed Rights Issue with Warrants 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 D 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 D in a fair and equitable manner on a basis to be determined by our Board and announced later by our Company.

The Warrants D are attached to the Rights Shares without any cost and will only be issued to the Entitled Shareholders and/or their renounee(s) who subscribe for the Rights Shares. Each Warrant D will entitle its holder to subscribe for 1 new Share at an exercise price to be determined and announced later by our Board. The Warrants D 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 D will be issued in registered form and constituted by the Warrants D Deed Poll.

3.3 Minimum subscription level, undertakings and underwriting arrangement

Our Company intends to raise minimum gross proceeds of RM2,800,000 (which entails the subscription of 17,500,000 Rights Shares at the indicative issue price of RM0.16 each) from the Proposed Rights Issue with Warrants after taking into consideration, amongst others, the funding requirements of our Group as set out in **Section 4** of this Circular.

In view of the above, our Board has procured irrevocable written undertaking from the Undertaking Shareholder to subscribe for his entitlement under the Proposed Rights Issue with Warrants 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 Proposed Share Consolidation, from the date of such undertaking until the Rights Issue 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 Proposed Rights Issue with Warrants; and
- (iii) confirmed that he has sufficient financial means and resources to fulfil his commitment under the Undertaking.

TA Securities 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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Details of the Undertaking, based on the indicative issue price of RM0.16 for each Rights Share, are as follows:

Undertaking Shareholder	Direct shareholding				Subscription pursuant to the Undertaking												
	As at the LPD		After the Proposed Share Consolidation		No. of Rights Shares						Total subscription amount	No. of Warrants D					
	No. of Shares	% ⁽¹⁾	No. of Consolidated Shares	% ⁽²⁾	Entitlement ⁽³⁾	% ⁽⁴⁾	Excess application	% ⁽⁴⁾	Total	% ⁽⁴⁾	(RM) ⁽⁵⁾	Entitlement	% ⁽⁶⁾	Excess application	% ⁽⁶⁾	Total	% ⁽⁶⁾
Ong Tee Kein	836,100	0.06	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 1,449,409,440 Shares as at the LPD.
- (2) Based on the issued share capital of 72,470,472 Shares after the Proposed Share Consolidation.
- (3) On the basis of 3 Rights Shares for every 1 Consolidated Share.
- (4) Based on 17,500,000 Rights Shares to be issued under the Minimum Scenario.
- (5) Based on the indicative issue price of RM0.16 per Rights Share.
- (6) Based on 7,000,000 Warrants D to be issued under the Minimum Scenario.

The final number of Rights Shares and Warrants D to be issued under the Minimum Scenario to arrive at the Minimum Subscription Level of RM2.80 million will depend on the final issue price of the Rights Shares to be fixed and announced by our Board at a later date.

For illustrative purpose, assuming none of the Entitled Shareholders subscribe for their entitlements of the Rights Shares with Warrants D, 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 Proposed Rights Issue with Warrants under the Minimum Scenario, based on the indicative 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 Proposed Rights Issue with Warrants. 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 Proposed Rights Issue with Warrants under the Minimum Scenario.

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

(i) Issue price of the Rights Shares

The issue price of the Rights Shares shall be fixed and announced by our Board at a later date before the announcement of the Rights Issue Entitlement Date, 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 Circular;
- (b) the rationale for the Proposed Rights Issue with Warrants, as set out in **Section 7** of this Circular;
- (c) the reference price or prevailing market price of the Shares after the completion of the Proposed Share Consolidation; and
- (d) the TEAP of the Shares based on the 5D-VWAP of the Shares up to and including the last trading day prior to the price-fixing date.

Our Board intends to fix the issue price of the Rights Shares such that the issue price is at a discount of between 5% to 25% to the TEAP of the Shares. This was determined by our Board after taking into consideration the need for our Company to price the Rights Shares at an issue price deemed sufficiently attractive to encourage subscription of the Rights Shares and to enable our Group to raise the necessary funds to meet its funding requirements as set out in **Section 4** of this Circular.

For illustrative purpose, an indicative issue price of RM0.16 per Rights Share is assumed throughout this Circular. The indicative issue price is at a discount of RM0.0088 or 5.21% to the TEAP of the Shares of RM0.1688, calculated based on the adjusted 5D-VWAP of the Shares up to and including the LPD of RM0.2060 after taking into account the effects of the Proposed Share Consolidation, and assuming an illustrative exercise price of RM0.16 per Warrant D.

(ii) Exercise price of the Warrants D

The exercise price of the Warrants D shall be fixed and announced by our Board at a later date before the announcement of the Rights Issue Entitlement Date, after taking into consideration, amongst others, the following:

- (a) the future prospects of our Group as set out in **Section 9.4** of this Circular; and
- (b) the TEAP of the Shares based on the 5D-VWAP of the Shares up to and including the last trading day prior to the price-fixing date.

Our Board intends to fix the exercise price of the Warrants D at a discount of between 5% to 25% to the TEAP of the Shares. This was determined by our Board after taking into consideration the need to fix an exercise price that makes the Warrants D attractive for the purposes of enhancing the subscription level of the Rights Shares and potential of Warrants D being exercised and raise additional funds for our Company as and when such Warrants D are exercised in the future.

For illustrative purpose, an indicative exercise price of RM0.16 per Warrant D is assumed throughout this Circular. The indicative exercise price is at a discount of RM0.0088 or 5.21% to the TEAP of the Shares of RM0.1688, calculated based on the adjusted 5D-VWAP of the Shares up to and including the LPD of RM0.2060 after taking into account the effects of the Proposed Share Consolidation, and assuming the illustrative issue price of RM0.16 per Rights Share.

3.5 Ranking of the Rights Shares and the new Shares to be issued arising from the exercise of the Warrants D

The holders of Warrants D 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 D into new Shares.

The Rights Shares and new Shares to be issued arising from the exercise of the Warrants D 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 D 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 D.

3.6 Indicative salient terms of the Warrants D

The indicative salient terms of the Warrants D are as follows:

Terms	Details
Issue price	: The Warrants D will be issued at no cost to the Entitled Shareholders and/or their renouncee(s)/transferee(s) who successfully subscribe for the Rights Shares.
Issue size	: Up to 86,964,544 Warrants D.
Form and detachability	: The Warrants D will be issued in registered form and constituted by the Warrants D Deed Poll. The Warrants D 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 D shall be 100 units of Warrants D, or such other number of units as may be permitted by Bursa Securities.
Tenure of the Warrants D	: 3 years commencing on and including the date of issuance of the Warrants D.
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 D 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 D may be exercised at any time within a period of 3 years commencing from and including the date of issuance of the Warrants D until the close of business at 5.00 p.m. on the Expiry Date. Any Warrants D not exercised during the exercise period will thereafter lapse and cease to be valid for any purpose.
Exercise Price	: The exercise price of the Warrants D shall be determined by our Board at a later date after obtaining the relevant approvals but prior to the announcement of the Rights Issue Entitlement Date which shall be fixed at a discount of between 5% and 25% to the TEAP of the Shares, to be calculated based on the 5D-VWAP of the Shares up to and including the last trading day prior to the price-fixing date.

Terms	Details
Subscription rights	: Each Warrant D 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 Warrants D Deed Poll.
Mode of exercise	: The holders of the Warrants D are required to lodge a subscription form with our Company's Share Registrar, duly completed, signed and stamped 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 for the aggregate of the Exercise Price payable when exercising their Warrants D to subscribe for new Shares.
Adjustments to the Exercise Price and/or the number of Warrants D	: Subject to the provisions of the Warrants D Deed Poll, the Exercise Price and/or the number of unexercised Warrants D 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 D, 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 Warrants D Deed Poll. Any adjustment to the Exercise Price will be rounded up to the nearest 1 sen (RM0.01).
Rights of the Warrant D holders	: The Warrants D 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 D exercise their Warrants D into new Shares. The new Shares to be issued pursuant to the exercise of the Warrants D 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 D 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 D.
Rights of the Warrant D 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 D (or some other persons designated by them for such purpose by a special resolution of the Warrant D holders) shall be a party, the terms of such winding-up, compromise or arrangement shall be binding on all the holders of the Warrants D; and

Terms	Details
	(ii) every Warrant D holder shall be entitled to exercise his / her Warrants D 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 D holder credited as fully paid subject to the prevailing laws, and such Warrant D 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 D shall lapse and cease to be valid for any purpose.
Modification of rights of Warrant D holders	: Save as otherwise provided in the Warrants D Deed Poll, a special resolution of the Warrant D holders is required to sanction any modification, alteration or abrogation in respect of the rights of the Warrant D holders, subject to the approval of any relevant authorities.
Modification of the Warrants D Deed Poll	: Any modification to the terms and conditions of the Warrants D Deed Poll may be effected only by deed poll executed by our Company and expressed to be supplemental to the Warrants D 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 Warrants D Deed Poll without the sanction of a special resolution of the Warrant D 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 D holders.
Listing status	: The Warrants D will be listed and traded on the ACE Market of Bursa Securities. The listing and quotation of the Warrants D on the ACE Market of Bursa Securities is subject to a minimum of 100 Warrant D holders holding not less than 1 board lot of the Warrants D each.
Transferability	: The Warrants D shall be transferable in the manner provided under the Securities Industry (Central Depositories) Act, 1991 and the Rules of Bursa Depository.
Governing laws	: The Warrants D and the Warrants D Deed Poll shall be governed by the laws and regulations of Malaysia.

3.7 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.

3.8 Foreign-Addressed Shareholders

An abridged prospectus together with its accompanying notices of provisional allotment and the rights subscription forms to be issued in connection with the Proposed Rights Issue with Warrants are not intended to comply with the laws of any jurisdiction other than Malaysia and will not be lodged, registered or approved under applicable securities legislation of any jurisdiction other than Malaysia. Accordingly, the Proposed Rights Issue with Warrants will not be offered for subscription in any countries or jurisdictions other than Malaysia.

The abridged prospectus together with its accompanying documents will only be sent to the Entitled Shareholders who have a registered address or an address for service in Malaysia as registered in our Company's Record of Depositors on the Rights Issue Entitlement Date.

Shareholders who have not provided to our Company a registered address or an address in Malaysia for the service of documents ("**Foreign-Addressed Shareholders**") who wish to provide Malaysian addresses should inform their respective stockbrokers as well as the Share Registrar of our Company at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia to effect the change of address prior to the Rights Issue Entitlement Date.

Alternatively, such Foreign-Addressed Shareholders may collect the abridged prospectus from our Company's Share Registrar, who will be entitled to request for such evidence as it deems necessary to satisfy themselves as to the identity and authority of the person collecting the abridged prospectus.

Our Company will not make or be bound to make any enquiry as to whether the Entitled Shareholders have a registered address other than as stated in our Company's Record of Depositors as at the Rights Issue Entitlement Date and will not accept or to be deemed to accept any liability whether or not any enquiry or investigations is made in connection therewith.

Foreign-Addressed Shareholders may only exercise their rights in respect of the Proposed Rights Issue with Warrants to the extent that it would be lawful to do so, and our Company, TA Securities and the Share Registrar would not, in connection with the Proposed Rights Issue with Warrants, be in breach of the laws of any country or jurisdiction which the Foreign-Addressed Shareholders and their renounees and transferees (if applicable) might be subject to.

Foreign-Addressed Shareholders will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in such foreign country or jurisdiction and our Company will be entitled to be fully indemnified and held harmless by such foreign applicants for any issue, transfer or any other taxes or duties as such person may be required to pay. Foreign-Addressed Shareholders will have no claims whatsoever against our Company, TA Securities and the Share Registrar in respect of their rights or entitlements under the Proposed Rights Issue with Warrants. Such Foreign-Addressed Shareholders should also consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to exercise their rights in respect of the Proposed Rights Issue with Warrants.

Foreign-Addressed Shareholders will be solely responsible to seek advice as to the laws of any jurisdiction to which they may be subject, and participation by the Foreign-Addressed Shareholders in the Proposed Rights Issue with Warrants must be on the basis of a warranty by them that they may lawfully so participate without our Company, TA Securities and the Share Registrar being in breach of the laws of any jurisdiction.

Neither our Company, TA Securities or the Share Registrar nor the other advisers to the Proposed Rights Issue with Warrants will accept any responsibility or liability in the event that any acceptance of a Foreign-Addressed Shareholder of his/her rights in respect of the Proposed Rights Issue with Warrants is or becomes illegal, unenforceable, voidable or void in any country or jurisdiction.

Foreign-Addressed Shareholders who do not provide an address in Malaysia or who are not entitled to subscribe for the Rights Shares under the laws and jurisdiction to which they are subject to will have no claims whatsoever against our Company, TA Securities, the Share Registrar or other advisers in respect of their rights entitlements or any net proceeds arising from the Proposed Rights Issue with Warrants.

Our Company reserves the right in its absolute discretion to treat any acceptance as being invalid if our Company believes or has reason to believe that such acceptance may violate applicable legal or regulatory requirements.

4. UTILISATION OF PROCEEDS

Based on the indicative issue price of RM0.16 per Rights Share, the Proposed Rights Issue with Warrants 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 Proposals	(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 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 9.3** of this Circular, 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 Proposed Rights Issue with Warrants, 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 RM200 million, of which approximately RM78.88 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 RM44.35 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 RM78.88 million as at the LPD, our Group requires approximately RM34.53 million (committed factoring amount of RM78.88 million net disbursed amount of RM44.35 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 Proposals 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 factoring clients with the proceeds from the Proposed Rights Issue with Warrants.

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 Proposals consist of the following:

<i>Estimated Expenses</i>	<i>(RM'000)</i>
<i>Professional fees ^(a)</i>	446
<i>Fees to relevant authorities</i>	98
<i>Other incidental expenses in relation to the Proposals ^(b)</i>	76
<i>Total</i>	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 Proposals.

If the actual expenses in relation to the Proposals 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 Proposals 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 Proposed Rights Issue with Warrants is dependent on the actual issue price of the Rights Shares and 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 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 D would depend on the actual number of Warrants D exercised. The proceeds from the exercise of the Warrants D will be received on an “as and when” basis over the tenure of the Warrants D. For illustrative purpose, based on the indicative exercise price of RM0.16 per Warrant D, the maximum gross proceeds that may be raised from the exercise of Warrants D 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 D.

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 Proposed Rights Issue with Warrants.

5. PREVIOUS FUND-RAISING EXERCISES

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

6. ADDITIONAL INFORMATION

The summary of key financial information of our Group for the audited FYE 30 June 2021 to FYE 30 June 2023 and unaudited 3M-FPEs 30 September 2022 and 30 September 2023 are as follows:

	(Audited)			(Unaudited)	
	FYE 30 June 2021 (RM’000)	FYE 30 June 2022 (RM’000)	FYE 30 June 2023 (RM’000)	3M-FPE 30 September 2022 (RM’000)	3M-FPE 30 September 2023 (RM’000)
Revenue	10,585	20,869	22,493	4,509	5,279
Loss before tax	(15,953)	(13,730)	(8,185)	(2,717)	(4,314)
LAT	(15,039)	(13,036)	(7,286)	(2,414)	(3,515)
Share capital	101,402	110,049	110,049	110,049	110,049
Shareholders’ funds / NA	135,149	131,524	126,434	130,933	123,096
No. of Shares in issue (’000)	1,207,841	1,449,409	1,449,409	1,449,409	1,449,409
Weighted average no. of Shares (’000)	647,585	1,399,772	1,449,409	1,449,409	1,449,409
NA per Share (sen) ⁽¹⁾	11.19	9.07	8.72	9.03	8.49
Loss per Share (sen) ⁽²⁾	(2.32)	(0.93)	(0.61)	(0.17)	(0.24)
Current assets	124,507	87,149	78,335	86,736	78,155
Current liabilities	12,105	9,046	5,343	10,953	8,435
Current ratio (times) ⁽³⁾	10.29	9.63	14.66	7.92	9.27
Borrowings ⁽⁴⁾	923	3,727	2,787	3,427	2,512
Gearing (times) ⁽⁵⁾	0.01	0.03	0.02	0.03	0.02

Notes:

- (1) Computed based on the NA divided by the number of Shares in issue.
- (2) Computed based on the LAT divided by the weighted average number of Shares in issue.
- (3) Computed based on the current assets divided by current liabilities.
- (4) Comprising of lease liabilities.
- (5) Computed based on the total borrowings divided by the NA.

Commentaries:

(i) 3M-FPE 30 September 2023 vs 3M-FPE 30 September 2022

Our Group recorded revenue of approximately RM5.28 million (3M-FPE 30 September 2022: RM4.51 million), representing an increase by approximately RM0.77 million or 17.08% mainly due to the increase in contribution from factoring segment by RM1.02 million to approximately RM1.91 million in 3M-FPE 30 September 2023 (3M-FPE 30 September 2022: RM0.89 million) as a result of the increase in disbursement to existing and new customers.

Our Group recorded a higher LAT of approximately RM3.51 million (3M-FPE 30 September 2022: RM2.41 million), representing an increase of LAT of approximately RM1.10 million or 45.64%. The increase in LAT was mainly due to:

- (a) the higher depreciation of property, plant and equipment of RM1.05 million in the 3M-FPE 30 September 2023 (3M-FPE 30 September 2022: RM0.22 million); and
- (b) the higher fair value loss on quoted shares of RM1.73 million in the 3M-FPE 30 September 2023 (3M-FPE 30 September 2022: RM0.90 million).

(ii) 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 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.

Our Group recorded a lower LAT of approximately RM8.79 million (FYE 30 June 2022: RM14.34 million), representing a decrease of LAT of approximately RM5.55 million or 38.70%. The decrease in LAT was mainly due to:

- (a) the higher revenue from our Group's factoring business in the FYE 30 June 2023 as detailed above; and
- (b) 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).

(iii) 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 28.98% in FYE 30 June 2022 (FYE 30 June 2021: 14.82%) as a result of increase in revenue and effective cost management measures adopted by our Group.

(iv) 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:

- (a) 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
- (b) 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.

6.1 Impact and value creation of the Proposed Rights Issue with Warrants to our Group and our Company's shareholders

The Proposed Rights Issue with Warrants will entail the issuance of new Shares and new Shares arising from exercise of Warrants D. Entitled Shareholders who do not or are unable to subscribe fully for their entitlements pursuant to the Proposed Rights Issue with Warrants 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 D into new Shares assuming all the Entitled Shareholders subscribed for their entitlement in the Proposed Rights Issue with Warrants.

In addition, the increase in the number of Shares pursuant to the issuance of Rights Shares and Shares arising from exercise of Warrants D 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 Proposed Rights Issue with Warrants 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 Proposed Rights Issue with Warrants to finance the Factoring Business should give rise to an expected improvement on our Group's financial performance, which in turn is expected to create value for our Company's shareholders.

The Proposed Rights Issue with Warrants will entail the issuance of new Warrants D to shareholders who subscribe the Rights Shares. The new Shares to be issued pursuant to the exercise of Warrants D 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 D to be issued pursuant to the Proposed Rights Issue with Warrants will enable our Company to raise funds without incurring interest costs associated with bank borrowings when Warrants D holders exercise their rights by converting Warrants D into new Shares.

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

6.2 Adequacy of the Proposed Rights Issue with Warrants in addressing our Group's financial concerns

The proceeds from the Proposed Rights Issue with Warrants are expected to provide our Group with funding for the purposes stated in **Section 4** of this Circular, 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 Proposed Rights Issue with Warrants 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 Proposed Rights Issue with Warrants is adequate to address our Group's financial concerns at this juncture after considering all of the aspects of the Proposed Rights Issue with Warrants 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.

6.3 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 acquisition of Ikhlas ("Ikhlas Acquisition") for the Factoring Business as detailed in **Section 9.4** of this Circular. 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.

Moving forward, our Group's services are expected to see stronger prospects of its Factoring Business as detailed in **Section 9.3** of this Circular. Our Board will continuously monitor the prevailing market conditions and implement different business strategies to remain competitive compared to its competitors.

7. RATIONALE FOR THE PROPOSALS

7.1 Proposed Share Consolidation

The Proposed Share Consolidation is part of our Company's strategy to improve its capital structure and to facilitate the Proposed Rights Issue with Warrants after taking into consideration that the number of Shares in issue will increase further following the completion of the Proposed Rights Issue with Warrants.

The Proposed Share Consolidation will reduce the number of Shares available in the market and correspondingly increase the reference/trading price of the Shares. The higher share price resulting from the Proposed Share Consolidation provides our Company more flexibility in fixing the issue price of the Rights Shares which is deemed sufficiently attractive to encourage the Entitled Shareholders to subscribe for the Rights Shares and, consequently enable our Group to raise the necessary funds to meet its funding requirements.

7.2 Proposed Rights Issue with Warrants

After due consideration of various means of fund-raising, our Board is of the opinion that the Proposed Rights Issue with Warrants is the most suitable mean to raise funds for our Group at this juncture for purposes as set out in **Section 4** of this Circular 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 Circular are expected to contribute positively to our Group's future earnings and financial performance;

- (ii) the Proposed Rights Issue with Warrants 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 Proposals 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 D.

In addition, the Proposed Rights Issue with Warrants 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 Proposed Rights Issue with Warrants will involve issuance of new Shares without diluting the Entitled Shareholders' shareholdings, provided that they subscribe in full for their respective entitlements under the Proposed Rights Issue with Warrants and exercise their Warrants subsequently;
- (iv) the Proposed Rights Issue with Warrants provides an opportunity for the Entitled Shareholders to participate in the equity offering of our Company on a pro-rata basis;
- (v) the Proposed Rights Issue with Warrants will strengthen the capital base of our Company and enhance the overall financial position of our Group;
- (vi) the Warrants D 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 D 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 D and enable them to further participate in the future growth of our Group as and when the Warrants D are exercised; and
- (vii) any exercise of the Warrants D will also provide our Company with additional funds as and when the Warrants D are exercised over the tenure of the Warrants D. In addition, such exercise of the Warrants D 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 Proposals are 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 9.3** of this Circular.

8. RISK FACTORS

The risk relating to the Proposed Rights Issue with Warrants are as follows:

8.1 Investment and capital market risk

The market prices of the Rights Shares and Warrants D 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 D will trade above the issue price or TEAP upon or subsequent to their listing on the ACE Market of Bursa Securities.

Mlabs Group will endeavour to improve its revenue and earnings thereby increasing the likelihood of a positive reflection in the market price of Mlabs Shares.

8.2 Delay or failure to implement the Proposed Rights Issue with Warrants

The Proposed Rights Issue with Warrants 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 Adviser arising prior to the implementation of the Proposed Rights Issue with Warrants. 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 D holders holding not less than 1 board lot (100 units) of Warrants D each.

There can be no assurance that the abovementioned events will not occur and cause a delay or failure to implement the Proposed Rights Issue with Warrants. If not implemented, all monies received from the Proposed Rights Issue with Warrants 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 Capital Markets and Services Act 2007.

In the event that the Rights Shares and/or new Mlabs Shares to be issued pursuant to the exercise of the Warrants D have been allotted to the successful Entitled Shareholders/subscribers and/or their renounee(s)/transferee(s) (if applicable) and the Proposed Rights Issue with Warrants 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.

In order to mitigate this risk, our Company has procured the Undertakings in order to meet the Minimum Scenario. The successful implementation of the Proposed Rights Issue with Warrants is dependent on the fulfilment of the Undertakings from the Undertaking Shareholders. In addition, our Company will endeavour to obtain the requisite approvals and take all reasonable and necessary steps to ensure completion of the Proposed Rights Issue with Warrants.

8.3 Potential dilution of existing shareholders' shareholdings

Entitled Shareholders who do not subscribe for their entitlements under the Proposed Rights Issue with Warrants will have their shareholdings being diluted upon completion of the Proposed Rights Issue with Warrants as a result of the issuance of the Rights Shares and exercise of Warrants D 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 Proposed Rights Issue with Warrants will correspondingly be diluted.

In order to attract the Entitled Shareholders to subscribe for the Proposed Rights Issue with Warrants and mitigate the risk of potential dilution of their shareholdings, our Board will fix the issue price for the Rights Shares and exercise price of the Warrants D at a later date at potential discounts to the TEAP.

8.4 No prior market for the Warrants D

The Warrants D 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 D.

The market price of the Warrants D, 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 D on Bursa Securities in the future, corporate developments as well as the future prospects of the industries in which our Group operates.

While most of the factors as mentioned above are beyond our Group's control, our Group will endeavour to improve its operational performance and profitability, leading to a likely positive reflection in the market price of Mlabs Shares and potentially increase the trading liquidity of the Warrants D.

9. INDUSTRY OUTLOOK AND PROSPECTS OF OUR GROUP

9.1 Overview and outlook of the Malaysian economy

Going forward, growth of the Malaysian economy will be driven largely by resilient domestic expenditure, with some support from electrical and electronics (“E&E”) exports recovery. Household spending will be supported by steady growth in employment and wage growth. Tourist arrivals and spending are expected to improve further. Additionally, continued progress of multi-year infrastructure projects and implementation of catalytic initiatives will support investment activity. Budget 2024 measures will also provide additional impetus to economic activity. Meanwhile, domestic financial conditions remain conducive to sustain credit growth, as financial institutions continue to operate with strong capital and liquidity buffers.

The growth outlook is subject to downside risks from weaker-than expected external demand, and larger and protracted declines in commodity production. Nevertheless, stronger-than-expected tourism activity, a stronger recovery from the E&E downcycle, and faster implementation of projects provide upside to Malaysia's economic outlook.

(Source: BNM Quarterly Bulletin Vol. 38 No. 2 for the Third Quarter of 2023, Bank Negara Malaysia)

In the case of Malaysia, the economy continued to expand amid these persistent challenges in the external environment. During the first half of 2023, GDP posted a growth of 4.2% supported by resilient domestic demand, in particular private expenditure.

Overall, the economy is projected to expand moderately in the second half of the year as external demand is expected to remain low and high base effect from the previous year. Nevertheless, domestic demand will continue to drive growth. Hence, the GDP is anticipated to register a growth of approximately 4% in 2023.

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)

9.2 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 Nasional 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)

The information and communication subsector rose by 3.7% in the first half of 2023 and expected to grow by 6.2% in the second half of the year following attractive and affordable internet packages with devices, for high-speed connectivity such as 5G RAHMAH Package and RAHMAH Public Servant Postpaid Incentive. These packages, which are offered by major telecommunication companies are expected to further increase the internet subscription rate. Therefore, the subsector is projected to rise by 5% in 2023.

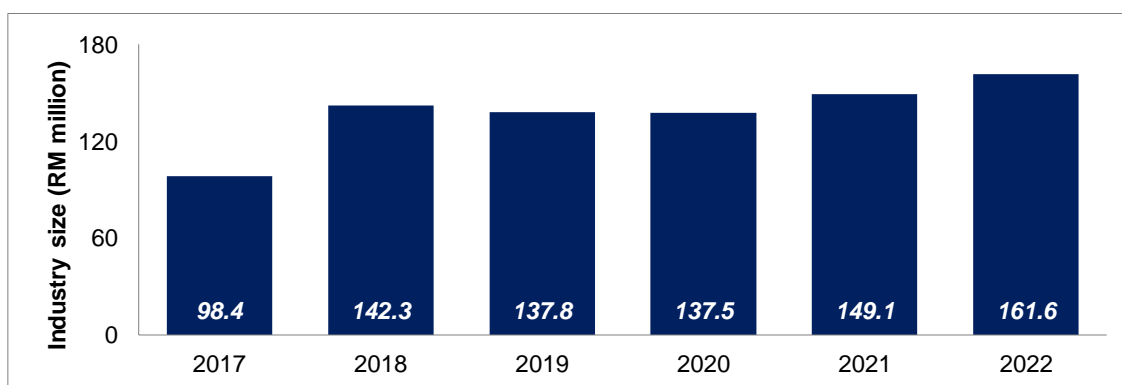
The information and communication subsector is expected to expand by 6.5% in 2024, primarily underpinned by telecommunication segment following fast rollout of 5G coverage and the adoption of a dual network model. The performance of the subsector will also benefit from the increasing demand for high-speed 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)

9.3 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 3.7% annually between 2016 and 2022. 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 2022. 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 RM264.6 billion worth of approved investments in the manufacturing, services and primary sectors in 2022 across 4,454 projects. Of the total investments approved, foreign investments accounted for RM163.3 billion or 61.7%, with domestic investments accounting for RM101.3 billion or 38.3%. The services sector attracted RM154.0 billion of the total approved investments, followed by the manufacturing sector at RM84.3 billion, while the primary sector received RM26.3 billion. 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) During the first half of 2023, Malaysia's GDP posted a growth of 4.2% supported by resilient domestic demand, in particular private expenditure. The increased external uncertainties will pose risks to the economic growth. Notwithstanding these challenges, the economy continues reaping the benefit from policies and initiatives undertaken over the years to enhance resilience and competitiveness. Overall, the economy is projected to expand moderately in the second half of the year as external demand is expected to remain low and high base effect from the previous year. Nevertheless, domestic demand will continue to drive growth. Hence, the GDP is anticipated to register a growth of approximately 4% in 2023.

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. The retail trade, accommodation and restaurants as well as communication segments are expected to increase in line with consumption trend, while the wholesale trade segment and transport and storage subsector will benefit from higher trade-related activities.

(Source: IMR Report)

9.4 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 (as detailed in **Section 6.3** of this Circular) 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 9.3** of this Circular 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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10. EFFECTS OF THE PROPOSALS

10.1 Share capital

The pro forma effects of the Proposals 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	1,449,409,440	110,049	1,449,409,440	110,049
After the Proposed Share Consolidation	72,470,472	110,049	72,470,472	110,049
Issuance of the Rights Shares ⁽¹⁾	17,500,000	1,000	217,411,362	19,504
Assuming full exercise of Warrants D ⁽²⁾⁽³⁾	89,970,472	111,049	289,881,834	129,553
	7,000,000	2,300	86,964,544	28,576
Enlarged share capital	96,970,472	113,349	376,846,378	158,129

Notes:

- (1) Based on the indicative issue price of RM0.16 per Rights Share and after taking into account the estimated expenses for the Proposals of RM0.62 million and the corresponding warrants reserve amount to be recognised in the share capital in respect of Warrants D.
- (2) Based on the indicative exercise price of RM0.16 per Warrant D and after accounting for the reversal of the warrants reserve amount recognised in the share capital in respect of Warrants D.
- (3) The Proposed Rights Issue with Warrants 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]	89,970,472	289,881,834
Number of Shares to be issued assuming full exercise of Warrants D	[B]	7,000,000	86,964,544
[B] / [A]		7.78%	30.00%

10.2 NA and gearing

For illustrative purposes, based on our Group's audited financial statements as at 30 June 2023 and assuming that the Proposals had been effected on that date, the pro forma effects of the Proposals on the NA, NA per Share and gearing of our Group are as follows:

Minimum Scenario

	(Audited) As at 30 June 2023 (RM'000)	(I) Upon expiry of the Warrants C (RM'000)	(II) After (I) and the Proposed Share Consolidation (RM'000)	(III) After (II) and the Proposed Rights Issue with Warrants (RM'000)	(IV) After (III) and assuming full exercise of Warrants D (RM'000)
Share capital	110,049	110,049	110,049	111,049 ⁽²⁾	113,349 ⁽⁴⁾
Foreign currency translation reserve	3,591	3,591	3,591	3,591	3,591
Warrants reserve	44,798	- ⁽¹⁾	-	1,180 ⁽³⁾	-
(Accumulated losses) / Retained earnings	(32,004)	12,794 ⁽¹⁾	12,794	12,794	12,794
Shareholders' funds / NA	126,434	126,434	126,434	128,614	129,734
Non-controlling interests	1,470	1,470	1,470	1,470	1,470
Total equity	127,904	127,904	127,904	130,084	131,204
No. of Shares in issue ('000)	1,449,409	1,449,409	72,470	89,970	96,970
NA per Share ⁽⁵⁾	0.09	0.09	1.74	1.43	1.34
Total borrowings (RM'000)	2,787	2,787	2,787	2,787	2,787
Gearing ⁽⁶⁾ (times)	0.02	0.02	0.02	0.02	0.02

Notes:

- (1) After accounting for the reversal of the warrants reserve amount recognised in respect of Warrants C upon expiry of the Warrants C on 7 December 2023.
- (2) Based on the indicative issue price of RM0.16 per Rights and after taking into account the estimated expenses for the Proposals of RM0.62 million and the corresponding warrants reserve amount to be recognised in the share capital in respect of Warrants D.
- (3) Based on the issuance of 7,000,000 Warrants D with each Warrant D assumed to have a fair value of RM0.1686 based on the Black-Scholes Options Pricing Model.

- (4) Based on the indicative exercise price of RM0.16 per Warrant D and after accounting for the reversal of the warrants reserve amount recognised in the share capital in respect of Warrants D.
- (5) Computed based on NA divided by the number of Shares in issue.
- (6) Computed based on total borrowings divided by total equity.

Maximum Scenario

	(Audited)	(I)	(II)	(III)	(IV)
	As at 30 June 2023 (RM'000)	Upon expiry of the Warrants C (RM'000)	After (I) and the Proposed Share Consolidation (RM'000)	After (II) and the Proposed Rights Issue with Warrants (RM'000)	After (III) and assuming full exercise of Warrants D (RM'000)
Share capital	110,049	110,049	110,049	129,553 ⁽²⁾	158,129 ⁽⁴⁾
Foreign currency translation reserve	3,591	3,591	3,591	3,591	3,591
Warrants reserve	44,798	-(1)	-	14,662 ⁽³⁾	-
(Accumulated losses) / Retained earnings	(32,004)	12,794 ⁽¹⁾	12,794	12,794	12,794
Shareholders' funds / NA	126,434	126,434	126,434	160,600	174,514
Non-controlling interests	1,470	1,470	1,470	1,470	1,470
Total equity	127,904	127,904	127,904	162,070	175,984
No. of Shares in issue ('000)	1,449,409	1,449,409	72,470	289,882	376,846
NA per Share ⁽⁵⁾	0.09	0.09	1.74	0.55	0.46
Total borrowings (RM'000)	2,787	2,787	2,787	2,787	2,787
Gearing ⁽⁶⁾ (times)	0.02	0.02	0.02	0.02	0.02

Notes:

- (1) After accounting for the reversal of the warrants reserve amount recognised in respect of Warrants C upon expiry of the Warrants C on 7 December 2023.
- (2) Based on the indicative issue price of RM0.16 per Rights Share and after taking into account the estimated expenses for the Proposals of RM0.62 million and the corresponding warrants reserve amount to be recognised in the share capital in respect of Warrants D.
- (3) Based on the issuance of 86,964,544 Warrants D with each Warrant D assumed to have a fair value of RM0.1686 based on the Black-Scholes Options Pricing Model.

- (4) Based on the indicative exercise price of RM0.16 per Warrant D and after accounting for the reversal of the warrants reserve amount recognised in the share capital in respect of Warrants D.
- (5) Computed based on NA divided by the number of Shares in issue.
- (6) Computed based on total borrowings divided by total equity.

10.3 Substantial shareholders' shareholdings

The pro forma effects of the Proposals on the shareholdings of our Company's substantial shareholders based on the Register of Substantial Shareholders as at the LPD are as follows:

Minimum Scenario

Name	As at the LPD				(I) After the Proposed Share Consolidation			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
First United Technology Limited	228,230,250	15.75	-	-	11,411,512	15.75	-	-
NetX Holdings Berhad	-	-	228,230,250 ⁽¹⁾	15.75	-	-	11,411,512 ⁽¹⁾	15.75
Ong Tee Kein	836,100	0.06	-	-	41,805	0.06	-	-

Name	(II) After (I) and the Proposed Rights Issue with Warrants				(III) After (II) and full exercise of Warrants D			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
First United Technology Limited	11,411,512	12.68	-	-	11,411,512	11.77	-	-
NetX Holdings Berhad	-	-	11,411,512 ⁽¹⁾	12.68	-	-	11,411,512 ⁽¹⁾	11.77
Ong Tee Kein	17,541,805	19.50	-	-	24,541,805	25.31	-	-

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 Proposed Share Consolidation			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
First United Technology Limited	228,230,250	15.75	-	-	11,411,512	15.75	-	-
NetX Holdings Berhad	-	-	228,230,250 ⁽¹⁾	15.75	-	-	11,411,512 ⁽¹⁾	15.75
Ong Tee Kein	836,100	0.06	-	-	41,805	0.06	-	-

Name	(II) After (I) and the Proposed Rights Issue with Warrants				(III) After (II) and full exercise of Warrants D			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
First United Technology Limited	45,646,048	15.75	-	-	59,339,862	15.75	-	-
NetX Holdings Berhad	-	-	45,646,048 ⁽¹⁾	15.75	-	-	59,339,862 ⁽¹⁾	15.75
Ong Tee Kein	167,220	0.06	-	-	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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10.4 Earnings/Losses and EPS/LPS

The Proposed Share Consolidation will not have any effect on the consolidated earnings / losses of our Group. However, the lower number of issued Shares upon completion of the Proposed Share Consolidation will result in an increase in the EPS / LPS.

The Proposed Rights Issue with Warrants is not expected to have an immediate material effect on the consolidated earnings / losses of our Group and EPS / LPS for the financial year ending 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 Proposed Rights Issue with Warrants (which is expected to be completed within 6 months from the date of Bursa Securities' approvals in respect of the Proposals as set out in **Section 11** of this Circular).

The effects of the Proposed Rights Issue with Warrants on the consolidated earnings / losses 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 Proposed Rights Issue with Warrants. 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 D.

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

10.5 Convertible securities

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

11. HISTORICAL PRICES OF MLABS SHARES

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>		
February	0.030	0.015
March	0.025	0.015
April	0.020	0.015
May	0.020	0.015
June	0.025	0.015
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

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

The last transacted market price of Mlabs Shares on 31 January 2024 (being the LPD) was RM0.015.

(Source: Bloomberg Finance L.P.)

12. APPROVALS REQUIRED

The Proposals are subject to the approvals being obtained from the following:

- (i) Bursa Securities for the:
 - (a) Proposed Share Consolidation;
 - (b) admission of Warrants to the Official List; and
 - (c) listing of and quotation for the following on the ACE Market of Bursa Securities:
 - (aa) Rights Shares and Warrants D to be issued pursuant to the Proposed Rights Issue with Warrants; and
 - (bb) new Shares to be issued pursuant to the exercise of Warrants D;
- (ii) the shareholders of our Company at the forthcoming EGM; and
- (iii) any other relevant authorities and/or parties, if required.

The approval of Bursa Securities for the Proposed Share Consolidation and Proposed Rights Issue with Warrants 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 Proposed Share Consolidation and Proposed Rights Issue with Warrants;	To be complied with.
(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 Proposed Share Consolidation;	To be complied with.
(c)	Our Company and TA Securities are required to inform Bursa Securities upon the completion of the Proposed Share Consolidation and Proposed Rights Issue with Warrants;	To be complied with.
(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 Proposed Share Consolidation and Proposed Rights Issue with Warrants are completed; and	To be complied with.
(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 D as at the end of each quarter together with a detailed computation of listing fees payable.	To be complied with.

13. CONDITIONALITY OF THE PROPOSALS

It is our Company's intention to implement the Proposed Share Consolidation prior to the implementation of the Proposed Rights Issue with Warrants. Our Board confirms that there is no corporate exercise which has been announced but not yet completed as at the LPD.

The Proposed Rights Issue with Warrants is conditional upon the Proposed Share Consolidation but not vice versa.

The Proposals are not conditional upon any other corporate proposal undertaken or to be undertaken by our Company.

14. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSON CONNECTED WITH THEM

None of the Directors, major shareholders and/or chief executive of our Company and/or persons connected with them has any interest, direct or indirect, in the Proposals, save for their respective entitlements under the Proposed Share Consolidation and Proposed Rights Issue with Warrants for which all the existing shareholders of our Company are similarly entitled to, including the rights to apply for additional Rights Shares under the excess applications.

15. DIRECTORS' STATEMENT AND RECOMMENDATION

After having considered all aspects of the Proposals, including but not limited to the rationale and effects of the Proposals, our Board is of the opinion that the Proposals are in the best interests of our Company.

Accordingly, our Board recommends that shareholders vote **IN FAVOUR** of the resolutions pertaining to the Proposals at the forthcoming EGM.

16. ESTIMATED TIMEFRAME FOR COMPLETION / IMPLEMENTATION

Barring any unforeseen circumstances and subject to all required approvals being obtained, our Board expects the Proposals to be completed in the 2nd quarter of 2024.

The tentative timeline for the implementation of the Proposals is as follows:

Date	Events
18 March 2024	EGM for the Proposals
Mid March 2024	Announcement of the Share Consolidation Entitlement Date
Early April 2024	(i) Share Consolidation Entitlement Date (ii) Completion of the Proposed Share Consolidation
End April 2024	Announcement of the Rights Issue Entitlement Date
Early May 2024	(i) Rights Issue Entitlement Date (ii) Despatch of abridged prospectus, notices of provisional allotment and rights subscription form
End May 2024	Last day for payment and acceptance of the Rights Shares and Warrants D
Early June 2024	(i) Listing and quotation of the Rights Shares and Warrants D (ii) Completion of the Proposed Rights Issue with Warrants

17. EGM

The notice convening the EGM and the Proxy Form are enclosed in this Circular. The EGM will be conducted on virtual basis through live streaming from the broadcast venue at Lot 4.1, 4th Floor, Menara Lien Hoe, No. 8, Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on Monday, 18 March 2024 at 10:30 a.m. or any adjournment thereof, via online meeting platform at <https://rebrand.ly/MLABS-EGM> for the purpose of considering and if thought fit, passing with or without modification, the resolutions to give effect to the Proposals.

If you are unable to attend, participate, speak and vote at the EGM, you may appoint a proxy or proxies to attend, participate, speak and vote on your behalf. In such event, the Proxy Form must be lodged at the Poll Administrator's office of our Company, ShareWorks Sdn. Bhd. at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the EGM or adjourned meeting at which the person named in the instrument, proposes to vote or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll. The completion, signing and return of the Proxy Form will not preclude you from attending and voting in person, should you subsequently decide to do so.

18. FURTHER INFORMATION

The shareholders of Mlabs are advised to refer to the Appendices set out in this Circular for further information.

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

TAN SIK EEK
Executive Director

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by our Board and they collectively and individually accept full responsibility for the accuracy of the information given in the Circular 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 information contained in this Circular, or other facts and information the omission of which would make any statement in this Circular false or misleading.

2. CONSENTS**2.1 Adviser**

TA Securities, being the Adviser for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

2.2 Independent Market Researcher

Providence Strategic Partners Sdn Bhd, being the independent market researcher, has given and has not subsequently withdrawn its written consent to the inclusion of its name, the IMR Report and all references thereto in the form and context in which they appear in this Circular.

3. DECLARATIONS OF CONFLICT OF INTERESTS**3.1 Adviser**

TA Securities has confirmed that there is no conflict of interests which exists or is likely to exist in its role as the Adviser for the Proposals.

3.2 Independent Market Researcher

Providence Strategic Partners Sdn Bhd has confirmed that there is no conflict of interests which exists or is likely to exist in its role as the independent market researcher.

4. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

As at the LPD, our Group is not 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.

5. MATERIAL COMMITMENT

As at the LPD, our Board confirms that there is no material commitment 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.

6. 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.

FURTHER INFORMATION (CONT'D)

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of Mlabs at 22-09, Menara 1MK, No. 1 Jalan Kiara, Mont Kiara, 50480 Kuala Lumpur, during normal business hours on Mondays to Fridays (excluding public holidays) for the period commencing from the date of this Circular up to and including the date of the forthcoming EGM:

- (i) Mlabs's Constitution;
- (ii) our Group's audited financial statements for the FYEs 30 June 2022 and 30 June 2023 and unaudited financial statements for the 3M-FPE 30 September 2023;
- (iii) draft Deed Poll;
- (iv) the IMR Report referred to in **Section 9.3** of this Circular; and
- (v) the letters of consent and declarations of conflict of interests referred to in **Sections 2** and **3** of this appendix.

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of **MLABS SYSTEMS BERHAD** (“**Mlabs**” or “**Company**”) (“**EGM**”) will be conducted on a virtual basis and entirely via the Remote Participation and Voting (“**RPV**”) Facilities from the broadcast venue at Lot 4.1, 4th Floor, Menara Lien Hoe, No. 8, Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor via online meeting platform at <https://rebrand.ly/MLABS-EGM> on Monday, 18 March 2024 at 10:30 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing with or without modifications, the following resolutions:

ORDINARY RESOLUTION 1

PROPOSED CONSOLIDATION OF EVERY 20 EXISTING ORDINARY SHARES IN MLABS (“MLABS SHARES” OR “SHARES”) INTO 1 MLABS SHARE (“CONSOLIDATED SHARE”) (“PROPOSED SHARE CONSOLIDATION”)

“THAT subject to the approvals of all relevant authorities being obtained, where required, approval be and is hereby given to the Board of Directors of the Company (“**Board**”) to consolidate 20 existing Shares held by the shareholders of Mlabs, whose names appear in the Record of Depositors of the Company at the close of business on an entitlement date to be determined and announced later by the Board, into 1 Consolidated Share;

THAT fractional entitlements arising from the Proposed Share Consolidation, if any, will be disregarded and dealt with in such a manner as the Board shall in its absolute discretion deem fit and expedient, and to be in the best interest of the Company;

THAT such Consolidated Shares shall, upon allotment and issuance, rank equally in all respects with each other following the completion of the Proposed Share Consolidation;

AND THAT the Board be and is hereby authorised to give effect to the Proposed Share Consolidation with full powers to assent to any conditions, modifications, variations and/or amendments as may be required by the relevant authorities and to do all such acts as they may consider necessary or expedient in the best interest of the Company to give full effect to the Proposed Share Consolidation.”

ORDINARY RESOLUTION 2

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 217,411,362 NEW MLABS SHARES (“RIGHTS SHARES”) ON THE BASIS OF 3 RIGHTS SHARES FOR EVERY 1 CONSOLIDATED SHARE HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER (“ENTITLEMENT DATE”), TOGETHER WITH UP TO 86,964,544 FREE DETACHABLE WARRANTS IN MLABS (“WARRANTS D”) ON THE BASIS OF 2 WARRANTS D FOR EVERY 5 RIGHTS SHARES SUBSCRIBED FOR (“PROPOSED RIGHTS ISSUE WITH WARRANTS”)

“THAT subject to the passing of Ordinary Resolution 1 and the approvals of all relevant authorities being obtained, where required, approval be and is hereby given to the Board to undertake the Proposed Rights Issue with Warrants as follows:

- (i) to provisionally allot and issue by way of a renounceable rights issue of up to 217,411,362 Rights Shares together with up to 86,964,544 Warrants D to the shareholders of Mlabs (“**Entitled Shareholders**”) whose names appear in the Record of Depositors of the Company at the close of business on an entitlement date to be determined by the Board (“**Entitlement Date**”) and/or their renounee(s) at a final issue price to be determined by the Board and on such terms and conditions and in such manner as the Board may determine;

- (ii) to enter into and execute a deed poll constituting the Warrants D (“**Deed Poll**”) and to do all acts, deeds and things as the Board may deem fit or expedient in order to implement, finalise and give effect to the Deed Poll (including, without limitation, the affixing of the Company’s common seal, where necessary);
- (iii) to allot and issue the Warrants D in registered form to the Entitled Shareholders and/or their renounee(s), as the case may be, and the Excess Applicants (as defined below), if any, who subscribe for and are allotted Rights Shares, each Warrant D conferring the right to subscribe for 1 new Share at an exercise price to be determined by the Board at a later date, subject to any provisions for adjustment to the subscription rights attached to the Warrants D in accordance with the provisions of the Deed Poll; and
- (iv) to allot and issue such number of new Shares to the holders of the Warrants D upon their exercise of the relevant Warrants D to subscribe for new Shares during the tenure of the Warrants D;

THAT any Rights Shares which are not validly taken up or which are not allotted for any reason whatsoever to the Entitled Shareholders and/or their renounee(s) shall be made available for excess applications in such manner and to such persons (“**Excess Applicants**”) as the Board shall determine at its absolute discretion;

THAT the Rights Shares, Warrants D and the new Shares to be issued pursuant to the exercise of the Warrants D shall be listed on the ACE Market of Bursa Malaysia Securities Berhad;

THAT the proceeds of the Proposed Rights Issue with Warrants be utilised for the purposes as set out in **Section 4** of the circular to shareholders of the Company dated 23 February 2024 and the Board be and is hereby authorised with full powers to vary the manner and/or purpose of utilisation of such proceeds in such manner as the Board may deem fit, necessary and/or expedient or in the best interests of the Company, subject (where required) to the approval of the relevant authorities;

THAT the Board be and is hereby empowered and authorised to do all acts, deeds and things, and to execute, enter into, sign, deliver and cause to be delivered for and on behalf of the Company all such transactions, arrangements, agreements and/or documents as it may consider necessary or expedient in order to implement, give full effect to and complete the Proposed Rights Issue with Warrants, with full powers to assent to and accept any condition, modification, variation, arrangement and/or amendment to the terms of the Proposed Rights Issue with Warrants as the Board may deem fit, necessary and/or expedient in the best interests of the Company or as may be imposed by any relevant authority or consequent upon the implementation of the aforesaid conditions, modifications, variations, arrangements and/or amendments and to take all steps as it considers necessary in connection with the Proposed Rights Issue with Warrants in order to implement and give full effect to the Proposed Rights Issue with Warrants;

The Rights Shares and new Shares to be issued arising from the exercise of the Warrants D 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 D shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to the shareholders of the 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 D.

THAT the Board be and is hereby entitled to deal with all or any of the fractional entitlements of the Rights Shares and the Warrants D arising from the Proposed Rights Issue with Warrants, which are not validly taken up or which are not allotted for any reason whatsoever, in such manner and to such persons as the Board may in its absolute discretion deem fit and in the best interest of the Company (including without limitation to disregard such fractional entitlements altogether);

AND THAT this Ordinary Resolution constitutes specific approval for the issuance of securities in the Company contemplated herein which is made pursuant to an offer, agreement or option and shall continue in full force and effect until all Rights Shares, Warrants D and new Shares to be issued pursuant to or in connection with the Proposed Rights Issue with Warrants have been duly allotted and issued in accordance with the terms of the Proposed Rights Issue with Warrants.”

By Order of the Board

Chong Voon Wah (SSM PC No. 202008001343) (MAICSA 7055003)

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

Company Secretaries

Kuala Lumpur

Date: 23 February 2024

Notes:

1. *Only depositors whose names appear in the Record of Depositors as at 11 March 2024 shall be regarded as members and entitled to participate, speak and vote at the Extraordinary General Meeting (“EGM”).*
2. *A member entitled to participate and vote at the meeting is entitled to appoint a proxy to participate and vote in his stead. A proxy needs not be a member of the Company and a member may appoint any persons to be his proxy. A proxy appointed to participate and vote at a meeting of a company shall be entitled to vote on any question at any general meeting and have the same rights as the member to speak at the meeting.*
3. *A member shall be entitled to appoint more than two (2) proxies to participate and vote at the EGM. Where a member appoints more than two (2) proxies, the appointment shall be invalid unless the member specifies the proportions of his holding to be represented by each proxy.*
4. *Where a member is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.*
5. *Where a member of the Company is an Exempt Authorised Nominee which holds ordinary share in the Company for multiple beneficial owners in one (1) securities account (omnibus account), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*
6. *The instrument appointing a proxy and the power of attorney or other authority (if any), which it is signed or a notorially certified copy thereof, must be deposited at the Poll Administrator’s office of the Company, ShareWorks Sdn. Bhd. at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia or via facsimile no. 03-6201 3121 or via e-mail at ir@shareworks.com.my not less than 48 hours before the time appointed for holding the EGM 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.*
7. *Pursuant to Rule 8.31A of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolutions set out above will be put to vote by way of poll.*
8. *The EGM will be conducted virtually at the Broadcast Venue, the members are advised to refer to the Administrative Guide on the registration and voting process for the said meeting.*

Personal Data Privacy

By submitting the duly executed Proxy Form, the member and his/her proxy consent to the Company and/or its agents/service providers to collect, use and disclose the personal data therein in accordance with the Personal Data Protection Act 2010, for the purpose of the Extraordinary General Meeting of the Company and any adjournment thereof.



MLABS SYSTEMS BERHAD

Company Registration No. 200401014724 (653227-V)
(Incorporated in Malaysia)

ADMINISTRATIVE GUIDE FOR THE EXTRAORDINARY GENERAL MEETING

Day, Date and time of our EGM	: Monday, 18 March 2024 at 10:30 a.m. or at any adjournment thereof
Broadcast Venue	: Lot 4.1, 4 th Floor, Menara Lien Hoe, No. 8, Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor
Meeting Platform	: https://rebrand.ly/MLABS-EGM

1. MODE OF MEETING

The Extraordinary General Meeting of Mlabs Systems Berhad (“**Mlabs**” or “**Company**”) (“**EGM**”) will be conducted on a virtual basis held on a virtual basis and entirely via the Remote Participation and Voting (“**RPV**”) Facilities from the Broadcast Venue at Lot 4.1, 4th Floor, Menara Lien Hoe, No. 8, Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor.

The broadcast venue of the EGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016, whereby the main venue of the meeting shall be in Malaysia and the Chairman of the Meeting shall be present at the main venue of the Meeting. Shareholders/proxy(ies) from the public **NOT ALLOWED** to attend the EGM in person at the broadcast venue on the day of the meeting.

2. SHAREHOLDERS’ PARTICIPATION AT THE EGM VIA REMOTE PARTICIPATION AND VOTING (“**RPV**”) FACILITIES

Shareholders are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, “**participate**”) remotely at the EGM using the RPV facilities via <https://rebrand.ly/MLABS-EGM>.


A shareholder who has appointed a proxy or attorney or authorised representative to participate at this EGM via RPV facilities must request his/her proxy or attorney or authorised representative to register himself/herself for RPV at <https://rebrand.ly/MLABS-EGM>.

Shareholders are strongly encouraged to take advantage of the RPV Facilities to participate and vote remotely at the EGM. With the RPV Facilities, you may exercise your right as a member of the Company to participate (*including to pose questions to the Board of Directors (“**Board**”) and/or Management of the Company*) and vote at the EGM. Alternatively, you may also appoint the Chairman of the meeting as your proxy to attend and vote on your behalf at the EGM.

Details of the RPV Facilities are set out below.

3. PROCEDURES FOR RPV VIA RPV FACILITIES

Please read and follow the requirements and procedures below to engage in remote participation through live streaming and online remote voting at the EGM using the RPV facilities:-

Procedure	Action
BEFORE THE EGM DAY	
<p>(a) Register as a participant in the Virtual EGM</p> 	<ul style="list-style-type: none"> Using your computer, access to the website at https://rebrand.ly/MLABS-EGM. Click on the REGISTER link to register as a participant for the EGM. If you are using mobile devices, you can also scan the QR code provided on the left to access the registration page. Click REGISTER and enter your email, followed by NEXT to fill in your details to register for the EGM. Upon submission of your registration, you will receive an email notifying you that your registration has been received and is pending verification. The event is powered by Cisco Webex. You are recommended to download and install Cisco Webex Meetings (available for PC, Mac, Android, and iOS).
<p>(b) Submit your online registration to participate the EGM remotely</p>	<ul style="list-style-type: none"> Registration for the EGM is open from Friday, 23 February 2024 at 10:30 a.m. and the registration will be closed on Sunday, 17 March 2024 at 10:30 a.m. Shareholder(s) or proxy(ies) or corporate representative(s) or attorney(s) are required to pre-register their attendance for the EGM to ascertain their eligibility to participate the EGM using the RPV facilities. Clicking on the link will redirect you to the EGM event page. Click on the REGISTER link for the online registration form. Complete your particulars in the registration page. Your name MUST match your CDS account name <i>[not applicable to proxy(ies) or corporate representative(s) or attorney(s)]</i>. Kindly fill in the CDS account number and indicate the number of shares you hold. If you have more than one CDS account, please state the CDS account number and indicate the number of shares held separately with a comma (,). Read and agree to the Terms & Conditions and confirm the Declaration. Please review your registration and ensure all information given is accurate before you proceed to click SUBMIT to register for your remote participation. Failure to do so will result in your registration being rejected. System will send an e-mail to notify that your registration for remote participation is received and pending verification. After verification of your registration against the Record of Depositors as at 11 March 2024, the system will send you an e-mail after 12 March 2024 to approve or reject your registration for remote participation. <p><i>(Note: Please allow sufficient time for approval of the registration for the RPV.)</i></p>

Procedure		Action
ON THE DAY OF THE EGM		
(a)	Participating the Virtual EGM	<ul style="list-style-type: none"> Two reminder e-mails will be sent to your inbox. First reminder will be sent one day before the EGM day, while the second reminder will be sent an hour before the commencement of the EGM. Click JOIN EVENT in the reminder email for remote participation at the EGM at any time from 9:30 a.m., i.e. an hour before the commencement of the EGM on Monday, 18 March 2024 at 10:30 a.m. Please ensure you have downloaded and installed Cisco Webex Meetings application before attending the Virtual EGM.
(c)	Participate through Live Streaming	<ul style="list-style-type: none"> You will be given a short briefing on the RPV facilities. Your microphone will be muted throughout the whole session. If you have any question for the Chairman/ Board of Directors, you may use the Q&A PANEL to transmit your questions. The Chairman/ Board of Directors will endeavour to respond to relevant questions submitted by remote participants during the EGM. If there is time constraint, the responses will be e-mailed to you at the earliest possible, after the meeting. The meeting session will be recorded. Please note that the quality of the live streaming is dependent on the bandwidth and stability of the internet connection at your location.
(d)	Online Remote Voting	<ul style="list-style-type: none"> The Chairman of the Meeting will announce the commencement of the voting session and the end of the voting session of the EGM. A link to vote for the resolution(s) will be posted at the right-hand side of your computer screen under “chat”. You are required to access the link and to indicate your votes for the resolutions within the given stipulated time frame. Confirm and click the SUBMIT button upon completion to submit your votes. The decision of votes cannot be changed once it is submitted.
(e)	End of remote participation	<ul style="list-style-type: none"> Upon the announcement by the Chairman on the closure of the EGM, the live streaming will end.

4. ENTITLEMENT TO PARTICIPATE AND APPOINTMENT OF PROXY

Only members whose names appear on the Record of Depositors as at **11 March 2024** shall be eligible to participate in the EGM or appoint proxy(ies) or corporate representative(s) or attorney(s) and/or the Chairman of the Meeting to participate and vote on his/her behalf.

The hard copy of the proxy forms and/or documents relating to the appointment of proxy(ies) or corporate representative(s) or attorney(s) for the EGM must be deposited by hand or post with the Company’s Poll Administrator office at ShareWorks Sdn. Bhd. at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia, not later than **Sunday, 17 March 2024 at 10:30 a.m.**

All members are strongly encouraged to participate and vote remotely at the EGM using the RPV facilities. The procedures and requisite documents to be submitted by the respective members to facilitate remote participation and voting are summarised below:-

(I) For Individual Members

If an individual member is unable to participate the EGM, he/she is encouraged to appoint proxy(ies) or the Chairman of the Meeting as his/her proxy and indicate the voting instructions in the Proxy Form in accordance with the notes and instructions printed therein.

(II) For Corporate Members

Corporate members [through the appointment of Corporate Representative(s) or proxy(ies)] who wish to participate and vote remotely at the EGM, please contact the Company's Poll Administrator with the details set out below for assistance and is required to deposit the following documents to the Company's Poll Administrator no later than **Sunday, 17 March 2024 at 10:30 a.m.:-**

- (a) Certificate of appointment of its Corporate Representative or Proxy Form under the seal of the corporation;
- (b) Copy of the Corporate Representative's or proxy's MyKad (front and back)/Passport; and
- (c) Corporate Representative's or proxy's email address and mobile phone number.

If a corporate member [through the appointment of Corporate Representative(s) or proxy(ies)] is unable to participate the EGM, the corporate member is encouraged to appoint the Chairman of the Meeting as its proxy and indicate the voting instructions in the Proxy Form in accordance with the notes and instructions printed therein.

(III) For Institutional Members

The beneficiaries of the shares under a Nominee Company's CDS account ("Institutional member(s)") who wish to participate and vote remotely at the EGM may request its Nominee Company to appoint him/her as a proxy to participate and vote remotely at the EGM. The Nominee Company can contact the Company's Poll Administrator with the details set out below for assistance and is required to deposit the following documents to the Company's Poll Administrator no later than **Sunday, 17 March 2024 at 10:30 a.m.:-**

- (a) Proxy Form under the seal of the Nominee Company;
- (b) Copy of the proxy's MyKad (front and back)/Passport; and
- (c) Proxy's email address and mobile phone number.

If an institutional member is unable to participate the EGM, the institutional member is encouraged to appoint the Chairman of the Meeting as its proxy and indicate the voting instructions in the Proxy Form in accordance with the notes and instructions printed therein.

5. REVOCATION OF PROXY

Please note that if a Shareholder has submitted his/her Proxy Form prior to the EGM and subsequently decides to personally participate in the EGM via RPV facilities, the Shareholder must contact the Company's Poll Administrator to revoke the appointment of his/her proxy no later than **Sunday, 17 March 2024 at 10:30 a.m..**

6. VOTING AT MEETING

The voting at the EGM will be conducted on a poll in accordance with Rule 8.31A of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**"). The Company has appointed ShareWorks Sdn. Bhd. as the Poll Administrator to conduct the poll voting electronically. SharePolls Sdn Bhd as Independent Scrutineers to verify the poll results.

Shareholders can proceed to vote on the resolutions before the end of the voting session which will be announced by the Chairman of the Meeting and submit your votes at any time from the commencement of the voting session announced by the Chairman of the Meeting. Kindly refer to the "**Procedures for RPV via RPV Facilities**" provided above for guidance on how to vote remotely via the RPV facilities.

The Scrutineers will verify and announce the poll results followed by the Chairman's declaration whether the resolution tabled for voting is duly passed or otherwise.

7. RESULTS OF THE VOTING

The resolutions proposed at the EGM and the results of the voting for the same will be announced at the EGM and subsequently via an announcement made by the Company through Bursa Securities at www.bursamalaysia.com.

8. NO RECORDING OR PHOTOGRAPHY

By participating at the EGM, you agree that no part of the EGM proceedings may be recorded, photographed, stored in any retrieval systems, reproduced, transmitted or uploaded in any form, platform or social media or by any means whether it is mechanical, electrical, photocopying, recording or otherwise without the prior written consent of the Company. The Company reserves the rights to take appropriate legal actions against anyone who violates this rule.

9. NO DOOR GIFT/ ANY VOUCHER

There will be NO distribution of door gifts or any vouchers.

10. ENQUIRY

If you have any enquiries on the above, please contact the following designated persons during normal business hours on Mondays to Fridays (except on public holidays):-

(i) For Registration, logging in and system related:

Inshub Sdn Bhd

Name : Ms Eris/ Mr. Calvin
Contact No. : 03-7688 1013
Email : vgm@mlabs.com

(ii) For Proxy Form and other matters:

ShareWorks Sdn. Bhd.

Name : Mr. Kou / En. Taufiq
Contact No. : 03 – 6201 1120
Email : ir@shareworks.com.my



MLABS SYSTEMS BERHAD

Company Registration No. 200401014724 (653227-V)
(Incorporated in Malaysia)

PROXY FORM

Number of Shares Held	CDS ACCOUNT NO.										

*I/ We, _____ *NRIC/ Passport/ Company Registration No. _____

of _____

being *a member/ members of **MLABS SYSTEMS BERHAD**, hereby appoint the following person(s) as *my/our proxy:-

	Name of proxy & NRIC No. / Passport No. <i>(in capital letters)</i>	Address	Email address & Contact number	No. of ordinary shares (and %) represented by proxy
1.	_____	_____	_____	_____
2.	_____	_____	_____	_____

of failing *him/her, the Chairman of the Meeting as *my/our proxy to vote for *me/us on *my/our behalf at the Extraordinary General Meeting of the Company to be conducted on a virtual basis and entirely via the Remote Participation and Voting (“RPV”) Facilities from the Broadcast Venue at Lot 4.1, 4th Floor, Menara Lien Hoe, No. 8, Persiaran Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor via online meeting platform at <https://rebrand.ly/MLABS-EGM> on Monday, 18 March 2024 at 10:30 a.m. or at any adjournment thereof, and to vote as indicated below:

Resolutions	For	Against
Ordinary Resolution 1 - Proposed Share Consolidation		
Ordinary Resolution 2 - Proposed Rights Issue with Warrants		

Mark either box if you wish to direct the proxy how to vote. If no mark is made the proxy may vote on the resolutions or abstain from voting as the proxy thinks fit. If you appoint two proxies and wish them to vote differently this should be specified.

If you wish to appoint other person(s) to be your proxy/proxies, kindly delete the words “The Chairman of the Meeting” and insert the name(s) of the person(s) desired.

* *Delete if not applicable.*

Signed this..... day of 2024

Signature

(if shareholder is a corporation, this form should be executed under seal)

Notes:

- Only depositors whose names appear in the Record of Depositors as at 11 March 2024 shall be regarded as members and entitled to participate, speak and vote at the Extraordinary General Meeting (“EGM”).
- A member entitled to participate and vote at the meeting is entitled to appoint a proxy to participate and vote in his stead. A proxy needs not be a member of the Company and a member may appoint any persons to be his proxy. A proxy appointed to participate and vote at a meeting of a company shall be entitled to vote on any question at any general meeting and have the same rights as the member to speak at the meeting.
- A member shall be entitled to appoint more than two (2) proxies to participate and vote at the EGM. Where a member appoints more than two (2) proxies, the appointment shall be invalid unless the member specifies the proportions of his holding to be represented by each proxy.
- Where a member is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

5. *Where a member of the Company is an Exempt Authorised Nominee which holds ordinary share in the Company for multiple beneficial owners in one (1) securities account (omnibus account), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*
6. *The instrument appointing a proxy and the power of attorney or other authority (if any), which it is signed or a notorially certified copy thereof, must be deposited at the Poll Administrator's office of the Company, ShareWorks Sdn. Bhd. at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia or via facsimile no. 03-6201 3121 or via e-mail at ir@shareworks.com.my not less than 48 hours before the time appointed for holding the EGM 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.*
7. *Pursuant to Rule 8.31A of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolutions set out above will be put to vote by way of poll.*
8. *The EGM will be conducted virtually at the Broadcast Venue, the members are advised to refer to the Administrative Guide on the registration and voting process for the said meeting.*

Personal Data Privacy

By submitting the duly executed Proxy Form, the member and his/her proxy consent to the Company and/or its agents/service providers to collect, use and disclose the personal data therein in accordance with the Personal Data Protection Act 2010, for the purpose of the Extraordinary General Meeting of the Company and any adjournment thereof.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

MLABS SYSTEMS BERHAD

Registration No. 200401014724 (653227-V)

c/o **ShareWorks Sdn. Bhd.**

No. 2-1, Jalan Sri Hartamas 8

Sri Hartamas, 50480 Kuala Lumpur

Wilayah Persekutuan Kuala Lumpur

Malaysia

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