



MLABS SYSTEMS BERHAD

(Company No. 653227-V)

(Incorporated in Malaysia under the Companies Act, 1965)

- I. PUBLIC ISSUE OF 26,150,850 NEW ORDINARY SHARES OF RM0.10 EACH AT AN ISSUE PRICE OF RM0.55 PER ORDINARY SHARE PAYABLE IN FULL UPON APPLICATION COMPRISING:
 - 3,000,850 NEW ORDINARY SHARES OF RM0.10 EACH AVAILABLE FOR APPLICATION BY ELIGIBLE DIRECTORS, EMPLOYEES AND BUSINESS ASSOCIATES OF THE GROUP
 - 21,150,000 NEW ORDINARY SHARES OF RM0.10 EACH AVAILABLE BY WAY OF PRIVATE PLACEMENT TO IDENTIFIED PLACEES
 - 2,000,000 NEW ORDINARY SHARES OF RM0.10 EACH AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC
- II. OFFER OF EMPLOYEES' SHARE OPTION SCHEME OPTIONS IN THE COMPANY TO THE NON-EXECUTIVE DIRECTORS

IN CONJUNCTION WITH OUR LISTING ON THE MESDAQ MARKET OF BURSA MALAYSIA SECURITIES BERHAD

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH YOU SHOULD CONSIDER, SEE "RISK FACTORS" IN SECTION 4 OF THIS PROSPECTUS

Adviser, Sponsor, Underwriter and Placement Agent



ALLIANCE MERCHANT BANK

Alliance Merchant Bank Berhad (21605-D)

MLABS SYSTEMS BERHAD (653227-V)

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THIS PROSPECTUS IS DATED 27 MAY 2005

THE DIRECTORS AND PROMOTERS OF THE COMPANY HAVE SEEN AND APPROVED THIS PROSPECTUS AND THEY COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION IN THIS PROSPECTUS. THEY CONFIRM, AFTER MAKING ALL REASONABLE ENQUIRIES THAT, TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THERE ARE NO FALSE OR MISLEADING STATEMENTS OR OTHER FACTS WHICH, IF OMITTED, WOULD MAKE ANY STATEMENT IN THIS PROSPECTUS FALSE OR MISLEADING.

ALLIANCE MERCHANT BANK BERHAD ("ALLIANCE"), AS THE ADVISER, SPONSOR, UNDERWRITER AND PLACEMENT AGENT TO THE PUBLIC ISSUE (AS DEFINED HEREIN BELOW), ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS ON THE PUBLIC ISSUE.

THE SECURITIES COMMISSION ("SC") HAS APPROVED THE PUBLIC ISSUE. HOWEVER, THIS IS NOT AN INDICATION THAT THE SC RECOMMENDS THE PUBLIC ISSUE. BURSA MALAYSIA SECURITIES BERHAD ("SECURITIES EXCHANGE") HAS ALSO GRANTED ITS APPROVAL-IN-PRINCIPLE FOR THE LISTING OF OUR SHARES ON THE MESDAQ MARKET OF THE SECURITIES EXCHANGE. THE ADMISSION TO THE OFFICIAL LIST OF THE SECURITIES EXCHANGE IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF THE COMPANY, ITS SHARES, OR THE PUBLIC ISSUE.

THE SC AND THE SECURITIES EXCHANGE ARE NOT LIABLE FOR ANY NON-DISCLOSURE IN THIS PROSPECTUS BY THE COMPANY. THE SC ALSO TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS AND MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS. THE SC SHALL NOT BE LIABLE FOR ANY LOSS THAT YOU MAY SUFFER AS A RESULT OF YOUR RELIANCE ON THE WHOLE OR ANY PART OF THIS PROSPECTUS. **YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE PUBLIC ISSUE AND AN INVESTMENT IN MLABS SYSTEMS BERHAD. IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER BEFORE APPLYING FOR OUR SHARES.**

THIS PROSPECTUS HAS BEEN REGISTERED WITH THE SC. THIS PROSPECTUS AND THE ACCOMPANYING APPLICATION FORMS HAVE ALSO BEEN LODGED WITH THE REGISTRAR OF COMPANIES WHO TAKES NO RESPONSIBILITY FOR ITS CONTENTS.

YOU MAY OBTAIN A COPY OF THIS PROSPECTUS FROM THE WEBSITE OF THE SECURITIES EXCHANGE AT www.bursamalaysia.com.

YOU SHOULD NOT TAKE THE AGREEMENT BY THE UNDERWRITER TO UNDERWRITE THE PUBLIC ISSUE AS AN INDICATION OF THE MERITS OF OUR SHARES.

THE DISTRIBUTION OF THIS PROSPECTUS AND THE PUBLIC ISSUE ARE SUBJECT TO MALAYSIAN LAWS. THE COMPANY AND ITS ADVISERS TAKE NO RESPONSIBILITY FOR THE DISTRIBUTION OF THIS PROSPECTUS (IN PRELIMINARY OR FINAL FORM) OUTSIDE MALAYSIA. THE COMPANY AND ITS ADVISERS HAVE NOT TAKEN ANY ACTION TO PERMIT A PUBLIC ISSUE OF OUR SHARES BASED ON THIS PROSPECTUS OR THE DISTRIBUTION OF THIS PROSPECTUS OUTSIDE MALAYSIA. THIS PROSPECTUS MAY NOT BE USED FOR ANY OFFER TO SELL OR INVITATION TO BUY OUR SHARES IN ANY JURISDICTION OR IN ANY CIRCUMSTANCE IN WHICH SUCH AN OFFER OR INVITATION IS NOT AUTHORISED OR UNLAWFUL. THIS PROSPECTUS SHALL ALSO NOT BE USED TO MAKE AN OFFER OR INVITATION OF OUR SHARES TO ANY PERSON TO WHOM IT IS UNLAWFUL TO DO SO. THE COMPANY AND ITS ADVISERS REQUIRE YOU TO INFORM YOURSELF OF AND TO OBSERVE SUCH RESTRICTIONS.

THIS PROSPECTUS IS PREPARED AND PUBLISHED SOLELY FOR THE PUBLIC ISSUE IN MALAYSIA UNDER THE LAWS OF MALAYSIA. THE PUBLIC ISSUE SHARES (AS DEFINED HEREINBELOW) ARE OFFERED IN MALAYSIA SOLELY BASED ON THE CONTENTS OF THIS PROSPECTUS. THE COMPANY AND ITS ADVISERS HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION WHICH IS NOT CONTAINED IN THIS PROSPECTUS.

CHARACTERISTICS OF THE MESDAQ MARKET OF THE SECURITIES EXCHANGE:

YOU SHOULD BE AWARE THAT THE MESDAQ MARKET IS A DISTINCT MARKET FROM THE MAIN AND SECOND BOARDS IN MANY RESPECTS. IN PARTICULAR, COMPANIES LISTED ON THE MESDAQ MARKET ARE SUBJECT TO DIFFERENT QUANTITATIVE AND QUALITATIVE REQUIREMENTS, WHICH HAVE BEEN PRIMARILY DESIGNED TO ACCOMMODATE HIGH-GROWTH AND/OR TECHNOLOGY COMPANIES. COMPANIES THAT ARE LISTED ON THE MESDAQ MARKET MAY NOT HAVE AN OPERATING HISTORY OR ANY PROFIT RECORD PRIOR TO LISTING. AS SUCH, WHILST POTENTIAL INVESTMENT RETURNS MAY BE RELATIVELY HIGH, COMPANIES LISTED ON THE MESDAQ MARKET MAY BE OF HIGHER INVESTMENT RISK. THE REGULATORY PHILOSOPHY UNDERLYING THE MESDAQ MARKET IS THAT THE MARKET SHOULD BE ALLOWED TO DETERMINE THE MERITS OF THE SECURITIES/INSTRUMENTS IN A PARTICULAR COMPANY. HENCE, AS WITH ALL INVESTMENTS, YOU SHOULD BE AWARE OF ALL POTENTIAL RISKS IN INVESTING IN SUCH COMPANIES AND SHOULD MAKE THE DECISION TO INVEST AFTER DUE AND CAREFUL CONSIDERATION BY REFERRING TO, AMONGST OTHERS, THE PROSPECTUS, LATEST FINANCIAL STATEMENTS AND CORPORATE ANNOUNCEMENTS. IN THIS RESPECT, ADVICE FROM A SECURITIES PROFESSIONAL/ADVISER IS STRONGLY RECOMMENDED.

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INDICATIVE TIMETABLE

EVENT	INDICATIVE TIME AND DATE
Opening of applications	: 10.00 a.m. on 27 May 2005
Closing of applications	: 5.00 p.m. on 3 June 2005
Balloting	: 7 June 2005
Allotment of Shares	: 14 June 2005
Listing	: 15 June 2005

The Directors and Underwriter may mutually decide, at their absolute discretion, to extend the closing date and time for the applications to any later date or dates. If the date of the closing of applications is extended, the dates of the subsequent events would be extended accordingly. The Company will announce any extension of the date of closing of applications in a widely circulated English and Bahasa Malaysia newspaper not less than one (1) Market Day before the original date of the closing of applications.

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references to “Company” and “MLABS” are to MLABS Systems Berhad (653227-V); references to “Group” is to the Company and its subsidiary company; and references to “we”, “us”, “our” and “ourselves” are to the Company, and save where the context otherwise requires, and our subsidiary company. Unless the context otherwise requires, references to “Management” are to the Group’s Directors, key management and key technical personnel as at the date of this Prospectus, and statements as to our beliefs, expectations, estimates and opinions are those of our Management.

In this Prospectus, references to the “Government” are to the Government of Malaysia; and references to “RM” and “sen” are to the lawful currency of Malaysia. Any discrepancies in the tables between the amounts listed and the totals in this Prospectus are due to rounding. Abbreviations and acronyms used are defined in “Definitions” appearing after this section. Words denoting the singular only shall include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine gender and vice versa. Reference to persons shall include companies and corporations.

All reference to dates and times are references to date and times in Malaysia.

Any reference in this Prospectus to any enactment is a reference to that enactment as for the time being amended or re-enacted.

This Prospectus includes statistical data provided by the Management, the Independent Market Researcher and various third-parties and cites third-party projections regarding growth and performance of the industry in which the Group operates. This data is taken or derived from information published by industry sources and from the internal data. In each such case, the source is stated in this Prospectus, provided that where no source is stated, it can be assumed that the information originates from the Management. In particular, certain information in this Prospectus is extracted or derived from report(s) prepared by the Independent Market Researcher and various third-parties. The Management believes that the statistical data and projections cited in this Prospectus are useful in helping prospective investors understand the major trends in the industry in which the Group operates. However, neither the Management nor the advisers have verified these figures.

The Company and its advisers do not make any representation as to the correctness, accuracy or completeness of such data. You should not place undue reliance on the statistical data and third-party projections cited in this Prospectus. Third-party projections cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. The Management gives no assurance that the projected figures will be achieved. You should not place undue reliance on the third-party projections cited in this Prospectus.

The information on the Company’s website, or any website directly or indirectly linked to such websites does not form part of this Prospectus and you should not rely on it.

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FORWARD-LOOKING STATEMENTS

This Prospectus includes forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, plans and objectives of the Management for future operations are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, our performance or achievements, or industry results, to differ from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which the Group will operate in the future. Such forward-looking statements reflect the Management's current view with respect to the future events and are not a guarantee of future performance. Forward-looking statements can be identified by the use of forward-looking terminology such as the words "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "estimate", "aim", "plan", "forecast" or any other similar expressions and include all statements that are not historical facts. Such forward-looking statements include, but not limited to, statements in relation to:

- (i) demand for our products and services;
- (ii) our future plans, business strategies and objectives of the Management for future operations;
- (iii) our financial performance and position; and
- (iv) our future earnings, cash flows and liquidity.

Our actual results may differ materially from information contained in such forward-looking statements as a result of a number of factors beyond our control, including, but not limited to:

- (i) the economic, political and investment environment in Malaysia and globally; and
- (ii) Government policies, laws, legislations and regulations.

Additional factors that could cause our actual results, our performance or achievements to differ materially include, but not limited to, those discussed in Section 4 of this Prospectus. The Management cannot give any assurance that the forward-looking statements made in this Prospectus will be realised or achieved. Such forward-looking statements are made only as at the date of this Prospectus. The Management expressly disclaims any obligation or undertaking to release publicly any update or revision to any forward-looking statement contained in this Prospectus to reflect any change in the Management's expectations or any change in events, conditions or circumstances on which any such forward-looking statement is based.

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DEFINITIONS

The following terms shall apply throughout this Prospectus unless the term is defined otherwise or the context requires otherwise:

“Act”	:	The Companies Act, 1965
“ADA”	:	Authorised Depository Agent
“ADA Code”	:	ADA (Broker) Code
“Alliance”	:	Alliance Merchant Bank Berhad (21605-D)
“Application Form(s)”	:	Printed application form(s) for the application of the Public Issue Shares
“ATM(s)”	:	Automated Teller Machine(s)
“Audit Committee”	:	The Audit Committee of the Company
“Bursa Depository”	:	Bursa Malaysia Depository Sdn Bhd (formerly known as Malaysian Central Depository Sdn Bhd) (165570-W)
“By-Laws”	:	The By-Laws of the Company’s ESOS, as set out in Section 15 of this Prospectus
“CDS”	:	Central Depository System
“CDS Account”	:	An account established by Bursa Depository for a depositor for the recording of securities and for dealing in such securities by the depositor
“Central Depositories Act”	:	The Securities Industry (Central Depositories) Act, 1991
“Compquest”	:	Compquest Sdn Bhd (265056-U)
“EPS”	:	Earnings per share
“ESA”	:	Application of the Public Issue Shares through a Participating Financial Institution’s ATM
“ESOS”	:	Employees’ Share Option Scheme
“ESOS Option(s)”	:	The right to subscribe for new Shares upon acceptance of an Offer under the ESOS
“FIC”	:	Foreign Investment Committee
“GDP”	:	Gross domestic product
“Grantee”	:	Any eligible employee who has accepted the Offer of an ESOS Option in accordance with the By-Laws
“HK\$”	:	Hong Kong Dollar
“Infocredit D&B”	:	Infocredit D&B (Malaysia) Sdn Bhd (527570-M)
“Infocredit D&B Report”	:	Infocredit D&B’s Independent Market Research Report dated 14 April 2005
“Initial Grant”	:	The initial grant of ESOS Options for up to 3,000,000 of new Shares in conjunction with the listing of the Company on the MESDAQ Market

DEFINITIONS (Cont'd)

“Issu Price”	:	RM0.55 for each Public Issue Share
“Kenwin”	:	Kenwin Investment Limited (724292)
“LAT”	:	Loss after taxation
“Latest Practicable Date”	:	The latest practicable date prior to the issuance of this Prospectus which is on 13 May 2005
“LBT”	:	Loss before taxation
“Listing”	:	The admission to the official list of the Securities Exchange and the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company of RM10,215,700 comprising 102,157,000 Shares on the MESDAQ Market
“LPS”	:	Loss per share
“Malaysian Public”	:	All Malaysian citizens, companies or societies and Malaysian institutions excluding the Directors, substantial shareholders and persons connected or associated with them (as defined in the MMLR)
“Market Day”	:	Any day of which the Securities Exchange is open for trading of securities
“MDC”	:	Multimedia Development Corporation Sdn Bhd (389346-D)
“MESDAQ”	:	Malaysian Exchange of Securities Dealing & Automated Quotation Bhd
“MESDAQ Market”	:	The MESDAQ Market of the Securities Exchange
“MI”	:	Minority interest
“MGS”	:	Multimedia Super Corridor Research and Development Grant Scheme
“MLABS” or “Company”	:	MLABS Systems Berhad (653227-V)
“MLABS Group” or “Group”	:	MLABS and its subsidiary company, collectively
“MMLR”	:	Listing Requirements of the Securities Exchange for the MESDAQ Market
“MNC”	:	Multi-national company
“MSB”	:	Multimedia Research Lab Sdn Bhd (440527-H), a 100%-owned subsidiary company of MLABS
“MSB Acquisition”	:	Acquisition by the Company of the entire issued and paid-up share capital of MSB, comprising 5,000,000 ordinary shares of RM1.00 each in MSB for a total purchase consideration of RM7,600,613 fully satisfied by the issuance of 76,006,130 new Shares at par
“MSC”	:	Multimedia Super Corridor
“MVI”	:	MSC Venture One Sdn Bhd (482958-W)
“NAV”	:	Net asset value
“NBV”	:	Net book value

DEFINITIONS (Cont'd)

“NDP”	:	National Development Policy
“NRG”	:	Network Research Group, School of Computer Sciences, USM
“NTA”	:	Net tangible assets
“NTL”	:	Net tangible liabilities
“Offer”	:	An offer made in writing by the Option Committee to an eligible employee
“Option Committee”	:	The committee appointed by the Directors to administer the ESOS
“Participating Financial Institutions”	:	Participating financial institutions for ESA
“PAT”	:	Profit after taxation
“PBT”	:	Profit before taxation
“PE Multiple”	:	Price-earnings multiple
“Pink Form Shares”	:	The 3,000,850 Public Issue Shares representing approximately 2.94% of the enlarged issued and paid-up share capital of the Company which are reserved for application by eligible Directors, employees and business associates of the Group out of which 825,000 Public Issue Shares are reserved for the following Directors and key management and key technical personnel:

Name	Indicative number of Pink Form Shares allocated
Dr Sureswaran Ramadass	100,000
Vena A/P Jaganathan	100,000
Lim Soon Seng	100,000
Tan Sri Musa Bin Mohamad	100,000
Zaidi Bin Shamsuddin	100,000
Khairil Anuar Aziz	100,000
Wong Kin Thong	100,000
Dr Omar Amer Abouabdalla	50,000
Tan Chen Wei	50,000
Vanessa Sebastian	25,000
Total	825,000

“Promoters”	:	Dr Sureswaran Ramadass, Vena A/P Jaganathan, Lim Soon Seng and Compquest
“Public Issue” or “Issue”	:	The public issue of 26,150,850 new Shares representing approximately 25.60% of the enlarged issued and paid-up share capital of the Company, at the issue price of RM0.55 per Public Issue Share subject to the terms and conditions of this Prospectus

DEFINITIONS (Cont'd)

“Public Issue Share(s)”	:	The 26,150,850 new Shares to be issued pursuant to the Public Issue and subject to the terms and conditions of this Prospectus
“QC”	:	Quality Control
“R&D”	:	Research and Development
“ROC”	:	Registrar of Companies
“Rules”	:	Rules of the Bursa Depository
“SC”	:	Securities Commission
“Securities Exchange”	:	Bursa Malaysia Securities Berhad (635998-W)
“SGD”	:	Singapore Dollar
“Share(s)” or “MLABS Share(s)”	:	Ordinary share(s) of RM0.10 each in MLABS
“USA” or “US”	:	United States of America
“USD”	:	United States Dollar(s)
“USM”	:	Universiti Sains Malaysia

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ABBREVIATED TECHNICAL TERMS

“AI3”	:	Asian Internet Interconnection Initiatives
“AMMCS”	:	Advanced Mobile Multimedia Conferencing System
“APAN”	:	Asia Pacific Advanced Network Consortium
“ASP”	:	Application Service Provider(s)
“ICT”	:	Information and Communications Technology
“ID”	:	Identity
“Internet”	:	A global computer network of interconnected commercial, educational and governmental networks that utilise a common communications protocol
“ISDN”	:	Integrated Services Digital Network
“ISP”	:	Internet Service Provider(s)
“IT”	:	Information Technology
“LAN”	:	Local Area Network
“M2M”	:	Multipoint-to-multipoint
“MCS”	:	Multimedia Conferencing System
“MLIC”	:	MultiLAN Internet Protocol Converter
“MMCS”	:	Military Multimedia Conferencing System
“PC”	:	Personal computer
“PSTN”	:	Public Switch Telephone Network
“RSW”	:	Real Time Switching
“UDP”	:	Dynamic User Datagram Protocol
“WAN”	:	Wide Area Network
“3G”	:	Third Generation (Wireless) Mobile Network
“4G”	:	Fourth Generation (Wireless) Mobile Network

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